ABRIDGED AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of Dairibord Holdings Limited are pleased to announce the Group's audited financial results for the year ended 31 December 2018.

Nutritious Foods and Beverages for the Sustenance of Good Health

Dairibord Holdings
More Than Just Milk

FINANCIAL HIGHLIGHTS

Financial	% Change	$
Continuing operations		
Revenue ↑	28%	126,442,610
Earnings before interest, depreciation, amortisation and tax ↑	51%	15,005,838
Profit before tax for the period ↑	211%	9,545,548
Volumes (litres) ↑	3%	87,734,274

Financial	% Change	$
Loss for the year from discontinued operations ↓	(17%)	(693,320)
Basic Earnings per Share (cents) - continuing operations ↑	232%	1.81
Basic loss per Share (cents) - discontinued operations ↓	(18%)	(0.13)
Basic Earnings per Share (cents) - total operations ↑	274%	1.68

VPCG 2263

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present the Group's results for the year ended 31 December 2018.

The performance reflects the continued positive impact of the business' turnaround strategies which were started in 2017.

OPERATING ENVIRONMENT

The operating environment deteriorated during the period under review, in particular, the second half of the year was characterized by worsening foreign currency shortages and rising inflation. These developments had a negative impact on product supply and the cost of doing business leading to consumer price increases.

Year on year inflation closed at 42.09% (2017: 3.46%) while the foods and non-alcoholic beverages inflation surged to 53.68% (2017: 6.60%).

Despite these challenges, consumer demand remained firm, driven by the improved performance in agriculture, mining and exports.

GROUP PERFORMANCE

Raw Milk Intake

Raw milk supply remains a key strategic pillar for the business. Intake for the year grew by 20% compared to the national growth of 14%, reflecting the benefits of the milk supply development strategy that the business embarked on. The key objective of the raw milk supply strategy is to grow raw milk production through increasing output at farm level, retention of existing farmers and recruitment of new farmers.

Volumes and revenue

Volumes sold from continuing operations increased by 3% largely driven by liquid milks which benefited from increased raw milk intake. Liquid Milks volumes grew by 9% while Beverages recorded a 2% increase. Foods decreased by 11%. Volume growth was constrained by worsening foreign currency availability to buy raw and packaging materials, particularly in the last quarter of the year.

Revenue grew by 28% to $126.4 million driven by volume growth and selling price adjustments. In spite of the modest volume growth, demand remained largely unsatisfied.

The business increased its focus on exports to supplement the company's import requirements as traditional sources of foreign currency were declining. The focus on exports resulted in export revenue growth of 67% to $1.7 million. However, this level of performance still falls below the company's import bill.

Profitability

The operating profit from continuing operations increased to $10.0 million, a growth of 119% above prior year. The Group achieved a profit after tax of $6.5 million before the effects of discontinued operations, an increase of 230% above prior year. Operating profit margin was stronger at 8% up from 5% achieved in 2017.

The profitability of the company was impacted by a 31% increase in cost of sales, driven by increase in price of materials and non-recurrence of restructuring costs during the year of $0.8 million incurred in 2017.

Working capital

Net cash generated from operations increased by 48% to $9.229 million on account of improved operating performance. Growth in cash flows was subdued by significant investment in inventories to mitigate value erosion from rising inflation. The business closed the year with foreign obligations of USD$3.7 million. The new foreign exchange regime announced by the Central Bank in February 2019 will enable the business to liquidate the liabilities at market exchange rates.

DAIRIBORD MALAWI

The subsidiary posted a loss after tax of $0.7 million in 2018, an increase of 17% on the prior year loss due to continued working capital constraints. The Board resolved to exit Dairibord Malawi following consistent weak performance of the business. Conclusion of the exit process is anticipated in the 2nd quarter of 2019. The subsidiary has therefore been classified as held for sale and the results are accounted for as a discontinued operation.

OUTLOOK

The recent Monetary Policy Statement (MPS) coupled with the commitment by Government to implement the Transitional Stabilisation Plan (TSP) is expected to improve the operating environment in 2019. Inflation is expected to decline while aggregate demand is expected to slow down in the medium term.

