

**BORDER TIMBERS LIMITED (UNDER FINAL JUDICIAL MANAGEMENT)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Border Timbers Limited (Under Final Judicial Management)
Financial statements
For the year ended 30 June 2019

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Border Timbers Limited 2019 (Under Final Judicial Management)
Company Financial Highlights
As at 30 June 2019

	2019	2018
	RTGS\$	RTGS\$
Statement of Profit or Loss and other Comprehensive Income		
Revenue	38 418 978	21 300 577
Net finance cost	(2 024 520)	(1 303 959)
Profit/(loss) before tax	270 852 707	(14 598 769)
Total comprehensive income/(loss) for the year	350 155 197	(8 362 129)
Statement of Financial Position		
Equity attributable to owners of the parent	406 702 898	57 944 128
Cash and cash equivalents	3 572 927	2 231 435
Borrowings	58 297 413	22 330 738
Statement of Cash Flows		
Net increase in cash and cash equivalents	1 341 492	557 028
Ordinary Share Performance		
Basic earnings/(loss) per share (cents)	4.62	(0.19)
Market price per share at 30 June (RTGS\$)	0.20	0.20
Shares in issue (number)	42 942 487	42 942 487
Other		
Profit/ (loss) before tax on total assets	46%	(14.6%)
Total comprehensive income/(loss) for the year return on shareholder's equity	86%	(14.4%)
Net asset value per share (RTGS\$)	9.17	1.35
Debt to equity	14.79%	38.54%
Current ratio	2.33	1.91
Equity: total assets	68%	58%
Debt service coverage ratio	11.76	(1.43)
Borrowings/profit /(loss)before tax depreciation and amortisation	0.21	(1.64)
Interest cover	138.98	0.1
Number of employees	589	508
Value added per employee (RTGS\$)	57 215	16 461
Annual employment cost per employee (RTGS\$)	9 008	7 743

Border Timbers Limited(Under Final Judicial Management)
Statutory Information
As at 30 June 2019

Directors	E Hwenga H B A J von Pezold R W J Strong E Kuhn* L Karimanzira* T Hoegh C Ravizza S Mattison E Mlambo M Manga	(Chairman) (Deputy Chairman) (Resigned 04 September 2019) (Non-Executive Director) (Managing Director) (Finance Director) (Non-Executive Director) (Resigned 12 January 2022) (Non-Executive Director) (Non-Executive Director) (Resigned 15 December 2018) (Non-Executive Director) (Resigned 15 February 2019) (Non-Executive Director) (Resigned 09 January 2019)
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**Executive*

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

Secretary	M.B. Narotam
Independent Auditor	Deloitte & Touche (Zimbabwe)
Attorneys	Henning Lock Donagher and Winter Honey & Blackenberg Maunga Maanda and Associates Wintertons Legal Practitioners Baker & McKenzie LLP Kantor & Immerman Legal Practitioners Fairbridges Wertheim Becker Tandiri Law Chambers
Registered Office	4-12 Paisley Road, Southerton Harare Zimbabwe
Bankers	Ecobank Zimbabwe Limited Stanbic Bank Limited Nedbank Zimbabwe Limited ZB Bank Limited CBZ Bank Limited
Postal Address	P.O. Box ST 629 Southerton Harare

Border Timbers Limited (Under Final Judicial Management)
Final Judicial Manager's Responsibility
AS AT 30 JUNE 2019

The Final Judicial Manager is required by the Companies and other Business Entities Act of Zimbabwe (Chapter 24:31) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit and cash flows for the year. In preparing the accompanying financial statements, generally accepted accounting practices have been followed. Appropriate accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The re-introduction of a local currency as the sole legal tender for domestic transactions resulted in a change in functional and presentation currency from US Dollars presented for the prior year to RTGS Dollar (RTGS\$) for the current year. The financial statements for 2019 are therefore presented in RTGS\$ while comparative numbers for 2018 were converted to RTGS\$ at a rate of 1:1 in compliance with SI 33 of 2019. The financial statements are prepared with the objective of complying fully with International Financial Reporting Standards ("IFRS").

IAS 21 generally requires the use of a spot exchange rate when an entity reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. A spot exchange rate is the exchange rate for immediate delivery. IAS 21 specifies the exchange rate to use in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking. However, IAS 21 does not specify what an entity is required to do when a lack of exchangeability is not temporary. The IASB's proposed amendments to IAS 21 would help companies identify if this situation applies to them and the accounting to apply when it does. The absence of guidance in IAS 21 when there is longer-term lack of exchangeability resulted in different accounting treatment for similar items resulting in reduced comparability of financial performance and status of entities.

In opinion, because of the significance of the matter highlighted above, the financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of IAS 21. The requirement to comply with Government legislation (SI 33 of 2019) presented challenges in terms of compliance with IFRSs due to an inconsistency with IAS 21 and this was alluded to by PAAB in their guidance issued on the 21st of March 2019. This has resulted in accounting treatment being adopted in the 2019 financial statements, which is different from that which would have been adopted if the Company had been able to fully comply with IFRSs.

The Final Judicial Manager has satisfied himself that the Company is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he is satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Final Judicial Manager recognises and acknowledges his responsibility for the Company's systems of internal financial control. The Company maintains internal controls and systems that are designed to safeguard the assets of the Company, prevent and detect errors and fraud and ensure the completeness and accuracy of the Company's records.

Preparer of Financial Statements

The financial statements were prepared by the Company's finance department under the supervision of the Finance Director, Lysius Karimanzira (ACCA) Membership No. 0847709.

Approval of Financial Statements

The Final Judicial Manager approved the material content of the financial statements for the financial year ended 30 June 2021 together with the financial statements for the financial years ending 30 June 2018 to 30 June 2020 during his tenure as Final Judicial Manager. The Company exited judicial management on 9 March 2022 prior to the completion of the audit opinion. The financial statements for the year ended 30 June 2021, which appear on pages 13 to 69, are signed by the former Final Judicial Manager in acknowledgment of his responsibility for the same during his tenure and are issued after his tenure under the authority of the Board of Directors:



PETER L BAILEY
FORMER FINAL JUDICIAL MANAGER

11 April 2022



LYSIUS KARIMANZIRA
FINANCE DIRECTOR

11 April 2022

Border Timbers Limited (Under Final Judicial Management)
Final Judicial Manager's Report
As at 30 June 2019

The following statutory information is provided.

Authorised and issued share capital

Details of the authorised and issued share capital at 30th June 2019 are included in Note 10 to the Company's financial statements.

Reserves

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

Results for the year

The results of the performance of the Company are shown in the statement of profit or loss and other comprehensive income.

Borrowing facilities

Article 86 of the Company's Articles of Association provides that the Company may from time to time, at the discretion of the Directors and FJM (during judicial management), borrow, raise or source borrowings up to half the value of the shareholders equity as reflected in the Statement of Financial Position. This limit may only be exceeded with the sanction of an ordinary resolution of the Company.

Directors

The following are the members of the Board of Directors which was suspended due to the Company being placed under judicial management and therefore did not serve during the year:

E Hwenga	Chairman	Appointed as Chairman of the board on 26 March 2014.
E Kuhn	Director	Appointed 1 January 2013
HBAJ von Pezold	Director	Appointed 29 December 1993 (Resigned 04 September 2019)
T Hoegh	Director	Appointed 15 November 2018 (Resigned 12 January 2022)
C Ravizza	Director	Appointed 15 November 2018
RWJ Strong	Director	Appointed 26 March 2014
L Karimanzira	Director	Appointed 1 June 2017
G Youngs	Director	Appointed 12 January 2022
B Ncube	Director	Appointed 12 January 2022
S Hammond	Director	Appointed 12 January 2022
S Mattinson	Director	Appointed 26 June 2013 (Resigned 15 December 2018)
E Mlambo	Director	Appointed 26 June 2013 (Resigned 15 February 2019)
M Manga	Director	Appointed 25 September 2014 (Resigned 09 January 2019)

Directors' emoluments for salaried Directors paid during the year was RTGS\$890 361 (2018: RTGS\$474 106).

Going concern

The Final Judicial Manager has satisfied himself that the Company is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he is satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements. However, He draws your attention to Note 29 relating to the going concern status of the Company regarding the awarding of the Border Award.

Independent Auditor

The Final Judicial Manager is responsible for the approval of the Auditor's remuneration for the past audit and the appointment of Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) as independent auditor of the financial statements of Company for the ensuing year.



PETER L BAILEY
FORMER FINAL JUDICIAL MANAGER

11 April 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

Opinion

We have audited the financial statement of Border Timbers Limited (the "Company"), set out on pages 13 to 69, which comprise statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies. In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the financial statements do not present fairly, the financial position of the Company as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies and other Business Entities Act of Zimbabwe (Chapter 24:31).

Basis of Adverse Opinion

Non-compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates"

The Company transacted using a combination of United States Dollars (USD), bond notes and bond coins.

Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates."



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

Basis of Adverse Opinion (continued)

Non-compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" (continued)

As a result of these factors the Final Judicial Manager performed an assessment on the functional currency of the Company in accordance with IAS 21 and acknowledged that the functional currency of the Company is no longer USD.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

The Final Judicial Manager used the same date to effect the change in functional currency. Because the Company transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/19 results in material misstatement to the financial performance and cash flows of the company, as transactions denominated in USD were not appropriately translated during that period.

In addition, certain foreign denominated liabilities were translated into RTGS Dollar (RTGS\$) at a different closing exchange rate at year end, based on the rate of their expected settlement.

Had the Company applied the requirements of IAS 21, many of the elements of the accompanying financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the financial statements of this departure have not been determined.

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

Material uncertainty related to going concern

We draw attention to Note 29 in the financial statements, which indicates that the Company was given an award by the ICSID Arbitration Tribunal in the matter of expropriated land by the Government of Zimbabwe (the "Government"). The Government should restitute the land, failing which a compensation should be paid. Failing restitution of the land, the Company will have to implement a new business model for which, at this stage, there is uncertainty around this business model and the success and sustainability of that business model beyond the 12 months after date of approval of these financial statements for issue. These events or conditions, along with other matters as set forth in Note 29, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section of our report we have determined the matters described below to be the key audit matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

Key Audit Matters (continued)

Key Audit Matter	How the matter was addressed in the audit
1. Valuation of biological assets – Standing timber	
<p>The Company is required to value its standing timber at fair value in accordance with IAS 41 “Agriculture” (“IAS 41”).</p> <p>As disclosed in Note 6 of these financial statements, the fair value of the standing timber amounted to RTGS\$362.9 million (2018: RTGS\$ 57.4 million). The value of standing timber is based on the following inputs;</p> <ul style="list-style-type: none"> • estimated growth rates ; • stand density or tree per hectare; • diameter class distribution; • diameter height relationships; and • estimated market price per cube meter • estimated volumes based on archived enumeration data • <p>Accordingly, the valuation of standing timber is a key audit matter due to the significance of the balance to the financial statements, combined with the multiple judgements associated with determining estimates used to compute the fair value.</p>	<p>To test the fair value of the standing timber we performed audit procedures that included but were not limited to the following:</p> <ul style="list-style-type: none"> • Assessed the Company's selection of the valuation methodologies, evaluating the methods and significant assumptions used by the Company; • Evaluated whether the valuation criteria used by management complies with the requirements of IAS 41; • Tested the design and implementation of monitoring controls and relevant controls with respect to the process of determining fair values for the biological assets; • Evaluated the completeness and accuracy of the underlying key data inputs underpinning the fair value of standing timber to assess the reasonability of the significant assumptions and estimates made by management; • Involved our valuation specialists to assist with our evaluation of the methodologies used by the Company and significant assumptions included in the valuation; • Compared the significant assumptions to market and economic trends, and compared the overall fair value of the standing timber; • Performed sensitivity analyses on the valuation of standing timber to evaluate the extent of impact on the fair value of the estimated timber volumes; • Assessed the reliability of management’s forecasts used in the valuation of standing timber through a comparison of the actual results in the current year against previous forecasts made; and • Reviewed the financial statement disclosures for appropriateness and adequacy.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

Key Audit Matters (continued)

Key audit matter	How the matter was addressed
2. Valuation of property, plant and equipment	
<p>As set out in note 5 of the financial statements, the Company has property, plant and equipment amounting to RTGS\$ 199.1million (2018: RTGS\$ 31.5million).</p> <p>Management's make use of independent external valuers in determining the fair values of property, plant and equipment. Valuations by their nature require the use of judgment and estimates which involve significant unobservable inputs such as</p> <ul style="list-style-type: none"> - Market rentals - Risk yields - Market values <p>The complexity and subjectivity of these estimates may result in material misstatement. The current economic environment is extremely volatile given the valuation intricacies impacting property in the Zimbabwean market. We identified the valuation of property, plant and equipment as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair values.</p>	<p>To assess the valuation of property, plant, and equipment, we performed procedures that included but were not limited to:</p> <ul style="list-style-type: none"> • We assessed the competence, capabilities, objectivity, and independence of the management's independent valuers, and assessed their qualifications. • We made enquiries of the management's independent external valuers to obtain an understanding of the valuation techniques and judgements adopted. • We assessed the work performed by the independent external valuers in valuing of property, plant and equipment by performing the following: <ul style="list-style-type: none"> - Reviewed the work performed by management's expert in valuing land and buildings at year end; - Assessed the reasonableness and rationale of the key assumptions made and inputs applied; and - Evaluated the valuation methods used and assessed them for consistency with the reporting requirements; • Reviewed the financial statement disclosures for appropriateness and adequacy.

