Dairibord Holdings

More Than Just Milk

2017 Annual Report

DAIRIBORD
DAIRY DELIGHTS
DAIRIBORD
Zimbabwe (Private) Limited

DAIRIBORD MALAWI
THE FAMILY CHOICE


DAIRIBORD
DAIRY DELIGHTS
DAIRIBORD
Zimbabwe (Private) Limited
DAIRIBORD
fun 'n fresh
DAIRIBORD
fun 'n fresh
Orange & Mango
A quality drink with fruit juice and milk proteins
1litre
DAIRIBORD
fun 'n fresh
Mixed Fruit
A quality drink with fruit juice and milk proteins
1litre
DAIRIBORD
fun 'n fresh
Passion Fruit
A quality drink with fruit juice and milk proteins
1litre
Make it FUN & FRESH!
For the whole family
Columbus DDB

Accolades and Associations

2017 MARKETERS ASSOCIATION OF ZIMBABWE (MAZ) - SUPER BRAND AWARDS

1. FMCG Dairy Sector - 2nd Runner up, Dairibord Lacto
2. FMCG Dairy Sector - Winner, Dairibord Chimombe
3. FMCG Non Alcoholic Brew Sector – Winner, Pfuko
4. FMCG Non-Alcoholic Cordials Sector - 1st runner up, Lyons Quench
5. Hot Beverages Sector - 1st runner up, Quick Brew
6. FMCG Non Alcoholic Beverages Sector - 2nd Runner up, Cascade

Business Associations Membership:

1. Confederation of Zimbabwe Industries (CZI)
2. Institute of Directors Zimbabwe (IoDZ)
3. Zimbabwe Business Council on Wellness
4. Marketers Association of Zimbabwe
5. Buy Zimbabwe
6. Zimbabwe Dairy Industry Trust (ZDIT)
7. Zimbabwe Dairy Processors Association (ZDPA)

Scope of our Report

We are pleased to present the annual report for Dairibord Holdings Limited, a company listed on the Zimbabwe Stock Exchange (ZSE) which include Dairibord Zimbabwe (Private) Limited, Dairibord Malawi Limited and four property companies namely Slimline Investments (Private) Limited, Goldblum Investments (Private) Limited, Chatmos Enterprises (Private) Limited and Qualinnex (Private) Limited for the year ended 31 December 2017.

This report is targeted at a broad range of our stakeholders with the aim of presenting a balanced review of material issues from our operations. The report includes our operations in Zimbabwe and Malawi.

Reporting Framework

This report is prepared using Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines in measuring our progress towards sustainability. This report is our second sustainability report prepared meeting GRI G4 Sustainability Reporting Guidelines (Core).

Our sustainability reporting is integrated with our financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements were audited by Ernst & Young Chartered Accountants (Zimbabwe). An independent auditors' report on the financial statements contained in this report appears on page 38 of our annual report.

Forward looking Statements

Certain statements in this report constitute 'forward looking statements'. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performances, objectives or achievements of Dairibord Holdings to be materially different from future results, performance, objectives or achievements expressed or implied in forward looking statements.

The performance of Dairibord Holdings is subject to effects of changes in the operating environment and other factors. Dairibord Holdings Limited undertakes no obligation to update publicly or to release any revision of these forward looking statements to reflect the events or circumstances after the date of publication of this report or to reflect the occurrence of unanticipated events.

We would welcome your feedback on our reporting and any suggestions you have in terms of material issues you would like to see incorporated in our report for 2018. To do so, please email Mercy Ndoro on: ndorom@dairibord.co.zw

Chairman

Group Chief Executive

Content

Corporate Profile and History

Dairibord Holdings Limited is a manufacturer and marketer of quality milk, foods and beverages. The company is listed on the Zimbabwe Stock Exchange (ZSE). Its operating subsidiaries are Dairibord Zimbabwe (Private) Limited and Dairibord Malawi Limited. The company also has 100% interest in four property companies, namely, Goldblum Investments (Private) Limited, Chatmoss Enterprises (Private) Limited, Qualinnex Properties (Private) Limited and Slimline Investments (Private) Limited.

The Group produces an extensive range of products which include liquid milks (long and short shelf life), foods (yoghurts, ice creams, condiments and spreads) and beverages (cordials, ready to drink dairy and non-dairy, tea and water) which are marketed and distributed in domestic and export markets.

Dairibord Holdings Limited is a leading foods and beverages company with over 45 brands. In Zimbabwe, the Group has factories in Harare, Chitungwiza and Chipinge whilst the factory in Malawi is located in Blantyre.

HISTORY OF THE COMPANY

Parastatal Phase

1952

1952: The Dairy Marketing Scheme introduced under the Agricultural Marketing Act, in 1951, established The Dairy Marketing Board on 1 October 1952 to provide for:

i. The reception of all milk delivered to it
ii. The manufacture and orderly marketing of milk and dairy products
iii. The administration of regulations applicable to producer registrations

Prior to 1952, there were four (4) co-operatives throughout the country. These were:

i. Manicaland Co-operative
ii. Matabeleland Co-operative
iii. Midlands Co-operative
Iv. Mashonaland Co-operative

1991 to 1997

Commercialization and Privatization Phase

1991: DMB commercialized under the Economic Structural Adjustment Program (ESAP) after years of loss making operations

1994: DMB's legal status changed from a parastatal to Dairibord Zimbabwe Limited (DZL) under the Companies Act owned by Government 100%.

1995: Preparations for privatization undertaken, DZL became profitable and self-financing with a virtually unencumbered balance sheet.

1996: Government announced plans to privatize state enterprises

1997: Process of privatization completed. Dairibord became the first state owned company in Zimbabwe to be privatised with Government divesting out 75% to private investors. Dairibord was listed on the Zimbabwe Stock Exchange on 15 September 1997.

Acquisitions and restructuring

1998 to 2017

1998: DZL acquired 60% equity in Dairibord Malawi

1998: Government sold the remaining 25% equity to private investors

2001: DZL acquired 100% ownership of Lyons Zimbabwe business

2002: DZL acquired 40% shareholding in M.E Charhons, a confectionary company

2003: A transport and logistics company NFB Logistics owned 100% by DZL was formed

2005: DZL restructured into a holding company with stand-alone subsidiaries.

2006: Holding company's name changed from Dairibord Zimbabwe Limited to Dairibord Holdings Limited in order to clearly demarcate the operating company Dairibord Zimbabwe (Private) Limited from the Holding company

2012: Dairibord Holdings disposed the 40% equity in M.E Charhon to Cairns Holdings

2013: Dairibord Holdings commenced the rationalisation of factories and this resulted in the mothballing of Mutare and Bulawayo factories and operations from the two factories were moved to the Harare and Chitungwiza factories.

2017: Group restructures Zimbabwe operations into one operating entity effectively transferring Lyons and NFB operations into Dairibord Zimbabwe (Private) Limited

Vision, Mission and Values

VISION

To be the leading foods and beverages company in Africa, commanding a position of sustainable market leadership driven by strong brands and superior human capital.

OUR MISSION

To provide our customers with the best quality foods and beverages for the sustenance of good health.

OUR VALUES

Innovation: We are committed to innovation and addressing changing customers' needs and we will continuously develop our processes to produce a wide variety of quality new products and services

Integrity: Our integrity will be displayed in all our interaction with stakeholders while embracing environmentally friendly practices.

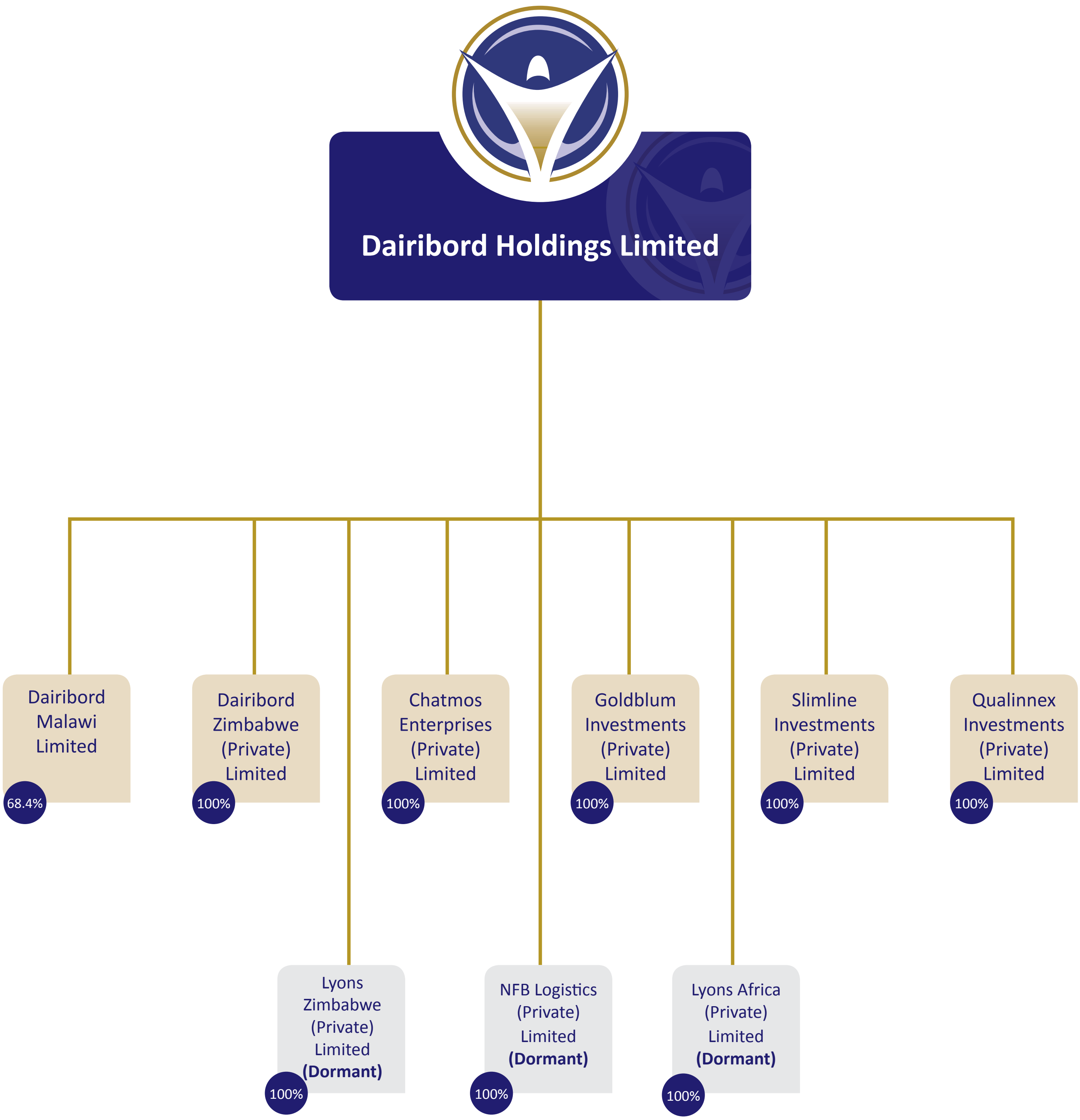
Responsibility: As a corporate citizen, we are committed to discharging our duties responsibly in all our dealings with stakeholders.

Accountability: We take responsibility for our own actions.

Fairness: We will be fair in all our dealings.

Team work: We shall nurture a spirit of team work to optimise synergies and benefit from mutual co-existence.

Group Structure



Group Brands and Markets

Our Group brands under Dairibord Zimbabwe (Private) Limited and Dairibord Malawi Limited are shown in the table below:

Product Category	Product Type	Brands	
		Dairibord Zimbabwe (Private) Limited	Dairibord Malawi Limited
Liquid Milks	Long Shelf Life	Dairibord Steri Milk Dairibord Chimombe Dairibord Supermilk	Dairibord Ching'ombe
	Cultured	Dairibord Lacto	Dairibord Chambiko
	Short Shelf Life		Dairibord Fresh Milk
	Flavoured Milks		Dairibord Fiesta
	Cream		Dairibord Fresh Cream
Foods	Yoghurts	Dairibord Yummy Dairibord Froot Scoop Dairibord Yogie	Dairibord Yoghurt Dairibord Yogie Yuphoria
	Ice cream Sticks	Nutty Squirrel Skippy Choc Bigga Bear Super Split Plus 20 Monsta Mouse Green Giant Mello Ice Tropical	Dairibord Ice Lollies
	Bulk Ice Creams	Dairibord Real dairy Lyons Maid	Dairibord Ice Creams
	Sauces & Condiments	Rabroy Tomato Sauce Rabroy Salad Cream Rabroy Mayonnaise Rabroy Tangy Mayonnaise Lyons Peanut Butter	
Beverages	Ready To Drink	Cascade Pfuko-Udiwo Maheu Nutriplus Fun 'n Fresh Natural Joy	Family Choice Juices Juice Up Dairibord Tangie
	Crushes & Cordials	Quench	Family Choice
	Bottled Water	Dairibord Aqualite	
	Tea	Quick Brew Tea Bags	
	Drinking Chocolate	Lyons Drinking Chocolate	

Our Business Model

The Group creates value through manufacturing and distribution of foods and beverages. Our business model went through realignment in 2017 to enhance value creation. The realignment entailed the consolidation of three business units into one entity Dairibord Zimbabwe (Private) Limited). The restructuring culminated in a leaner, efficient market facing organisational structure.

Our Stakeholders

The Group's stakeholders are a critical capital input into our business model. Understanding our stakeholders' interests and addressing them as a critical component of our value creation process.

Our stakeholder portfolio and their key interests

Stakeholders	Issues of interest
Our Customers and consumers	▪ Product quality ▪ Prices ▪ Payment terms ▪ Trade support and promotions
Investors	▪ Turnaround of the business ▪ Profitability ▪ Investments ▪ Dividend policy ▪ Sustainability of performance
Suppliers	▪ Prices of materials and other inputs ▪ Quality and consistence of supply ▪ Payment terms
Farmers	▪ Extension services ▪ Raw milk prices ▪ Quality premium scheme ▪ Other support services e.g heifer procurement, veterinary support and stock feeds procurement
Government and Regulators	▪ Foreign currency availability ▪ Import regulations ▪ Compliance with laws and regulations ▪ Utilities supply and pricing
Communities	▪ Corporate social responsibility ▪ Clean Environment
Employees	▪ Security of employment ▪ Training and development ▪ Conditions of service ▪ Health and safety

Our Business Model (continued)

OUR STRATEGY AT A GLANCE

Focus
- Liquid Milks, Foods and Beverages

Priorities
- Milk supply growth
- Revenue growth through new and existing lines
- Defending and growing market share
- Securing foreign currency to support product supply

Key Strengths
- A portfolio focused on promoting and sustaining good health
- Competitive brands
- Diversified distribution channels
- Nationwide distribution network

Opportunities
- Milk demand exceeding supply
- Strong demand across all categories
- Exports into the SADC region
- Diversifying product portfolios in line within our mission.

Our Business Model (continued)

OUR VALUE CHAIN

Stage of the value chain	Comments
Inputs	**Raw milk** Raw milk is sourced from independent farmers who sign contracts of supply with the company. The pricing of milk is market determined to retain competitiveness. Milk collection is the responsibility of the company. Raw materials comprise of Skimmed Milk Powder, Full Cream Milk Powder, Sugar, Orange Juices, Fruit Sets e.t.c. Packaging materials comprise of High-Density Polyethylene (HDPE), Polyethylene Terephthalate (PET), paper packaging e.t.c. Due to depressed industrial activity in Zimbabwe and Malawi, most raw materials are imported exposing the business to global commodity price volatilities and foreign exchange fluctuations. **Utilities [electricity, water, coal and other fuels]** Utilities availability is erratic and at a high cost particularly water and electricity. The business relies on standby facilities to support operations during power and water outages. The commissioning of Kariba South Unit 7 & 8 will improve power supply in 2018. **Human Capital [contract and permanent]** Labour is partly contracted and partly permanent. Wages for non-managerial employees are negotiated through national employment councils on an annual basis,.
Processes	The Group undertakes value addition by converting the inputs into value added products. The Group operates 5 main factories [4 in Zimbabwe and 1 in Malawi].
Outputs and distribution channels	**Product portfolio** The Groups outputs are divided into the following portfolios: • Liquid Milks • Foods and • Beverages **Distribution Channels** • **Modern trade:** This channel is composed of large retail outlets. • **Wholesalers**: The channel is comprised of large and medium scale wholesalers. • **General trade:** Composed of small to medium scale retailers and convenience stores. • **Vending:** This is a cash channel with independent vendors buying stocks for resale on a daily basis. • **Franchises:** Most franchises operate from the Group's premises formerly operated as distribution depots. • **Hospitality and institutions:** The channel focuses on hotels, schools and similar institutions. • **Exports:** Trade is done mainly with customers in Zambia, Mozambique, Botswana, South Africa and Malawi.


DAIRIBORD
Chimombe
Long Life Milk
Loved & trusted
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DAIRIBORD
Chimombe
Full Cream
Milk
Long life milk
DAIRIBORD
Chimombe
Low Fat
Milk
Chimombe
Super
Milk
Nourishing families
for over 22 years
High in protein ✓ High in calcium ✓
Superbrand every year for 10 years
DAIRIBORD
DAIRY DELIGHTS
DAIRIBORD
Zimbabwe (Private) Limited

Group Performance Summary

Financial Performance	2017 US$	2016 US$	% Change
Revenue	**103,147,437**	**93,422,853**	**10%**
Earnings before interest, tax, depreciation and amortisation	9 521 690	1 257 385	667%
Operating profit /(loss)	4,058,212	(3,897,834)	204%
Profit /(loss) for the year	1,354,967	(5,450,312)	125%
Net cashflows generated from operating activities	6,239,306	4,495,605	39%
Net assets	45,419,619	44,064,652	3%
Share information	**Number**	**Number**	
Number of ordinary shares in issue at the end of period	358,000,858	358,000,858	
Weighted average number of shares	358,000,858	358,000,858	
Share performance			
Earnings per share	**US cents**	**US cents**	
- Basic	0.45	(0.20)	325%
- Diluted	0.45	(0.20)	325%
Closing market price (US cents)	13.40	6.90	94%
Net asset value per share (US cents)	12.70	12.25	4%
	US$	**US$**	
Market capitalisation	47,972,115	24,702,059	94%

Sustainability Performance

Indicator	% change from 2016
Solid waste disposal (tons)	24% ▲
Electricity consumption (MWh)	7% ▼
Coal consumed (tons)	3% ▼
Diesel consumed (000L)	6% ▼
Labour turnover (reduction)	4% ▼
Social responsibility spend ($000)	4% ▼

Chairman's Statement 2017

Dr. L.L. Tsumba
Chairman

"Profitability significantly improved in 2017, spurred by execution of the turnaround strategy"

INTRODUCTION

The business posted a significantly improved set of results for the year ended 31 December 2017. A combination of strong demand, increased capacity and the realignment of the corporate and organisational structures all positively impacted the overall performance for the period.