The business will focus on the following areas for growth:

- Continued investment in local raw milk production as a strategic pillar for import substitution and export growth
- Exports drive to generate foreign currency required for imported materials
- Investing in brand building to grow market share in an environment characterised by increasing competition
- Value preservation through enhanced working capital management and investment decisions
- Cost reduction and containment to sustain margins

DIVIDEND DECLARATION

In consideration of the improved performance of the business and in line with shareholder expectations, at the meeting held on 6 March 2019, the Board resolved to declare a dividend of RTGS$0.007 per share for the year ended 31 December 2018. The dividend was paid to shareholders registered in the share register of the company at close of business on the 5th of April 2019. The payment of the dividend took place on or about the 16th of April 2019.

DIRECTORATE

In line with the company's articles of association, Mr David Hasluck will be retiring at the AGM to be held in May 2019. Mr Hasluck was the Chairman of the Finance and Audit Committee and a member of the Milk Supply Development and Remuneration Committees. On behalf of the Board, I take this opportunity to thank David for his invaluable contribution to the company over the years and wish him the very best in future.

APPRECIATION

I extend my appreciation to all stakeholders, fellow board members, management and staff for the continued commitment to the success of the business.

J. Sachikonye
Chairman
April 2019

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent						
	Share Capital $	Share Premium $	Non-distributable reserves $	Retained earnings $	Total $	Non - controlling interests $	Total equity $
As at 1 January 2017	35,800	1,379,664	24,473,623	17,968,630	43,857,717	206,935	44,064,652
Total comprehensive income	**-**	**-**	**-**	**1,609,810**	**1,609,810**	**(254,843)**	**1,354,967**
Profit / (loss) for the year	-	-	-	1,609,810	1,609,810	(254,843)	1,354,967
Other comprehensive income	-	-	-	-	-	-	-
Tranfer to retained earnings on sale of assets	-	-	(154,857)	154,857	-	-	-
As at 31 December 2017	**35,800**	**1,379,664**	**24,318,766**	**19,733,297**	**45,467,527**	**(47,908)**	**45,419,619**
Effect of adoption of new IFRS (Note 3)	**-**	**-**	**-**	**(285,616)**	**(285,616)**	**-**	**(285,616)**
Restated balance at 1 January 2018	**35,800**	**1,379,664**	**24,318,766**	**19,447,681**	**45,181,911**	**(47,908)**	**45,134,003**
Total comprehensive income	-	-	75	6,017,714	6,017,789	(234,855)	5,782,934
Profit / (loss) for the year	-	-	-	6,017,714	6,017,714	(234,889)	5,782,825
Other comprehensive income	-	-	75	-	75	34	109
Dividend declared	-	-	-	(716,001)	(716,001)	-	(716,001)
As at 31 December 2018	**35,800**	**1,379,664**	**24,318,841**	**24,749,394**	**50,483,699**	**(282,763)**	**50,200,936**

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 $	2017 $
Assets			
Non-current assets			
Property, plant and equipment and investment property		36,175,326	42,200,715
Other non-current assets		874,763	481,817
		37,050,089	**42,682,532**
Current assets			
Inventories		18,308,918	12,119,852
Prepayments		3,099,048	1,553,843
Trade and other receivables		7,256,984	10,043,187
Financial assets at fair value through profit or loss (equity investments)		160,205	-
Cash and cash equivalents		10,317,729	5,819,110
		39,142,884	**29,535,992**
Assets classified as held for sale	4	2,360,343	-
		41,503,227	**29,535,992**
Total assets		**78,553,316**	**72,218,524**
Equity and liabilities			
Equity			
Share capital		35,800	35,800
Share premium		1,379,664	1,379,664
Non-distributable reserves		24,318,841	24,318,766
Retained earnings		24,749,394	19,733,297
Equity attributable to owners of the parent		50,483,699	45,467,527
Non controlling interest		(282,763)	(47,908)
Total equity		**50,200,936**	**45,419,619**
Non-current liabilities			
Interest-bearing borrowings	5	1,293,436	3,831,399
Other non-current liability		136,971	-
Grant income deffered		-	218,908
Deferred tax liability		6,378,038	5,422,557
		7,808,445	**9,472,864**
Current liabilities			
Trade and other payables		14,428,925	13,209,667
Interest-bearing borrowings	5	2,408,554	3,953,308
Income tax payable		501,463	5,859
Dividend payable		87,906	67,874
Bank overdraft		387,838	89,333
		17,814,686	**17,326,041**
Liabilities associated with assets held for sale	4	2,729,249	-
		20,543,935	**17,326,041**
Total liabilities		**28,352,380**	**26,798,905**
Total equity and liabilities		**78,553,316**	**72,218,524**