Other Information

The Final Judicial Manager is responsible for the other information. The other information comprises the notice of annual general meeting, company financial highlights, final judicial manager's report, company annual performance analysis and analysis of shareholders for the year ended 30 June 2019 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Company changed its functional currency to the RTGS Dollar effective 22 February 2019. The date of change in functional currency as determined in accordance with IFRS is 1 October 2018. Consequently, the USD transactions between the period 1 October 2018 to 22 February 2019 do not comply with the requirements of IAS 21 as they have not been appropriately translated. We have determined that the other information is misstated for that reason.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

Responsibilities of the Final Judicial Manager for the Financial Statements

The Final Judicial Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of Companies and other Business Entities Act of Zimbabwe (Chapter 24:03) and for such internal control as the Final Judicial Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Final Judicial Manager is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Final Judicial Manager either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Final Judicial Manager.
- Conclude on the appropriateness of the Final Judicial Manager's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BORDER TIMBERS LIMITED (Under Final Judicial Management)**

We communicate with the Final Judicial Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Final Judicial Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Final Judicial Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Charity Mtwazi.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Charity Mtwazi
Partner
PAAB Practice Certificate Number 0585

15 April 2022

Border Timbers Limited (Under Final Judicial Management)
Statement of financial position
As at 30 June 2019

	Notes	2019 RTGS\$	2018 RTGS\$
ASSETS			
Non-current assets			
Property, plant and equipment	5	199 091 257	31 543 512
Biological assets	6	329 804 769	50 722 261
Total non- current assets		<u>528 896 026</u>	<u>82 265 773</u>
Current assets			
Biological assets	6	33 189 464	6 713 157
Inventories	7	10 370 884	4 155 422
Trade and other receivables	8	8 986 146	4 565 473
Cash and cash equivalents	9	3 572 927	2 231 435
Total current assets		<u>56 119 421</u>	<u>17 665 487</u>
TOTAL ASSETS		<u>585 015 447</u>	<u>99 931 260</u>
EQUITY			
Share capital	10	429 425	429 425
Non distributable reserve	11	90 455 727	90 455 727
Revaluation reserve		152 118 994	368 589
Retained earnings/ (accumulated loss)		163 698 752	(33 309 613)
Total equity		<u>406 702 898</u>	<u>57 944 128</u>
LIABILITIES			
Non-current liabilities			
Long term borrowings	12	55 249 354	21 244 542
Deferred tax	13	99 131 098	11 476 756
Total non- current liabilities		<u>154 380 452</u>	<u>32 721 298</u>
Current liabilities			
Trade and other payables	14	20 884 038	8 179 637
Short term borrowings	12	3 048 059	1 086 196
Total current liabilities		<u>23 932 097</u>	<u>9 265 833</u>
Total liabilities		<u>178 312 549</u>	<u>41 987 131</u>
TOTAL EQUITY AND LIABILITIES		<u>585 015 447</u>	<u>99 931 260</u>



PETER L BAILEY
FORMER FINAL JUDICIAL MANAGER

11 April 2022



LYSIUS KARIMANZIRA
FINANCE DIRECTOR

11 April 2022

Border Timbers Limited (Under Final Judicial Management)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Notes	2019 RTGS\$	2018 RTGS\$
Revenue		38 418 978	21 300 577
Cost of sales		(19 113 622)	(17 656 274)
Gross profit		19 305 356	3 644 303
Other income	16	110 766	1 266 874
Selling and distribution expenses		(4 268 572)	(2 221 917)
Administration expenses		(26 977 694)	(5 361 919)
Other expenses	16	(32 082 773)	(875 532)
Fair value gain/(loss) due to biological assets transformation	6	316 790 144	(9 746 619)
Finance income	19	17 593	45 106
Finance costs	19	(2 042 113)	(1 349 065)
Profit/ (loss) before tax		270 852 707	(14 598 769)
Income tax (expense)/credit	20	(72 447 915)	6 162 390
Profit/ (loss) for the year		198 404 792	(8 436 376)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Gain on revaluation of property, plant and equipment		167 441 085	100 000
Effect on deferred tax		(15 690 680)	(25 750)
Total other comprehensive income		151 750 405	74 250
Total comprehensive income / (loss) for the year		350 155 197	(8 362 129)
Total comprehensive income/(loss) for the year attributable to:			
-Owners of the parent		350 155 197	(8 362 129)
-Non-controlling interests		-	-
		350 155 197	(8 362 129)
Earnings/(loss) per share attributable to the owners of the parent (cents per share)			
Basic earnings/ (loss) per share		4.62	(0.19)
Diluted earnings/(loss) per share		4.62	(0.19)

Border Timbers Limited (Under Final Judicial Management)
Statement of changes in equity
For the year ended 30 June 2019

	Share capital RTGS\$	Non distributable reserves RTGS\$	Revaluation reserve RTGS\$	Retained earnings/ (Accumulated loss) RTGS\$	Total RTGS\$
Year ended 30 June 2018					
Balance as at 1 July 2017	429 425	90 455 727	294 339	(24 873 234)	66 306 257
Loss for the year	-	-	-	(8 436 379)	(8 436 379)
Other comprehensive income net of tax	-	-	74 250	-	74 250
Balance as at 30 June 2018	429 425	90 455 727	368 589	(33 309 613)	57 944 128
Year ended 30 June 2019					
Balance as at 1 July 2018	429 425	90 455 727	368 589	(33 309 613)	57 944 128
Restatement of opening balances (IFRS 9 transition)	-	-	-	(1 396 427)	(1 396 427)
Restated balance as at 1 July 2018	429 425	90 455 727	368 589	(34 706 040)	56 547 701
Profit for the year	-	-	-	198 404 792	198 404 792
Other comprehensive income net of tax	-	-	151 750 405	-	151 750 405
Balance as at 30 June 2019	429 425	90 455 727	152 118 994	163 698 752	406 702 898

Border Timbers Limited (Under Final Judicial Management)
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 RTGS\$	2018 RTGS\$
Cash flow from operating activities			
Profit/(loss for the year		270 852 707	(14 598 769)
Adjustment for:			
- Depreciation	5	951 867	983 880
- Fair value gain/(loss) due to biological assets transformation	6	(316 790 144)	9 746 619
- Plantation redemption	6	6 738 303	7 022 980
- Fire loss	6	8 948 190	525 818
- Movement in allowance for credit losses	8	14 124 820	544 651
- Profit on disposal of property, plant and equipment	16.2	(82 466)	(54 109)
- Impairment of property, plant and equipment	16.1	-	450 206
- Exchange losses	16.1	32 082 773	100 619
- Finance income	19	(17 593)	(45 106)
- Finance costs	19	2 042 113	1 349 065
		<hr/>	<hr/>
		18 850 570	5 543 931
Changes in working capital			
- Increase in inventories		(6 215 462)	(598 096)
- (Increase) / decrease in trade and other receivables		(16 191 340)	1 383 821
- Increase / (decrease) in trade and other payables		12 704 401	(2 328 847)
		<hr/>	<hr/>
Net cash generated from operating activities		9 148 169	4 000 809
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(1 453 229)	(274 083)
Expenditure on biological assets	6	(4 455 164)	(2 085 652)
Proceeds from sale of property, plant and equipment		477 168	-
Interest received	19	17 593	45 106
		<hr/>	<hr/>
Net cash used in investing activities		(5 413 632)	(2 314 629)
Cash flows from financing activities			
Repayments of borrowings		(1 764 306)	(336 257)
Interest paid	19	(628 739)	(792 895)
		<hr/>	<hr/>
Net cash used in financing activities		(2 393 045)	(1 129 152)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		1 341 492	557 028
Cash and cash equivalents at the beginning of the year		2 231 435	1 674 407
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year	9	3 572 927	2 231 435
		<hr/>	<hr/>

Border Timbers Limited (Under Final Judicial Management)
Notes to The Financial Statements
For the year ended 30 June 2019

1 CORPORATE INFORMATION

Border Timbers Limited ("the Company"), under Final Judicial Management, is a limited liability public company incorporated and domiciled in Zimbabwe whose shares are publicly traded. The ultimate holding parent of the company is Rift Valley Corporation Limited, a company incorporated in Jersey, Channel Islands. Border Timbers Limited grows and mills timber from managed plantations for production of poles and other timber products.

The financial statements of Border Timbers Limited (Under Final Judicial Management) for the year ended 30 June 2019 were prepared during the period of final judicial management and signed for issue on 11 April 2022 by Mr. Peter L Bailey, the former Final Judicial Manager ("FJM") under the authority of the Board of Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of compliance

While full compliance with the International Financial Reporting Standards (IFRS) was achieved in previous reporting periods, only partial compliance was achieved for the year ended 30 June 2019 as a result of non-compliance with International Accounting Standard 21 – The Effects of changes in foreign exchange rates (IAS 21). The financial statements have been prepared in compliance with Zimbabwe Companies Act (Chapter 24:03) and the relevant statutory instruments (SI33/99) and SI62/96).

2.1.2 Basis of measurement

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

2.1.3 Currency for reporting

The financial statements are presented in RTGS dollars (RTGS\$), which became the functional currency of the Company as from 22 February 2019.

In February 2019, the Government issued Statutory Instrument 33 of 2019 (SI33/19), which directed that all assets and liabilities that were in United States Dollars (US\$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently RTGS\$ as of 24 June 2019) at a rate of 1:1 to the US\$. The financial reporting and auditing guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21.

The Company has reported transactions relating to the period 1 July 2018 to 22 February 2019 in the statement of profit or loss and other comprehensive income on a 1:1 basis in compliance with SI33 of 2019 and in recognition of the multiple exchange rates that were imputed in commercial transactions. The statement of financial position was translated as at 22 February 2019, at the commencement RTGS\$ rate of 2.5 to the US\$ and the resultant increase in net assets of RTGS\$23 million is recorded as a non-distributable currency translation reserve. All transactions post this date are translated to RTGS\$ in accordance with IAS21 at the official interbank rate prevailing at the time of transacting.

The functional currency of the Company changed in the current year to RTGS\$ from US\$ in the previous year as a consequence of the above. The Company also changed its presentation currency to RTGS\$. Financial statements for the year ended 30 June 2019 are presented in RTGS\$. Comparative information was translated to RTGS\$ using a rate of 1:1, in line with the legally prescribed parity between bond notes, coins and RTGS balances of 1:1 for that period.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.4 Going concern

The FJM has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements (refer to note 29).

2.2 New and revised International Financial Reporting Standards (IFRSs)

2.2.1 New standards, amendments and interpretations effective mandatorily effective for the current year

Impact of initial application of IFRS 9: Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Company has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of the new requirements and their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets.