OPERATING ENVIRONMENT

The operating environment was characterized by pronounced foreign currency shortages which affected product supply, and constrained the business' ability to fully exploit volume growth opportunities. The all items year-on-year inflation closed the year at 3.46%, with the foods and non-alcoholic beverages inflation at 6.60%. Despite the challenges, demand was firm, benefiting from Government efforts to promote local manufacturing through various measures including SI122 of 2017.

Going forward, the operating environment is expected to improve on the back of new policy initiatives by the government. In particular, Government thrust, to instil confidence through security of tenure on farms, is expected to spur raw milk growth and agriculture production in general.

GROUP PERFORMANCE

Raw Milk Intake

Increased competition for raw milk and constrained levels of productivity, at farm level, had a negative impact on Group raw milk intake. Raw milk received from farmers for the full year declined 16% on prior year. The Group is pursuing various initiatives to increase milk intake which is currently below market demand. Specific strategies include upscaling productivity for the existing herd, attracting more farmers, and growing the herd through the heifer procurement scheme. The Heifer Program which started in 2012, is now contributing 15% of raw milk intake in Zimbabwe.

Volumes and revenue

Volumes sold, at 89.423 million litres, were 8% above 2016 levels. Firm market demand across all product categories, and increased capacity to support beverages and liquid milks benefited volumes. Volumes achieved were however not optimal due to forex driven product shortages, adverse weather conditions in the first quarter of the year, and sales disruptions during system migration on consolidation of the operations. Cartonised UHT milk and Pfuko volumes grew significantly, benefitting from increased capacity invested in 2016. Other product lines which recorded significant growth, on account of firm demand, were Steri milk, yoghurts, and condiments.

Revenue increased 10%, to $103.147 million, on account of the 8% volume growth and a 2% nominal price adjustment effected to mitigate cost increases. The average selling price per litre, for 2017, was 3 cents higher than the $1.12 achieved in 2016. Going forward, the business will continue to drive revenue through volume growth initiatives.

Profitability

Profitability significantly improved in 2017, spurred by execution of the turnaround strategy embarked on at the beginning of the year. The program was aimed at integrating the business into a lean, efficient and profitable operation. Consequently, selling, marketing, administration and other overheads decreased by $4.877 million (16%) from 2016. Excluding the $2.8 million once off costs charged in 2016, overheads decreased by $2.077 million.

Chairman's Statement 2017 (Continued)

The Group recorded an operating profit of $4.058 million, a turnaround from an operating loss of $3.898 million in 2016. EBITDA also improved significantly from $1.257 million in 2016, to $9.522 million in 2017. After accounting for once off retrenchment costs of $0.847 million and a net interest bill of $0.740 million, the Group recorded a profit before tax of $2.471 million, compared to a 2016 loss before tax of $4.881 million. The new low cost operating model adopted will continue to benefit the business in the future.

Dairibord Malawi Limited recorded an operating loss of $0.550 million, an increase on the 2016 operating loss of $0.146 million. The Board reviewed the performance of the business and believes the Malawi market is attractive to hold and grow the business.

Cash generation
Net cash generated from operations increased to $6.239 million, up from $4.496 million generated in 2016, benefiting from the improved operating performance. The cash was utilised to finance capital expenditure of $1.972 million, and repayment of borrowings of $2.370 million. Interest bearing borrowings (including overdraft) amounted to $7.874 million at year end, 25% below December 2016.

Cash and cash equivalents amounted to $5.819 million at period end, from $3.467 million at the end of December 2016, mainly due to failure to remit foreign payments. The business is focusing on utilising the cash balances to enhance the stock replacement program.

OUTLOOK

Noting the progress made by the business to date, and the renewed optimism for economic turnaround, focus will be on the following:

- Improving profitability through volume growth and cost containment
- Optimally utilising cash resources to procure inputs required in order to ensure adequate product supply
- Maximising capacity utilisation to meet demand
- Contributing towards foreign currency generation through exports into the region
- Improving efficiencies across the entire value chain, and improving the internal control environment

DIVIDEND DECLARATION

Considering the improved performance of the business, cash generation, and the reduced capital expenditure plan going forward, the Board resolved to declare a dividend of 0.20 US cents per share for the year. The record date for the dividend will be 18 May 2018, last cum-dividend date 15 May 2018 and the ex-dividend trading date being 16 May 2018. The dividend is payable on or around 28 May 2018.

DIRECTORATE

In line with the company's articles of association, I will be retiring and stepping down as Chairman of the Board at the Annual General Meeting to be held in May 2018, after having served for six years. In this regard, I wish to express my sincere appreciation to the Board and all stakeholders for the support given over the years.

The process of selecting my replacement is currently in progress and the outcome will be communicated in due course.

APPRECIATION

On behalf of the Board, allow me now to express my gratitude to our various stakeholders, management and staff for the unwavering support to the operations and success of the company.

Dr. L. L. Tsumba
Chairman
8 March 2018

Grab the winner!

Superbrand 2017
Non - Alcoholic Beverages

adrenalin 13544

DAIRIBORD
Pfuko
ye Maheu

Dairibord Pfuko-Udiwo Maheu is proud to be Zimbabwe's Superbrand in the FMCG Non-alcoholic Brew category.

'Dairibord Pfuko-Udiwo Maheu, your all round nutritious beverage'

DAIRIBORD
DAIRY DELIGHTS
DAIRIBORD
Zimbabwe (Private) Limited

Group Chief Executive's Review of Operations

Anthony Mandiwanza
Group Chief Executive

"The business is in a much better position to remain a leader in the dairy industry"

PERFORMANCE OVERVIEW

The year 2017 marked a turnaround for the Group. The business successfully executed its turn around plan and results attest to the progress made.

The following achievements were recorded during the period:

- Reversal of previous year losses culminating in return to profitability. The business posted an operating profit of $4.058 million from a previous year operating loss of $3.898 million.
- A 16% reduction in overhead costs resulting from the restructuring program. Excluding non-recurring costs incurred in 2016, the reduction in overheads was 8%.
- Line extensions, mainly Pfuko flavours, Fun'n Fresh, Natural Joy and Tangy Mayonnaise were well received by the market and contributed towards volume growth
- Leveraged on existing capacity to meet increasing demand across all key lines.
- A combination of increased demand, higher capacity utilisation and line extensions drove volume and revenue growth by 8% and 10% respectively
- Significant improvement in the internal control environment to minimise losses.

Optimal exploitation of increased demand was however constrained by foreign currency shortages which worsened in the second half of 2017.

OPERATING ENVIRONMENT

Demand firmed in 2017 benefiting from improved mining output, the strong 2016/2017 agricultural performance and government support for local industry through SI122. These positive developments resulted in an estimated GDP growth of 3.7% in 2017 up from 0.6% realised in 2016 (Ministry of Finance). Output from the manufacturing sector, as measured by the Confederation of Zimbabwe Industry (CZI), increased by 5.5% in response to increased demand on the local market.

Foreign currency supply worsened during the year largely due to protracted trade deficits. The country's trade deficit ended the year 2017 at $1.457 billion from $2.182 billion in 2016. The gap however remains unsustainable given low levels of exports and the absence of significant lines of credit from International Financial Institutions (IFIs) and Foreign Direct Investment. The foreign currency constraints impacted on both inflation and product supply.

Year-on-Year inflation reverted to a positive territory in February 2017 and accelerated in the second half of the year. All items Year on Year (y-o-y) inflation at the end of 2017 was at 3.46% while the foods and non-alcoholic beverages inflation was 6.60%. This increase in inflation was against a prior year negative y-o-y inflation of -0.93%.

The strengthening of the ZAR by 20% versus the USD mainly towards end of the year had a negative impact on ZAR denominated imports. Despite the negative impact of the appreciation of the ZAR, the trend, if maintained, will make Zimbabwean products more competitive vs. South African products in the region.

National milk production in Zimbabwe was flat on 2016 at 66.4 million litres mainly due to floods in the first four months of the year and incidents of foot and mouth disease. The country's milk output remains below demand which is estimated at 120 million litres per annum. Both government and private sector remain key players in addressing the demand-supply imbalance going forward.

Group Chief Executive's Review of Operations (continued)

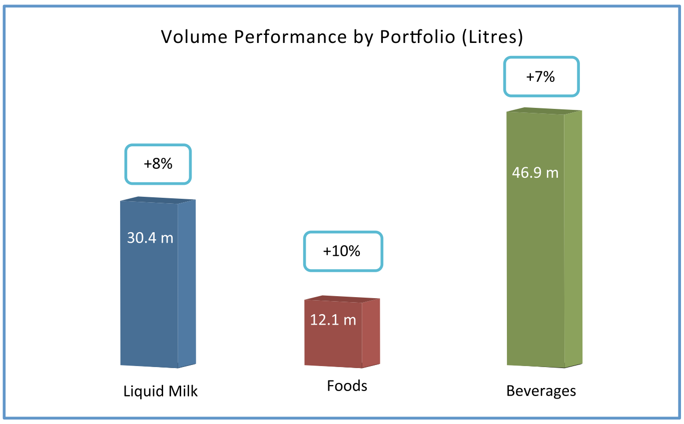
PERFORMANCE OVERVIEW

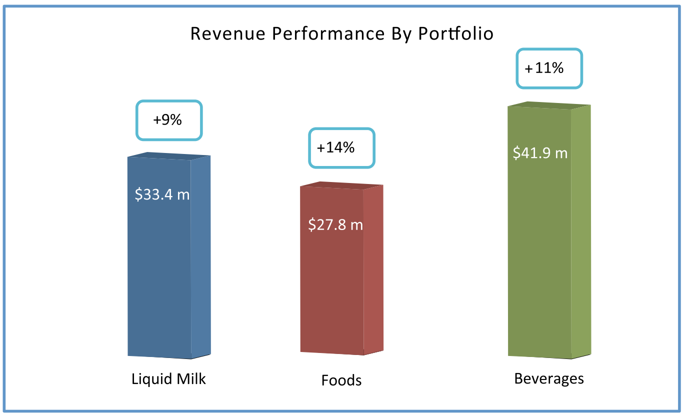
Revenue and volumes sold

Volume sold for the period was 8% above prior year at 89.423 million while revenue grew 10% to $103.147 million. Volume growth was recorded across the entire portfolio. The mismatch between volume and revenue growth was on account of price increases. Average price per litre increased by 2% to $1.15 lower than the year on year inflation of 3.46%.

Portfolio performance

The charts below show the volume and revenue performance by portfolio:





Liquid Milks

The Liquid Milks portfolio benefited from the new capacity commissioned in 2016 to process and pack 1 litre cartonised UHT milk. Overall volumes increased by 8% from 2016. This line extension, previously imported from South Africa, has been well received by the market riding on the Chimombe brand. Potential demand was not fully satisfied due to materials availability challenges, mainly raw milk, milk powders and packaging materials. Another volume driver was Steri milk which grew 15% above prior year supported by consistency in product quality and supply.

Foods

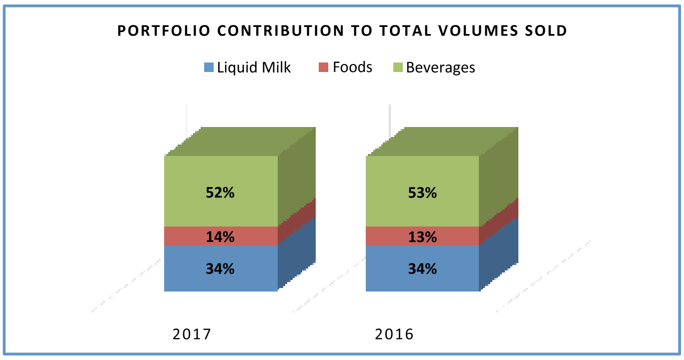
The foods portfolio started to recover after several years of decline. Volume growth for the portfolio was at 10%. Key volume drivers were Yoghurts, Tomato Sauce, Salad Cream and Mayonnaise. Volumes benefited from government support for local industry through SI122.

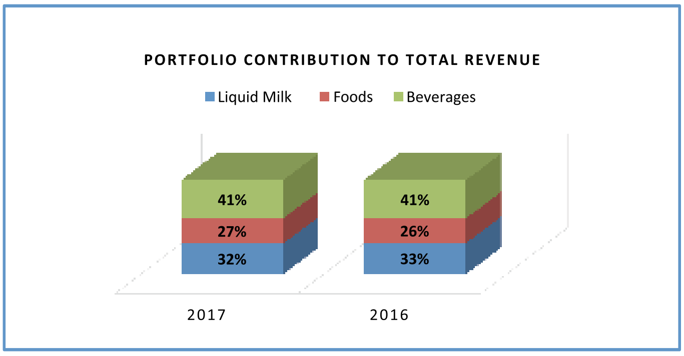
Beverages

Beverages contribution to total volume was at 52% while volume growth was 10% above prior year. Line extensions, i.e. Pfuko Flavors (Strawberry, Buttermilk and Banana), Fun'n Fresh 1L and Natural Joy 1L were well received by consumers and these present a growth opportunity for the category going forward.

Portfolio Mix

The charts below show the volume and revenue mix by portfolio:





With turnover spread across the entire portfolio, the business is less exposed to over concentration on a single line or portfolio. Going forward, in line with the mission of the Group, opportunities in the three categories will be pursued in order to grow the topline.

PROFITABILITY

The return to profitability in 2017 was driven by volume growth initiatives, business restructuring and improved internal control environment. The Group's operating profit margin improved to 4% from an operating loss margin of -4% in 2016.

Materials costs increased by 10%, driven by growth in volume sold and increases in prices of inputs. The increase in input prices was mitigated by price increases which closed the year at 2% above 2016.

Under the restructuring exercise, manning levels declined by 59 from prior year level. The retrenchement process was completed in the first half of the year and full year impact will be realised in 2018. Other areas of focus under the restructuring exercise included Head Office relocation and value chain integration which were completed during 2017. The value chain consolidation presented savings opportunities in manufacturing, procurement and sales and distribution which will also have a positive impact in 2018.

Group Chief Executive's Review of Operations (continued)

The impact of the restructuring was a 16% reduction in non-manufacturing overheads and 10% decline in labour costs. The savings were ahead of the $2 million target at $4.869 million. The rebasing of the overhead cost structure will ensure sustainable earnings for the Group going forward.

Borrowings

Interest bearing borrowings (including overdraft) ended the year at $7.785 million, 25% below the 31 December 2016 balance, on account of improved cash generation. The "all in" average cost of borrowing as at 31 December 2017 was 8%.

With a gearing level of 18%, the business can leverage on the financial position, to invest in opportunities as they arise.

Cash generation

Cash generation significantly improved in 2017 on account of improved EBITDA margin which increased to 9% from 1% in 2016. The business ended the year with net cash resources of $5.730 million up from $2.735 million the previous period. Though the Group increased its cash generation, the balances are not readily transferable for paying foreign obligations.

Going forward, the Group will focus on value preservation through strategic deployment of cash resources to secure inventories.

Investments

Investments declined to $2.4 million from $5.4 million in line with the Group's strategy to focus on utilizing existing capacity. Major capital investment items were in sachet filling equipment, refrigeration equipment and the water reservoir for the Chitungwiza factory.

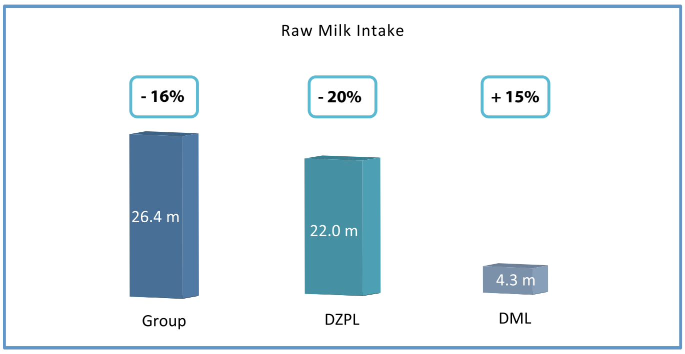
In 2018, investments will be in the following items:
- Cold chain equipment to enhance distribution capacity
- UHT sachet filling equipment to support liquid milks
- Distribution vehicles and
- Efficiency enhancements in manufacturing

Dairibord Malawi Limited (DML)

Dairibord Malawi Limited remained in a loss making position in 2017 posting an operating loss of $0.550 million. The market remains attractive and work is in progress to assess the best means to resuscitate the business.

MILK SUPPLY

The graph below shows the raw milk intake performance for the Group in 2017:



Raw milk remains a critical raw material for the business. During the year, Group milk intake declined by 16% comprising a 20% decline for Zimbabwe operations and 15% growth in Malawi.

Milk intake decline in Zimbabwe was due to a combination of increased competition and depressed productivity at farm level.

The Group has put in place several initiatives aimed at growing the herd, improving veterinary support, feed formulation and input procurement. These initiatives, together with the improved Quality Premium Scheme (QPS) will drive milk intake in 2018.

Government policy on land tenure, particularly issuance of 99 year leases and the command livestock scheme, will benefit milk production at national level.

BRAND BUILDING

During the year, the business maintained a fairly strong brand position across major lines. This was confirmed through the 2017 Marketers association of Zimbabwe Super brand awards won. Accolades were as follows:
1. FMCG Dairy Sector - 2nd Runner up, Dairibord Lacto
2. FMCG Dairy Sector - Winner, Dairibord Chimombe
3. FMCG Non Alcoholic Brew Sector – Winner, Pfuko
4. FMCG Non-Alcoholic Cordials Sector - 1st runner up, Lyons Quench
5. Hot Beverages Sector - 1st runner up, Quick Brew
6. FMCG Non Alcoholic Beverages Sector - 2nd Runner up, Cascade

During the year, the business launched the following lines to improve product range:
- 1L Fun'n Fresh
- 1L Natural Joy, and
- Tangy Mayonnaise

Market acceptance for these brands was satisfactory and these brands will support growth going forward.

Other initiatives to build our brands will be pursued focusing on:
- Enhancing the route to market
- Investing in cold chain equipment
- Investing in trade support and automation of sales processes

SUSTAINABILITY

The Group continues to ensure that sustainability is part of our strategy. Embedding sustainability in our decision making and analysis enables the Group to ensure that our business model is inclusive and responsive to material impacts and opportunities in our operating environment and stakeholders.

HUMAN CAPITAL

The Group maintained a stable industrial relations climate during the year especially during retrenchment negotiations. The negotiations were successfully executed in line with the law with no disputes arising from the process.