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue		**126,442,610**	**98,636,685**
Earnings before depreciation and amortisation		**15,005,838**	**9,938,767**
Depreciation and amortisation		(5,011,715)	(5,379,720)
Operating profit before interest and tax		**9,994,123**	**4,559,047**
Restructuring costs		-	(847,373)
Finance costs		(570,773)	(718,533)
Finance revenue		122,198	72,012
Profit before tax		**9,545,548**	**3,065,153**
Income tax expense		(3,069,403)	(1,115,957)
Profit for the year		**6,476,145**	**1,949,196**
Discontinued operations			
Loss for the period from discontinued operations	4	(693,320)	(594,229)
Profit for the period		**5,782,825**	**1,354,967**
Other comprehensive income:			
Exchange differences on translating foreign operations		109	-
		109	-
Total comprehensive income for the year		**5,782,934**	**1,354,967**
Profit / (loss) attributable to:			
Owners of the parent		6,017,714	1,609,810
Non-controlling interests		(234,889)	(254,843)
		5,782,825	**1,354,967**
Total comprehensive income / (loss) attributable to:			
Owners of the parent		6,017,789	1,609,810
Non-controlling interests		(234,855)	(254,843)
		5,782,934	**1,354,967**
Earnings per share (cents)			
Basic and diluted		1.68	0.45
Continuing operations			
Basic and diluted		1.81	0.54
Shares in issue and weighted average number of shares (same as diluted)		358,000,858	358,000,858

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $
Operating activities:		
Profit before tax - continuing operations	9,545,548	3,065,153
Loss before tax - discontinued operations	(612,301)	(594,229)
Non-cash items	6,288,950	5,372,044
Working capital movements	(4,742,026)	(1,465,031)
Income tax paid	(1,250,834)	(138,631)
Net cashflows from operating activities	**9,229,337**	**6,239,306**
Investing activities:		
Acquisition of property, plant and equipment and intangible assets	(1,157,165)	(1,972,297)
Proceeds from sale of property, plant and equipment	477,065	719,496
Other investing cash flows	(372,377)	378,749
	(1,052,477)	**(874,052)**
Financing activities:		
Movement in borrowings	(3,346,612)	(2,370,448)
Dividends paid	(695,969)	-
Net cash used in financing activities	**(4,042,581)**	**(2,370,448)**
Increase in cash and cash equivalents	4,134,279	2,994,806
Net foreign exchange difference	112	-
Cash and cash equivalents at beginning of period	5,729,777	2,734,971
Cash and cash equivalents at the end of period	**9,864,168**	**5,729,777**

Directors: J. Sachikonye (Chairman), S. Chindove, D. Hasluck, Cron Von Seidel, C. Mahembe, *A. Mandiwanza (Group Chief Executive), *M. Ndoro (Group Finance Director), R.P Kupara, N. Chiromo, C.R.J Hawgood * Executive.

ABRIDGED AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements, of which the abridged results are an extract, were prepared in accordance with International Financial Reporting Standards (IFRS) and are based on statutory records that are maintained under the historical cost convention except for land and buildings, financial assets at fair value through profit or loss, and investment property that have been measured at fair value.

2. Presentation and functional currency

The Group had in previous years used the United States Dollar (US$) as its functional and presentation currency. The macroeconomic developments and fiscal and monetary policy changes in note 11 led to the reassessment of whether the US$ still remains the functional currency of the Group in accordance with the provisions of IAS 21 (The Effects of Changes in Foreign Exchange Rates) with effect from 1 October 2018.

The directors, based on their interpretation of IFRS had considered the Monetary Policy Statement (MPS) of 20 February 2019, and the subsequent emergence of an interbank market rate to be adjusting event in terms of IAS 10 "Events After the Reporting Period", however this could not be effected because at law there was no local currency in Zimbabwe until 22 February 2019. The RTGS, was also not legally recognised as a currency until 22 February 2019 as detailed in note 11.