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 July 2018 have not been restated.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:
 - the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
 - the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs)

2.2.1 New standards, amendments and interpretations effective mandatorily effective for the current year

Impact of initial application of IFRS 9: Financial Instruments (continued)

(a) Classification and measurement of financial assets (continued)

In the current year, the Company has no debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

The FJM of the Company reviewed and assessed the Company's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- Financial assets and financial liabilities were measured at amortised cost under IAS 39 (Financial Instruments: Recognition and Measurement) continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Trade receivables ;
- (2) Staff loans;
- (3) Finance lease receivables and;
- (4) Other receivables

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings:

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.1 New standards, amendments and interpretations effective mandatorily effective for the current year (continued)

Impact of initial application of IFRS 9: Financial Instruments

e) Impact of adopting IFRS 9

	RTGS\$
Accumulated losses as at 30 June 2018	33 309 613
Recognition of expected credit losses	1 880 710
Related deferred tax adjustment	(484 283)
	<hr/>
Restated accumulated loss as at 1 July 2018	34 706 040
	<hr/>

The standard affected the classification and measurement of financial assets held as at 1 July 2018 as follows:

	IAS 39		IFRS 9	
	Measurement Category	Carrying amount RTGS\$	Measurement Category	Carrying amount RTGS\$
Financial Assets				
Trade and other receivables (note 23)	Loans and receivables	4 561 681	Amortised cost	4 561 681
Cash and bank balances	Loans and receivables	2 331 435	Amortised cost	2 331 435
Financial Liabilities				
Borrowings	Amortised cost	22 330 738	Amortised cost	22 330 738
Trade and other payables (note 23)	Amortised cost	5 654 158	Amortised cost	5 654 158

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon translation to IFRS 9 on 1 July 2018:

	IAS 39 carrying amount 30 June 2018 RTGS\$	Reclassification	Remeasurement RTGS	IFRS 9 carrying amount 1 July 2018 RTGS\$
Financial assets				
Trade and other receivables (note 23)	4 561 681	-	(1 880 710)	2 680 971
Cash and bank balances	2 331 435	-	-	2 331 435
Financial liabilities				
Borrowings	22 330 738	-	-	22 330 738
Trade and other payables (note 23)	5 654 158	-	-	5 654 158

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.1 New standards, amendments and interpretations effective mandatorily effective for the current year (continued)

Impact of application of IFRS 15: Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and the financial performance of the Company.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Impact

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency. The FJM of the Company assessed that the new and revised IFRS have no material impact on the financial statements. IFRS 12: Disclosure of interests in other entities - clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5: Noncurrent Assets Held for Sale and discontinued Operations.

The FJM of the Company assessed that the new and revised IFRS have no material impact on the financial statements.

IFRS 12: Disclosure of interests in other entities - clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5: Noncurrent Assets Held for Sale and discontinued Operations.

The FJM of the Company assessed that the new and revised IFRS have no material impact on the financial statements.

2.2.2 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective nor applied by the Company:

IFRIC 23: Uncertainty over income tax treatments.

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively - Assumptions for taxation authorities' examinations - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates - The effect of changes in facts and circumstances. (Applicable to annual reporting periods beginning on or after 1 January 2019).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New and revised International Financial Reporting Standards (IFRSs) (continued)

2.2.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 16: Leases

IFRS 16 addressed issues raised by users on the need to record operating lease assets and related depreciation and interest expense. Previously, the operating lease contracts were recorded off balance sheet, with the lease payments being straight lined over the lease period. The scope of IFRS 16 includes leases of all assets with certain exceptions. A lessee can choose to apply the standards using either a full retrospective or a modified retrospective approach. The standard's transition provision to meet certain release. Early application is permitted but not before an entity applies IFRS 15. (Effective for annual periods beginning on or after 1 January 2019).

IFRS 3: Business combinations.

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. (Effective for annual periods beginning on or after 1 January 2020).

IAS 1: Presentation of financial statements and IAS 8: Accounting policies, Changes in Accounting Policies and Errors amendments – Definition of material.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. (Effective for annual periods beginning on or after 1 January 2020).

IFRS 9: Financial instruments amendments – Prepayment features with negative compensation.

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. (Effective for annual periods beginning on or after 1 January 2019).

Management have done an initial assessment of these standards on the future financial statements and have determined that these will not have a material impact on the financial statements of the Company.

2.2 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-maker. The Chief Operating Decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Final Judicial Manager, who makes all operational and strategic decisions.

2.3 Foreign Currency Translation

2.3.1 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in 'Zimbabwean dollars' ("RTGS\$"), the Company's functional is RTGS\$.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign Currency Translation (continued)

2.3.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'other operating expenses.

2.4 Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. Cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of property plant and equipment is recognised in profit or loss to the extent it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of property plant and equipment.

Capital work in progress comprises assets pending installation and not yet ready for intended use. Assets are transferred from capital work in progress to the relevant classes at the date they are available for the intended use. Capital work-in-progress is carried at cost.

Depreciation on other assets is accumulated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

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

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

Depreciation on revalued property plant and equipment is recognised in profit or loss. On the subsequent sale or retirement of revalued items of property plant and equipment, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposals or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on the disposals or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Biological assets

Financial value of plantations is estimated at fair value. In measuring fair value of the plantation, assumptions are made which relate to the market prices, age and yields of standing timber. Trees are generally felled at the optimum age i.e. age when ready for intended use. At the time the tree is felled it is taken out of biological assets and accounted for under inventory. Fair value for standing timber is determined based on market prices. Changes in the carrying value of the biological asset are taken directly to the statement of profit or loss and other comprehensive income in accordance with IAS 41, 'Agriculture'.

Biological assets do not include land. Transfers to inventory are recognized after calculating volume at harvesting. The cost of land preparation, planting, weeding and other silvicultural activities including allocation of indirect overheads attributable to the plantation development are capitalised as part of biological assets.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash-generating units'). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. The Company's financial instruments consist primarily of the following financial assets: non-current receivables, cash and cash equivalents, trade and other receivables; other current and non-current financial assets; and the following financial liabilities: trade and other payables, current and non-current financial liabilities.

2.2.1 Fair value

Where financial instruments are recognised at fair value, the instruments are measured at the amount for which an asset could be sold, or an amount paid to transfer a liability, in an orderly transaction in the principal or most advantageous market, at the measurement date under current market conditions regardless of whether this price is directly observable or estimated using a valuation technique. Fair values have been determined as follows:

- Where market prices are available, these have been used.
- Where there are no market prices available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.
- The fair value of the trade and other receivables, cash and cash equivalents, and trade and other payables approximates their carrying amount due to the short maturity period of these instruments.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

2.7.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument.

Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability

2.7.3 Financial assets

The Company classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL);
- Amortised cost (AC); and
- Fair value through other comprehensive income (FVTOCI).

Financial assets are classified based on how their performance is managed, evaluated and their contractual cash flow characteristics (the business model).

Financial assets are presented as current if their maturity is within 12 months, otherwise they are presented as non-current.

Amortised cost

Financial assets are classified and measured at amortised costs when the Company holds them to collect contractual cash flows that have characteristics of principal amount and interest on the principal amount outstanding. Amortised cost is determined using the effective interest method. Any subsequent impairment is included in the determination of other net income/expenditure.

Fair value through other comprehensive income

Financial assets that are equity instruments in their entirety are irrevocably designated, classified and measured at FVTOCI by the Company.

Fair value through profit or loss

The Company classifies and measures at fair value through profit or loss financial assets that are not measured at amortised cost or fair value through other comprehensive income.

A financial asset is irrevocably designated at FVTPL on initial recognition if this designation provides more useful information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial asset is part of a group of financial assets, financial liabilities or both, that is managed, and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this group is reported internally to key management on this basis.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost. The recoverability of a financial asset is determined from the date it is recognised with a loss allowance recognised for expected losses determined at the initial recognition. The Company measures the loss allowance at an amount equal to the life-time expected losses if credit risk on the financial asset has increased significantly since initial recognition. Credit risk is considered to have significantly increased when supportable information available to the Company indicate that the financial asset would not be recoverable as agreed.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Financial instruments (continued)

2.7.3 Financial assets (continued)

For financial assets that the Company determines the recoverability is unlikely, such that the credit quality has significantly deteriorated and are credit impaired, a life-time expected credit loss is recognised, and interest only accrues on the net amount.

For trade and other receivables, the Company recognises a loss allowance as a life-time expected credit loss due to their short-term nature. The Company reassesses the life-time expected credit losses at each reporting period and recognises any changes as an impairment gain or loss.

2.7.4 Classification between debt and equity

Debt and equity instruments are classified according to the substance of the contractual arrangements entered into.

2.7.5 Equity instruments

An equity instrument represents a contract that evidences a residual interest in the net assets of an entity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.7.6 Financial liabilities

The Company classifies financial liabilities between amortised costs and fair value through profit or loss. Financial liabilities are not reclassified. Financial liabilities are classified as amortised cost, using the effective interest method. In addition, a financial liability is designated at FVTPL on initial recognition if this designation provides more useful information because:

- it eliminates or significantly reduces a measurement or recognition inconsistency (i.e. an accounting mismatch); or
- the financial liability forms part of a group of financial assets, financial liabilities or both, that is managed, and its performance evaluated on a fair value basis in accordance with a documented risk/investment management strategy, and information regarding this grouping is reported internally to key management on this basis.

2.7.7 Other financial liabilities

These include borrowings, obligations under finance leases, and trade and other payables. They are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated taking into account any issue costs and any discount or premium on settlement.

Commodity contracts that are entered into and continue to meet the Company's expected purchase, sale or usage requirements, which were designated for that purpose at their inception and are expected to be settled by delivery, are recognised in the financial statements when they are delivered into and are not marked-to-market. Gains and losses arising on all other contracts not spanning a reporting interval are recognised and included in the determination of other net income/expenditure at the time that the contract expires.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the following basis:-

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

The values of obsolete and slow-moving stocks are reduced, where necessary, to estimated net realisable values.

Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs of completion and estimated selling expenses.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Current income and deferred tax

The income tax expense for the year comprises current income and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

2.13.1 Pension obligations

The Company provides for pensions on retirement for all employees by means of a defined contribution pension fund, Border Timbers Limited Pension Fund, which is administered by a Board of Trustees. Currently the fund is on paid up status.

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

The Company and all its employees contribute to the National Social Security Pension Fund in terms of the National Social Security Act (Chapter 17:04) of which the contributions are determined by the systematic recognition of legislated contributions.

2.13.2 Short terms benefits

The cost of short-term employee benefits is recognised in the period in which the service is rendered. The expected cost of leave pay is recognised as an expense as the employees render services that increase their entitlement.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Employee benefits (continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the entity recognises costs for a restructuring that is within the scope of IAS 37, (Provisions, Contingent Liabilities and Contingent Assets) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise employee termination liabilities. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle the present obligation, its carrying amount is the present value of those cash flows (when the effects of the time value of money is removed). Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

The revenue for the Company comprises sales of processed and raw timber to local and export markets. The Company recognizes revenue based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services sold in the normal course of business, net of discounts and value added taxes. The Company recognises revenue when it transfers control of a product to a customer.

2.15.1 Sale of goods

Revenue is recognised when a performance obligation has been satisfied fully, when control of the goods has transferred, being when the goods have been collected or delivered to the customer's specific location. Following collection or delivery, the customer has full discretion over the manner in which they handle the goods, and also bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised by the Company when the goods are collected by or delivered to the customer as appropriate, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. A sale of goods is recognised when goods are delivered, and title has passed to the buyer. Revenue from sales comprises the invoiced value of sales in respect of the Company's activities outlined and excludes investment and other non-operating income.

2.15.2 Interest income

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Other income

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

2.17 Leases

2.17.1 Finance leases

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

Each lease receipt is allocated between the receivable and finance income. The corresponding rental receivable, including finance income, are included in receivables. The interest element of the finance income is credited to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease receivable for each period.

2.18 Earnings per share

2.18.1 Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.18.2 Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account.

- the after income tax effect of interest and other finance costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.19 Dividends

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

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below;

3.1.1 Useful lives and values of property, plant and equipment

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

3.1.2 Valuation of property, plant and equipment

In line with the Company policy, property, plant and equipment are revalued periodically. On 30 June 2019 an independent valuation was done on all property, plant and equipment. As at 30 October 2019, the FJM reviewed the carrying values of property, plant and equipment and in his view, there is significant change in the fair value as at 30 June 2019.

3.1.3 Valuation of biological assets

Border Timbers Limited uses a forest database and modelling system called Microforest (MF) to estimate the current standing volume in its plantations which is converted to fair value based on market price. MF is a commercially available system used by most forestry organizations in southern, eastern and central Africa and some countries in Asia. Growing stock inventories serve the purpose of estimating the growth of a stand at a specific point in time. Inventory results are used to replace the estimated growth of the stand (mean annual increment – MAI) from growth models with real time growth parameters at the specific point in time. Growing stock inventories help to evaluate the quality of growth model to help make more accurate subsequent product volume projections. Current volume estimation is based on archived enumeration data stored in Microforest:

Past inventories (enumerations) are used for calibrations of growth models which are carried out on growing stands (compartments) to estimate the real growth parameters at the point in time. The major stand parameters collected are the following:

- Stand density or trees per hectare (TPH) and the variation thereof over the stand.
- Diameter (DBH) class distribution and the variation thereof over the stand.
- Diameter: height relationships for the diameter classes in the stand.
- Inventories carried out are representative samples of the growing stock or stands, which serve as a reflection of the actual stand parameters.
- Direct estimates, based on Site Index (dominant height at 20 years of age for pine saw log, 10 for poles and 18 years for eucalyptus saw log working cycles) are used in compartments where inventory data is not available. Site Index (SI) value stored in MF can be refined after an enumeration is processed and can be used as the basis of estimating compartment volumes.
- Microforest (MF) utilises the most recent enumeration results from each compartment for model calibration, ensuring an accurate prediction of yields (volume) that are sensitive to variations in survival, site quality and treatments (pruning and thinning).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical accounting estimates and assumptions (continued)

3.1.3 Valuation of biological assets

- The Mean Annual Increment and stand yield are the reflection of age, species, site potential and silvicultural operations carried out.
- All harvested compartments are captured and removed from standing area in MF.
- All newly planted compartments are uploaded in the MF system.
- All database changes are effected in MF system

On the last day of the financial year, an advanced processing is run in MF where the current volume of each compartment is calculated. MF has the capacity to calculate current volume at any point in time based on current enumeration data and SI producing a current volume report (CUR). This report issued as a source of total standing compartment volume used for plantation valuation.