The new structure which emerged from the restructuring was successfully staffed and the Group is now focusing on consolidating the gains of the exercise through the following.
- Strengthening business continuity and skills retention strategy
- Partnering global business schools for Executive leadership

Group Chief Executive's Review of Operations (continued)

development
- Graduate Trainee Program to develop skills pipeline
- Enhancing manpower productivity by riding on the leaner structure and performance based remuneration model

INTERNAL CONTROL ENVIRONMENT

The internal control environment has been enhanced to reduce losses related to internal control weaknesses particularly around receivables and inventories. Changes to strengthen the internal control environment include the following:
- Investment in Sales Force Automation to enable real time recording and execution of transactions
- Online uploading of sales documents to improve transaction trail and document retrieval
- Strengthening the organisational structure around inventory control and receivables collections

OUTLOOK

The changes in government policy have renewed optimism for economic recovery. Despite the changes, there are critical aspects of the economy that present uncertainties about the future particularly resolution of foreign currency issues, settlement of international debts and realignment of government expenditure.

At company level, demand is expected to remain firm while profit margins will be impacted by foreign currency availability and inflation. Performance in 2018 will be driven by:
- Further improvement in efficiencies across the entire value chain riding on the new business model. Areas presenting potential are procurement of materials, manufacturing and sales and distribution
- Optimally utilizing cash resources to procure inputs necessary for ensuring adequate product supply
- Maximizing capacity utilisation to meet existing demand in the market
- Increasing milk intake through increased productivity and recruitment of new farmers
- Driving brands with potential including new line extensions
- Driving exports into the region to enhance foreign currency generation.

Management is confident that the business is in a much better position to remain a leader in the dairy industry and further improvement is envisaged going forward.

A. Mandiwanza
Group Chief Executive
8 March 2018

Dairibord Pfuko-Udiwo, buttermilk flavour

Corporate Governance & Ethics

Governance and Management Approach

The Board of Directors is responsible for the direction and control of the Group, setting its strategic aims, providing leadership to put them into effect, supervising management and reporting to shareholders on their stewardship. To that end it has established appropriate policies and procedures to govern the conduct of the company's business and deliberations of the board. The Board affirms its commitment to ensure the Group acts in a responsible and transparent manner from an economic, environmental and social perspective while creating sustainable value and benefits to all stakeholders.

The Group will endeavour to align existing corporate governance practices with the National Code of Corporate Governance in Zimbabwe (ZIMCODE). The Group will continue to observe best practices in corporate governance by continuously benchmarking with international best practices contained in The King IV Report on Corporate Governance for South Africa, Organisation for Economic Cooperation and Development (OECD 1999) Principles of Corporate Governance and Principles of Corporate Governance in the Commonwealth (CACG Guidelines 1999). The following is a broad review of the present structure and practices:

Business Ethics

The Group adopted a Zero Tolerance Approach to corruption in all business dealings with stakeholders. All cases involving corruption are carefully investigated. Depending on the case, the company may involve experts, external auditors and the police. The Group plans to develop capacity to enable managing, aligning and developing policies on human rights in line with the United Nations Guiding Principles on Human Rights and Business particularly in our supply chain.

Communication with Shareholders

The Group provides platforms for shareholders to communicate with the Board. Some of the platforms include annual general meetings, press announcements of performance (Interim and year end), company website, formal meetings with shareholders and investors, presentations and use of shareholders voting rights system.

Share Dealings

Directors and Management are required to declare any dealings in the shares of the company. They are required to declare any other interests that may materially affect the company.

Directors and all Group employees are not permitted to deal directly or indirectly in the shares of the company during:

- The period from the end of the interim and annual reporting periods to the announcement of the interim and annual results.
- Any period that they are aware of any negotiations or details which may affect share price.

Board Structure and Expertise

The present board comprises of nine non-executive directors including the Chairman (82%) and two executive directors (18%). A non-executive director chairs the board. The board meets at least quarterly. Members of the board possess various expertise that include business, finance, manufacturing and human resources management.

Appointment and Retirement of Non-Executive Directors

In terms of the company's Articles of Association, a third of non-executive directors retire from office by rotation at the annual general meeting and are eligible for re-election.

Professional Advice

It is Board policy that provided the board agrees that there is a justifiable case, directors shall be entitled to seek independent professional advice at company's expense in the furtherance of their duties.

Corporate Governance & Ethics (continued)

SUB-COMMITTEES:

Committee	Members	Main Function
Finance & Audit	Mr. David Hasluck (Chairman) Mrs. Rachel Pfungwa Kupara Mr. Josphat Sachikonye Mr. Nobert Chiromo	The Committee monitors the company's overall control procedures, risk management and financial reporting. It provides direct oversight and liaison on behalf of the Board with both internal and external auditors. The Committee reviews all significant Group risks, as well as risk mitigation initiatives and their effectiveness on a quarterly basis.
Remuneration	Dr. Leonard L. Tsumba (Chairman) Mr. David Hasluck Mr. Antony Mandiwanza	This committee is responsible for reviewing the company's remuneration policies and approving remuneration packages for senior executives.
Nominations	Dr. Leonard L. Tsumba (Chairman) Mrs. Sibusisiwe Chindove Mr. Cleton Mahembe Mr. Antony Mandiwanza	This committee conducts searches and receives nominations, carries out background and reference checks and makes recommendations on candidates for board membership. It reviews the adequacy of the expertise, relevance and independence of the board. The Committee also co-ordinates the evaluation of the performance of the board.
Investments Committee	Mr. Nobert Chiromo (Chairman) Mrs. Rachel Pfungwa Kupara Mr. Cron Von Seidel	The Investments committee reviews proposed investments and recommends to the board for approval. The committee also undertakes post implementation review of projects against intended objectives.
Milk Supply Development Committee (MSDC)	Mr. Christopher R. J. Hawgood (Chairman) Mr. Josphat Sachikonye Mr. David Hasluck	The role of the Milk Supply Development Committee is to drive the milk supply growth strategy for the Group. Key objectives are to reduce the cost of raw milk production, increasing output at farm level and improving farm level efficiencies.

ATTENDANCE TO MEETINGS DURING 2017

	Year of appointment	Committees					
		Main Board	Finance & Audit	Nominations	Remunerations	Investments	MSDC
		Attended	Attended	Attended	Attended	Attended	Attended
Dr. L. L. Tsumba	2012	4/4	n/a	2/2	1/1	n/a	n/a
Mrs. S. Chindove	2006	2/4	n/a	2/2	n/a	n/a	n/a
Mr. N. Chiromo**	2012	2/2	5/5	n/a	n/a	1/1	n/a
Mr. D. Hasluck	2015	4/4	5/5	n/a	1/1	n/a	2/2
Mr. C. R. J. Hawgood**	2017	2/2	n/a	n/a	n/a	n/a	2/2
Mrs. R. P. Kupara	2015	2/4	5/5	n/a	n/a	1/1	n/a
Mr. C. Mahembe	1997	4/4	n/a	2/2	n/a	n/a	n/a
Mr. A. Mandiwanza*	1997	4/4	n/a	2/2	1/1	n/a	n/a
Ms. M. R. Ndoro*	2009	4/4	n/a	n/a	n/a	n/a	n/a
Mr. J. Sachikonye	2009	4/4	4/5	n/a	n/a	n/a	1/2
Mr. Cron von Seidel	2016	3/4	n/a	n/a	n/a	1/1	n/a

* Executive

** Mr. N. Chiromo and Mr. C. R. J. Hawgood were appointed to the main Board on 24 May 2017 and 8 August 2017 respectively.

Dairibord Holdings Limited Board and Management

BOARD OF DIRECTORS

Dr. Leonard L. Tsumba	-	(Chairman)
Mr. Antony Mandiwanza	-	(Group Chief Executive)*
Mr. David Hasluck		
Mrs. Subusisiwe Chindove		
Mrs. Rachel Pfungwa Kupara		
Mr. Josphat Sachikonye		
Ms. Mercy R. Ndoro	-	(Group Finance Director)*
Mr. Cron Von Seidel		
Mr. Cleton Mahembe		
Mr. Nobert Chiromo		
Mr. Christopher R. J. Hawgood		

*Executive

EXECUTIVE COMMITTEE

Antony Mandiwanza	-	Group Chief Executive
Mercy R. Ndoro	-	Finance Director
Theodora Marimo	-	Manufacturing Executive
Tracey Mutaviri	-	Marketing Executive
Eunice Ganyawu	-	Commercial Executive
Anna Dhlamini	-	Business Information Systems Executive
Bernard Chakeredza	-	Audit Executive
Eduard Stratenus	-	Procurement Executive
Gilbert Takabarasha	-	Human Resources and Administration Executive

Sustainability Strategy

Management Approach

The Group recognises that operating in a socially and environmentally friendly manner is key to the long term success and competitiveness of the company. The business is committed to investing in systems to manage and address sustainability impacts arising from our operations. As such, the Group manages sustainability performance in line with our policies and business model. The Group uses the Global Reporting Initiatives (GRI)'s G4 Sustainability Reporting Guidelines as a model for benchmarking and measuring performance of our sustainable business initiatives and practices.

Governance

The Group has a sustainability team responsible for driving the sustainability agenda for the business under the leadership of Ms. Mercy Ndoro, Finance Director. Our processes are such that once a material issue is identified, the sustainability team evaluates materiality and impact of such issues based on economic, environmental and social significance at company level and the business as whole.

Stakeholder Engagement

The Group's stakeholder engagement strategy is part of the overall corporate affairs and risk management strategy. Our stakeholders include investors, employees, communities, government, regulators, suppliers, farmers, customers and others. Regular stakeholder engagement is done to capture material concerns as an input into the organization's strategy.

Inclusive business

Inclusive business is the profitable integration of the less privileged members of the society and small and micro enterprises in the core value chain of larger companies. People and enterprises at the Base of the Pyramid (BoP) can be involved as suppliers, distributors, retailers, consumers, entrepreneurs & innovators and as additional employees.

The impact of the business as a commercial enterprise on the low to middle income sections of society is reflected in the business model which engages them in both upstream and downstream operations.

The diagram below shows the major linkages between the business and the bottom of the pyramid stakeholders. The Group's commitment to these engagements is long-term and mutually beneficial.

Farmers	Vendors	Franchises or distributors
• Guaranteed market for milk produced • Extension services • Credit facilities for herd development, stock feeds, equipment and other farm requirements • Lobbying government for favourable agriculture policies	• Provision of uniforms and equipment • Transportation to and from selling points	• Credit facilities • Utilisation of company premises to conduct business • Marketing support

Sustainability Strategy (continued)

Capital Management

The Group recognizes the various forms of capital, both financial and non-financial, which are necessary for running a profitable and sustainable enterprise. As part of the Group's business model, all forms of capital are integrated and these are:

Financial capital:	Human capital:	Social capital:	Natural capital:	Intellectual capital:
• These are the financial resources that are used to fund our business activities and support our strategy. This includes equity from shareholders, loans from financial institutions and trade partners.	• This refers to the employees as well as the processes used to engage and develop them. Critical components are the skills, capabilities, knowledge and experience relevant to the advancement of the Group's strategy	• This is the advantage we enjoy from relationships with key stakeholders including government, customers, employees, suppliers and financial institutions.	• This refers to the natural environment from which inputs are produced and outputs and waste disposed into. As a manufacturing entity, we are committed to preserving this natural capital as well as working to optimize benefits e.g. through solar energy.	• This refers to the knowledge developed by the business through research and development efforts to enable the business to remain ahead of competition and influence trends in our chosen domains.

Risk Management

Risk Management Philosophy

Risk is embedded in the Group's activities. The management of risk across the Group is not a standalone activity but rather an integral part of our operations. The risks identified in this report are the major uncertainties in terms of likelihood and impact. The board continues to monitor the business and the operating environment to identify and develop strategies to mitigate emerging risks.

Group Risk Management Framework

The Board is terminally responsible for risk governance. The Board has delegated the risk management function to the Board Finance and Audit Committee. The composition of the Finance and Audit Committee is made up of Non-Executive Directors only. The Finance and Audit committee is accountable to the main Board of Directors. The mandate of the Finance and Audit Committee regarding risk is to ensure that the Group has adequate systems to identify, measure, predict, prepare for and respond adequately to any risks that the organization may face.

Operational Structure

Management is accountable to the Board for designing, implementing and monitoring the Group's risk management procedures and every functional manager is responsible for managing risks in their areas of responsibility.

To ensure the efficient monitoring and assessment of risk management systems, the Group Chief Internal Auditor is responsible for evaluating the adequacy and operational effectiveness of the procedures. The Group Chief Internal Auditor reports to the Finance and Audit Committee.

Main risks affecting the Group and mitigating measures

Risk category	Specific exposures	Mitigants
Socio-political	• Unsustainable wage demands • Work interruption due to industrial actions	• Proactive participation in wage negotiations. • Promoting cordial internal industrial relations climate to minimize tension.
Legal/Regulatory	Non-compliance with tax laws	• Tax health checks done regularly • Frequent engagement with authorities on tax laws and other related developments.
	Product and workplace safety below standard	• Operating standards are maintained above minimum requirements. • Quality issues resolved amicably with customers in line with quality policy. • Investments being done to upscale lab capabilities in testing quality of raw milk, raw materials and finished products. • Certification with regulators like National Social Security Authority, Environmental Management Agency and the Ministry of Agriculture are sought before commencing operations. • ISO 9000: Quality Assurance procedures certified • ISO 22001: Food Safety Management Systems certification in place for DZPL and DML.
Economic risk	Declining consumer disposable incomes	• Widen product offering to cater for all classes in society • Price adjustments to retain competitiveness
	Increased competition	• Investing in brand building. The Group won several Superbrands Awards in 2017. • Maintain superior product quality and customer service. • Continuous investment in research and development.
Technological risk	Technology obsolescence of plant and IT platforms	• Continuous plant modernisation • Upgrades of IT platforms

Risk Management (continued)

Risk category	Specific exposures	Mitigants
Business risk	Failure of the business model to create superior and sustainable performance	• Consolidated operating subsidiaries to eliminate duplication of roles and reduce costs effective 1 January 2017 • Business now has a lower overhead cost structure • Strategic realignment to the new environment where bigger international players are coming to invest in Zimbabwe
	Work stoppages/operational failure due to materials non-availability, power outages and other unforeseen operational risks	• Engaging financial institutions for forex prioritisation • Driving exports to contribute towards forex requirements • Increasing investment in stocks to improve product supply • Reduced terms for receivables to preserve value of monetary assets • Invested in standby generators and boreholes to ensure consistent supply of utilities. Chitungwiza water reservoir commissioned in 2017 and the Simon Mazorodze water tanks are in progress.
	High commodity prices impacting negatively on product margins	• Continuous negotiation with suppliers • Developing relationships with alternative suppliers • Tracking price trends and securing orders when prices are favourable
	Inadequate raw milk intake volumes	• Improved the milk supply strategy beyond heifer procurement focusing on herd growth, feed formulation and procurement, veterinary support and artificial insemination • Ride on the 99 year leases to promote long term investments at farm level
Talent risk	Loss of skilled employees	• Competitive remuneration to improve retention • Training and development of staff to ensure an adequate skills pool
	Inadequate succession planning	• Several management development programs are underway viz. MBAs, Graduate Trainees and Food and Dairy Technology training
Financial Risk	Financial risk is comprehensively dealt with in the notes to the financial statements on pages 74 to 76	

Material Issues and Reporting Boundary

Materiality Process

The Group's approach to identifying material aspects for disclosure is influenced by the stakeholder engagement process and internal evaluation. This process takes into account the operating environments in Zimbabwe and Malawi. The approach to materiality by the Group is broadly guided by the GRI's Sustainability Reporting Guidelines to ensure consistence in our approaches and basis for reporting.

IDENTIFICATION	The Group engages all Functional Heads and Sustainability Team Leaders;
PRIORITISATION	The process of prioritisation is conducted through Workshops, Risk management meetings and Stakeholder Engagement
APPROVAL	Review of material issues is conducted by Group Sustainability Team and Senior Management

Report Boundary

Reporting boundary for the Group is defined by where material impacts are identified within the Group's operations. The Group assesses environmental and social issues deemed to be of high impact to the Group and our stakeholders. Boundary of the report content and performance indicators are approved at Group level following an evaluation process. This report covers sustainability performance from our operations in both Zimbabwe and Malawi.

Stakeholder Engagement

The Group engages stakeholders frequently to identify material issues and areas of concern. Our stakeholder engagement is decentralized to business units and functions to ensure speedy response to material issues. Any issues that cannot be resolved at functional level are escalated to the senior management and the board for guidance. During the year, the Group identified and responded to issues concerning our stakeholders and the business. The table below shows a summary of key engagements held during the year:

Stakeholder	Method of Engagement	Material Issues Discussed	Result/Action taken
Customers and consumers	• Customer satisfaction surveys • Business review meetings • Social media platforms	• Product quality • Product supply • Pricing • Payment terms • New product launches	• Prices adjusted to absorb increase in input costs. • Payment terms reduced to align with prevailing market conditions where suppliers are demanding prepayments • New line extensions successfully listed in all stores and well received by the market. • Product supply remains a key challenge given the foreign currency supply constraints
Government and regulatory Authorities	• Official representations (letters) • Representations through industry bodies • Formal meetings • Policy briefings • Compliance inspections	Creation of a level playing field between imports and exports	• Statutory Instrument (SI) 64 replaced by SI122 of 2017 balancing the need to ensure local industry support and product availability • Secured adequate import permits for milk powders to augment local raw milk • 99 year leases enabling long-term investments at farm level • Government policy changes will however open up local space to bigger international players going forward
		Regulatory compliance	• Business remains compliant with regulations including foreign currency, tax, environmental and safety requirements
		Water and Electricity outages	• Successfully commissioned a 1.5 million litres water reservoir for the Chitungwiza factory. This facility has 5 days cover for the factory's water requirements. • Work is in progress for the Simon Mazorodze water tanks and commissioning is expected in the first half of 2018 • Electricity supply remains a challenge but we anticipate resolution once key power projects by ZESA are commissioned
Suppliers including farmers	• Formal meetings • Supplier briefings • Workshops	Raw milk supply initiatives and pricing	• Issues raised are being addressed through the milk supply development unit around feed, quality premiums, herd growth initiatives and veterinary support • Initiatives expected to result in increased raw milk intake in 2018
		Prices, quality and supply consistence for key inputs	• Supply of key raw materials remains a challenge due to forex supply constraints • Forex costraints also impacted input prices. • Business is working with banks to secure foreign currency.
		Cashflow constraints due to suppliers demanding prepayments	• Prepayments being done to secure supply. • Riding on existing relationships to negotiate better terms.

Stakeholder Engagement (continued)

Stakeholder	Method of Engagement	Material Issues Discussed	Result/Action taken
Employees	• Roadshows • Works council meetings • One on one discussions	• Conditions of service • Retrenchment packages	• Industrial relations climate was stable throughout the year • Co-operation received from employees during retrenchment processes.
Investors and Analysts	• AGMs • Briefings • Adhoc meetings with investors	• Business turnaround • Sustainability of performance • Strategy	• Business returned to profitability in 2017 on the back of the restructuring undertaken. • Overhead costs declined by 16% while labour costs decreased by 10%. • Business rebased its cost structure and performance will benefit going forward.
Financial Institutions	Formal meetings	Foreign currency Funding requirements Tenure and interest rates	• Significant support obtained in form of forex allocations. • Despite the support, the forex available remains below requirements impacting ability to satisfy potential demand • More detail on financial management and risk is on page 74.