The Directors of the Company, in compliance with S141 of 2019, which prescribed that where IFRS is not aligned to local laws, then local laws take precedence therefore resolved not to effect the change in functional currency as at and for the year ended 31 December 2018.

2.1 Statement of Compliance

These financial statements should be read in conjunction with the complete set of financial statements for the year ended 31 December 2018, which have been audited by Ernst & Young (Chartered Accountants). The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) except for IAS 21 and in a manner required by the Companies Act (Chapter 24:03).

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous period, except for the effects of adoption of IFRS 9 and 15. The Group applied the modified approach in implementing IFRS 9:Financial Instruments on 1 January 2018. In implementing this, the Group remeasured the allowance for credit losses using the expected credit loss model (ECL) under IFRS 9 on the 31 December 2017 receivables and the increase in allowance for credit losses was recognised as an adjustment to opening retained earnings. IFRS 15 - Revenue from contracts with customers prescribes the measurement of revenue at the fair value of consideration receivable and under this measurement, costs which used to be classified in operating costs, for example, volumes debates and customer loyalty programmes, are now netted off against revenue. The Standard also requires an entity to estimate possible returns on sales already made and recognises an asset representing stock to be returned, termed "right of return" and a corresponding "refund liability" to the customer. The tables below summarise the impact of IFRS 9 on opening retained earnings and IFRS 15 on revenue measurement on 2017 numbers previously reported;

	$
IFRS 9	
Increase in allowance for credit losses as at 1 January as measured under IFRS 9	384,668
Deferred tax thereon	(99,052)
Adjustment to opening retained earnings	**285,616**
IFRS 15	
Revenue as previously reported	99,841,378
Volume rebate and discount costs included in selling & distribution costs in 2017	(1,204,693)
Restated balance	**98,636,685**

The Group assesed the probability of sale returns both as at 31 December 2017 and 2018 and found them to be immaterial and therefore no adjustments in the financial statememts have been made.

4. Discontinued operations

In December 2018, the Board of Directors of Dairibord Holdings Limited resolved that the Group should disinvest from Dairibord Malawi Limited (DML). DML has posted persistent losses for the past six years as a result of old, antiquated machinery and the performance has worsened in the last 2 years due to working capital challenges. The Board evaluated the various options presented by management one of which was naturally to fund the business but due to the foreign currency challenges in Zimbabwe, the parent company is not able to recapitalise the business. The Board therefore took the decision to dispose of the investment and hence the operation has been classified as held for sale in the current year.

	2018 $	2017 $
Revenue	2,911,293	3,306,059
Expenses	(3,440,240)	(3,903,011)
Other operating income	125,202	96,117
Operating loss	**(403,745)**	**(500,835)**
Finance costs	(208,556)	(93,394)
Loss before tax	**(612,301)**	**(594,229)**
Income tax	(81,019)	-
Loss after tax	**(693,320)**	**(594,229)**

The major classes of assets and liabilities of Dairibord Malawi as at 31 December 2018, are as below. For the purposes of consolidated financial statements, intercompany transactions and balances have been eliminated.

	$
Assets	
Property, plant and equipment	1,750,154
Other current assets	603,015
Cash and bank balances	7,174
	2,360,343
Liabilities	
Trade and other payables	1,165,152
Deferred tax liability	342,510
Interest bearing borrowings	728,247
Deferred income-grants received	420,443
Bank overdraft	72,897
	2,729,249
Net assets associated directly with assets held for sale for consolidated financial statements	**(368,906)**

The net cash flows of Dairibord Malawi Limited are as follows:

	2018 $	2017 $
Operating	56,923	(12,025)
Investing	(15,126)	(602,660)
Financing	(32,688)	845,951
	9,109	**231,266**

5. Interest bearing borrowings

	2018 $	2017 $
Long term borrowings	2,923,809	7,726,508
Less current portion of the loans	(1,630,373)	(3,895,109)
	1,293,436	3,831,399
Short term borrowings	778,181	58199
Short term portion of long term borrowings	1,630,373	3,895,109
Total current borrowings	2,408,554	3,953,308
Total borrowings	**3,701,990**	**7,784,707**

The loans bear interest at rates of between 8-11% and property worth $13.6 million is mortaged on the loans.