The impact and extent of following factors are also assessed.

- Compartment stocking levels,
- Baboon damage,
- Impact of land invasions,
- Impact of pests and diseases.

3.1.4 Splitting of biological asset into current and non-current

Amount classified as current biological asset is the estimated value of planned harvested area based on the ensuing year Annual Plan of Operation "APO". Value of planned harvesting area is arrived at by multiplying the planned harvesting area as per the APO by the closing hectarage values as per the biological asset model. An Annual Plan of Operation is prepared on an annual basis by the Planning Department in consultation with the Forestry Management Department. Strategic guidance is provided by the FJM, Forestry Platform Head, Managing Director and Finance Director.

3.1.5 Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company considers qualitative and quantitative reasonable and supportable forward-looking information.

3.1.6 Calculation of allowance for credit losses

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3.1.7 Income taxes

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

3.1.8 Determination of functional currency

In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which directed that all assets and liabilities that were in United States Dollars (US\$) immediately before 20 February 2019 be deemed to have been in RTGS\$ at a rate of 1:1 to the US\$. The guidance issued by the Public Accountants and Auditors Board (PAAB) notes that this is contrary to IAS21 on foreign currency translation. The Company has reported the Statement of Profit or Loss and Other Comprehensive Income on the basis of the 1:1 in compliance with SI33 and in recognition of the multiple exchange rates that were imputed in commercial transactions. In order to comply with IAS21 into the future, the Company translated the Statement of Financial Position as at 22 February 2019 at the commencement RTGS\$ rate of 2,5 to the US\$. All transactions post this date are translated in accordance with IAS 21 at the official interbank rate. The Company has recognised a net decrease in assets of RTGS\$\$8.6 million arising from the rebasing of property, plant and equipment, inventories, foreign assets and foreign liabilities to RTGS\$, which has been recorded under non-distributable reserve which is as departure from IAS 21 which requires such exchange losses to be recognised in the statement of profit or loss.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

4 SEGMENT INFORMATION

	Forestry RTGS\$	Manufacturing RTGS	Total RTGS\$
Year ended 30 June 2019			
Statement of profit or loss and other comprehensive income			
Total segment revenue	32 104 767	6 314 211	38 418 978
Inter segment revenue	-	-	-
Revenue from external customers	32 104 767	6 314 211	38 418 978
Operating profit before interest and tax	269 877 304	2 975 403	272 877 227
Interest expense	(2 042 113)	-	(2 042 113)
Interest income	17 593	-	17 593
Profit before tax	267 852 784	2 975 403	270 852 707
Statement of financial position			
Total assets	582 025 568	2 989 879	585 015 447
Total liabilities	178 312 314	235	178 312 549
Other Information			
Capital expenditure on property, plant and equipment	1 453 229	-	1 453 229
Capital expenditure on biological assets	4 455 164	-	4 455 164
Depreciation	628 676	323 191	951 867
Employee numbers	589	-	589

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

4 SEGMENT INFORMATION (continued)

	Forestry RTGS\$	Manufacturing RTGS\$	Total RTGS\$
Year ended 30 June 2018			
Statement of profit or loss and other comprehensive income			
Total segment revenue	15 295 790	6 004 787	21 300 577
Inter segment revenue	-	-	-
Revenue from external customers	15 295 790	6 004 787	21 300 577
Operating loss before interest and tax	(12 442 548)	(852 262)	13 294 810
Interest expense	(1 349 065)	-	(1 349 065)
Interest income	45 106	-	45 106
Loss before income tax	(13 746 507)	(852 262)	(14 598 769)
Statement of financial position			
Total assets	90 907 651	9 023 609	99 931 260
Total liabilities	35 443 318	6 543 813	41 987 131
Other Information			
Capital expenditure on property, plant and equipment	274 083	-	274 083
Capital expenditure on biological assets	2 085 652	-	2 085 652
Depreciation	641 582	342 298	983 880
Employee numbers	508	-	508

The segmentation of the Company's operations has been done in a manner consistent with the internal reporting provided to the Final Judicial Manager. The Final Judicial Manager is responsible for allocating resources and assessing the performance of the operating segments. The Company is organized into two main operating segments, all of which operate in Zimbabwe.

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

The Final Judicial Manager assesses the performance of the operating segments based on a measure of profit before interest and tax. All operating segments operate in Zimbabwe and segment sales presents sales to third parties and inter-segment sales. The Company is domiciled in Zimbabwe. Revenue from external customers from other countries is broken down as follows;

Country	2019 RTGS\$	2018 RTGS\$
Botswana	7 083 637	4 014 483
South Africa	864 136	316 112
Zambia	34 509	583 114
Other	1 401 909	1 591 111
Total revenue from external customers	9 384 191	6 504 820

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RTG\$	Motor vehicles and tractors RTG\$	Furniture and fittings RTG\$	Capital plant and machinery RTG\$	Work-in progress RTG\$	Total RTG\$
Year ended 30 June 2018						
Opening net book amount	29 306 568	796 900	79 582	2 499 120	30 582	32 712 752
Additions	-	89 677	35 665	-	148 741	274 083
Impairment charge	-	(878)	(300)	(449 027)	-	(450 205)
Revaluation	100 000					100 000
Disposals	-	(108 938)	-	(300)	-	(109 238)
Depreciation charge	(607 114)	(107 924)	(12 982)	(255 860)	-	(983 880)
Closing carrying amount	28 799 454	668 837	101 965	1 793 933	179 323	31 543 512
As at 30 June 2018						
Cost or valuation	29 406 568	765 178	114 847	1 993 670	179 323	32 459 586
Accumulated depreciation	(607 114)	(96 341)	(12 882)	(199 737)	-	(916 074)
Carrying amount	28 799 454	668 837	101 965	1 793 933	179 323	31 543 512

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RTGS\$	Motor vehicles and tractors RTGS\$	Furniture and fittings RTGS\$	Plant and machinery RTGS\$	Capital work-in progress RTGS\$	Total RTGS\$
Year ended 30 June 2019						
Opening carrying amount	28 799 454	668 837	101 965	1 793 933	179 323	31 543 512
Additions	54 600	31 091	84 565	1 007 334	275 639	1 453 229
Revaluation	151 156 340	2 861 374	822 218	12 601 153	-	167 441 085
Disposals	(394 702)	-	-	-	-	(394 702)
Depreciation charge	(602 138)	(105 942)	(22 037)	(221 750)	-	(951 867)
Closing carrying amount	179 013 554	3 455 360	986 711	15 180 670	454 962	199 091 257
As at 30 June 2019						
Cost or valuation	179 013 554	3 455 360	986 711	15 180 671	454 962	199 091 257
Accumulated depreciation	-	-	-	-	-	-
Carrying amount	179 013 554	3 455 360	986 711	15 180 671	454 962	199 091 257

5.1 Revaluation of property, plant and equipment

In line with Company policy, property, plant and equipment items are revalued periodically. A valuation were performed on 30 June 2019 by Messrs TK Hollands, independent valuers not related to the Company. Messrs TK Hollands are members of the Real Estate institute of Zimbabwe and have appropriate qualifications and experience in the fair value measurements.

As at 30 June 2019, the FJM reviewed the carrying values of property, plant and equipment and there was a significant changes in fair value (refer to note 3.1.2)

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

5.2 Depreciation recognised in the statement of profit or loss

Depreciation expense of RTGS\$872 082 (2018: RTGS\$1 536 561) has been charged in 'cost of sales' and RTGS\$111 798 (2018: RTGS\$153 411) has been charged in 'administrative expenses and no depreciation has been charged to selling and distribution expenses.

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

	Land and buildings RTGS\$	Motor vehicles and tractors RTGS\$	Furniture and fittings RTGS\$	Plant and machinery RTGS\$	Capital work-in progress RTGS\$	Total RTGS\$
As at 30 June 2018						
Cost or valuation	34 307 627	6 076 965	585 308	5 050 477	179 323	46 199 700
Accumulated depreciation	(6 042 600)	(5 102 920)	(621 036)	(2 874 264)	-	(14 640 820)
Carrying amount	28 265 027	974 045	(35 728)	2 176 213	179 323	31 558 880
As at 30 June 2019						
Cost or valuation	33 967 525	6 108 056	669 873	6 057 811	454 963	47 258 228
Accumulated depreciation	(6 644 738)	(5 208 862)	(643 073)	(3 096 013)	-	(15 592 687)
Carrying amount	27 322 787	899 194	26 800	2 961 798	454 963	31 665 541

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

5.3 Land and buildings pledged as security

The Company has pledged land with a carrying amount of RTGS\$9 626 905 (2018: RTGS\$1 453 776) and buildings with a carrying amount of RTGS\$ 52 686 486 (2018: RTGS\$3 876 508)) as security for the Zimbabwe Asset Management Company ("ZAMCO") long term facility (refer to note 12).

5.4 Fair values of property, plant and equipment (excluding capital work in progress)

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible (level 3).

	Quoted prices in active markets for identical assets (level 1) RTGS\$	Significant other observable inputs (level 2) RTGS\$	Significant unobservable inputs (level 3) RTGS\$
Recurring fair value measurements			
Property, plant and equipment			
2019			
Land, roads and bridges	-	-	147 041 156
-Buildings	-	-	31 972 398
-Motor vehicles	-	-	3 455 360
-Furniture and fittings	-	-	986 711
-Plant and machinery	-	-	15 180 671
Total	-	-	198 636 296
2018			
Land ,roads and bridges	-	-	14 870 406
-Buildings	-	-	13 929 047
-Motor vehicles	-	-	668 837
-Furniture and Fittings	-	-	101 965
-Plant and Machinery	-	-	1 793 933
Total	-	-	31 364 188

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

5.5 Fair value measurements using significant unobservable inputs (level 3)

	Land and buildings RTGS\$	Motor vehicles and tractors RTGS\$	Furniture and fittings RTGS\$	Plant and machinery RTGS\$	Total RTGS\$
Opening balance 1 July 2018	28 799 454	668 837	101 966	1 793 933	31 264 190
Additions	54 600	31 091	84 565	1 007 334	1 177 590
Disposals	(394 702)	-	-	-	(394 702)
Depreciation	(602 138)	(105 942)	(22 037)	(221 750)	(951 867)
Closing balance at 30 June 2019	27 857 214	593 986	164 494	2 579 517	31 195 211
Opening balance 1 July 2017	29 306 568	796 900	79 582	2 499 120	32 682 170
Additions	-	89 677	35 665	-	125 342
Disposals	-	(108 938)	-	(300)	(109 238)
Revaluation	-	(878)	(300)	(449 027)	(450 205)
Depreciation	(607 114)	(107 924)	(12 982)	(255 860)	(983 880)
Closing balance at 30 June 2018	28 699 454	668 837	101 965	1 793 933	31 264 189

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Description	Fair Value at 30 June 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability weighted)	Relationship of unobservable inputs to fair value
Land ,roads and bridges	132 170 600	Comparison prices	price per square metre	US\$20-US\$25	The higher the price per square metre the higher the fair value
Buildings	46 842 954	Comparison prices	replacement cost per square metre	US\$600-US\$650	The higher the price per square metre the higher the fair value
Motor vehicles	3 455 360	Comparison prices	unit cost	N/A	The better the age and vehicle condition the higher the fair value
Furniture and Fittings	986 711	Comparison prices	unit cost	N/A	The better the age and the condition of the furniture and fittings the higher the fair value
Plant and Machinery	15 180 671	Comparison prices	unit cost	N/A	The better the age and condition of the plant and machinery the higher the fair value.
Total	<u>198 636 295</u>				