The Group has put in place several initiatives aimed at growing the herd, improving veterinary support, feed formulation and input procurement

Sustainability Performance

ENVIRONMENTAL PERFORMANCE

Management Approach

The Group continues to monitor and report on its solid and liquid materials discharged into the environment. The Group's operations add directly and indirectly to the waste that goes into the environment. The nature of both operations and final products therefore impacts the aggregate environmental performance for the business.

Environmental Management Priorities

- Reduction in consumption of energy and hence save on both costs and impact on environment
- Enhancing product responsibility through contributing towards collection and recycling of plastic packaging
- Optimising emissions performance in line with regulatory requirements and benchmarks
- Responsible utilisation of water

Performance

The table below shows the physical quantities discharged into the environment as a result of our operations or consumption of our products:

Materials Used	Units	Year	
		2017	2016
PET	Tons	885	453
HDPE	Tons	2,353	2,109
Oils and Grease	Tons	9	8
Plastic packaging	Tons	178	449
Detergents	Tons	193	240
Paper packaging	Tons	1,554	312
Polypropylene	Tons	238	368

HDPE and PET discharge increased significantly due to an 8% growth in overall volumes. The volume growth was driven by products packed mainly in PET and HDPE material and these are Pfuko Maheu, Steri Milk, Tomato Sauce and Salad Cream. Paper packaging also increased driven by volume growth for the cartonised UHT milk and juices. Plastic Packaging declined due to depressed sales volumes on Ruomba and Lacto.

Recycling Initiatives: PETRECOZIM

The Group continued to support the industry recycling initiative through PETRECOZIM, a PET recycling company.

The performance summary for PETRECOZIM in 2017 was as follows:

	Units	Year	
		2017	2016
Waste collections	Tons	1 105	739
Recycled material sold	Tons	802	588
Revenue generated	US$	254,000	123,000

During the year, Waste collections increased by 50% from 2016. Recycled materials increased by 36% while there was a 106% increase in revenue generated from sales of processed waste materials.

The Group's contribution towards operating costs was $14,765 up from $7,072 in 2016.

Dairibord continues to be committed towards the initiative. Areas of focus for PETRECOZIM are recruitment of new industry players, opening up new markets and increasing collection volumes.

Sustainability Performance (continued)

Energy Consumption – Within the Organisation

Energy Type	Unit	Year	
		2017	2016
Electricity	MWh	13,960	14,979
Heating (Coal)	Tons	6,587	6,788
Gases	Tons	12	18

Electricity and coal consumption declined on account of efficiencies in energy utilisation. This decline was despite a significant growth in volume of output.

Energy Consumption – Outside the Organisation

Savings were realised on diesel consumption due to improved distribution efficiencies after route to market consolidation. Petrol consumption benefited from the reduced number of managers following retrenchments concluded in the first half of 2017.

Energy Type	Unit	Year	
		2017	2016
Diesel	‘000’ Litres	2,093	2,228
Petrol	‘000’ Litres	157	170

WATER

Water consumption improved vs. 2016 as the business focused on achieving lower water usage per litre of output. The improvement also impacted overall performance of the business.

Source	Unit	Year	
		2017	2016
Municipal	Cubic Litres	328,049	413,152
Borehole	Cubic Litres	177,396	210,014

Water supply remained constrained largely due to infrastructure bottle necks at local authorities.

To improve water availability, particularly at the Chitungwiza Factory, a 1.5 million litres reservoir was installed during the year and this will provide 5 days cover for the factory. The reservoir has enabled the business to reduce cost of water per litre. Water procured from third parties was averaging $12/cubic meter compared to $1.40/cubic meter from local authorities. The total cost of investing in the water reservoir was $0.12 million. Work is in progress to install water tanks at the Simon Mazorodze factory to ensure stable water supply and avoid production disruptions.

EMMISSIONS, EFFLUENTS, AND WASTE

After successfully commissioning the Harare Factory Effluent Treatment plant in 2016 at a cost of $0.345 million, the business is now treating its effluent discharge to meet environmentally friendly chemical composition. Going forward, investments in effluent treatment facilities at other factories will be explored.

SOCIAL AND COMMUNITY INVESTMENT

Human Capital Maintenance

Management Approach

Human capital forms the core of the business drivers for the Group. Attracting, developing and retaining our human capital remains a strategic imperative. To optimize performance of the human capital, the Group provides a work environment based on fairness, integrity, non-discrimination, equal opportunity, empowerment and mutual respect. The Group also recognises that respect for human rights and operating within the requirements of the law enhances overall performance of the business.

Sustainability Performance (continued)

Human Capital Management Priorities

The Group's human capital strategy focuses on the following priorities:

Healthy and safety.
Training and development.
Productivity enhancement
Respect and fair treatment of all employees.
Equal opportunity for marginalized groups including gender equality.

Performance Measurement/ Management

Increase/(Decrease) in Head Count

Employee Category	Unit	Year	
		2017	2016
Permanent	Count	(81)	(64)
Contract	Count	22	2
Total		**(59)**	**(62)**

Labour turnover continued on a downward trend particularly for permanent employees driven by the business model realignment implemented in 2017 and employees reaching retirement age. Compared to December 2016, head count as at end of 2017 declined by 59.

Total Employees at Year End

Employee Category	Unit	Year	
		2017	2016
Permanent	Count	668	749
Contract	Count	662	640
Total		**1,330**	**1,389**

Despite the reduction in head count vs. prior year, the Group remains a significant employer retaining head count above 1000.

Employees Gender Distribution

Total number of female employees decreased from 201 to 189 in 2017. The Group remains committed to employing female employees. The Group has an equal pay policy for both male and female employees.

The table below shows performance relative to the total number of employees.

Employee Gender Category	Unit	Year	
		2017	2016
Female	Count	190	201
Male	Count	1,140	1,188
Total		**1,330**	**1,389**

Apprentices, Graduate trainees and Students on attachment

The table below provides summary totals at the end of the year:

Category	Unit	Year	
		2017	2016
Apprentice	Count	-	1
Graduate Trainees	Count	2	-
Students on Attachment	Count	19	26
Total		**21**	**27**

Going forward, the Group will be increasing the number of Graduate trainees and apprentices to fill in the skills pipe line to address succession and business continuity.

Sustainability Performance (continued)

Health & Safety

Health and safety at the work place are key in achieving higher levels of productivity. Key priorities for the Group are:

- Provision of health and safety training to achieve zero harm at the work place
- Regular review of factory designs to implement measures that improve occupational safety
- Factory clinics at some operating factories
- Medical aid support for all employees
- Running awareness programs for HIV and AIDS

Work Related Accidents/Injuries

The performance of the Group with respect to work place health and safety is shown below:

Indicators	Unit	Year	
		2017	2016
Hazards for which internal STOP Notes issued	Incidence	-	2
Number of lost time injuries	Count	28	20
Total number of injuries	Count	127	135
Number of lost days	Days	337	332

To address the injury frequency rate going forward, disciplinary procedures are taken where negligence is identified. Training on safety for all new employees is now mandatory in order to improve awareness. A comprehensive training calendar is now in place and this will improve the overall approach to safety starting at individual level through to shifts and departments.

Health & Safety Training and Awareness Programmes

Programme	Unit	Year	
		2017	2016
Wellness Programme	Employees	15	13
Anti-Retroviral therapy	Employees	7	8
Medical aid	Employees	579	653
Peer educators	Count	14	17
HIV/AIDS awareness campaigns	Activities	4	4
Clinics	Counts	1	1
First Aid workers	Count	48	50

PRODUCTS RESPONSIBILITY

Responsibility for our products does not end when our products leave our facilities. Responsibility extends to the consumption of the products and disposal of the product packaging.

Our priorities in this regard are as follows:

- Testing of raw materials before use in production processes
- Testing of finished goods before delivery into the market
- Assessment of suppliers to ensure they meet quality standards and other operational requirements for responsible business
- Certifications by industry standards boards to align with industry benchmarks
- Customer complaint handling procedures

The following certifications have been maintained in 2017:

- ISO certification. DZPL and DML are certified under ISO 22000:2005 Food Safety Management Systems.
- Ministry of Health and SAZ certification of all products

Sustainability Performance (continued)

COMMUNITY INVESTMENT

Dairibord's corporate social investment programmes present an opportunity for the business to interact with and give back to society. It is through the social investment programmes that the Group has managed to stay connected to the communities within which it operates. The strategy focuses on promoting healthy life-styles, supporting and empowering the needy, education and involvement in environmental matters.

The table below summarizes key community investment programs undertaken during the year:

Community Priority Areas	Key Activities and Beneficiaries	2017 Amount ($)	2016 Amount ($)
Health and social welfare	Dairibord has over the years been supporting the vulnerable groups of society through monthly and periodic donations of its nutritious foods and beverages to homes of the vulnerable who include the disabled, the elderly and orphaned children. Specific beneficiaries are: • Jairos Jiri Southerton, Harare • Rekayi Tangwena Children's Home, Nyanga • Society for the Destitute and Aged, Harare	**8,500**	**18,721**
Environmental activities	The business is cognizant of the fact that its packaging materials must be responsibly disposed of after consumption. In 2017 Dairibord partnered the Municipality of Harare by providing litter bins as its contribution towards keeping the city clean.	**13,560**	-
Sports	Dairibord promotes healthy lifestyles and young talent through sports. 2017 was the 4th year of Dairibord sponsoring the iconic week-long Dairibord Schools Rugby Festival.	**162,000**	**164,200**
Education	8 beneficiaries were on the Dairibord bursary scheme during the year under review. Four of the beneficiaries were at local state universities and the rest in high schools.	**9,285**	**19,165**
Total Community Investments		**193, 345**	**202,085**

In 2017 Dairibord partnered the Municipality of Harare by providing litter bins as its contribution towards keeping the city clean.

Sustainability Performance (continued)

ECONOMIC

Financial Support from Government

The Group acknowledges that in some instances government may assist companies whose objectives are aligned with national strategic objectives. As such, the Group benefited from the Reserve Bank of Zimbabwe (RBZ's) export incentive scheme in 2017. The total amount received under the scheme was $39,732.

Payments to Government

Payments	Year	
	2017	2016
Value Added Tax (VAT)	1,526,763	701,022
Corporate Taxes	138,631	206,602
Total	**1,665,394**	**907,624**

Economic Value Generated and Distributed

	2017 US$ 000	2016 US$ 000
Sources of value		
Sales revenue	103,147	93,423
Other income	269	215
Cost of materials and other costs	(81,957)	(78,381)
Depreciation and amortization	(5,463)	(5,155)
Value added	**15,996**	**10,102**
Application		
to Employees (wages, salaries, & benefits)	12,785	13,999
to the Government (income tax, capital gains and deferred tax)	1,116	570
to Lenders (interest expense)	740	983
Retained in the Company	1,355	(5,450)
	15,996	**10,102**

Dairibord Schools Rugby Festival

Statement of Directors' Responsibility

The Directors are required by the Companies Act (Chapter 24:03) to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the company as at the end of the financial period as well as the profit and cash flows for the same period.

The Directors are responsible for maintaining records, which disclose with reasonable accuracy the financial position of the company, and which enable them to ensure that the consolidated financial statements comply with the Companies Act (Chapter 24:03). The Directors are also responsible for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

The Directors consider that in the preparation of these financial statements, reasonable and prudent judgments and estimates have been made. International Financial Reporting Standards have also been followed where applicable with suitable accounting policies having been consistently applied.

The Directors recognize and acknowledge their responsibility for the Group's systems of internal control. These systems are adequate to provide reasonable assurance that the assets of the Group are safeguarded and that accurate records, necessary for the preparation of the financial statements, are maintained.

The Directors have satisfied themselves that the Group is in a sound financial position, and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, your Directors believe that the preparation of these financial statements, on a going concern basis is appropriate.

The financial statements have been audited by the Group's External Auditors, Ernst & Young, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and Committees of the Board. The annual report was prepared under the supervision of the Finance Director, Ms. M. Ndoro (PAAB Number: 04593). The directors confirm that all representations made to the independent auditors during the audit were valid and appropriate.

The financial statements for the year ended 31 December 2017 have been approved by the Board of Directors and are signed on its behalf by the Chairman of the Board, Dr L. L. Tsumba and by the Group Chief Executive, Mr. A. Mandiwanza.

Dr. L. L. Tsumba	**A. Mandiwanza**
Chairman	**Group Chief Executive**
8 March 2018	

Report of the Directors

The Directors have pleasure in submitting their twenty third annual report, together with audited financial statements of the Group for the year ended 31 December 2017.

SHARE CAPITAL

The authorized share capital is 425 000 000 ordinary shares of US$0.0001 each. The number of issued ordinary shares remained at 358 000 858.

RESERVES

The movement in the distributable reserves during the year is outlined below in US$:

Distributable reserves at the beginning of the year	17 968 630
Profit for the year	1 609 810
Transfer from capital reserves on sale of assets	154 857
Distributable reserves at the end of the year	19 733 297

Movements in other reserves are shown in the Statement of Changes in Equity and in the notes to the financial statements.

INVESTMENTS

The balance due from Cairns still remains at $734 248, accrues interest at 5% per annum and will be paid by 2020. The full amount receivable was impaired in 2012. The Company received all the interest earned during the year.

PROPERTY PLANT AND EQUIPMENT

Expenditure on property, plant and equipment during the period was US$2.4 million. Expenditure for the year January to December 2018 is planned at US$6.2 million. This expenditure is to be financed mainly from the Group's own resources.

DIVIDEND

The Board declared a dividend of 0.2 US cents per share for the year ended 31 December 2017. The record date for the dividend will be 18 May 2018, last cum-dividend trading date is 15 May 2018 and the ex-dividend trading date being 16 May 2018. The dividend will be paid on or about 28 May 2018.

DIRECTORS

In accordance with article 107 of the company's Articles of Association, Mr. N. Chiromo and Mr. C. R. J. Hawgood who were appointed directors of the company with effect from 24 May 2017 and 8 August 2017 respectively, will retire, and being eligible, offer themselves for re-election.

In accordance with article 100 of the company's Articles of Association, Mr. J. Sachikonye and Mrs. R. P. Kupara, retire by rotation and being eligible, offer themselves for re-election.

In accordance with article 85(A) of the company's Articles of Association, Mr. D. Hasluck is due to retire from the Board. The company will seek the extension of his term of office by another year.

Dr. L. L. Tsumba, who has served the board as Chairman for the last six years, will be retiring at the conclusion of the Annual General Meeting to be held in May 2018.

AUDITORS

Members will be asked to approve the remuneration of the auditors, Ernst & Young Chartered Accountants (Zimbabwe) of $102 500, for the year ended 31 December 2017 and their re-appointment as Auditors to the company for the ensuing year.

M. Ndoro
Company Secretary

08 March 2018

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 Financial Statements

Opinion

We have audited the consolidated and company financial statements of Dairibord Holdings Limited and its subsidiaries ("the Group") set out on pages 41 to 76, which comprise the consolidated and company statements of financial position as at 31 December 2017, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and company financial position of Dairibord Holdings Limited as at 31 December 2017, and the consolidated and company financial performance and consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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 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) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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.

Key Audit Matter	How the matter was addressed in the audit
Impairment of receivables/allowance for credit losses	**We performed audit procedures which included:**
• The allowance for credit losses is considered to be a matter of most significance to the audit as it requires the application of judgement and use of subjective assumptions by management. The evaluation of the allowance for credit losses is based on the specific trade debtors' circumstances as evaluated by management using the specific debtors' risk profile. • The estimation of the value of collateral provided by customers and assessment of the aging profiles to determine recoverability of trade and other receivables which are past due but not impaired, involves a significant element of judgement. • The disclosures in relation to the allowance for credit losses are included in notes 2.4 and 19 of the consolidated financial statements.	• We evaluated the policies put in place by management and the assumptions applied in determining the allowance for credit losses. • Re-computed the allowance for credit losses based on the group wide model and taking account of specific circumstances unique to some of the customers. • Where trade receivable balances are past due and management have not impaired these balances on the basis of customer commitments to payment plans we reviewed adherence to the payment plans and post year end movements in balances. • Reviewed value assigned to collateral held as security for trade receivable balances which are past due but not impaired and assessed adequacy thereof. • We inspected lawyers' confirmations for matters handled during the year to identify any matters that were indicative of balances that may not be recoverable.

Key Audit Matter	How the matter was addressed in the audit
Inventories valuation and existence	**We performed audit procedures which included among others:**
As at 31 December 2017, the Group's inventory as disclosed in note 17 was valued at $12 119 852 which is a significant balance to the total assets of the Group. The business is a manufacturing entity, characterised by high volumes of production therefore inventory valuation and existence is relevant to the Group. We have identified inventory as a key audit matter as it is an area which required significant auditor effort due to the valuation process that includes • Appropriate allocation of overheads when valuing manufactured inventory or products. • Completeness of costs directly related with the purchase of imported inventory. In addition the process of determining existence of inventory requires significant time due to inventory being held at several locations and made up of small items that are prone to misappropriation.	We performed audit procedures which included: • Reviewed the inventory valuations for compliance with Group policy and International Accounting Standard 2 "Inventories." • For the manufactured goods, we verified the bill of materials and other costs included in the cost of inventory. We recalculated the overhead and labour absorption rates used in the manufacturing process and compared these to the standard costing rate for reasonableness. • For the imported raw materials and other consumables, we validated the cost build-up of the total costs directly attributable to bringing the inventory to their present location and condition as per IAS 2. • Performed tests at year-end to confirm if inventory is carried at lower of cost and net realisable value as required by International Accounting Standard 2 • To test the quantity of inventory on hand at significant locations, we attended the inventory counts at the respective sites. • We assessed the appropriateness of the process around the recording of inventory received and issued out as well as the identification of obsolete inventory during the inventory counts

Other Information
Other information comprises of information that is included in the Annual Report that includes the Chairman's Statement, the Directors' Responsibility Statement and the Report of the Directors, but does not include the financial statements and our auditors report thereon. The Directors are responsible for the Other Information.