6. Segment information

For management purposes, the Group is currently primarily organised into business units based on business activity. The Group has 3 operating segments which are listed below. Dairibord Malawi which was a reportable segment in 2017 has been classified as a discontinued operation and is no longer a reportable segment.

Manufacturing & distribution	-	manufacture and marketing of milks, foods and beverages.
Properties	-	leasing of properties
Corporate	-	management services

NOTES TO THE FINANCIAL STATEMENTS (continued)

VPCG 2263

6. Segment information (continued)

Year ended 31 December 2018	Manufacturing and distribution $	Properties $	Corporate $	Adjustments & eliminations $	Consolidated $
Revenue					
External customers	126,358,407	84,203	-		126,442,610
Inter-segment	7,158	1,079,908	1,480,936	(2,568,002)	-
Total revenue	**126,365,565**	**1,164,111**	**1,480,936**	**(2,568,002)**	**126,442,610**
Results					
Depreciation, & amortisation	4,648,821	329,899	32,995	-	5,011,715
Operating profit	7,978,880	884,874	894,822	235,547	9,994,123
Net finance costs	(700,473)	-	251,898	(577,216)	488,575
Segment profit before tax	7,278,407	884,874	1,146,720	235,547	9,545,548
Segment assets	58,978,168	18,526,569	58,218,421	(57,169,842)	78,553,316
Segment liabilities	31,085,644	724,315	3,869,667	(10,056,495)	25,623,131
Capital expenditure	1,134,971	-	7,068	-	1,142,039

Year ended 31 December 2017	Manufacturing and distribution $	Properties $	Corporate $	Adjustments & eliminations $	Consolidated $
Revenue					
External customers	98,553,023	83,662	-		98,636,685
Inter-segment	221,877	664,152	1,480,936	(2,366,965)	-
Total revenue	**98,774,900**	**747,814**	**1,480,936**	**(2,366,965)**	**98,636,685**
Results					
Depreciation, & amortisation	4,946,275	324,246	109,199	-	5,379,720
Operating profit	3,944,267	378,469	286,312	(50,001)	4,559,047
Restructuring costs	(410,491)	-	(436,882)	-	(847,373)
Net finance costs	(919,475)	-	272,954	(816,264)	646,521
Segment profit before tax	2,614,301	378,469	122,384	(50,001)	3,065,153
Segment assets	53,150,823	23,892,146	59,443,896	(67,180,874)	69,305,991
Segment liabilities	29,659,260	609,216	11,439,424	(17,973,142)	23,734,758
Capital expenditure	1,555,271	2,550	783	-	1,558,604

	2018 $	2017 $
7. Depreciation and amortisation charge	**5,011,715**	**5,379,720**
8. Capital expenditure	**1,142,039**	**1,972,297**

9. Contigent liabilities

The Group is a respondent in various claims for unfair dismissals and customer litigations to the amount of $307 490. On the basis of legal advice, it is more likely than not that the Group will win the cases. ZIMRA has raised tax claims of $444,845 against the Group for which the Group has lodged an appeal. The appeal is still under consideration. The directors believe the chances of winning the appeal are very high.

10. Capital commitments

	2018 $	2017 $
Capital commitments	**11,732,240**	**6,230,111**
- Authorised and contracted for	1,162,233	492,650
- Authorised but not contracted for	10,570,007	5,737,461

11. Subsequent events

The Reserve Bank of Zimbabwe announced a new monetary policy statement (MPS) on 20 February 2019 whose major highlights were the recognition of RTGS balances, bonds notes and coins as a local currency(the "RTGS" dollar) ,the introduction of the interbank market , and the devaluation of the RTGS$ against the US$. The monetary policy statement was followed by Statutory Instrument 33 of 2019 (S1 33) on 22 February 2019 which gave effect to the RTGS$ as legal tender and presribed that "for all accounting and other purposes" certain assets and liabilities on the effective date would be deemed to be RTGS$ at a rate of 1:1 to the US$. The directors considered the MPS of 20 February and the emergence of the interbank exchange rate to be an adjusting event in terms of IAS 10 "Events after the reporting period" as it was reflective of conditions as at 31 December 2018. However, given the limitations imposed by S1 33, financial statements for the year ended 31 December 2018 have not been restated.