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

5 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Description	Fair Value at 30 June 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability weighted)	Relationship of unobservable inputs to fair value
Land ,roads and bridges	14 870 406	Comparison prices	price per square metre	US\$20-US\$25	The higher the price per square metre the higher the fair value
Buildings	13 929 048	Comparison prices	replacement cost per square metre	US\$600-US\$650	The higher the price per square metre the higher the fair value
Motor vehicles	668 837	Comparison prices	unit cost	N/A	The better the age and vehicle condition the higher the fair value
Furniture and Fittings	101 965	Comparison prices	unit cost	N/A	The better the age and the condition of the furniture and fittings the higher the fair value
Plant and Machinery	1 793 933	Comparison prices	unit cost	N/A	The better the age and condition of the plant and machinery the higher the fair value.
Total	<u>31 364 189</u>				

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

6. BIOLOGICAL ASSETS	2019	2018
	RTGS\$	RTGS\$
As at 1 July	57 435 418	72 645 244
Expenditure for the year (see note 17)	4 455 164	2 085 652
Fair value gain/ (loss) due to biological transformation	316 790 144	(9 746 619)
	<hr/>	<hr/>
	378 680 726	64 984 216
Deduct:		
Fire loss	(8 948 190)	(525 818)
Transfers of harvested timber to inventory	(6 738 303)	(7 022 980)
As at 30 June	<hr/> 362 994 233 <hr/>	<hr/> 57 435 418 <hr/>
Classification on the statement of financial position		
Classified as non-current asset	329 804 769	50 722 261
Classified as current asset*	33 189 464	6 713 157
As at 30 June	<hr/> 362 994 233 <hr/>	<hr/> 57 435 418 <hr/>

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

Comprising of standing timber at fair Value less costs to sell	2019	2019	2018	2018
	Hectares	RTGS\$	Hectares	RTGS\$
Age				
1- 6 years	5 379	22 567 462	6 023	4 058 159
7-12 years	4 016	79 540 961	3 460	11 063 469
13-18 years	2 878	93 898 476	2 893	16 825 240
19-25 years	2 701	166 987 343	2 737	25 488 550
	<hr/> 14 974 <hr/>	<hr/> 362 994 242 <hr/>	<hr/> 15 113 <hr/>	<hr/> 57 435 418 <hr/>

6.1 Valuation of plantations

Treatment of Different Age Groups and Regimes

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

All trees from 4 years up to 25 years are valued based on volume/m3 standing regardless of species and working cycle.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

6. BIOLOGICAL ASSETS (continued)

6.1 Valuation of plantations

Price Used for Valuation

Tree timber volume for young trees (pine less than 4 years and eucalyptus less than 4 years) cannot be calculated by current volume calculation models, therefore development costs are used. All silviculture costs for the particular year are capitalised. Mature trees are valued at market value of standing timber.

Treatment of Different Age Groups and Regimes

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

All trees from 4 years up to 25 years are valued based on volume/m3 standing regardless of species and working cycle.

Price Used for Valuation

Tree timber volume for young trees (pine less than 4 years and eucalyptus less than 4 years) cannot be calculated by current volume calculation models, therefore development costs are used. All silviculture costs for the particular year are capitalised. Mature trees are valued at market value of standing timber.

Valuating Young Trees

Young trees are valued at maintenance cost (silviculture plus a proportion of general estate). A proportion of general estate cost to be capitalised is derived from the following formula:

General Estate Proportion to be capitalized =

The total silviculture cost and a portion of general estate incurred during the financial year is divided by the total standing area to get maintenance cost per hectare. The cost per hectare is converted to hectare years (Age x Area of each age group) for the compartments less than 4 years. The value assigned to each compartment is a product of hectare year and maintenance cost (cost/ha) which is assumed to be the same for all age groups.

Determination of the Price of Standing Timber

Border Timbers Limited uses the market prices per cubic meter of standing timber. The price of standing timber is based on stumpage value of the most active and stable timber products market.

Volume and Area Movement during the Financial Year

The closing balance is the value of the bio-asset which is determined by volume per age class and the stumpage value for standing timber aged 4 years up to 25 years, and a proportion of silviculture and general estate based on cost per hectare (hectare year x maintenance cost/ha) for stands less than 4 years. However, the movements which lead to the closing balance have to be traced so that change resulting from growth of trees has to be distinguished. The movement is caused by one or a combination of these activities (Planting, Clear-felling, Salvage, Adjustments due Change Notes and Maintenance). The maintenance cost incurred during the financial year (silviculture cost and a proportion of general estate) is apportioned according to each age group proportionally.

The volume of standing timber as at 30 June 2019 amounts to 2 508 476 m3 (2018: 2 094 449 m3).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

6 BIOLOGICAL ASSETS (continued)

The following table represents the Company's biological assets that are measured at fair value at 30 June 2019.

	Quoted prices in active markets for identical assets (level 1) RTGS\$	Significant other observable inputs (level 2) RTGS\$	Significant unobservable inputs (level 3) RTGS\$
30 June 2019			
Age			
1- 6 years	-	-	22 567 452
7-12 years	-	-	79 540 961
13-18 years	-	-	93 898 476
19-25 years	-	-	166 987 343
Total	<u>-</u>	<u>-</u>	<u>362 994 242</u>
30 June 2018			
Age			
1- 6 years	-	-	4 058 159
7-12 years	-	-	11 063 469
13-18 years	-	-	16 825 240
19-25 years	-	-	25 488 550
Total	<u>-</u>	<u>-</u>	<u>57 435 418</u>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

6 BIOLOGICAL ASSETS (continued)

The following table represents the company's biological assets that are measured at fair value as at 30 June 2019;

Description	Fair value as at 30 June 2019 RTGS\$	Unobservable input	Unobservable inputs	Relationship of unobservable inputs to fair value
Pine (1- 3years)	3 049 766	Cost per hectare	RTGS\$237.81-RTGS\$341.65	The higher the cost per hectare the higher the fair value
Pine (4 -25 years)	233 133 274	Mean annual increment Price per cubic meter	(11-13)m3/ha/year RTGS\$178.79	The higher the price per cubic metre and mean annual increment the higher the fair value
Euc (1- 3 years)	1 765 580	Cost per hectare	RTGS\$201.10 -RTGS\$349.03	The higher the cost per hectare the higher the fair value
Euc (4-25 years)	125 048 613	Mean annual increment Price per cubic meter	(18-20)m3/ha/year RTGS\$178.79	The higher the price per cubic metre and mean annual increment the higher the fair value
Total	362 994 233			

7 INVENTORIES

	2019 RTGS\$	2018 RTGS\$
Raw materials	1 632 905	349 025
Work in progress	1 530 981	558 377
Finished goods	2 984 676	1 764 760
Consumables	4 222 322	1 483 260
	10 370 884	4 155 422

The cost of inventories recognised as an expense and included in the 'cost of sales' amounted to RTGS\$6 738 303 (2018: RTGS\$5 884 359).

Inventory write down was RTGS\$152 280 (2018: RTGS\$915 924). Inventory write-down was included in 'cost of sales' in the statement of profit or loss. The Company has not accounted for any provision for obsolete stock as a result of inventory write downs during the year.

No inventory was pledged as security during the year, (2018: RTGS\$ nil).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

8 TRADE AND OTHER RECEIVABLES

	2019	2018
	RTGS\$	RTGS\$
Trade receivables	23 376 192	4 974 472
Less: allowance for allowance for credit losses	(17 191 497)	(1 185 967)
Trade receivables - net	<u>6 184 695</u>	<u>3 788 505</u>
Prepayments	48 543	3 792
Loans to employees	194 545	75 726
Receivables from disposal of equipment to contractors	-	10 123
Net investment in finance leases receivable (see note 8.1)	616 576	143 133
Other receivables	1 941 787	544 194
	<u>2 328 008</u>	<u>776 968</u>
	<u>8 986 146</u>	<u>4 565 473</u>

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not hold any collateral as security. Loans to employees, receivables from disposal of equipment to contractors, the finance lease receivable and other receivables are neither past due nor impaired. The carrying amount of trade and other receivables approximates their fair value as at year end because of short term tenor.

Other receivables mainly include sundry debtors is net of allowance for impairment for other trade receivables of RTGS\$ \$Nil (2018 RTGS\$ \$ Nil).

Loans to employees relate mainly to motor vehicle loan scheme and are payable over a period ranging between 3-5 years and carry standard rate of interest at 6 % p.a (2018:6 %). The loans are neither past due nor impaired and are secured.

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

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

	2019	2018
	RTGS\$	RTGS\$
As at 1 July	1 185 967	641 316
Restatement of opening balance (IFRS 9)	1 880 710	-
Restated opening balance	<u>3 066 677</u>	<u>641 316</u>
Increase in allowance for credit losses	14 124 820	544 651
As at 30 June	<u>17 191 497</u>	<u>1 185 967</u>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

8 TRADE AND OTHER RECEIVABLES (continued)

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

	2019	2018
	RTGS\$	RTGS\$
RTGS Dollars ("RTGS\$")	4 197 805	-
United States of America Dollar ("US\$")	1 779 401	3 948 203
South African Rand (ZAR)	592 708	350 322
Botswana Pula (BWP)	2 416 232	266 948
	8 986 146	4 565 473
Counterparties without external credit rating		
Company 1	3 703 955	3 353 955
Company 2	4 677 570	256 898
Company 3	604 621	954 621
	8 986 146	4 565 474
Counterparties without external credit rating		
Company 1- New customers/related parties (less than 6 months)		
Company 2- Existing customers/related parties (more than 6 months - with no defaults in the past)		
Company 3- Existing customers/related parties (more than 6 months - with some defaults in the past)		

8.1 Finance lease receivable

The Company leases out manufacturing equipment under a finance lease. The contract includes an option to purchase the equipment at the end of its useful life at a price less than the expected residual value.

	2019	2018
	RTGS\$	RTGS\$
<u>Non-current receivables</u>		
Finance lease-gross receivable	476 784	120 000
Unearned finance income	(139 028)	(22 341)
	337 756	97 659
<u>Current receivables</u>		
Finance lease-gross receivable	317 855	60 000
Unearned finance income	(39 035)	(18 334)
	278 820	41 666
<u>Gross receivables from finance leases:</u>		
-No later than one year	317 855	60 000
-Later than one year and no later than 5 years	476 784	108 000
-Later than 5 years	-	15 808
	794 639	183 808
Unearned future finance income on finance leases	(178 063)	(40 675)
	616 576	143 133
Net investment in finance leases		

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

8 TRADE AND OTHER RECEIVABLES (continued)

8.1 Finance lease receivable (continued)

	2019	2018
	RTGS\$	RTGS\$
The net investment in finance leases may be analysed as follows:		
-No later than one year	278 820	41 666
-Later than one year and no later than 5 years	337 756	92 255
-Later than 5 years	-	9 212
	<u>616 576</u>	<u>143 133</u>

9 CASH AND CASH EQUIVALENTS

Cash and bank balances (excluding bank overdrafts)	3 572 927	2 231 435
	<u>3 572 927</u>	<u>2 231 435</u>

9.1 Cash on hand and at bank are denominated in the following currencies;

United States of America dollar ("US\$")	497 662	2 032 832
South African Rand ("ZAR")	257 264	22 095
Botswana Pula ("BWP")	458 3512	176 508
RTGS Dollar ("RTGS\$")	2 359 649	-
	<u>3 572 927</u>	<u>2 231 435</u>

10 SHARE CAPITAL

Authorised

Number of ordinary shares	43 000 000	43 000 000
	<u>43 000 000</u>	<u>43 000 000</u>

All ordinary shares rank equally with regards to the company's residual assets. Ordinary shares have a nominal value of RTGS\$0.01 after re-denomination of share capital. Holders of these are entitled to dividends as declared from time to time and one vote per share at general meetings of the Company.