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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the 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 and 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 directors either intend to liquidate the group and or 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 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 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 and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report - (continued)

Auditor's Responsibilities for the Audit of the Financial Statements - (continued)

- 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 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, the consolidated and company financial statements, have 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 Mr Fungai Kuipa (PAAB Number 207).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

15 MARCH 2018

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Notes	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Revenue		**103,147,437**	**93,422,853**	**1,480,936**	**2,792,506**
Cost of sales		(74,271,611)	(67,581,049)*	-	-
Gross profit		**28,875,826**	**25,841,804**	**1,480,936**	**2,792,506**
Fair value adjustment on investment property	12	-	83,801	-	-
Other operating income	4	268,861	131,480	597	163
Selling and distribution expenses		(18,283,708)	(18,615,661)*	-	-
Administration expenses		(6,159,860)	(10,518,050)	(1,195,222)	(2,976,040)
Other operating expenses	5	(642,907)	(821,208)	-	(59,196)
Operating profit/(loss)	6	**4,058,212**	**(3,897,834)**	**286,311**	**(242,567)**
Restructuring costs		(847,373)	-	(436,882)	-
Income arising from restructuring of the Group	14.1	-	-	-	30,112,962
Finance costs	7	(811,927)	(1,062,697)	(585,008)	(894,375)
Finance income	8	72,012	80,025	857,962	1,076,914
Profit/(loss) before taxation		**2,470,924**	**(4,880,506)**	**122,383**	**30,052,934**
Income tax (expense)/credit	9	(1,115,957)	(569,806)	(58,976)	53,712
Profit/(loss) for the year		**1,354,967**	**(5,450,312)**	**63,407**	**30,106,646**
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translating foreign operations		-	(63,949)	-	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Revaluation of properties		-	1,998,700	-	-
Deferred tax on revaluation		-	(521,899)	-	
		-	1,476,801	-	-
Total comprehensive income		**-**	**1,412,852**	**-**	**-**
Total comprehensive income/(loss) for the year		**1,354,967**	**(4,037,460)**	**63,407**	**30,106,646**
Profit/(loss) attributable to:					
Equity holders of the parent		1,609,810	(5,386,179)	63,407	30,106,646
Non-controlling interests		(254,843)	(64,133)	-	-
		1,354,967	**(5,450,312)**	**63,407**	**30,106,646**
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		1,609,810	(3,990,765)	63,407	30,106,646
Non-controlling interests		(254,843)	(46,695)	-	-
		1,354,967	**(4,037,460)**	**63,407**	**30,106,646**
Earnings/ (loss) per share (cents)					
Basic earnings/(loss) for the year attributable to ordinary equity holders of the parent	10	0.45	(1.50)		
Diluted earnings/(loss) for the year attributable to ordinary equity holders of the parent	10	0.45	(1.50)		

*These amounts do not correspond to the 2016 annual report as there have been reclassification between cost of sales and selling & distribution costs. Refer to Note 3 for further details.

Statements of financial position
as at 31 December 2017

	Notes	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Assets					
Non-current assets					
Property, plant and equipment	11	40,895,715	43,062,308	73,004	173,256
Investment property	12	1,305,000	2,186,000	-	-
Intangible assets	13	455,643	553,794	112,256	125,417
Investment in subsidiaries	14	-	-	47,111,145	34,273,543
Long-term loans receivable	15	-	-	7,024,260	9,459,638
Other non-current financial assets	16	-	121,526	-	5,096
Deferred tax asset	26	26,174	85,150	26,174	85,150
		42,682,532	**46,008,778**	**54,346,839**	**44,122,100**
Current assets					
Inventories	17	12,119,852	13,303,887	-	-
Amounts owed by group companies	18.1	-	-	1,922,333	14,953,171
Prepayments		1,553,843	854,717	-	7,528
Trade and other receivables	19	10,043,187	10,332,128	110	21,521
Short-term loans receivable	15	-	-	2,974,083	2,979,475
Cash and cash equivalents	20	5,819,110	3,467,286	200,534	23,110
		29,535,992	27,958,018	5,097,060	17,984,805
Assets classified as held for sale	21	-	569,447	-	-
		29,535,992	28,527,465	5,097,060	17,984,805
Total assets		**72,218,524**	**74,536,243**	**59,443,899**	**62,106,905**
Equity and liabilities					
Equity					
Share capital	22.1	35,800	35,800	35,800	35,800
Share premium	22.2	1,379,664	1,379,664	1,379,664	1,379,664
Non-distributable reserves	22.3	24,318,766	24,188,219	17,016,597	17,016,597
Reserves of assets classified as held for sale		-	285,404	-	-
Retained earnings		19,733,297	17,968,630	29,572,413	29,509,006
Equity attributable to owners of the parent		**45,467,527**	**43,857,717**	**48,004,474**	**47,941,067**
Non-controlling interests		(47,908)	206,935	-	-
Total equity		**45,419,619**	**44,064,652**	**48,004,474**	**47,941,067**
Non-current liabilities					
Interest-bearing borrowings	23.1	3,831,399	6,651,355	2,606,532	5,796,324
Deferred income	24	218,908	-	-	-
Deferred tax liability	26	5,422,557	4,457,585	-	-
		9,472,864	**11,108,940**	**2,606,532**	**5,796,324**
Current liabilities					
Trade and other payables	27	13,277,541	15,522,524	291,169	706,681
Interest-bearing borrowings	23.2	3,953,308	3,065,983	3,513,351	2,979,474
Bank overdraft	20	89,333	732,315	-	-
Amounts owed to Group companies	18.2	-	-	5,028,373	4,683,359
Income tax payable		5,859	41,829	-	-
		17,326,041	**19,362,651**	**8,832,893**	**8,369,514**
Total liabilities		**26,798,905**	**30,471,591**	**11,439,425**	**14,165,838**
Total equity and liabilities		**72,218,524**	**74,536,243**	**59,443,899**	**62,106,905**

DR L. L .TSUMBA
Chairman
8 March 2018

A. MANDIWANZA
Group Chief Executive

Statements of cash flows
for the year ended 31 December 2017

	Notes	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Operating activities					
Profit/(loss) before tax		**2,470,924**	**(4,880,506)**	**122,383**	**30,052,934**
Adjusted for:					
Depreciation of property, plant and equipment	11	5,357,180	5,051,002	96,035	87,807
Amortisation of intangible assets	13	106,297	104,217	13,161	13,161
Profit on disposal of property, plant and equipment and assets held for sale		(57,668)	(32,284)	-	-
Finance income		(72,012)	(80,025)	(857,962)	(1,076,914)
Inventory written off	17	768,832	1,286,000	-	-
Allowances for credit losses	19	334,953	1,373,479	-	-
Grants released to profit and loss	24	(87,829)	-	-	-
Fair value adjustment on investment property		-	(83,801)	-	-
Income arising on group restructuring		-	-	-	(30,112,962)
Finance costs		811,927	1,062,697	585,008	894,375
Working capital adjustments :					
Decrease in inventories		354,306	3,398,241	-	-
(Increase)/decrease in trade and other receivables and prepayments		(967,422)	926,776	34,032	142,801
Decrease/(increase) in amounts owed by group companies		-	-	193,236	(777,445)
Increase in amounts owed to group companies		-	-	345,014	686,060
Decrease in trade and other payables		(1,829,624)	(2,360,892)	(415,512)	(94,265)
		7,189,864	5,764,904	115,395	(184,448)
Interest paid		(811,927)	(1,062,697)	(585,008)	(894,375)
Income tax paid		(138,631)	(206,602)	-	-
Net cashflows generated from/(used in) operating activities		**6,239,306**	**4,495,605**	**(469,613)**	**(1,078,823)**
Investing activities					
Purchase of plant and equipment	11	(1,964,151)	(5,403,495)	(783)	(60,012)
Purchase of intangible assets	13	(8,146)	-	-	-
Proceeds from sale of property, plant and equipment		94,279	418,951	5,000	-
Proceeds from sale of assets classified as held for sale & investment property		625,217	124,261	-	-
Grants received	24	306,737	-	-	-
Decrease in long term prepayments		-	220,904	-	-
Loans issued to subsidiaries		-	-	(582,000)	(5,472,315)
Loans repaid by subsidiaries		-	-	3,022,770	6,379,468
Finance income		72,012	80,025	857,962	1,076,914
Net cashflows (used in)/ generated from investing activities		**(874,052)**	**(4,559,354)**	**3,302,949**	**1,924,055**
Financing activities					
Proceeds from borrowings	33.3	1,870,587	5,946,319	582,000	4,916,912
Repayment of borrowings	33.3	(4,241,035)	(5,971,419)	(3,237,912)	(5,797,706)
Net cash outflow from financing activities		**(2,370,448)**	**(25,100)**	**(2,655,912)**	**(880,794)**
Net increase/(decrease) in cash and cash equivalents		2,994,806	(88,849)	177,424	(35,562)
Net foreign exchange difference		-	13,905	-	-
Cash and cash equivalents at beginning of the period		2,734,971	2,809,915	23,110	58,672
Cash and cash equivalents at the end of the period	20	**5,729,777**	**2,734,971**	**200,534**	**23,110**

Statements of Changes in Equity

for the year ended 31 December 2017

GROUP

	Attributable to equity holders of the parent							
	Share Capital US$	Share Premium US$	Non - distributable reserves US$ (Note 22.3)	Reserves of assets classified as held for sale US$	Retained earnings US$	Total US$	Non - controlling interests US$	Total equity US$
As at 1 January 2016	**35,800**	**1,379,664**	**22,912,784**	**355,659**	**23,164,575**	**47,848,482**	**253,630**	**48,102,112**
Loss for the year	-	-	-		(5,386,179)	(5,386,179)	(64,133)	(5,450,312)
Other comprehensive income	-	-	1,395,414		-	1,395,414	17,438	1,412,852
Total comprehensive income	**-**	**-**	**1,395,414**	**-**	**(5,386,179)**	**(3,990,765)**	**(46,695)**	**(4,037,460)**
Transfer to retained earnings on sale of assets	-	-	(119,979)	(70,255)	190,234	-	-	-
As at 31 December 2016	**35,800**	**1,379,664**	**24,188,219**	**285,404**	**17,968,630**	**43,857,717**	**206,935**	**44,064,652**
Profit /(loss)for the year	-	-	-	-	1,609,810	1,609,810	(254,843)	1,354,967
Other comprehensive income	-	-	-		-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**1,609,810**	**1,609,810**	**(254,843)**	**1,354,967**
Transfer to retained earnings on sale of assets				(154,857)	154,857	-	-	-
Transfer to reserves on reclassication of assets	-	-	130,547	(130,547)	-	-	-	-
As at 31 December 2017	**35,800**	**1,379,664**	**24,318,766**	**-**	**19,733,297**	**45,467,527**	**(47,908)**	**45,419,619**

COMPANY

	Share Capital US$	Share Premium US$	Non distributable reserves US$	Retained earnings/ (accumulated losses) US$	Total US$
As at 1 January 2016	**35,800**	**1,379,664**	**17,016,597**	**(597,640)**	**17,834,421**
Profit for the year	-	-	-	30,106,646	30,106,646
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**30,106,646**	**30,106,646**
					-
As at 31 December 2016	**35,800**	**1,379,664**	**17,016,597**	**29,509,006**	**47,941,067**
Profit for the year	-	-	-	63,407	63,407
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**63,407**	**63,407**
As at 31 December 2017	**35,800**	**1,379,664**	**17,016,597**	**29,572,413**	**48,004,474**

Notes to the Financial Statements

1. Corporate information

The consolidated financial statements of Dairibord Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue on 8 March 2018 in accordance with a resolution of the directors. Dairibord Holdings Limited is a company incorporated and domiciled in Zimbabwe whose shares are publicly traded through the Zimbabwe Stock Exchange. The registered office is located at 1225 Rekayi Tangwena Avenue, in Harare. The Group's principal activities are the manufacturing, processing, marketing and distribution of milk products, foods and beverages.

2.1 Basis of preparation

The consolidated financial statements are based on the statutory records that are maintained under the historical cost convention, except for land and buildings and investment property that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (US$).

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Dairibord Holdings Limited and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non – controlling interest.
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Financial Statements (continued)

2.3 Changes in accounting policies and disclosures

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the information for both the current and the comparative period in Note 33.3

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below: The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about the future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

i. Useful lives and residual values of property, plant and equipment

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. Residual values were reassessed during the year and were still in line with those determined last year. Refer Note 2.5 (i) for the useful lives of property, plant and equipment and Note 11 for the carrying amount of property, plant and equipment balances.

ii. Revaluation of land and buildings and investment property

The Group measures freehold land and buildings and investment property at fair value with changes in fair value being recognised in other comprehensive income for land and buildings and profit or loss for investment property. A directors valuation was performed to determine fair value of freehold land and buildings and investment property as at 31 December 2017. Land and buildings were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. Refer note 11 and 12 for the carrying amount of land and buildings and investment property as well as the estimates and assumptions used to determine the fair values.

iii) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable

Notes to the Financial Statements (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

iii) Impairment of non-financial assets (continued)

decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Refer to Note 19 for the carrying amount of receivables and allowance for credit losses.

2.5 Summary of significant accounting policies

a) Government grants

Government related grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The grant is disclosed in Note 24.

b) Foreign currency translation

The consolidated financial statements are presented in United States Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising from translation are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

c) Revenue and other income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and value added tax. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised:

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

c) Revenue and other income recognition (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

i. the entity has transferred to the buyer the significant risks and rewards of ownership of the goods, usually on delivery of the goods;
ii. the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
iii. the amount of revenue can be measured reliably;
iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and
v. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Dividend income

Revenue is recognised when the Group's right to receive payment is established, which is generally when the shareholders approve the dividend.

Rendering of services

Management fee income is recognised when the holding company has provided services to the subsidiaries. The management services are provided on a daily basis and invoiced monthly based on a cost recovery basis.

Royalties

Royalties are charged by the holding company to the subsidiary for its use of the brands and patents which are owned by the former. The subsidiary uses the brands and patents on a daily basis through production and marketing of goods and the holding company invoices for use of its brands monthly.

d) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be received from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

d) Taxes (continued)

Deferred tax (continued)

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognised in profit or loss if it is incurred after the measurement period.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of value added tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

e) Pensions and other post-employment benefits and termination benefits

Pensions and other post-employment benefits

Retirement benefits are provided for Group employees through independently administered defined contribution funds, including the National Social Security Authority Scheme in Zimbabwe and National Social Security Fund in Malawi. Contributions to the defined contribution fund are recognised in profit or loss as they fall due. The cost of retirement benefits applicable to the National Social Security Authority Scheme and National Social Security Fund is determined by the systematic recognition of legislated contributions.

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognises termination benefits as a liability and an expense at the earlier of when the offer of termination cannot be withdrawn or when the related restructuring costs are recognised under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Termination benefits are measured according to the terms of the termination contract. Where termination benefits are due more than 12 months after the reporting period, the present value of the benefits shall be determined. The discount rate used to calculate the present value shall be determined by reference to market yields on high quality corporate bonds at the end of the reporting period.

f) Share-based payment

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

f) Share-based payment (continued)

Equity-settled transactions

` The cost of equity – settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer. The cost of equity – settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (' the vesting date').

The cumulative expense recognised for equity – settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit recognised in profit or loss for a period represents the movements in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.
The dilutive effect of outstanding options is reflected as additional share dilution in the computation of the earnings per share (Note 9).

g) Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade dates i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short term deposits, trade and other receivables and loans and receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

Impairment of financial assets

The Group assesses at each reporting date whether there is any indication that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

g) Financial assets (continued)

Impairment of financial assets (continued)

carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

h) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing borrowings

After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance costs in the statement of profit and loss.

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

h) Financial liabilities (continued)

Trade and other payables

Trade and other payables are subsequently measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

i) Property, plant and equipment

Property is measured at fair value less subsequent accumulated depreciation and subsequent impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Plant, furniture, fittings, equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Cost includes the cost of replacing part of the plant and equipment and borrowing cost for long term construction projects if the recognition criteria are met. When significant parts of property plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

The Group's policy is to depreciate property, plant and equipment evenly over the expected life of each asset, with the exception that no depreciation is charged on land and assets under construction and not yet in use. The expected useful lives of the property, plant and equipment are as follows:

Freehold Buildings	40 years
Plant	3 -10 years
Furniture, fittings and equipment	2 – 10 years
Motor vehicles	
- Light	5 years
- Heavy vehicles and trailers	8 years

The carrying amounts of property, plant and equipment are reviewed at each reporting date to assess if they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amounts, assets are written down to their recoverable amounts.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each financial year end. Adjustments are made prospectively as a change in accounting estimate.

j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of the asset. An asset's recoverable amount is the higher

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

j) Impairment of non-financial assets (continued)

of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated, by valuation multiples, quoted public share prices for publicly traded entities or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash generating units, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods a long term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the functions of the impaired assets, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income, up to the amount of any previous revaluation.
For assets excluding goodwill, an assessment is made at each reporting date, as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

k) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

l) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an operating expense in profit or loss on a straight line basis over the lease term.

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

l) Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Materials and consumables are valued at the purchase cost on a weighted average basis.
- Finished goods and work in progress are valued at the direct materials costs, labour and an appropriate portion of manufacturing overheads based on normal operating capacity, but excluding borrowings costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after that sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

r) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

r) Intangible assets (continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Currently the Group intangible assets consist of assets assessed as finite and are amortised over a period of 10 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

s) Fair value measurement

The Group measures non-financial assets such as land and buildings and investment property, at fair value at reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Notes to the Financial Statements (continued)

2.5 Summary of significant accounting policies (continued)

s) Fair value measurement (continued)

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

t) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

u) Investments in subsidiaries

Investments in subsidiaries in the separate financial statements are initially accounted for at cost, which is the consideration paid or transferred as at the date of acquisition. Subsequent to initial recognition, the investments in subsidiaries are accounted for at cost less accumulated impairment losses.

2.6 Standards and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

Notes to the Financial Statements (continued)

2.6 Standards and amendments issued but not yet effective (continued)

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects an impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact. The Group does not expect a material impact.

On the loans receivables and other related party balances in the separate financial statements, the Company will apply the general approach. No material impact is expected.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

The amendment are effective for annual periods beginning on or after 1 January 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The Group currently does not have share options and therefore this amendment will not have any impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has contracts with some customers on which rebates are payable when certain revenue levels have been achieved and there will be a possible impact on revenue recognition in respect this. The Group will perform a detailed assessment of the impact of the standard on its contracts with customers. The Group will adopt the modified approach and apply the changes prospectively.

Notes to the Financial Statements (continued)

2.6 Standards and amendments issued but not yet effective (continued)

(b) Impairment (continued)

IFRS 16 - Leases

The International Accounting Standards board (IASB) issued IFRS 16 in January 2017 which requires lessees to recognize assets and liabilities for most leases on their balance sheets. Under the new standard, a lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of the identified asset, which could be a physically distinct portion of an asset.

The standard will be effective for annual periods beginning on or after 1 January 2019.The Group is still assessing the impact of the standard.

Amendments to IAS 40-Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendment is effective for annual periods beginning on or after 1 January 2018. The standard is not expected to have a major impact.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 nonmonetary 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 transactions for each payment or receipt of advance consideration. The IFRIC is effective for annual periods beginning on or after 1 January 2018. The Group is still assessing the impact the adoption of the interpretation will have on the financial statements.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation

Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

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 foreign currency. The adoption of the standard is not expected to have a material impact.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. The changes are not expected to have a material impact.

