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## Independent Auditor's Report

To the Shareholders of Dairibord Holdings Limited

Report on the Audit of the inflation adjusted Consolidated Financial Statements

### Adverse Opinion

We have audited the inflation adjusted consolidated financial statements of Dairibord Holdings Limited and its subsidiaries (the Group), as set out on pages 15 to 68, which comprise the inflation adjusted consolidated statement of financial position as at 31 December 2019, and the inflation adjusted consolidated statement of comprehensive income, inflation adjusted consolidated statement of changes in equity and inflation adjusted consolidated statement of cash flows for the year then ended, and notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying inflation adjusted consolidated financial statements do not present fairly the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Adverse Opinion

#### Non-compliance with International Financial Reporting Standards IAS 21- The Effects of Changes in Foreign Exchange Rates in Prior Period and Inappropriate Application of IAS 8

As explained in note 3 to the inflation adjusted consolidated financial statements, Dairibord Holdings Limited applied the United States Dollar (US\$) as its functional currency for the period 1 January 2018 to 22 February 2019 and the Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 31 December 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, Dairibord Holdings Limited changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The inflation adjusted consolidated financial statements are presented in ZWL.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period.

## Independent Auditor's Report – continued

### Dairibord Holdings Limited

Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. In February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTG\$) and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar (which comprises RTGS\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for Dairibord Holdings Limited to assess whether there was a change in functional currency (from US\$ to RTGS/ZWL) and to determine an appropriate spot rate as required by IAS 21.

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supports that there was a change in functional currency from US\$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US\$ exchange rate and this occurred effective 1 October 2018.

Accordingly, the consolidated financial statements of Dairibord Holdings Limited included balances and transactions denominated in US\$ that were not converted to ZWL at a ZWL: US\$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.2 to the inflation adjusted consolidated financial statements.

In respect of the above matter we issued an adverse opinion in the prior year as the effects of the departure from IFRS were pervasive to the financial statements but could not be quantified owing to the nature of the matter.

Management's approach in the current year, for reasons explained on Note 2.1, was to prospectively apply the change in functional currency from USD to ZWL from 23 February which is incorrect. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Therefore, management has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

As a consequential Impact the application of IAS 29 is inappropriate.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 23 February 2019 to 31 December 2019, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different.

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In addition, as a result of the incorrect application of IAS 8, on the 23rd of February 2019, management translated foreign denominated balances to ZWL/RTGS\$ at the interbank exchange rate of 1:2.5 and recognised the translation adjustments of ZWL8 371 783 directly to equity which is contrary to the requirements of IAS 21.

As a result of these matters:

- All corresponding numbers remain misstated on the Statements of Financial Position, Cash Flows Profit or Loss and Changes in Equity.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the Statement of Cash Flows, Statement of Profit or Loss and Statement of Changes in Equity.

Our opinion on the current period's consolidated financial statements is also modified because of the possible effects of the above matter on the comparability of the current period's figures and the corresponding figures.

In addition to the impacts on the corresponding numbers, current year performance and cash-flows the matter continues to impact the balances on the Statement of Financial Position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

#### Exchange rates used in the current year (Non-compliance with IAS 21)

As outlined in Note 2.4a to the consolidated financial statements, for the year ended 31 December 2019, the Group translated foreign denominated transactions and balances using interbank rates. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. We therefore believe that the exchange rates for transactions and balances between the US\$ and the ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS. Had the correct rate been used a number of significant accounts would have been affected in a material manner.

The effects of the above departures from IFRS are material and pervasive to the inflation adjusted consolidated financial statements.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

## Independent Auditor's Report – continued

### Dairibord Holdings Limited

#### Key Audit Matters

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

#### Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility, but does not include the inflation adjusted consolidated and Company financial statements and our auditor's report thereon. Our opinion on the inflation adjusted 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. The Chairman's Statement, The Chief Executive Officer's Business Report, the Directors' Report and the Statement of Corporate Governance and Responsibility is expected to be made available to us after the date of this auditor's report.

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates and we could not obtain sufficient appropriate evidence regarding the valuation of properties. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors' Report affected by the failure to comply with the referred standard.

#### Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the inflation adjusted consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Independent Auditor's Report – continued

### Dairibord Holdings Limited

#### Auditor's Responsibilities for the Audit of the inflation adjusted Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated 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 inflation adjusted 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 inflation adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted consolidated 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 inflation adjusted consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

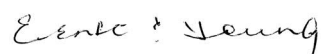
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

#### Report on Other Legal and Regulatory Requirements

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

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



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Date 28 April 2020