Issued and fully paid	Number of shares Each	Ordinary shares RTGS\$	Total RTGS\$
Year ended 30 June 2019			
At the beginning of the year	42 942 487	429 425	429 425
At the end of the year	42 942 487	429 425	429 425
Year ended 30 June 2018			
At the beginning of the year	42 942 487	429 425	429 425
At the end of the year	42 942 487	429 425	429 425

The unissued shares are under the control of the Final Judicial Manager who may issue them on such terms and conditions as he see fit subject to the limitation of the Companies and other Business Entities Act of Zimbabwe (Chapter 24:31) and the Zimbabwe Stock Exchange Listing Requirements. The period of this authority is unlimited.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

11 OTHER RESERVES

11.1 Non-distributable reserve

	2019	2018
	RTGS\$	RTGS\$
At the beginning of the year	90 455 727	90 455 727
At the end of the year	90 455 727	90 455 727

11.2 Revaluation reserve

At the beginning of the year	368 589	294 339
Gain on revaluation of property and equipment	167 441 085	100 000
Effect on deferred tax	(15 690 680)	(25 750)
At the end of the year	152 118 994	368 589

12 BORROWINGS

Non-current borrowings

Bank borrowings

Deutsche Investitions - und Entwicklungsgesellschaft GmbH ("DEG")	34 053 311	5 776 555
Zimbabwe Asset Management Corporation (Private) Limited ("ZAMCO")	5 586 038	6 244 110

Total non-current bank borrowings	39 639 349	12 020 665
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Related party loans

Rift Valley Services Zimbabwe (Private) Limited	9 748 491	7 868 813
Rift Valley Corporation Limited	5 481 450	975 000
Forrester Estates (Private) Limited	380 064	380 064

Total non-current related party loans	15 610 005	9 223 877
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Total non-current borrowings	55 249 354	21 244 542
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Current borrowings

Bank borrowings		
Ecobank Zimbabwe Limited	-	260 912
Zimbabwe Asset Management Company (Private) Limited ("ZAMCO")	430 124	430 124
Deutsche Investitions - und Entwicklungsgesellschaft GmbH ("DEG")	2 617 935	395 160

Total current borrowings	3 048 059	1 086 196
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Total borrowings	58 297 413	22 330 738
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- The DEG loan bears interest of Libor plus 2.5%. DEG amended the loan agreement and released the assets previously attached as security and required the Company to provide surety in the amount of not less than US\$3 100 000 in favour of DEG, which surety was provided by RVC.. The loan matures in 2022 financial year.
- The related party loans are unsecured with interest rates of 9.74% per annum for Rift Valley Services Zimbabwe (Private) Limited loan and 20% for Forrester Estates (Private) Limited loan. The loans are payable on demand after the Company has settled all amounts due to DEG.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

12 BORROWINGS (continued)

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

The loan is secured as follows:

- land with a carrying amount RTGS\$ 9 626 905 (2018: RTGS\$ 1 453 776) and buildings with a carrying amount of RTGS\$ 52 686 486 (2018: RTGS\$ 3 876 508) as at 30 June 2019;
 - Cession of all insurance of immovable assets taken from reputable insurance companies; and
 - Assignment of debtors book save for debtors book acknowledged as assigned to a working capital facility provider.
- The other current bank loans have maturity periods ranging from 30 to 90 days and bear interest rates ranging from 11% to 22%. The loans are unsecured.

	Carrying amount		Fair value	
	2019 RTGS\$	2018 RTGS\$	2019 RTGS\$	2018 RTGS\$
Non-current borrowings	55 249 354	21 244 542	15 707 432	15 707 432

12.1 Borrowing powers

The Articles of Association provide that the Company may from time to time, at the discretion of the FJM (during judicial management), borrow, raise or source borrowings up to half the value of the shareholders equity as reflected in the Statement of Financial Position of the Company. This limit may only be exceeded with the sanction of an ordinary resolution of the Company.

	2019 RTGS\$	2018 RTGS\$
Shareholders' equity	394 067 241	57 944 128
Maximum borrowing limit; 50% of shareholders' equity	197 033 620	28 972 064
Borrowings as at year end	(58 297 413)	(22 330 738)
Unutilised borrowing capacity	138 736 208	6 641 326

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

13 DEFERRED TAX

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

	2019	2018
	RTGS\$	RTGS\$
Deferred tax assets		
- Deferred tax assets to be recovered after more than 12 months	(14 891 978)	(8 264 669)
- Deferred tax assets to be recovered within 12 months	-	-
	<u>(14 891 978)</u>	<u>(8 264 669)</u>
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	114 023 076	19 740 449
Deferred tax liabilities to be recovered within 12 months	-	976
	<u>114 023 076</u>	<u>19 741 425</u>
Deferred tax liabilities (net)	<u>99 131 098</u>	<u>11 476 756</u>

The gross movement on the deferred tax account is as follows:

At 1 July	11 476 756	17 613 396
Restatement of opening balance (IFRS 9 transition)	(484 283)	-
	<u>10 992 473</u>	<u>17 613 396</u>
Credit to statement of profit or loss	72 447 915	(6 162 390)
Credit through other comprehensive income	15 690 680	25 750
At 30 June	<u>99 131 098</u>	<u>11 476 756</u>

The deferred tax account comprises the following:

Accelerated depreciation for tax purposes	20 393 248	4 924 893
Biological assets	93 471 015	14 789 646
Prepayments	-	976
Unrealised exchange (loss) / gains	(6 074 319)	25 909
Assessed tax losses	(4 217 795)	(7 556 862)
Other temporary differences	(4 441 051)	(707 806)
	<u>99 131 098</u>	<u>11 476 756</u>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

13 DEFERRED TAX (continued)

The deferred tax (credit)/charge to the statement of profit or loss and other comprehensive income comprises of the following:

	2019	2018
	RTGS\$	RTGS\$
Accelerated depreciation for tax purposes	15 468 355	(736 460)
Biological assets	79 165 652	(3 916 489)
Prepayments	(976)	(102)
Unrealised exchange gains	(6 048 410)	26 380
Assessed tax losses	3 339 067	(1 402 263)
Other temporary differences	(3 785 093)	(107 706)
	88 138 595	(6 136 640)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Projected financial results to 2021 have been used to estimate future taxable profits. The assessed losses expire between 30 June 2020 and 30 June 2024.

14 TRADE AND OTHER PAYABLES

	2019	2018
	RTGS\$	RTGS\$
Trade payables	13 979 458	3 378 523
Accruals	6 093 311	1 618 102
Payable to related parties (see note 15)	632 176	657 533
Statutory liabilities	179 093	2 525 479
	20 884 038	8 179 637

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

14 TRADE AND OTHER PAYABLES (continued)

Analysis of trade and other creditor's currency exposure

	2019	2018
	RTGS\$	RTGS\$
Creditors class		
Trade creditors		
RTGS Dollar ("RTGS\$")	9 029 181	-
United States of America Dollar ("US\$")	2 765 273	3 378 523
South African Rand ("ZAR")	2 185 004	202 906
	<hr/>	<hr/>
	13 979 458	3 581 429
	<hr/>	<hr/>
Other creditors		
United States of America Dollar ("US\$")	-	1 899 685
RTGS Dollar ("RTGS\$")	6 725 487	-
	<hr/>	<hr/>
	6 725 487	1 899 685
	<hr/>	<hr/>
Analysis of total trade and other creditors per currency		
RTGS Dollar ("RTGS\$")	15 754 668	-
United States of America Dollar ("US\$")	2 765 273	5 451 252
South African Rand ("ZAR")	2 185 004	202 906
	<hr/>	<hr/>
Total trade and other creditors excluding statutory liabilities	20 704 945	5,654 158
	<hr/>	<hr/>
Statutory liabilities	179 093	2 525 479
	<hr/>	<hr/>
Total trade and other creditors	20 884 038	8 179 637
	<hr/>	<hr/>

15 RELATED PARTY DISCLOSURES

The Company's immediate parent is Franconian Zimbabwe (Private) Limited which owns 65% of the Company's shares. The ultimate parent is Rift Valley Corporation Limited. The Company trades with various fellow subsidiary companies. In addition, the Company participates in financial transactions involving the holding company and fellow subsidiaries.

15.1 Transactions	Nature of Relationship	2019	2018
		RTGS\$	RTGS\$
i) Sales of goods			
- United Builders Merchants (Private) Limited	Common directorship	-	-
- Northern Tobacco (Private) Limited	Fellow subsidiary	-	5 557
		<hr/>	<hr/>
		-	5 557
		<hr/>	<hr/>

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

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

15 RELATED PARTY DISCLOSURES (continued)

		2019	2018
		RTGS\$	RTGS\$
15.1 Transactions(continued)	Nature of Relationship		
ii) Purchases of goods and services			
- Timberbay Services Limited	Close family relationship	-	-
III) Interest charged			
- Rift Valley Holdings (Private) Limited	Parent	501 009	501 009
- Forrester Estates (Private) Limited	Common shareholding	48 048	48 048
		<u>549 057</u>	<u>549 057</u>

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

15.2 Year end balances

		2019	2018
		RTGS\$	RTGS\$
I) Payables to related parties			
- Rift Valley Services Zimbabwe (Private) Limited	Fellow subsidiary	632 176	657 533
- Rift Valley Forestry (Private) Limited	Fellow subsidiary	-	-
- Timberbay Services Limited	Close family relationship	-	-
		<u>632 176</u>	<u>657 533</u>

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

15.3 Loans from related parties

		2019	2018
		RTGS\$	RTGS\$
- Rift Valley Services (Private) Limited	Fellow subsidiary 9 748 491	7 868 813	
- Rift Valley Holdings (Private) Limited	Parent	5 481 450	975 000
- Forrester Estates (Private) Limited	Common shareholding	380 064	380 064
		<u>15 610 005</u>	<u>9 223 877</u>

The shareholder's loans attracts interest of 9.74%, 9.74% and 20% per annum respectively. The loan is payable on demand after the Company has settled all amounts due to DEG. Rift Valley Services (Private) Limited is a guarantor in respect of the German Development Bank loans ("DEG"). The guarantee is US\$3.1million.

15.4 Key management compensation

	2019	2018
	RTGS\$	RTGS\$
- Short term employee benefits	474 106	474 106

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

15	RELATED PARTY DISCLOSURES (continued)	2019	2018
		RTGS\$	RTGS\$
15.5	Final Judicial Managers fees	581 488	321 673
		<hr/>	<hr/>
15.6	Loans to key management personnel	36 515	36 515
		<hr/>	<hr/>
16	OTHER INCOME AND EXPENSES		
16.1	Other expenses		
	Impairment of property, plant and equipment	-	450 206
	Sundry expenses	-	324 707
	Exchange losses	32 082 773	100 619
		<hr/>	<hr/>
		32 082 773	875 532
		<hr/>	<hr/>
16.2	Other income		
	Profit on disposal of property, plant and equipment	82 466	54 109
	Sundry income	28 300	-
	Freight recoveries	-	1 212 765
		<hr/>	<hr/>
		110 766	1 266 874
		<hr/>	<hr/>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
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17 EXPENSES BY NATURE	2019 RTGS\$	2018 RTGS\$
Auditors' remuneration		
- current year audit services	16 500	16 500
- prior year audit services	234 734	94 364
Bank charges	597 309	172 046
Consultancy	485 581	176 093
Depreciation charge	951 865	983 880
Electricity	566 754	570 959
Employee benefit expense (see note 18)	5 305 420	3 933 420
Foreign and local travel	136 030	143 995
Fuels and oils	842 676	341 978
Haulage	4 208 000	2 162 794
Inventory write down (see note 7)	152 280	915 924
Impairment :		
Movement in allowance for credit losses (see note 8)	14 124 820	544 651
Insurance	118 799	147 891
Management fees (Judicial managers fees) (see note 15)	581 488	321 673
Other expenses	251 353	251 350
Fire loss (see note 6)	8 948 190	525 818
Printing and stationery	66 260	51 372
Protective clothing	167 129	54 626
Raw material and consumables used	1 970 410	5 877 515
Repairs and maintenance - motor vehicles	148 879	154 680
Repairs and maintenance - plant/ buildings	1 888 690	690 120
Repairs and maintenance- office equipment	51 597	14 669
Sub-contracted services	12 440 582	7 995 180
Security	41 050	62 680
Subscriptions	170 653	84 967
Telephone costs	68 971	88 252
Utilities	185 925	169 261
Master of High Court fees	-	779 102
	<hr/>	<hr/>
	54 815 052	27 325 763
Capitalisation of forestry costs (see note 6)	(4 455 164)	(2 085 652)
	<hr/>	<hr/>
	50 359 888	25 240 111
	<hr/>	<hr/>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

18	EMPLOYEE BENEFIT EXPENSES	2019	2018
		RTGS\$	RTGS\$
	Wages and salaries	4 515 413	2 642 635
	Retrenchment costs	-	467 266
	Social security costs (see note 22.2)	46 903	63 042
	Staff welfare costs	268 998	286 371
		<hr/>	<hr/>
		4 831 314	3 459 314
	Directors' remuneration:		
	- Short term employee benefits	474 106	474 106
		<hr/>	<hr/>
		5 305 420	3 933 420
		<hr/>	<hr/>
		2019	2018
		Number of	Number of
		employees	employees
	Manning levels at 30 June		
	-Permanent	404	434
	-Contract	185	74
		<hr/>	<hr/>
	Total	589	508
		<hr/>	<hr/>
19	FINANCE INCOME AND COSTS		
		2019	2018
		RTGS\$	RTGS\$
	Finance costs		
	Interest charged:		
	-Bank borrowings	1 493 056	1 301 018
	-Related party borrowings	549 057	48 048
		<hr/>	<hr/>
		2 042 113	1 349 066
		<hr/>	<hr/>
	Interest paid for the purpose of the statement of cash flows		
	-Finance costs	2 042 113	1 349 065
	-Accrued interest	(1 413 374)	(556 170)
		<hr/>	<hr/>
	-Interest paid	628 739	792 895
		<hr/>	<hr/>
	Finance income		
	Short-term bank deposits	17 593	45 106
		<hr/>	<hr/>

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

20 INCOME TAX EXPENSE/(CREDIT)

	2019 RTGS\$	2018 RTGS\$
Deferred tax expense/ (credit)	72 447 915	(6 162 390)

The tax on the Company's loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to the profits of the entity as follows:

Profit/ (loss) before tax	270 852 707	(13 349 065)
- Taxation calculated at domestic tax rate 25.75% (2018: 25.75%)	69 744 572	(3 437 384)
- Non-deductible/ (taxable) expenses	2 703 343	(2 725 006)
Tax expense/ (credit)	72 447 915	(6 162 390)

The income tax rate applicable to the Company's taxable income for the year ended 30 June 2019 is 25.75% (2018:25.75%).