IFRIC 23-Uncertainty over Income Tax Treatments

The interpretation clarified 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.An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

2.6 Standards and amendments issued but not yet effective (continued)

IFRIC 23-Uncertainty over Income Tax Treatments (continued)

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

The changes are effective on annual periods beginning on or after 1 January 2019. The adoption of the interpretation is not expected to have a material impact on the taxable income or losses as the current determination of taxable income or losses takes into account, as afar as possible, the tax legislation amended time from time.

IAS 23 –Borrowing Costs-Borrowing Costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.
- An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

2.7 General disclosures

The following exchange rates were used in the preparation of these financial statements:

USD 1:	*Statement of financial position*	*Statement of comprehensive income*
Malawi Kwacha	734.78	734.78
South African Rand	12.06	15.25
EURO	0.86	0.89

Notes to the Financial Statements (continued)

3 Restatement of prior year cost of sales and selling and distribution expenses

In January 2017, the Group intergrated the operations of Dairibord Zimbabwe (Private) Limited, Lyons and NFB Logistics into one operating business unit. In 2016, NFB operated as a standalone business unit providing transport services to Dairibord Zimbabwe (Private) Limited and Lyons and the NFB operating costs , e.g fuel cost and trucks depreciation,related to providing this service, were classifed as cost of sales. The intergration of the 3 business units resulted in NFB Logistics becoming a department of the sales department and resultantly the costs of the unit are now part of selling and distribution. In order to have comparability, the 2016 cost of sales and selling and distribution costs have been restated as follows:

	Cost of sales US$	Selling & distribution US$
As previously stated	74,506,769	11,689,941
Reclassification	(6,925,720)	6,925,720
Restated	**67,581,049**	**18,615,661**

There is no impact on profit and loss.

	Group 2017 US$	Group 2016 US$	Company 2017 US$	Company 2016 US$
4 Other operating income				
Profit on disposal of property, plant and equipment, assets classified as held for sale and investment property	57,668	31,165	-	-
Profit on disposal of scrap	76,729	72,684	-	-
Grant income	87,829	-	-	-
Sundry income	46,635	27,631	597	163
	268,861	**131,480**	**597**	**163**
5 Other operating expenses				
Exchange loss on foreign currency translation	258,763	328,484	-	-
Retrenchment costs	-	65,887	-	59,196
Impairment - Inventory	384,144	426,837	-	-
	642,907	**821,208**	**-**	**59,196**
6 Operating profit/ (loss) is stated after charging the following:				
Audit fees	142,523	149,253	8,871	33,617
Depreciation of property, plant and equipment	5,357,180	5,051,003	96,035	207,878
Amortisation of intangible assets	106,297	104,217	13,161	13,161
Directors emoluments - for services as directors	124,643	167,811	111,305	95,515
- salaries and benefits	726,667	1,099,930	495,736	694,022
- termination benefits	304,444	-	304,444	-
Employee benefits expense				
- Salaries and wages	12,294,605	13,467,306	599,558	1,721,102
- Pension costs	328,785	349,932	26,332	71,088
- National Social Security Authority	161,370	181,676	7,292	8,332
	12,784,760	**13,998,914**	**633,182**	**1,800,522**
7 Finance costs				
Interest on borrowings	811,927	1,062,697	585,008	894,375
8 Finance income				
Interest received on loans and investments	72,012	80,025	857,962	1,076,914
9 Taxation				
Current income tax:	64,189	61,049	-	-
Capital gains tax	27,820	16,659	-	-
Deferred tax charge/(credit)	1,023,948	492,098	58,976	(53,712)
- Current year charge/(credit)	1,023,948	(930,976)	58,976	(53,712)
- Prior year under provision	-	1,423,074	-	-
	1,115,957	**569,806**	**58,976**	**(53,712)**

Notes to the Financial Statements (continued)

	Group		Company	
	2017 US$	2016 US$	2017 US$	2016 US$
9 Taxation (continued)				
Tax rate reconciliation				
Standard rate	25.75%	(25.75%)	25.75%	25.75%
Assessed loss not recognised	14.10%	-	-	-
Prior year income tax charge under provision	-	36.4%	-	-
Effect of higher tax rate in Malawi	0.93%	(0.44%)	-	-
Disallowed expenses	4.45%	1.36%	22.23%	0.14%
Properties deferred tax charged at a lower rate	-	(2.90%)	-	-
Dividend income not taxable	-	-	-	(26.06%)
Depreciation on passenger motor vehicle excess cost ineligible for tax allowances	-	2.00%	-	-
Effect of capital gains tax	0.90%	0.57%	-	-
Other (non-taxable) /non-deductible items	(0.97%)	0.44%	0.21%	0.35%
Effective tax rate	**45.16%**	**11.68%**	**48.19%**	**0.18%**

10 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Group	
	2017 US$	2016 US$
Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	**1,609,810**	**(5,386,179)**

	2017 No.	2016 No.
Weighted average number of ordinary shares for basic earnings per share	358,000,858	358,000,858
Number of shares in issue	358,000,858	358,000,858
Weighted average number of ordinary shares for diluted earnings per share	358,000,858	358,000,858

There are no dilutive potential ordinary shares in issue. The share options expired on 31 December 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the Financial Statements (continued)

11 Property, plant and equipment

	GROUP						COMPANY		
	Freehold land and buildings US$	Plant and equipment US$	Capital work in progress US$	Furniture and Fittings US$	Motor vehicles US$	Total US$	Furniture and Fittings US$	Motor vehicles US$	Total US$
Cost or valuation									
At 1 January 2016	**14,724,449**	**36,605,113**	**722,248**	**1,024,189**	**6,915,574**	**59,991,573**	**417,359**	**771,735**	**1,189,094**
Additions	-	5,769,355	(688,402)	103,343	219,199	5,403,495	60,012	-	60,012
Revaluation	1,745,815	-	-	-	-	1,745,815	-	-	-
Transfer from investment property	444,302	-	-	-	-	444,302	-	-	-
Transfer to investment property	(1,079,000)	-	-	-	-	(1,079,000)	-	-	-
Assets held for sale	-	118,293	-	-	-	118,293	-	-	-
Disposals	(220,800)	(45,144)	-	(131,425)	(437,192)	(834,561)	-	-	-
Exchange adjustments	(81,911)	(172,587)	-	123,372	(22,701)	(153,827)	-	-	-
At 31 December 2016	**15,532,855**	**42,275,030**	**33,846**	**1,119,479**	**6,674,880**	**65,636,090**	**477,371**	**771,735**	**1,249,106**
Additions	-	2,342,246	(33,846)	93,568	-	2,401,968*	783	-	783
Transfer from investment property	586,000	-	-	-	-	586,000	-	-	-
Transfer from held for sale (Note 21)	260,472	-	-	-	-	260,472	-	-	-
Disposals	-	-	-	-	(546,656)	(546,656)	-	(169,758)	(169,758)
At 31 December 2017	**16,379,327**	**44,617,276**	**-**	**1,213,047**	**6,128,224**	**68,337,874**	**478,154**	**601,977**	**1,080,131**
Accumulated depreciation and impairment									
At 1 January 2016	**(104,294)**	**(14,067,213)**	**-**	**(810,070)**	**(3,304,936)**	**(18,286,513)**	**(350,540)**	**(637,503)**	**(988,043)**
Depreciation charge for the year	(167,581)	(4,024,043)	-	(113,916)	(745,462)	(5,051,002)	(41,493)	(46,314)	(87,807)
Revaluation	252,886	-	-	-	-	252,886	-	-	-
Disposals	14,835	10,526	-	87,251	343,189	455,801	-	-	-
Exchange adjustments	-	135,984	-	(87,603)	6,665	55,046	-	-	-
At 31 December 2016	**(4,154)**	**(17,944,746)**	**-**	**(924,338)**	**(3,700,544)**	**(22,573,782)**	**(392,033)**	**(683,817)**	**(1,075,850)**
Depreciation charge for the year	(334,780)	(4,385,354)	-	(119,983)	(517,063)	(5,357,180)	(57,834)	(38,201)	(96,035)
Disposals	-	-	-	-	488,803	488,803		164,758	164,758
At 31 December 2017	**(338,934)**	**(22,330,100)**	**-**	**(1,044,321)**	**(3,728,804)**	**(27,442,159)**	**(449,867)**	**(557,260)**	**(1,007,127)**
Net book value									
At 31 December 2017	**16,040,393**	**22,287,176**	**-**	**168,726**	**2,399,420**	**40,895,715**	**28,287**	**44,717**	**73,004**
At 31 December 2016	**15,528,701**	**24,330,284**	**33,846**	**195,141**	**2,974,336**	**43,062,308**	**85,338**	**87,918**	**173,256**

***Acquisitions for cash flow purposes**	1 964 151
Total additions	2,401,968
non-cash additions (financed by vendor loan) (Note 33.3)	(437,817)

Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
11.1 Reconciliation of opening and closing carrying amounts				
Net carrying amount at 1 January	**43,062,308**	**41,705,060**	**173,256**	**201,051**
Cost	65,636,090	59,991,573	1,249,106	1,189,094
Accumulated depreciation and impairment	(22,573,782)	(18,286,513)	(1,075,850)	(988,043)
Movement for the year:				
Additions	2,401,968	5,403,495	783	-
Revaluation	-	1,998,701	-	-
Net carrying amount of disposals	(57,853)	(378,760)	(5,000)	-
Depreciation charge for the year	(5,357,180)	(5,051,002)	(96,035)	(87,807)
Transfer from investment property (note 12)	586,000	444,302	-	-
Transfer from assets held for sale (note 21)	260,472	118,293	-	-
Transfer to investment property	-	(1,079,000)	-	-
Net exchange adjustment	-	(98,781)	-	-
Net carrying amount at 31 December	**40,895,715**	**43,062,308**	**73,004**	**173,256**
Cost	68,337,874	65,636,090	1,080,131	1,249,106
Accumulated depreciation and impairment	(27,442,159)	(22,573,782)	(1,007,127)	(1,075,850)

11.2 Property revaluation

The valuation of property was performed in line with market values on 31 December 2016.
The revalued property consists of commercial, residential and industrial buildings in Zimbabwe and Malawi.

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. Land and buildings were valued as at 31 December 2016 by Dawn Property Consultancy , an accredited independent valuer .

Significant unobservable data	
Residential buildings	US$550 - US$1,200
Commercial buildings	US$900 - US$1,200
Price per square metre	US$650 - US$950

`Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher/(lower) fair value.

Refer Note 32 for fair value hierarchy, which also includes investment property, and Note 22.3 for the movement in the revaluation reserve.

If land and buildings were measured using cost model, the carrying amount would be US$7 630 693 (2016: US$7 873 844)

11.3 Property secured against borrowings

Property with a carrying amount of US$13,395,950(2016: US$14,185,342) is encumbered against interest bearing borrowings (Note 23).

Notes to the Financial Statements (continued)

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
12 Investment property				
Balance at 1 January	**2,186,000**	**1,467,501**	**-**	**-**
Transfer from property, plant and equipment	-	1,079,000	-	-
Transfer back to property, plant and equipment	(586,000)	(444,302)	-	-
Disposals	(295,000)	-	-	-
Fair value adjustment	-	83,801	-	-
Balance at 31 December 2017	**1,305,000**	**2,186,000**	**-**	**-**

The Group's investment property comprises of 12 commercial properties located across the country. As at 31 December 2017, some properties were transferred from investment property to property, plant and equipment as they were no longer leased to third parties.

The properties were revalued as at 31 December 2016 by Dawn Properties Consultancy. Refer to Note 10 for the valuation technique and key unobservable inputs used to value the property. Management performed a fair value assessment at 31 December 2017 and the movement in fair value was not material.

Revenue and expenses relating to investment property

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Rental income from leasing	84,880	84,880	-	-
Operating costs	(26,571)	(26,571)	-	-
Net income	**58,309**	**58,309**	**-**	**-**

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
13 Intangible assets				
Cost				
At 1 January	**1,064,316**	**1,064,316**	**138,578**	**138,578**
Additions	8,146	-		-
At 31 December	**1,072,462**	**1,064,316**	**138,578**	**138,578**
Amortisation				
At 1 January	**(510,522)**	**(406,305)**	**(13,161)**	**-**
Charge for the year	(106,297)	(104,217)	(13,161)	(13,161)
At 31 December	**(616,819)**	**(510,522)**	**(26,322)**	**(13,161)**
Net book value	**455,643**	**553,794**	**112,256**	**125,417**
Reconciliation of opening and closing carrying amounts				
Net carrying amount at 1 January	**553,794**	**658,011**	**125,417**	**138,578**
Cost	1,064,316	1,064,316	138,578	138,578
Accumulated amortisation	(510,522)	(406,305)	(13,161)	-
Movement for the year:				
Additions	8,146	-	-	-
Amortisation	(106,297)	(104,217)	(13,161)	(13,161)
Net carrying amount at 31 December	**455,643**	**553,794**	**112,256**	**125,417**
Cost	1,072,462	1,064,316	138,578	138,578
Accumulated amortisation	(616,819)	(510,522)	(26,322)	(13,161)

The intangible assets consist of computer software and a business intelligence system.

Notes to the Financial Statements (continued)

14 Group re-organisation and investment in subsidiaries

14.1 In 2016, the Group implemented a restructuring which resulted in Dairibord Holdings Limited directly owning the operating subsidiaries. The restructuring resulted in significant income in the separate financial statements of the company of $30 112 962 in 2016 which was all eliminated on consolidation.

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
Dairibord Zimbabwe (Private) Limited	-	-	25,531,867	12,694,265
Goldblum Investments Private Limited	-	-	11,464,006	11,464,006
Chatmoss Enterprises Private Limited	-	-	4,075,705	4,075,705
Quallinnex Investments (Private) Limited	-	-	2,139,430	2,139,430
Slimline Investments Private Limited	-	-	3,392,330	3,392,330
Dairibord Malawi Limited	-	-	507,807	507,807
NFB Logistics (Private) Limited	-	-	-	-
	-	-	47,111,145	34 273 543

During the year, the Company increased its investment in Dairibord Zimbabwe Private Limited by converting an intercompany receivable of $12 837 602 to equity

15 Loans receivable

15.1 Long-term loans receivable

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Dairibord Zimbabwe (Private) Limited	-	-	9,782,282	12,439,113
Dairibord Malawi Limited	-	-	216,061	-
	-	-	9,998,343	12,439 113
Less : Amounts falling due within one year	-	-	(2,974,083)	(2,979,475)
	-	**-**	**7,024,260**	**9,459,638**

The long term loans receivable relate to loans that were issued to subsidiaries at an all-in cost of between 5% and 11% per annum and are repayable by 2019. The holding company raises loans from banks for onlending to subsidiaries.

15.2 Short-term loans receivable

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Amounts falling due within one year of long term loans receivable	-	-	2,974,083	2,979,475
	-	**-**	**2,974,083**	**2,979,475**

16 Other non-current financial assets

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Loans receivable	-	5,096	-	5,096
Other receivable	-	116,430	-	-
	-	**121,526**	**-**	**5,096**

In 2016, other receivable represents capital expenditure contribution to Petrecozim, a plastic recycling company formed by companies which use plastic bottles in which the group has a 10% equity interest. The loan is interest free and will be repaid once the company is fully operational. As at 31 December 2017, an impairment on the receivable was made.

17 Inventories

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
Packaging and raw materials (at cost)	8,057,837	8,279,976	-	-
Spares and general consumables (at cost)	3,249,092	2,724,201	-	-
Finished goods (at lower of cost and net realisable value)	812,923	2,299,710	-	-
Total inventories	**12,119,852**	**13,303,887**	**-**	**-**

The amount of inventories recognised as an expense in cost of sales for the period was US$58,833,905 (2016 :$53,564,483).

During 2017, stock losses amounting to US$768,832 (2016 : US$1,286,000) was recognised as an expense in cost of sales.

Notes to the Financial Statements (continued)

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
18 Group companies				
The following balances arise from normal trading activities:				
18.1 Amounts owed by group companies				
Dairibord Malawi Limited	-	-	-	196,134
Dairibord Zimbabwe (Private) Limited	-	-	1,922,333	14,757,037
	-	**-**	**1,922,333**	**14,953,171**
The decrease in the amount owed by Dairibord Zimbabwe (Private) Limited is a result of conversion of the balance into equity. Refer to note 14.				
18.2 Amounts owed to group companies				
Goldblum Investments (Private) Limited	-	-	2,571,605	2,453,149
Chatmoss Enterprises (Private) Limited	-	-	1,100,051	984,709
Qualinex Properties (Private) Limited	-	-	537,931	476,809
Slimline Investments (Private) Limited	-	-	818,786	768,692
	-	**-**	**5,028,373**	**4,683,359**
All group transactions are interest free, and are repayable on demand.				
19 Trade and other receivables				
Trade receivables	9,063,375	9,431,717	-	-
Other receivables	979,812	900,411	110	21,521
	10,043,187	**10,332,128**	**110**	**21,521**
As at 31 December 2017, receivables of US$1,806,681 (2016 :US$1,680,605) were provided for. The following is a movement in the impairment of receivables balance:				
Opening balance	1,680,605	532,549	-	-
Charge for the year	334,953	1,373,479	-	-
Bad debts written off	(208,877)	(225,423)	-	-
At 31 December	**1,806,681**	**1,680,605**	**-**	**-**

The ageing analysis of trade receivables was as follows :

	Total US$	Neither past due nor impaired US$	Past due but not impaired 30-60 days US$	60 +days US$
At 31 December 2017	9,063,375	7,046,966	1,396,266	620,143
At 31 December 2016	9,431,717	7,071,588	1,572,404	787,725

Trade credit is generally offered on 30 day credit terms and no interest is charged within the credit period.

See note 33.1 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
20 Cash and cash equivalents				
For the purpose of the statement of cash flows, cash and cash equivalents consist of :				
Cash at banks and on hand	5,819,110	3,467,286	200,534	23,110
Bank overdraft	(89,333)	(732,315)	-	-
	5,729,777	**2,734,971**	**200,534**	**23,110**

The Group has a bank overdraft facility of US$1 million at 7% per annum, unutilised at year end. Dairibord Malawi has an overdraft facility of K70 million (US$95,266) with NBS Bank at an interest rate of 31%.

Notes to the Financial Statements (continued)

21 Assets classified as held for sale

In the prior years, certain residential properties were classified as held for sale following a Board resolution to sell some residential properties and invest the cash in plant and machinery. Of the opening held for sale assets of $569 447, properties worth $308 875 were sold during the year and those which management determined could not be sold in the year were put back to property, plant and equipment.