The impact on the 2018 financial position (presented on the basis of parity between the USD and RTGS balances) of applying different rates is shown below:

	Total RTGS$ denominated monetary & non-monetary balances	Total US$ denominated monetary & non-monetary balances	Total translated at a rate of US$:RTGS$ 1	TOTAL RTGS @ 1:2.5	TOTAL RTGS @ 1:3	TOTAL RTGS @ 1:4
ASSETS						
Non-current assets						
Property, plant and equipment and investment property	37,625,326	-	36,175,326	36,175,326	36,175,326	36,175,326
Intangible assets	352,567	-	352,567	352,567	352,567	352,567
Other non-current financial assets	501,515	-	501,515	501,515	501,515	501,515
Deffered tax asset	20,681	-	20,681	20 681	20,681	20,681
	38,500,089	**-**	**37,050,089**	**37,050,089**	**37,050,089**	**37,050,089**
Current assets						
Inventories	18,308,918	-	18,308,918	18,308,918	18,308,918	18,308,918
Prepayments	2,886,656	212,392	3,099,048	3,417,636	3,523,832	3,736,224
Trade and other receivables	7,089,585	167,399	7,256,984	7,508,083	7,591,782	7,759,181
Financial assets at fair value through profit or loss	160,205	-	160,205	160,205	160,205	160,205
Cash and cash equivalents	10,056,729	261,000	10,317,729	10,709,229	10,839,729	11,100,729
	38,502,093	640,791	39,142,884	40,104,071	40,424,466	41,065,257
Assets classified as held for sale	2,360,343	-	2,360,343	2,360,343	2,360,343	2,360,343
	40,862,436	640,791	41,503,227	42,464,414	42,784,809	43,425,600
TOTAL ASSETS	**79,362,525**	**640,791**	**78,553,316**	**79,514,503**	**79,834,898**	**80,475,689**
EQUITY& LIABILITIES						
Equity						
Share capital	35,800	-	35,800	35,800	35,800	35,800
Share premium	1,379,664	-	1,379,664	1,379,664	1,379,664	1,379,664
Non - distributable reserves	28,526,143	-	28,526,143	28,526,143	28,526,143	28,526,143
Foreign currency translation reserve	-	-		(4,978,209)	(6,637,612)	(9,956,418)
Reserves of assets classified as held for sale	(4,224,099)	-	(4,224,099)	(4,224,099)	(4,224,099)	(4,224,099)
Retained earnings	24,766,191	-	24,766,191	24,766,191	24,766,191	24,766,191
Equity attributable to owners of the parent	**50,483,699**	**-**	**50,483,699**	**45,505,490**	**43,846,087**	**40,527,281**
Non-controlling interests	(282,763)	-	(282,763)	(282,763)	(282,763)	(282,763)
Total equity	**50,200,936**	**-**	**50,200,936**	**45,222,727**	**43,563,324**	**40,244,518**
Non-current liabilities						
Interest - bearing borrowings	780,644	512,792	1,293,436	2,062,624	2,319,020	2,831,812
Financial guarantee liability	136,971	-	136,971	136,971	136,971	136,971
Deferred tax liability	6,378,038	-	6,378,038	6,378,038	6,378,038	6,378,038
	7,295,653	**512,792**	**7,808,445**	**8,577,633**	**8,834,029**	**9,346,821**
Current liabilities						
Trade and other payables	11,926,174	2,502,751	14,428,925	18,183,052	19,434,427	21,937,178
Interest - bearing borrowings	1,464,500	944,054	2,408,554	3,824,635	4,296,662	5,240,716
Bank overdraft	387,838	-	387,838	387,838	387,838	387,838
Dividend payable	87,906	-	87,906	87,906	87,906	87,906
Income tax payable	501,463	-	501,463	501,463	501,463	501,463
	14,367,881	**3,446,805**	**17,814,686**	**22,984,894**	**24,708,296**	**28,155,101**
Liabilties associated with assets held for sale	2,729,249	-	2,729,249	2,729,249	2,729,249	2,729,249
	17,097,130	**3,446,805**	**20,543,935**	**25,714,143**	**27,437,545**	**30,884,350**
Total liabilities	**24,392,783**	**3,959,597**	**28,352,380**	**34,291,776**	**36,271,574**	**40,231,171**
Total equity and liabilities	**74,593,719**	**3,959,597**	**78,553,316**	**79,514,503**	**79,834,898**	**80,475,689**