21 EARNINGS PER SHARE

Basic

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

	2019 RTGS\$	2018 RTGS\$
Weighted average number of ordinary shares	42 942 487	42 942 487
Profit / (loss) attributable to equity holders from continuing operations	198 404 792	(8 362 129)
Basic loss per share (cents)	4.62	(0.19)
Diluted loss per share (cents)	4.62	(0.19)

There were no dilutive ordinary shares outstanding during the year (2018: Nil).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

22 PENSION FUNDS

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

22.1 The Border Timbers Pension Fund

The fund is a defined contribution scheme and is not subject to actuarial valuation. Employer/employee contributions are 10% and 5% respectively.

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

22.2 National Social Security Authority Scheme ("NSSA")

This is a defined benefit scheme promulgated under the National Social Security Act (Chapter 17:04). Employer/employee contributions under the scheme are limited to specific contributions as legislated from time to time. These are presently a maximum of 3% of pensionable emoluments up to a maximum of RTGS\$700.00 per month for each employee.

	2019	2018
	RTGS\$	RTGS\$
Contributions recognised in the statement of profit or loss:		
Border Timbers Limited Pension Fund	-	-
National Social Security Fund	46 903	63 042
Total	<u>46 903</u>	<u>63 042</u>

23. FINANCIAL INSTRUMENTS

	2019	2018
	RTGS\$	RTGS\$
Trade and other receivables (excluding prepayments and VAT receivable)	6 995 817	4 561 681
Cash and cash equivalents	3 572 927	2 231 435
	<u>10 568 744</u>	<u>6 793 116</u>

All financial assets are carried at amortised cost and their fair value approximate their fair values.

	2019	2018
	RTGS\$	RTGS\$
Trade and other payables (excluding statutory liabilities)	20 704 945	5 654 158
Borrowings (current and non-current)	58 297 413	22 330 738
	<u>79 002 358</u>	<u>27 984 896</u>

All financial liabilities are carried at amortised cost and their fair value approximate their fair values.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

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

Risk management is carried out by the Company's Finance Department under policies approved by the Final Judicial Manager ("FJM"). The Company's Finance Department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating divisions. The FJM provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity. The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

The Company's senior management oversees the management of risks. The Company's senior management is supported by the Final Judicial Manager that advises on financial risks and the appropriate financial risk governance framework for the Company. The Final Judicial Manager meets regularly with executive management to analyse the Company's risk-taking activities and ensures that they are governed by appropriate policies. The policies for each of these risks are summarized below;

Management Meetings

The Final Judicial Manager and executive management meet regularly to consider and adopt effective strategies to manage the following risks:

- exposure to exchange rate fluctuations;
- borrowing facilities in the form of loans, bank overdrafts and acceptance credits which are negotiated with approved and registered financial institutions and third parties, at acceptable interest rates;
- investment of surplus funds in the form of treasury bills, bank acceptances and money at call which are placed with approved registered financial institutions and building societies at favourable rates on a short-term basis;
- allowance for impairment is regularly adjusted. Where appropriate, credit guarantee insurance is purchased; and,
- insurance of Company assets with the exception of plantations, which are not insurable.

24.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks arise from open positions in foreign currencies and interest-bearing assets and liabilities, to the extent that these are exposed to the general and specific market movements.

(i) Price risk

The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk and currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all financial instruments traded in the market. The Company has no significant exposure to price risks on commodity or equity securities (2018: RTGS\$ nil) because as at 30 June 2019 it had neither commodity contracts nor equity security investments.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT (continued)

24.2 Market risk (continued)

(ii) Interest rate risk management

The Company's interest rate risk would arise from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

(iii) Foreign currency exposure management

The Company has transactional currency exposures. Such exposure arises from the sales or purchases or borrowings in currencies other than the Company's functional currency. Management monitors exposure to exchange rate fluctuations on an ongoing basis.

The Company has transactional currency exposures. Such exposures arises from the sales or purchases or borrowings in currencies other than the Company's functional currency. Management monitors the exposures to exchange rate fluctuations on an ongoing basis.

The Company's significant foreign currency exposure arises from trade and other receivables and trade and other payables denominated in the South African Rand ("ZAR") and Botswana Pula ("BWP").

The following analysis details the Company's sensitivity to a 5% increase and decrease in US \$ against the relevant foreign currencies 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates.

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

	2019	2018	2019	2018
	RTGS\$	RTGS\$	RTGS\$	RTGS\$
	Strengthening	Strengthening	Weakening	Weakening
Loss before income tax				
South African rand ("ZAR")	79 615	23 974	(79 615)	(19 090)
United States Dollar ("US\$")	72 966	-	(72 966)	-
Botswana Pula ("BWP")	120 812	23 899	(120 812)	(20 992)
Current assets				
South African rand ("ZAR")	29 635	26 475	(29 635)	(22 154)
United States Dollar ("US\$")	65 298	-	(65 298)	-
Botswana Pula ("BWP")	120 812	23 899	(120 812)	(20 154)
Current liabilities				
South African rand ("ZAR")	(109 250)	(2 502)	109 250	3 064
United States Dollar ("US\$")	(138 264)	-	138 264	-

iv) Cash flow interest rate risk

The Company's main interest rate risk exposure arises from long term borrowings with variable interest rates which exposes the Company to cash flow interest rate risk. All the Company's offshore borrowings generally have variable interest rates, and all local borrowings have a fixed interest rate. The Company's policy is to keep at least 65% borrowings as a fixed rate and non-re-pricing. During the year the Company's variable interest rate borrowings were designated in US\$.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT (continued)

24.2 Market risk (continued)

	2019	% of total	2018	% of total
	RTG\$	borrowings	RTG\$	borrowings
Variable interest rate borrowings	36 671 246	63%	6 171 715	28%
Fixed and non-re-pricing interest rate borrowings	21 626 167	37%	16 159 023	72%
Total borrowings	58 297 413	100%	22 330 738	100%

Cash flow Interest rate sensitivity

Profit or loss is sensitive to lower or higher interest expense arising from changes in the interest on variable interest rate borrowings. The Sensitivity analyses below have been determined based on the exposure to interest for both derivative and non-derivative instruments at the end of the reporting period. An 80% basis point increase and 90% basis point for decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Impact on Profit or loss before tax	
	2019	2018
	RTG\$	RTG\$
Interest rates- increase by 80 basis points (80bps)*.	(44 156)	(44 156)
Interest rates- decrease by 90 basis points (90 bps)*.	50 281	50 281

**Holding all other variables constant.*

24.3 Credit risk management

Credit risk is the risk that one party to financial instrument will cause a financial loss to the other party by failing to discharge a contract. The Company's Finance Department is responsible for managing and analysing the credit risk for each of the new and existing clients before standard payment and delivery terms and conditions are offered. Credit risk arises from credit exposures to customers, including outstanding receivables and committed transactions as well as cash and cash equivalents. None of the Company's trade receivables represent a high concentration of credit risk because the Company transact with a variety of customers.

Cash and cash equivalents

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument. Only reputable financial institutions are used for investing and cash handling purposes.

	2019	2018
	RTG\$	RTG\$
Counterparties with external credit rating		
A+	-	-
A	485 417	18 095
A-	-	-
AA-	1 017 839	72 945
BB+	366 427	13 624
BB-	-	-
BBB-	1 156 617	2 073 159
BBB+	-	-
Other unrated cash and cash equivalents	546 627	53 612
	3 572 927	2 231 435

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Credit risk management (continued)

Trade receivables

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

Customer credit risk is managed by established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

24.4 Liquidity risk management

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Cash flow forecasting is performed by Company's Finance Department. The Company's Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal statement of financial position ratio targets.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT (continued)

24.4 Liquidity risk management

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months RTGS\$	Between 3 months and 1 year RTGS\$	Between 1 and 2 years RTGS\$	Between 2 and 5 years RTGS\$	Over 5 years RTGS\$	Total RTGS\$
At 30 June 2019						
Borrowings	-	3 048 059	-	55 249 354	-	58 297 413
Trade and other payables excluding statutory liabilities	4 969 685	15 735 260	-	-	-	20 704 945
	<u>4 969 685</u>	<u>18 783 319</u>	<u>-</u>	<u>55 249 354</u>	<u>-</u>	<u>79 002 358</u>
At 30 June 2018						
Borrowings	-	1 086 196	-	21 244 542	-	22 330 738
Trade and other payables excluding statutory liabilities	595 293	5 058 865	-	-	-	5 654 158
	<u>595 293</u>	<u>6 145 061</u>	<u>-</u>	<u>21 244 542</u>	<u>-</u>	<u>27 984 896</u>

The Company manages its liquidity position through refinancing short-term borrowings with much longer-term funding. Where this is not achieved, the Company negotiates with its financiers for the rollover of the short-term facilities until the Company has sufficient cash flows to fund the repayments.

As at 30 June 2019 the Company had no undrawn uncommitted borrowing facilities (30 June 2018: RTGS\$ nil).

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

24 FINANCIAL RISK MANAGEMENT (continued)

24.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The objective of the Company's capital management is also to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 30 June 2018.

The Company monitors its capital ratio using a gearing ratio which is net debt divided by total capital plus net debt. The Company includes within its net debts, interest bearing loans and borrowings, less cash and cash equivalents; capital includes equity attributable to the equity holders of the parent.

	2019	2018
	RTGS\$	RTGS\$
The gearing ratios as at 30 June were as follows:		
Interest bearing loans and borrowings	58 297 413	22 330 738
Less cash and cash equivalents	(3 572 927)	(2 231 435)
Net debt	<u>54 724 486</u>	<u>20 099 303</u>
Total capital	394 067 241	57 944 128
Gearing ratio	14%	35%

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

25 RISK MANAGEMENT – AGRICULTURAL ACTIVITIES

The Company is exposed to risk arising from plantation fires, environmental and climatic changes, commodity prices and financing risks.

As a leading member of the Timber Producers Federation ("TPF"), the Company complies with the TPF Fire Policy, and actively participates in TPF District Fire Committees. District Fire Committees include Traditional Leaders and Local Authorities, Zimbabwe Republic Police ("ZRP"), Environmental Management Agency ("EMA"), Forestry Commission and landowners within each District.

The risk to the Company's plantation area from uncontrolled fires is increased because of the presence of illegal settlers on four of the company's five estates. Each estate annually produces a Fire Plan identifying risk levels for each compartment and responses to mitigate such risk as far as is practical, and identifying fire-control teams, equipment and infrastructure, fire responses and callout procedures. Fire awareness campaigns are carried out by the District Fire Committees. Teams are trained at Basic; Fire-fighter and Fire Boss level and refresher drills are carried out weekly during the Fire Season. All estates are covered day and night throughout the year by manned Fire Towers and a radio network. Standby teams including specialised, dedicated Fire Tenders are on duty at all times during the Fire Season and procedures are in place to rapidly augment first-call teams with local back-up, then with additional units from other estates, should the need arise.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

25 RISK MANAGEMENT – AGRICULTURAL ACTIVITIES (continued)

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

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

26 ASSET INSURANCE

Assets are insured on a reinstatement basis. The sums insured are subject to regular review by the Company and its brokers. Plantations are not insured, as cover is not available.

27 LAND DESIGNATION

The Company's land was expropriated by the Government of Zimbabwe ("the Government") in 2005 and subjected to invasions before and after 2005. In addition, certain measures were taken by the Government against Border's foreign exchange. In 2010, the Company and its subsidiary companies, Hanganani and Timber Products International (Private) Limited ("Timber Products") (collectively, "the Border Claimants") filed a Request for Arbitration with the International Centre for Settlement of Investment Disputes ("ICSID") against the Government under the investment treaty between Switzerland and Zimbabwe (the "Treaty"), ICSID Case No. ARB/10/25 ("the Border Arbitration"). Timber Products assigned its interest in the Border Arbitration to the Company on 16 December 2014.