The major classes of assets classified as held for sale as at 31 December 2017 are as follows:

	GROUP	
	2017 US$	2016 US$
Property	-	569,447
Reconciliation of assets held for sale		
Opening balance	569,447	827,915
Disposals	(308,975)	(140,175)
Transfer to property, plant and equipment (Note 11.1)	(260,472)	(118,293)
Closing balance	**-**	**569,447**

22 Issued capital and reserves

22.1 Share capital

	GROUP AND COMPANY	
	2017	2016
Authorised shares	***No.***	***No.***
Ordinary shares of US$0.0001 each	425,000,000	425,000,000

	No.	US$
Ordinary shares issued and fully paid		
At 1 January 2016	**358,000,858**	**35,800**
Share options exercised during the year	-	-
At 31 December 2016	**358,000,858**	**35,800**
Share options exercised during the year	-	-
At 31 December 2017	**358,000,858**	**35,800**

Subject to the limitations imposed by the Companies Act (Chapter 24:03), in terms of a resolution passed by the company in general meeting, the unissued shares have been placed at the disposal of the directors.

Share option scheme
The options granted in 2011 expired on 31 December 2016.

	GROUP AND COMPANY	
	2017 US$	2016 US$
22.2 Share premium		
At 31 December	1,379,664	1,379,664

Notes to the Financial Statements (continued)

22.3 Non-distributable reserves

Group

	Attributable to equity holders of the parent					
	Share Option reserve US$	Foreign currency translation reserve US$	Foreign currency conversion reserve US$	Asset revaluation reserve US$	Other capital reserves US$	Total reserves US$
Balance at 1 January 2016	**16,797**	**(4,379,704)**	**18,641,370**	**8,516,537**	**117,784**	**22,912,784**
Other comprehensive income	-	(43,741)	-	1,439,155	-	1,395,414
Gross	-	(43,741)	-	1,944,919	-	1,901,178
Income tax effect	-	-	-	(505,764)	-	(505,764)
Transfer to retained earnings on disposal of assets		-	-	(119,979)	-	(119,979)
Balance at 31 December 2016	**16,797**	**(4,423,445)**	**18,641,370**	**9,835,713**	**117,784**	**24,188,219**
Other comprehensive income	-	-	-	-	-	-
Gross	-		-		-	-
Income tax effect	-	-	-		-	-
Transfer back from held for sale reserve	-	-	-	130,547	-	130,547
Balance at 31 December 2017	**16,797**	**(4,423,445)**	**18,641,370**	**9,966,260**	**117,784**	**24,318,766**

Company

	Share Option reserve US$	Foreign currency conversion reserve US$	Total US$
Balance at 1 January 2016	**16,797**	**16,999,800**	**17,016,597**
Exercise of share options		-	-
Balance at 31 December 2016	**16,797**	**16,999,800**	**17,016,597**
Exercise of share options	-	-	-
Balance at 31 December 2017	**16,797**	**16,999,800**	**17,016,597**

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

Foreign currency conversion reserve
The foreign currency conversion reserve arose as a result of change in functional currency from the Zimbabwe dollar to the United States dollar. It represents the residual equity in existence as at the change over period and has been designated as non-distributable reserve.

Asset revaluation reserve
The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Other capital reserves
This relates to the profit made on the acquisition of additional interest in Dairibord Malawi Limited.

Share option reserve
The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Notes to the Financial Statements (continued)

		Borrowing cost (%) United States dollar	Borrowing cost (%) Malawi Kwacha	Maturity	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
23	**Interest bearing borrowings**							
23.1	**Long term borrowings**							
a)	Bank loan Malawi		31%	Sept 2018	-	61,323	-	-
b)	PTA Bank - 2014 Loan	10.6%		May 2019	2,676,312	3,921,253	2,676,312	3,921,253
d)	Bank loan Zimbabwe (2015)	8.3%		Nov 2020	2,151,071	3,054,500	2,151,071	3,054,500
e)	Bank loan Zimbabwe (2016)	7.8%		July-Sep 2019	1,292,500	1,690,000	1,292,500	1,690,000
f)	Tetra Pak	8%		Sept 2022	880,217	880,217	-	-
g)	Tetra Pak (Dairibord Malawi)		10%		437,819	-	-	-
h)	Bank loan Malawi		31%		288,589	-	-	-
					7,726,508	9,607,293	6,119,883	8,665,753
	Less : Amounts falling due within one year				(3,895,109)	(2,955,938)	(3,513,351)	(2,869,429)
					3,831,399	6,651,355	2,606,532	5,796,324
23.2	**Short term borrowings**							
c)	Secured loan	10.6%			-	110,045	-	110,045
a)	Bank loan Malawi		31%	Sept 2018	58,199	-	-	-
					58,199	110,045	-	110,045
	Add: Portion of long term loans falling due within one year				3,895,109	2,955,938	3,513,351	2,869,429
					3,953,308	3,065,983	3,513,351	2,979,474
	Total interest bearing borrowings				**7,784,707**	**9,717,338**	**6,119,883**	**8,775,798**

a) **33% secured loan**
The facility was used in financing the acquisition of plant and equipment. The loan, together with the loan disclosed in (h) is secured over property, plant and equipment of $1.9 million.

b) **PTA Secured loan**
The loan financed capital projects. The loan is secured over immovable property worth US$9 million and the assets funded. The original facility available was $6 million and was fully drawn. The loan will be fully paid by 6 May 2019.

c) **Secured loan**
This loan was used to fund part of the capital projects at Dairibord Zimbabwe (Private) Limited. This was a 2.5 year facility and was fully repaid on 31 March 2017.

d) **Bank Loan Zimbabwe**
This loan was used to acquire plant and equipment at Dairibord Zimbabwe (Private) Limited. The loan will be fully paid by 10 November 2020. It is secured over property with a book value of US$4,499,490.

e) **Bank Loan Zimbabwe**
This facility was used to finance capital expenditure and is secured, together with the other facility in (d) above, on property worth US$4.5 million. The facility has a tenure of 3 years and will be fully paid by 6 September 2019.

f) **Tetra Pak**
This is an offshore vendor finance facility which financed part of the capital expenditure in 2016. The facility bears interest at 8% per annum and has a 6 year tenure including one year grace period. Capital repayments were due to start in September 2017 and an amount of US$60 701 was overdue as at 31 December 2017.

g) **Tetra Pak (Malawi)**
This is a vendor loan which financed part of capital expenditure in Malawi. The loan will be repaid over 5 years starting December 2018.

h) **Bank loan Malawi**
This is a loan for working capital with a tenure of 36 months. The loan is secured over property, plant and equipment of US$1.9 million.

Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
24 Grants received				
A Grant was received from the United Nations Development Programme under the Malawi Challenge Innnovation Fund (MICF) for the purchase of a carton filling and packing plant.				
At I January 2017	-	-	-	-
Received during the year	306 737	-	-	-
Released to profit and loss	(87 829)	-	-	-
At 31 December 2017	**218,908**	**-**	**-**	**-**
Current	-	-	-	-
Non-current	218 908	-	-	-

25 Borrowings powers

The directors may borrow any sum of money not exceeding the aggregate of twice the issued and paid up share capital of the company and the aggregate of the amounts standing to the credit of all the reserve accounts and share premium account.

Banking facilities

At 31 December 2017 , the banking facilities in place in Zimbabwe amounted to $8.12 million (2016 : $10.78 million). The facilities expire between 10 May 2018 and 20 November 2020.

In Malawi the banking facilities amounted to MK 253 000 000 (US$ 344 000). The facilities expire by 28 February 2024.

	GROUP		COMPANY	
	2017 US$	2016 US$	2017 US$	2016 US$
26 Deferred taxation				
Deferred tax relates to the following:				
Property, investment property and property classified as held for sale	2,727,453	2,846,256	-	-
Plant and equipment	4,685,191	4,532,930	10,152	63,266
Intangible assets	117,328	142,524	28,984	-
Inventory	(40,237)	(24,555)	-	-
Accounts receivable	(424,977)	(429,197)	-	-
Unrealised loss on exchange	(36,919)	(9,675)	-	-
Unutilised tax loss	(1,665,409)	(2,581,079)	(57,933)	(126,438)
Leave pay and other provisions	33,953	(104,769)	(7,377)	(21,978)
Net liability/(asset)	**5,396,383**	**4,372,435**	**(26,174)**	**(85,150)**
Disclosed as follows on the statement of financial position:				
Asset	26 174	85,150	26,174	85,150
Liability	5,422,557	4,457,585	-	-
Reconciliation of deferred tax				
Opening balance as of 1 January	4,372,435	3,363,006	(85,150)	(31,438)
Tax expense/(credit) recognised in profit or loss	1,023,948	492,098	58,976	(53,712)
Tax expense recognised through other comprehensive income	-	521,899	-	-
Effect of exchange rate change	-	(4,568)	-	-
Closing balance as at 31 December	**5,396,383**	**4,372,435**	**(26,174)**	**(85,150)**

The Group has tax losses which arose in 4 companies of US$7,384,517 (2016:US$9,930,205) that are available for offset against future taxable profits. Deferred tax asset has been recognised for losses of US$6,223,587. Deferred tax asset for an assessed loss US$1,160,930 has not been recognised in respect of assessed losses in one subsidiary as it not probable that sufficient taxable income will be generated against which the asset can be utilised.

Notes to the Financial Statements (continued)

	GROUP 2017 US$	GROUP 2016 US$	COMPANY 2017 US$	COMPANY 2016 US$
27 Trade and other payables				
Trade payables	10,297,679	12,742,511	-	-
Other payables	2,979,862	2,780,013	291,169	706,681
	13,277,541	**15,522,524**	**291,169**	**706,681**

Terms and conditions of trade and other payables:
Trade and other payables are non - interest bearing and are on 14 - 30 day terms.

	GROUP 2017 US$	GROUP 2016 US$
28 Commitments and contigencies		
Capital commitments :		
Authorised and contracted for	492,650	290,000
Authorised and not contracted for	5,737,461	2,210,000
	6,230,111	**2,500,000**

The Group's capital expenditure will be financed from the Group's own resources and borrowings.

Litigation
The Group is a respondent in various employee claims for unfair dismissal and vendor litigations.

On the basis of legal advice the claims are not valid and there will be no outflow of resources.

Operating lease commitments - Group as lessee
The Group entered into a commercial lease on a commercial building. The lease is for a one year period with a renewal option included in the contract. There are no restrictions placed upon the Group in entering into the lease.

	GROUP 2017 US$	GROUP 2016 US$
Future minimum rentals payable under the operating leases as at 31 December are as follows :		
Within one year	20,472	29,322

Operating lease commitments -Group as Lessor
The Group entered into commercial leases with tenants on commercial buildings.
The leases are for a one year period with a renewal option included in the contract.
There are no restrictions placed upon the Group in entering into the lease.

	GROUP 2017 US$	GROUP 2016 US$
Future minimum rentals payable under the operating leases as at 31 December are as follows :		
Within one year	79,150	88,350

29 Related party disclosures

29.1 The consolidated financial statements include the financial statements of Dairibord Holdings Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% equity Interest 2017	% equity Interest 2016
Dairibord Malawi Limited	Malawi	68.4	68.4
NFB Logistics (Private) Limited (dormant)	Zimbabwe	100	100
Dairibord Zimbabwe (Private) Limited	Zimbabwe	100	100
Lyons Africa (Private) Limited (dormant)	Zimbabwe	100	100
Lyons Zimbabwe (Private) Limited (dormant)	Zimbabwe	100	100
Goldblum Investments (Private) Limited	Zimbabwe	100	100
Slimline Investments (Private) Limited	Zimbabwe	100	100
Chatmoss Enterprises (Private) Limited	Zimbabwe	100	100
Qualinnex Properties (Private) Limited	Zimbabwe	100	100

Notes to the Financial Statements (continued)

	2017 US$	2016 US$
29.2 Company		
Management fees received from subsidiaries	1,030,936	1,892,506
Royalties received from subsidiaries	450,000	900,000
Loans issued to subsidiaries	582,000	5,472,315
Loans repaid by subsidiaries	3,022,770	6,379,468
Interest income on loans to subsidiaries	816,264	1,052,584

Refer Note 15 and 18 for loans receivable from subsidiaries and related party balances respectively.

29.3 Key management personnel transactions

	2017 US$	2016 US$
Compensation		
Group		
Short term employee benefits	2,202,204	3,195,241
Termination benefits	363,842	-
Pension contributions	38,349	86,790
Total compensation paid	**2,607,395**	**3,282,031**
Company		
Short term employee benefits	513,105	1,546,892
Termination benefits	304,444	-
Pension contributions	11,033	29,079
Total compensation paid	**828,582**	**1,575,971**

30 Pension and retirement plans

30.1 Defined contribution funds

All employees of the Group are eligible to be members of defined contributions funds.

30.2 National Social Security Authority Scheme

This is a scheme established under the National Social Security Authority Act (1989). Contribution per employee is 3.5% per month up to a maximum pensionable salary of $700. This scheme is a defined contribution scheme from the Group's perspective.

30.3 Pension costs charged to profit and loss during the year

	2017 US$	2016 US$
Group		
National Social Security Authority Scheme - Zimbabwe	161,370	181,676
Defined contribution funds	293,920	349,932
	455,290	**531,608**
Company		
National Social Security Authority Scheme - Zimbabwe	7,292	8,332
Defined contribution funds	26,332	71,088
	33,624	**79,420**

31 Material partly-owned subsidiary

Financial information of subsidiary that has material non-controlling interests are provided below:
Portion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2017	2016
Daribord Malawi Limited	Malawi	31.6%	31.6%

	2017 US$	2016 US$
Accumulated balances of material non-controlling interest:	(47,908)	206,935
Loss allocated to non-controlling interest	(254,843)	(64,133)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Notes to the Financial Statements (continued)

31 Material partly-owned subsidiary (continued)

Dairibord Malawi Limited summarised statement of profit or loss for 2017

	2017 US$	2016 US$
Revenue	**3,306,059**	**3,344,749**
Cost of sales	(2,722,101)	(2,469,781)
Administrative expenses	(1,134,793)	(1,020,5640
Finance costs	(93,394)	(123,794)
Loss before tax	**(644,229)**	**(269,390)**
Income tax (expense)/credit	(162,236)	66,437
Loss for the year	**(806,465)**	**(202,953)**
Other comprehensive income	-	55,185
Total comprehensive income	**(806,465)**	**(147,768)**
Attributable to non-controlling interests	(254,843)	(46,695)
Dairibord Malawi Limited summarised statement of financial position as at 31 December 2017.		
Inventories, receivables and cash and bank balances (current)	1,007,167	529,274
Property, plant and equipment and other non-current financial assets (non-current)	1,905,367	1,152,843
Trade and other payables (current)	(1,581,628)	(865,236)
Interest-bearing loans and borrowings (current)	(154,396)	(38,109)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(1,328,118)	(123,915)
Total equity	**(151,608)**	**654,857**
Attributable to equity holders of parent	(103,700)	447,922
Non-controlling interest	(47,908)	206,935
Summarised cash flow information for the year ended 31 December 2017		
Operating	(12,025)	(178,159)
Investing	(602,660)	109,666
Financing	845,951	(148,320)
Net increase/(decrease) in cash and cash equivalents	**231,266**	**(216,813)**

32 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets.

Quantitative disclosures fair value measurement hierarchy for assets :

Group

As at 31 December 2017

		Fair value measurement using		
Assets measured at fair value	**Total US$**	**Quoted prices in active markets (Level 1) US$**	**Significant observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**
Revalued property (Note 11)	16,040,393	-	-	16,040,393
Investment property (Note 12)	1,305,000	-	-	1,305,000

There have been no transfers between Level 1 and Level 2.

As at 31 December 2016

		Fair value measurement using		
Assets measured at fair value	**Total US$**	**Quoted prices in active markets (Level 1) US$**	**Significant observable inputs (Level 2) US$**	**Significant unobservable inputs (Level 3) US$**
Revalued property (Note 11)	15,528,701	-	-	15,528,701
Investment property (Note 12)	2,186,000	-	-	2,186,000

There have been no transfers between Level 1 and Level 2.

Notes to the Financial Statements (continued)

33 Financial Risk Management objectives and policies

The Group's principal financial liabilities comprise trade payables and interest-bearing borrowings. The main purpose of these financial instruments is to raise finance for the Groups's operations. The Group has various financial assets such as trade receivables and cash which arise directly from its operations.

The main risk arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. These risks are managed as follows :

33.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and loan notes) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's establised policy , procedures and control relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed through extensive credit verification procedures and individual credit limits are defined in accordance with this assessment. Customers with outstanding balances are regularly monitored.

The requirement for impairment is analysed at each reporting date on an individual basis for all customers. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset disclosed in note 19. For debtors past due, the Group considers whether the asset is secured or not and where the asset is secured, and the security is considered adequate to cover the carrying amount of the debt, the specific asset is not impaired. The Group evaluates the concentration of credit risk as low since the balances are widely spread.

Cash balances

The Group only deposits cash with financial institutions with high credit ratings. The maximum exposure to risk is equal to the carrying amount of cash and bank balances as disclosed in note 20.

33.2 Liquidity risk

The Group consistently monitors its risk to a shortage of funds. This requires that the Group considers the maturity of both its financial investments and financial assets e.g accounts receivable, other financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and debentures.

The table below summaries the maturity profile of the Group and Company's financial liabilities as at 31 December 2017 based on contractual undiscounted payments :

	On demand US$	0 to 3 months US$	3 to 12 months US$	1 to 5 years US$	+ 5 years US$	Total US$
GROUP						
Liabilities						
As at 31 December 2017						
Interest bearing borrowings	-	1,044,510	3,156,726	4,209,270	-	8,410,506
Trade and other payables	-	13,277,541	-	-	-	13,277,541
	-	**14,322,051**	**3,156,726**	**4,209,270**	**-**	**21,688,047**
As at 31 December 2016						
Interest bearing borrowings	-	564,629	3,764,883	6,797,876	-	11,127,388
Trade and other payables	-	15,522,523	-	-	-	15,522,523
	-	**16,087,152**	**3,764,883**	**6,797,876**	**-**	**26,649,911**
COMPANY						
Liabilities						
As at 31 December 2017						
Interest bearing borrowings	-	952,603	2,881,006	2,796,429	-	6,630,038
Trade and other payables	-	291,169	-	-	-	291,169
Amounts owed to Group companies	-	5,028,373	-	-	-	5,028,373
	-	**6,272,145**	**2,881,006**	**2,796,429**	**-**	**11,949,580**
As at 31 December 2016						
Liabilities						
Interest bearing borrowings	-	508,915	3,641,337	5,798,408	-	9,948,660
Trade and other payables	-	706,681	-	-	-	706,681
Amounts owed to Group companies	-	4,683,359	-	-	-	4,683,359
	-	**5,898,955**	**3,641,337**	**5,798,408**	**-**	**15,338,700**

Notes to the Financial Statements (continued)

33.3 Changes in liabilities arising from financing activities

Year ended 31 December 2017	01-Jan-17	Cash flows new loans	Cash flows repayments	Other movements	Non cash loan	31-Dec-17
Current interest bearing loans and borrowings	3,065,983	1,500,002	(1,503,123)	890,446	-	3,953,308
Non current interest bearing borrowings and loan	6,651,355	370,585	(2,737,912)	(890,446)	437,817	3,831,399
Total	**9,717,338**	**1,870,587**	**(4,241,035)**	**-**	**437,817**	**7,784,707**

Other movements represents the reclassification between current and non current borrowings.

