

REVIEWED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Directors of Dairibord Holdings Limited hereby announce the Group’s reviewed financial results for the six-months ended 30 June 2020.

Nutritious Foods and Beverages for the Sustenance of Good Health



FINANCIAL HIGHLIGHTS

Financial	INFLATION ADJUSTED		
	30 June 2020	30 June 2019	
	ZWL'000 Reviewed	ZWL'000 Unaudited	Change %
Revenue	1 231 091	1 443 815	(14.7)
Earnings before depreciation, amortisation, interest and tax	125 512	74 166	69.2
Operating profit	107 698	43 109	149.8
Sales volume (Litres'000)			
Raw milk Intake	13 009	13 895	(6.4)
Sales	27 288	40 261	(32.2)

CHAIRMAN'S STATEMENT

OVERVIEW

I hereby present Dairibord abridged results for the half year ended 30 June 2020. Throughout the period, the Group focused on value preservation in an uncertain and shrinking economy.

OPERATING ENVIRONMENT

The period under review was characterised by continued volatility and significant COVID-19 induced disruptions on business operations resulting in volume decline, increasing costs and modest profitability. While Dairibord operations were designated as essential services and continued operating throughout the COVID-19 lockdown, supply chains, market access and buying power were negatively impacted particularly in the months of April and May.

The all items year on year inflation ended June at 737.3%, with foods and non-alcoholic beverages inflation at 1934.3%. Hyperinflation continued to increase costs, erode disposable incomes, reduce aggregate demand, constrain liquidity and put pressure on wage demands.

PERFORMANCE

The inflation adjusted financial statements are the primary financial statements and the historical financial statements have been provided as supplementary information.

Raw milk intake for the period was 13 million litres. This was 6% below prior year and was consistent with the decline in national milk production. The Group remains the biggest milk processor accounting for 38% of national intake and continues to be committed to supporting local farmers to grow milk supply so as to reduce dependence on imported milk powders.

The most significant limiting factor to growth in raw milk production over the period was the high cost of stock feeds, escalating at a rate higher than inflation. To mitigate the erosion of producer viability, Dairibord continued to make frequent producer price adjustments.

Sales volumes for the period at 27.3 million litres, were 32% below prior year. Q1 volumes were 19% down, while Q2 volumes declined by 46% as the impact of the COVID-19 induced restrictions took a toll on operations. Liquid Milks, Foods and Beverages volumes dropped by 19%, 39% and 41% respectively compared to same period last year.

Revenue for the period was ZWL1.2 billion, 15% below 2019, however in historical terms revenue grew by 537%. The focus on generation of foreign currency revenues continued. Exports over the period accounted for 8% of the sales volume up from 5% in the same period last year despite logistics constraints in accessing regional markets due to COVID-19 restrictions.

Despite the operational inefficiencies caused by the diseconomies of scale, the Group continued to focus on cost control, as a result total operating costs declined 16% from prior period. The business achieved an operating profit of ZWL107 million compared to ZWL43 million for the same period in 2019. The loss for the year at ZWL0.48 million was due to the monetary loss of ZWL135 million. An operating profit margin of 9% was attained up from 3% in prior year.

TRADING CAUTIONARY

As per the standing cautionary statement published by Dairibord Holdings Limited on 22 July, shareholders are advised that negotiations for a merger and acquisition transaction are ongoing and if successfully concluded, will have a material effect on the price of the company's shares. Accordingly, shareholders are advised to continue exercising caution when dealing in the company's shares until further notice.

OUTLOOK

Whilst the first half of the year was extremely challenging as alluded to above, the second half presents better opportunities anchored on the following:

- a relatively stable exchange rate and improved availability of foreign currency through the auction system and domestic foreign currency sales leading to improved availability of critical raw and packaging materials;
- a slowdown in inflation;
- relaxation of COVID-19 induced lockdown;
- weather induced demand uplift;
- emphasis on improving digital channels;
- continued implementation of COVID-19 business risk mitigation strategies across the value chain.