Claims were also brought against the Government in separate arbitral proceedings by the Company's (then) majority shareholder, the von Pezold Family ("the VP Claimants") under the same bilateral investment treaty as well as under a bilateral treaty between Germany and Zimbabwe, ICSID Case No. ARB/10/15 ("the VP Arbitration"). The VP Arbitration extended to other expropriated land owned by the von Pezold Family through companies in which the Company held no legal or other interests. The VP Arbitration together with the Border Arbitration shall be referred to as, "the ICSID Arbitrations".

In July 2015, two separate but identically constituted Arbitral Tribunals issued two separate awards in the ICSID Arbitrations in favour of the Border Claimants ("the Border Award") and in favour of the VP Claimants ("the VP Award"), with identical relief (with certain exceptions relating to moral damages, interest and costs) for: (i) the expropriation of the properties that were owned (directly or indirectly) by the Company; (ii) the manner in which the Government responded to the invasion of those properties; and (iii) the measures that the Government took in regard to Border's foreign exchange. "The Border Award" and "the VP Award" together shall be referred to as "the Final Awards". That relief was compensation in the sum of US\$124,041,223 ("the Border Compensation") (failing restitution of the expropriated land and other damages) and pre and post award interest relating to that compensation. The Arbitral Tribunal did not determine the manner of apportionment of the Final Awards in regard to the Border Compensation but included a provision in each of the Border Award and the VP Award that prohibits double recovery.

In October 2015, the Government instituted annulment proceedings seeking to set aside the Final Awards. The ICSID arbitration proceedings concluded in November 2018 after the ICSID ad hoc Committee dismissed the Government's annulment applications in their entirety ("the Annulment Decisions"). To date, the Government has not paid any part of the Final Awards and the amounts awarded remain unsatisfied and outstanding in their entirety.

As the Final Awards expressly prohibited double recovery between the Border Claimants and the VP Claimants as to the Border Compensation, this has resulted in the Border Claimants and the VP Claimants needing to agree on the split and apportionment of the Border Compensation.

For the duration of the ICSID Arbitration, GoZ has respected the principle that to the extent that the Company continued to occupy and operate its forestry business on the land.

Subject to full payment of the Border Award, the Company has the right to continue operating its business on, and occupying, the land. The full terms of the Border Award are in the public domain and readily available for anyone to access.

Border Timbers Limited (Under Final Judicial Management)

Notes to the Financial Statements For the year ended 30 June 2019

27 LAND DESIGNATION (continued)

The view therefore is that the Company will continue to occupy the unaffected parts and run and operate its business in the ordinary course until the Arbitration Award has been settled in full.

28 CONTINGENT LIABILITY- ARBITRATION AWARD

The Company has a contingent liability for legal fees amounting to US\$10 million in connection with the ICSID Arbitrations which are expected to be settled once and to the extent that proceeds from the Border Compensation are received.

29 GOING CONCERN

Border Timbers Limited was placed under Provisional Judicial Management on the 29th of January 2015 after Management and Directors decided to apply for Provisional Judicial Management to enable the Company to negotiate with its lenders repayment terms of loans that had become due. The Company was subsequently placed under Final Judicial Management (FJM) on the 2nd of May 2016 by the High Court of Zimbabwe. The FJM planned to take the Company out of Judicial Management at the earliest possible time after all the pre- judicial management creditors had been repaid. To date, all pre-judicial management creditors were paid except for Deutsche Investitions- und Entwicklungsgesellschaft GmbH (DEG) a German Development Bank and other related parties whose debts are being restructured by the FJM.

The Company has amounts owing to related parties of RTGS\$15.6 million which do not have defined payment terms. As at date of approval of these financial statements for issue, the Company has an outstanding foreign debt of US\$4million with DEG which is due in full in April 2022. Management is in the process of discussing a restructuring of the loan with DEG.

As detailed in note 27, following the issue of the Final Awards, the Government has not paid any part of the Final Awards.. The Company continues to engage with the Government on this matter. Failing restitution of land, the Company will have to implement a new business model for which, at this stage, there is uncertainty around the final business model and the success and sustainability of that business beyond the 12 months after date of approval of these [financial statements?]

The outbreak of Covid-19 (coronavirus) which was declared by the World Health Organisation (WHO) a pandemic in March 2020 had far reaching implications on the global economy. The Government declared the pandemic a national disaster in March 2020 and implemented emergency measures to curb the spread of the virus. The implications of the pandemic on the broader economic scale continue to unravel and as a result, the FJM is unable to reasonably quantify the full impact of COVID on the business as it is still an evolving phenomenon.

The above facts indicate that there may be a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In preparing the financial statements, the FJM has assessed the ability of the Company to continue operating as a going concern and believes that the preparation of these financial statements on a going concern basis is still appropriate based on the following:

- In the event that DEG does not agree to reschedule the payment terms of the loan, Rift Valley Corporation Limited (RVC) has agreed to refinance the Company on a loan agreement facility. This will be payable on the second anniversary of the loan repayment.
- The Company has also obtained representations on amounts owing to related parties as at year end, the related parties have agreed that they ;
 - will not make demand for amounts owed by BTL in the next 12 months from the date of approval of the statutory accounts of BTL; and
 - will not vary the terms of the Rift Valley Services (Private) Limited (RV SPL) Loan Agreement to the detriment of BTL.
- RVC has also agreed to continue to give BTL full financial support for the next 12 months from the date of approval of the statutory accounts of BTL. This was agreed using a letter of support. The Company has already secured a US\$0.688 million loan with RVC which is now awaiting Reserve Bank of Zimbabwe approval.

Border Timbers Limited (Under Final Judicial Management)
Notes to the Financial Statements
For the year ended 30 June 2019

29 GOING CONCERN (continued)

- The Company has an undrawn RTGS\$40 million overdraft facility available with local banking institutions with an option of renewal at the time of expiry.
- The Company has not observed any material impact on the business as a result of the pandemic. The goods and services provided by the Company are recognised as essential services and therefore during COVID 19 lockdown, the business will be allowed to continue to operate throughout any set restrictions.

The going concern assessment has been extended for the 12-month period commencing from the date of approval of these financial statements for issue and incorporated all available information on the operating environment and future risks and uncertainties on which sensitivity analysis were also made.

In light of this review and the current financial position, the FJM is satisfied that regardless of the outcome the Company will either continue in operation for the foreseeable future should the land restitution take place, or alternatively without the land the Company will have adequate resources to settle any obligations that as they fall due while investigating and implementing a new business model.

Furthermore, the FJM believes that under the current economic environment, a continuous assessment of the ability of the Company to continue to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statement

30 EVENTS AFTER REPORTING DATE

- 30.1 On the 11th of October 2019 the Public Accountants and Auditors Board (PAAB) pronounced that Zimbabwe was now operating in a hyper inflationary environment effective 1 July 2019. This entailed all companies in Zimbabwe reporting on or after 1 July 2019 are required to comply with IAS 29- Financial Reporting in Hyperinflationary Economies.
- 30.2 On the 14th of February 2020 the Companies Act (23:02) was replaced by the Companies and other Business Entities Act [Chapter 24:31] which introduces a number of important new concepts and changes to company law in Zimbabwe.
- 30.3 On the 11th March 2020, Coronavirus (COVID-19) was declared a national disaster by the Government of Zimbabwe due to the rising rate and scale of infection observed in the world.

The goods and services provided by the Company are recognised as essential services and therefore during COVID 19 lockdowns, the business will be allowed to continue to operate throughout any set restrictions. The FJM will continually evaluate the impact of the pandemic on the business over the short to medium term

- 30.4 On the 26th of March 2020, in response to the financial vulnerabilities caused by the COVID-19 pandemic and to mitigate the devastating impact of COVID-19 on the Zimbabwean society and economy, Government, through the Reserve Bank of Zimbabwe, announced its measures to facilitate ease of transacting to the public during this difficult period by making available an option to use foreign currency to pay for goods and services chargeable in local currency. Related to these measures, Government, through the Reserve Bank, has suspended the managed floating exchange rate system to provide for greater certainty in the pricing of goods and services in the economy. In its place, the Reserve Bank has, with immediate effect, adopted a fixed exchange rate system at the current interbank level of RTGS\$25 to the US\$.
- 30.6 In June 2020, the RBZ announced the introduction of a foreign exchange auction trading system to determine the prevailing ZWD rate to the USD. The weekly auction sets the official market exchange rate for the next seven days. The official market exchange rate will be the weighted average of the prices paid for the allotted currency at the end of each auction.
- 30.7 In June 2020 there were amendments to the 2% rate of the “immediate money transfer tax” (IMTT) thresholds and introduction of IMTT on Nostro foreign currency account transfers.
- 30.8 Effect from 1 January 2021 corporate income tax rate was reduced from 25% to 24% to bring the rate in line with the rate reduction provided for other companies from 2020.

Border Timbers Limited (Under Final Judicial Management)
ANALYSIS OF SHAREHOLDERS
For the year ended 30 June 2019

30 EVENTS AFTER REPORTING DATE (continued)

- 30.9 As indicated in note 29 the terms of settlement of the Arbitration Award were finalised subsequent to year end whereby the claimants to the award agreed to split the award of US\$124million on a ratio of 57.5% to Border Claimants and 42.5% to VP Claimants. This was ratified as an Extra-ordinary General meeting which was held on the 12th of January 2022. According to these terms the Company will be compensated with cash amounting to US\$83million which also includes moral damages and arbitration costs in lieu of restitution of land by the Goz.
- 30.10 As indicated in note 29, the Arbitration award is only enforceable in Zimbabwe once it has been registered with the High Court of Zimbabwe. Consequently the Company lodged the registration of the award in January 2022 with no opposition from the Goz. The effect of the registration is from this date for all intents and purposes this award is now a judgment or order from the High Court of Zimbabwe and therefore the GoZ has 90days from the date of registration with the High Court to effect restitution in full. The GoZ has to retribute in kind by restoring vacant possession of the land to Border Timbers. If no restitution of land takes place within the 90 days , the government must within a further 120 days after expiration of the 90 days' pay compensation in lieu of restitution.
- 30.10 The Russia-Ukrainian war which broke out in February 2022, has affected the global economy due to supply disruption and price increases. This is expected to impact global growth which has an impact on consumer spending and the outlook of the Company. As the war is continuing, its full impact on the global landscape and the Company's operations remains highly uncertain.

The FJM continue to monitor the events and adapt the business model to the extent possible in order to minimise the impact on business

Border Timbers Limited (Under Final Judicial Management)
ANALYSIS OF SHAREHOLDERS
For the year ended 30 June 2019

DIRECTORS SHARE HOLDING

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

Shareholder distribution	Number of shareholders	% of total	Issued shares	% of total
Analysis of shareholders as at 30 June 2019				
1-5000	566	86		472 154
1 5001 - 10000	30	5	211 002	0
10001 – 25000	18	3	286 951	1
25001 - 50000	13	2	445 699	1
50001 - 100000	16	2	1 161 348	3
100001 - 200000	3	0	452 704	1
200001 - 500000	6	1	1 467 905	3
500001 - 1000000	1	0	903 142	2
1000001 and above	4	1	37 541 582	87
TOTAL	657	100	42 942 487	100

Analysis by industry

Industry				
Other corporates	49	7	28 496 793	66
Investments/Trust/Props	41	6	8 682 223	20
Resident Individual & Trusts	20	3	524 873	1
Standard company	414	63	2 788 836	6
External companies	18	3	343 606	1
Banks & Nominees	62	9	526 312	1
Non-resident individuals	5	1	284 648	1
Pension funds	46	7	1 256 973	3
External Banks & Nominees	1	0	36 420	0
FCDA - Resident individual	1	0	1 803	0
TOTAL	657	100	42 942 487	100

Border Timbers Limited (Under Final Judicial Management)
ANALYSIS OF SHAREHOLDERS
For the year ended 30 June 2019

TOP 10 SHAREHOLDERS

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

Share Price information

	RTGS\$ cents
Total	
30 June 2018	20
30 June 2019	20

Non-public shareholders are defined in the Zimbabwe Stock Exchange Listing Requirements, which requires disclosure of public and non-public shareholders, as follows;

- The Directors of the Company;
- An associate director of the company or any subsidiaries;
- The Trustees of any employee' share scheme or pension fund established for the benefit of any director or employees of 'the Company and its subsidiaries;
- Any person who, by virtue of any agreement, has the right to nominate a person to the board of the Company; and,
- Any person who, is interested in more than 10% or more of the securities of the Company of the relevant class unless exempted by the committee.