The non cash movement arose from financing of plant and equipment on a term loan.

Year ended 31 December 2016	01-Jan-16	Cash flows new loans	Cash flows repayments	Other movements	Exchange loss	31-Dec-16
Current interest bearing loans and borrowings	5,187,620	690,411	(2,240,036)	(569,086)	(2,926)	3,065,983
Non current interest bearing borrowings and loan	4,561,863	5,255,908	(3,731,383)	569,086	(4,119)	6,651,355
Total	**9,749,483**	**5,946,319**	**(5,971,419)**	**-**	**(7,045)**	**9,717,338**

33.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in a different currency), and the Group's net investment in subsidiaries . The Group limits exposure to exchange rate fluctuations by either pre-paying for purchases or retaining stock until the foreign currency to settle the related liability has been secured. The Group's foreign currency liabilities as at 31 December 2017 stand at US$2 600 000 and with the foreign currency shortages facing the economy, it is very difficult to pay these.

The following table demonstrates the sensitivity to a reasonable possible change in the Euro and Rand exchange rate ,

	GROUP Change in rates	Effect on profit before tax	Effect on equity
2017	+10%	234,117	173,832
	-10%	(264,594)	(196,461)
2016	+10%	101,847	75,621
	-10%	(119,738)	(88,905)

In the company separate financial statements, there are no foreign denominated assets and liabilities.

Because of the investment in Malawi, the Group's statement of financial position can be affected significantly by movements in the Malawi Kwacha.

The following table represents the effect on profit before tax to a reasonable change in the Malawi Kwacha to United States Dollar on the consolidation of Malawi operations:

	GROUP Change in rates	Effect on loss before tax	Effect on pre-tax equity
2017	+10%	(45,452)	(16,845)
	-10%	37,949	13,782
2016	+10%	(22,058)	74,201
	-10%	18,304	(60,966)

33.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep most of its borrowings at fixed rates of interests; with an option to re-negotiate interest rates for term loans every year.

33.6 Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains a healthy capital ratio in order to support the business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in the economic environment. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made to the

Notes to the Financial Statements (continued)

33.6 Capital management (continued)

objectives , policies or processes during the year ended 31 December 2017.

The Group monitors capital using a gearing ratio , which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio up to a maximum of 50%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

	2017 US$	2016 US$
Interest bearing borrowings (Note 23)	7,784,707	9,717,338
Bank overdraft	89,333	732,315
Trade and other payables (Note 27)	13,277,541	15,522,524
Less cash and short-term deposits (Note 20)	(5,819,110)	(3,467,286)
Net Debt	15,332,471	22,504,891
Equity	45,419,619	44,064,652
Capital and debt	60,752,090	66,569,543
Gearing ratio	25.2%	33.8%

34 Segment Information

34.1 The Group has four (2016:5) operating segments which are listed below . The logistics business, which operated as a separate business segment in 2016 was consolidated into manufacturing operations in 2017. The 2016 segment report has been restated to reflect the reporting segments adopted in 2017

Zimbabwe manufacturing and distribution- manufacture and marketing of milks, foods and beverages
Malawi manufacturing and distribution- manufacture and marketing of milks, foods and beverages
Properties - leasing of properties
Corporate - management services

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

	Manufacturing (Zimbabwe) US$	Manufacturing (Malawi) US$	Logistics US$	Properties US$	Corporate US$	Adjustments and eliminations US$	Group US$
Year ended 31 December 2017							
Revenue							
External customers	99,757,716	3,306,059	-	83,662	-	-	103,147,437
Inter-segment	221,877	-	-	664,152	1,480,936	(2,366,965)	-
Total revenue	**99,979,593**	**3,306,059**	**-**	**747,814**	**1,480,936**	**(2,366,965)**	**103,147,437**
Results							
Depreciation, and amortisation	4,946,275	83,758	-	324,246	109,199	-	5,463,478
Operating profit/(loss)	3,944,267	(550,836)	-	378,469	286,312	-	4,058,212
Segment assets	52,735,455	2,912,533	-	23,892,146	59,443,896	(66,765,506)	72,218,524
Segment liabilities	29,243,892	3,064,147	-	609,216	11,439,424	(17,557,774)	26,798,905
Capital expenditure	1,555,271	851,510	-	2,550	783	-	2,410,114
Year ended 31 December 2016 (Restated)							
Revenue							
External customers	89,884,323	3,218,084	235,566	84,880	-	-	93,422,853
Inter-segment	5,913,362	126,665	8,054,105	664,152	-	(14,758,284)	-
Total revenue	**95,797,685**	**3,344,749**	**8,289,671**	**749,032**	**-**	**(14,758,284)**	**93,422,853**
Results							
Depreciation	4,278,878	119,454	502,026	153,592	101,268	-	5,155,218
Operating (loss) /profit	(4,180,555)	(145,596)	476,125	570,639	(242,568)	(375,879)	(3,897,834)
Segment assets	53,384,615	1,682,117	7,339,907	23,716,029	62,539,649	(74,126,074)	74,536,243
Segment liabilities	36,140,439	1,027,261	2,856,568	678,085	14,598,583	(24,829,345)	30,471,591
Capital expenditure	5,110,626	17,571	215,286	-	60,012	-	5,403,495

The adjustments and eliminations columns relate to inter-segments transactions and balances which are eliminated on consolidation.

35 Events after the reporting date

There are no significant events which took place after 31 December 2017.

Glossary of Terms

DML	-	DAIRIBORD MALAWI LIMITED
DHL	-	DAIRIBORD HOLDINGS LIMITED
DZPL	-	DAIRIBORD ZIMBABWE (PRIVATE) LIMITED
HDPE	-	HIGH DENSITY POLYETHYLENE
GDP	-	GROSS DOMESTIC PRODUCT
IFRS	-	INTERNATIONAL FINANCIAL REPORTING STANDARDS
ISO	-	INTERNATIONAL STANDARDS ORGANISATION
MBA	-	MASTERS OF BUSINESS ADMINISTRATION
NSSA	-	NATIONAL SOCIAL SECURITY AUTHORITY
PET	-	POLYETHYLENE TERAPHTHALATE
PBT MARGIN	-	PROFIT BEFORE TAX MARGIN
SADC	-	SOUTHERN AFRICA DEVELOPMENT COMMUNITY
SAZ	-	STANDARDS ASSOCIATION OF ZIMBABWE
SBU	-	STRATEGIC BUSINESS UNIT
SKU	-	STOCK KEEPING UNIT
ZSE	-	ZIMBABWE STOCK EXCHANGE
ZIMRA	-	ZIMBABWE REVENUE AUTHORITY

GRI Content Index - ‘‘Core’’

GRI Indicator		Page No.	External Assurance
STRATEGY AND ANALYSIS			
G4.1		15	Not Assured
ORGANISATIONAL PROFILE			
G4-3		Cover	Not Assured
G4-4		6	Not Assured
G4-5		84	Not Assured
G4-6		3	Not Assured
G4-7		80, 81	Not Assured
G4-8		6	Not Assured
G4-9		9, 11, 15, 31, 41	Not Assured
G4-10		31	Not Assured
G4-11		N/A	Not Assured
G4-12		9	Not Assured
G4-13		12, 15	Not Assured
G4-14		N/A	Not Assured
G4-15		29	Not Assured
G4-16		N/A	Not Assured
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17		70	Not Assured
G4-18		26	Not Assured
G4-19		24	Not Assured
G4-20		N/A	Not Assured
G4-21		N/A	Not Assured
G4-22		N/A	Not Assured
G4-23		N/A	Not Assured
STAKEHOLDER ENGAGEMENT			
G4-24		7	Not Assured
G4-25		27, 28	Not Assured
G4-26		27	Not Assured
G4-27		27	Not Assured
REPORT PROFILE			
G4-28		2	Not Assured
G4-29		2	Not Assured
G4-30		2	Not Assured
G4-31		2	Not Assured
G4-32		78, 79	Not Assured
G4-33		N/A	Not Assured
GOVERNANCE			
G4-34		21	Not Assured
ETHICS AND INTEGRITY			
G4-56		4, 19	Not Assured

GRI Content Index "Core" (continued)

SPECIFIC STANDARD DISCLOSURES

Material Aspects: DMA and Indicators

		Page (s)	Omission	External Assurance
ECONOMIC				
Economic Performance				
G4-EC1	Direct economic value generated and distributed (see Financial Statements).	34, 41, 76	n/a	Assured
G4-EC3	Coverage of the Organisation's defined contribution plan.	49	n/a	Assured
G4-EC4	Significant financial assistance received from government.	34	n/a	Not Assured
ENVIRONMENTAL				
Materials				
G4-EN1	Material used by weight or volume.	29	n/a	Not Assured
G4-EN2	Percentage materials used that are recycles materials.	n/a	n/a	Not Assured
Energy				
G4-EN3	Direct energy consumption by primary energy source.	30	n/a	Not Assured
G4-EN4	Indirect energy consumption by primary source.	30	n/a	Not Assured
Water				
G4-EN8	Total water withdrawn by source.	30	n/a	Not Assured
Emissions, Effluents, and Waste				
G4-EN16	Total direct and indirect greenhouse gas emissions by weight.	n/a	n/a	Not Assured
SOCIAL PERFORMANCE INDICATORS				
Employment				
G4-LA1	Employees and Turnover.	31	n/a	Not Assured
G4-LA7	Health and Safety Incidences.	32	n/a	Not Assured

Shareholders Analysis 31 December 2017

Size of Shareholding	Number of Shareholders	%	Issued Shares	%
1-5000	5,086	1.06	3,784,781	91.18%
5001-10000	105	0.21	757,273	1.88%
10001-25000	107	0.52	1,847,030	1.92%
25001-50000	71	0.75	2,670,604	1.27%
50001-100001	66	1.31	4,692,995	1.18%
100001-200000	45	1.90	6,801,953	0.81%
200001-500000	40	3.61	12,931,892	0.72%
500001-1000000	23	4.54	16,238,212	0.41%
1000001 and Above	35	86.11	308,276,118	0.63%
	5,578	**100.00**	**358,000,858**	**100.00 %**

Trade Classification				
Pension Funds	142	21.85	78,205,902	2.55%
Foreign Nominee	15	18.69	66,895,573	0.27%
Local Companies	286	16.52	59,142,093	5.13%
Local Nominee	68	14.81	53,034,413	1.22%
Insurance Companies	13	13.91	49,794,194	0.23%
Local Individual Resident	4,821	6.63	23,747,689	86.43%
Other Investments & Trust	39	3.48	12,475,694	0.7%
Foreign Companies	3	1.64	5,874,010	0.05%
New non resident	25	1.57	5,623,732	0.45%
Trusts	5	0.63	2,254,314	0.09%
Fund Managers	7	0.08	289,010	0.13%
Other	27	0.06	208,816	0.48%
Deceased Estates	94	0.06	197,886	1.69%
Charitable	29	0.05	177,370	0.52%
Banks	2	0.02	70,262	0.04%
Foreign Individual Resident	2	0.00	9,900	0.04%
	5,578	**100.00**	**358,000,858**	**100.00 %**

Top Ten Shareholders		
Stanbic Nominees (Pvt) Ltd	127,821,887	35.70%
Old Mutual Life Assurance Company Zimbabwe Limited	47,254,213	13.20%
Serrapin Investments (Pvt) Ltd	45,206,444	12.63%
SCB Nominees 033663900002	21,966,389	6.14%
Mining Industry Pension Fund	17,667,266	4.93%
National Social Security Authority	11,123,595	3.11%
Dairibord Employee Share Trust	10,000,000	2.79%
Antony Mandiwanza	8,295,193	2.32%
Old Mutual Zimbabwe Limited	6,368,443	1.78%
Lalibela Limited	5,739,057	1.60%
Other	56,558,371	15.80%
	358,000,858	**100.00 %**

Directors' Shareholding	
Dr. L. L. Tsumba	-
S. Chindove	2,637,879
C. Mahembe	138,575
A. S. Mandiwanza	9,419,115
J. H. K. Sachikonye	266
M. R. Ndoro	3,167,513
D. Hasluck	-
R. P. Kupara	-
R. C. Von Seidel	14,396,196
N. Chiromo	-
C. R. J. Hawgood	1,000,000

Shareholders Analysis 31 December 2016

Size of Shareholding		Number of Shareholders	%	Issued Shares	%
1	5 000	5,102	90.85%	3,797,970	1.06%
5 001	10 000	116	2.07%	838,891	0.23%
10 001	25 000	108	1.92%	1,828,093	0.51%
25 001	50 000	73	1.30%	2,730,246	0.76%
50 001	100 000	70	1.25%	5,003,753	1.40%
100 001	200 000	44	0.78%	6,628,702	1.85%
200 001	500 000	42	0.75%	13,095,439	3.66%
500 001	1 000 000	26	0.46%	18,544,020	5.18%
1 000 001	above	35	0.62%	305,533,744	85.34%
		5 616	**100.00%**	**358,000,858**	**100.00%**

Trade Classification				
Local companies	318	5.66%	107,867,167	30.13%
Pension Funds	156	2.78%	79,931,467	22.33%
Nominees foreign	20	0.36%	73,274,643	20.47%
Local individual residents	4 872	86.75%	72,328,139	20.20%
Investment and Trust	32	0.57%	4,598,497	1.28%
Employee share trust	1	0.02%	10,000,000	2.79%
New non - residents	24	0.43%	5,566,706	1.55%
Nominees Local	41	0.73%	1,282,227	0.36%
Fund managers	11	0.20%	1,099,123	0.31%
Insurance Companies	8	0.14%	955,155	0.27%
Banks	2	0.04%	70,262	0.02%
Other	131	2.33%	1,027,472	0.29%
	5 616	**100.00%**	**358,000,858**	**100.00%**

Top Ten Shareholders		
Stanbic Nominees (Pvt) Ltd.	118,597,201	33.1%
Old Mutual Life Assurance Company Zimbabwe Limited	47,360,266	13.2%
Serrapin Investments (Pvt) Ltd	44,542,780	12.4%
SCB Nominees 033663900002	22,519,630	6.3%
Mining Industry Pension Fund	17,667,266	4.9%
National Social Security Authority	10,282,425	2.9%
Dairibord Employee Share Trust	10,000,000	2.8%
Mandiwanza Antony	8,295,193	2.3%
Old Mutual Zimbabwe Limited	6,368,443	1.8%
Lalibela Limited	5,739,057	1.6%
Other	66,628,597	18.6%
	358,000,858	**100.0%**

Directors' Shareholding	
Dr. L. L. Tsumba	-
S. Chindove	2,637,879
T. Mabika	1,643,832
C. Mahembe	138,575
H. Makuwa	100
A. S. Mandiwanza	9,419,115
J. H. K. Sachikonye	266
M. R. Ndoro	3,167,513
D. Hasluck	-
R. P. Kupara	-
V. C. Seidel	14,396,196

Notice to Shareholders

Notice is hereby given that the twenty-third Annual General Meeting of members of Dairibord Holdings Limited will be held in the La-Fontaine, Meikles Hotel, on Wednesday 16 May 2018 at 12:00 hours.

Ordinary Business

1. To receive and adopt the Financial Statements for the year ended 31 December 2017, together with reports of the Directors and Auditors thereon.

2. To elect Directors of the Company:
   In accordance with article 100 of the company's Articles of Association, Mr. J. Sachikonye and Mrs. R. P. Kupara, retire by rotation and being eligible, offer themselves for re-election.

   In accordance with article 107 of the company's Articles of Association, Mr. N. Chiromo and Mr. C. R. J. Hawgood who were appointed directors of the company with effect from 24 May 2017 and 8 August 2017 respectively, retire, and being eligible, offer themselves for re-election.

   To approve the extension of the term of office for Mr. D. Hasluck who is due to retire from the Board in terms of Article 85A of the Articles of Association of the company for one year.

   Dr. L. L Tsumba, who has served the board as Chairman for the last six years, will be retiring at the conclusion of this Annual General Meeting in terms of article 85A of the Company's Articles of Association.

3. To approve the remuneration of the auditors for the past audit and re-appoint Ernst and Young Chartered Accountants (Zimbabwe) as auditors for the current year.

4. To approve the remuneration of the directors for the past year.

5. To approve the dividend of 0.20 US cents per share declared on 8 March 2018.

Notes

1. In terms of the Companies Act (Chapter 24:03) a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company.

2. In terms of clause 77 of the Company's Articles of Association, instruments of proxy must be lodged at the registered office of the company at least forty-eight hours before the time appointed for holding the meeting.

3. Members are requested to advise the Transfer Secretaries in writing of any change of address and banking details.

By order of the board

M. Ndoro
Company Secretary
17 April 2018

Shareholders' Calendar

2017 Annual Report Published	April 2018
Twenty-third Annual General Meeting	16 May 2018
Interim report for 6 months to 30 June 2018 and dividend announcement	August 2018
Financial Year End	31 December 2018
Publication of the results for the 12 months ending 31 December 2018 and dividend announcement	March 2019

Corporate Information

Dairibord Holdings Limited
Company Registration No. 2168/94
www.dairibord.com

Registered Office
1225 Rekayi Tangwena Avenue,
Belvedere
Harare

Postal Address
P O Box 587, Harare, Zimbabwe
Telephone Numbers: + 263 4 790801-5, 779035-45

Company Secretary
Mercy R Ndoro
E-mail: ndorom@dairibord.co.zw

Auditors
Ernst & Young Chartered Accountants (Zimbabwe)
Angwa City
Julius Nyerere Way/Kwame Nkrumah Ave
P.O Box 62 or 702
Harare

Principal Bankers
Standard Chartered Bank of Zimbabwe Limited
Stanbic Bank Zimbabwe Limited
Barclays Bank of Zimbabwe Limited

Transfer Secretaries
Corpserve (Private) Limited
4th Floor, ZB Centre
Cnr 1st Street and Kwame Nkrumah Avenue
Harare
Zimbabwe

Sustainability Reporting Advisors
Institute of Sustainability Africa (Insaf)
22 Walter Hill Avenue
Eastlea
Harare
Zimbabwe

new
DAIRIBORD
Natural Joy
DAIRIBORD
DAIRY DELIGHTS
DAIRIBORD
Zimbabwe (Private) Limited
Natural Joy
100%
Fruit Juice Blend
100% joy
from within!
✔ No added sugar
✔ No preservatives
✔ Good source of Vitamin C
Natural Joy
100%
Fruit Juice Blend
TROPICAL PUNCH
1 Litre
No added sugar
No added preservatives
Columbus DDB/17

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