Assumptions

1. Property, plant and equipment , investment property and intangible assets ,although acquired in USD, had not been translated to RTGS and has been deemed to be at 1:1 to RTGS$
2. Deffered tax balance, because PPE balances, which is the main determinant of deffered tax balance, has remained at 1:1, has not been translated
3. Assets held for sale and liabilities associated with those assets are all in USD.
4. Share capital, and non-distributable reserves have been deemed to be at 1:1 with RTGS$

12. Audit statement

These financial statements from which this abridged version has been extracted have been audited by Ernst & Young Chartered Accountants (Zimbabwe). The independent auditors have issued an adverse opinion on the financial statements because of non-compliance with International Accounting Standard 21 (The Effects of Changes in Foreign Exchange Rates) ,which issue is explained in more detail on in the note above. Apart from this pervasive issue, the auditors have determined that there are no other key audit matters (KAMs) to report on. The auditor's report on these financial results is available for inpection at the Group's registered office

13. Approval of financial statements

The underlying financial statements to these results were approved by the Board on 25 April 2019.

Building a better working world

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Independent Auditor's Report

To the Shareholders of Dairibord Holdings Limited

Report on the Audit of the Consolidated and Company Financial Statements

Adverse Opinion

We have audited the consolidated and company financial statements of Dairibord Holdings Limited and its subsidiaries (the Group) set out on pages 11 to 71, which comprise the consolidated and company statement of financial position as at 31 December 2018, and the consolidated and company statement of comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and company financial statements do not present fairly the consolidated and company financial position of the Group as at 31 December 2018, and its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

As explained in note 2.1(a) to the consolidated and company financial statements, the functional currency applied by management is the United States Dollar (US$) and the financial statements are presented in US$ on the basis that the official exchange rate as at 31 December 2018 between the Real Time Gross Settlement Electronic Dollar (RTGS$) and the United States Dollar (US$) is 1:1.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out foreign currency accounts (FCAs) into two categories, namely RTGS FCA and Nostro FCA during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar(RTGS$) and the interbank foreign exchange market.

These events triggered the need for reporting entities to assess whether there was a change in functional currency (from US$ to RTGS$) and the 1:1 RTGS$:US$ exchange rate as at and prior to the 31 December 2018 year end.

Based on International Financial Reporting Standards IAS 21-*The Effects of Changes in Foreign Exchange Rates* ("IAS 21") the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it "*must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon.*" In addition, International Financial Reporting Standards IAS10 - *Events after the Reporting Period* ("IAS 10") also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and subsequent promulgation of the RTGS$ as a formal currency supports that there was a change in functional currency from US$ to RTGS$ and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS$:US$ exchange rate and this occurred prior to the 31 December 2018 year end. This impacts the basis for measuring transactions that occurred between 01 October and 31 December 2018, the valuation of assets and liabilities at year end as well as the accounting for foreign exchange differences. We believe that the consolidated and company financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements as this is not in conformity with IAS 10.

The financial statements of the group and company include balances and transactions denominated in RTGS$ that were not converted to US$ at an RTGS$:US$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards ("IFRS"). This is because management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019. Management have provided more information on their approach in Note 37 to the financial statements.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had RTGS$ been designated as the functional currency and a different RTGS$:USD$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the financial statements and have not been quantified.

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 Consolidated and Company Financial Statements* section of our report. We are independent of the Group 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 the financial statements in Zimbabwe, and we have fulfilled our other 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.

Key Audit Matters

Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report but does not include the financial statements and our auditors report thereon.

Our opinion on the consolidated and company 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 consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company 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 Group did not comply with the requirements of IAS 21 - Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated and Company Financial Statements

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

In preparing the consolidated and company financial statements, the directors are responsible for assessing the group'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 directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company 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 consolidated and company 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 consolidated and company 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 group'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 consolidated and company 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 group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

  We communicate with the directors 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 directors 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 directors, we determine those matters that were of most significance in the audit of the consolidated and company 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.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated and company financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Number 335).

Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors

Harare
26 April 2019