DIVIDEND DECLARATION

On 6 August 2020 the board resolved to declare an interim dividend of ZWL0.02 per share for the period ended 30 June 2020. The dividend will be paid to shareholders registered in the share register of the company at the close of business on the 16th of October 2020. The dividend will be paid on or about the 13th of November 2020.

Dairibord Holdings Limited shares will be traded cum-div on the Zimbabwe Stock Exchange up to the 13th of October 2020 and ex-div from the 14th of October 2020.

APPRECIATION

On behalf of the board, I would like to extend my appreciation to our customers, suppliers, employees and other stakeholders for their continued support to the business under the prevailing difficult circumstances.

J. Sachikonye
Chairman

28 September 2020

AUDITOR'S REPORT

These abridged condensed consolidated interim financial statements for the six months ended 30 June 2020 have been reviewed by Messrs Ernst & Young Chartered Accountants (Zimbabwe) and a modified review conclusion issued thereon. This review conclusion is adverse with respect to non-compliance with IAS21: The effects of changes in Foreign Exchange rates, including historical errors not adjusted in terms of IAS8: Accounting Policies, Changes in Accounting Estimates and Errors; and the valuation of investment property and freehold land and buildings due to lack of market evidence to support property valuation inputs. The review conclusion has been made available to management and those charged with the governance of the Group. The Independent Review Report on the condensed consolidated interim financial statements is available for inspection at the registered office of the Group. The engagement partner responsible for this review is Mr. David Gwande. (PAAB Number 132).

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Notes	INFLATION ADJUSTED GROUP		HISTORICAL GROUP		
	30-Jun-20 ZWL'000 Reviewed	30-Jun-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	30-Jun-19 ZWL'000 Unaudited	
Revenue	5	1 231 091	1 443 815	750 837	118 128
Earnings before depreciation amortisation interest and tax		125 512	74 166	141 965	8 824
Depreciation and amortisation	6	(17 814)	(31 057)	(5 107)	(2 451)
Operating profit		107 698	43 109	136 858	6 373
Net monetary (loss)/gain		(135 167)	97 937	-	-
(Loss)/ profit before interest and tax		(27 469)	141 046	136 858	6 373
Finance income		306	1 313	187	98
Finance costs		(15 732)	(3 890)	(9 745)	(343)
(Loss)/ profit before tax		(42 895)	138 469	127 300	6 128
Income tax credit/ (expense)	7	42 417	(73 056)	(30 411)	(1 567)
(Loss)/ profit for the period from continuing operations		(478)	65 413	96 889	4 561
Loss from discontinued operations		-	(10 016)	-	(764)
(Loss)/ profit for the period		(478)	55 397	96 889	3 797
Other comprehensive income:					
Other comprehensive income/(loss) for the period net of tax		172 176	(36 023)	407 567	(4 302)
Total comprehensive income/ (loss) for the period		171 698	19 374	504 456	(505)
(Loss)/ profit attributable to:					
Owners of the parent		(478)	58 602	96 889	4 041
Non-controlling interest		-	(3 205)	-	(244)
		(478)	55 397	96 889	3 797
Total comprehensive income/ (loss) attributable to:					
Owners of the parent		171 698	34 106	504 456	1 116
Non-controlling interest		-	(14 732)	-	(1 621)
		171 698	19 374	504 456	(505)
Earnings per share (cents)					
Basic		(0.13)	16.36	27.06	1.13
Diluted		(0.13)	16.36	27.06	1.13
Headline		(16.36)	16.02	3.60	1.11
Shares in issue and weighted average number of shares		358.000.858	358.000.858	358.000.858	358.000.858
Weighted average shares adjusted for the effects of dilution		358.000.858	358.000.858	358.000.858	358.000.858

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

Notes	INFLATION ADJUSTED GROUP		HISTORICAL GROUP		
	30-Jun-20 ZWL'000 Reviewed	31-Dec-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	31-Dec-19 ZWL'000 Unaudited	
Non-current assets					
Property, plant and equipment	8	1 010 358	803 570	753 577	218 357
Investment property	9	102 026	50 414	102 026	19 242
Intangible assets		4 038	4 141	225	287
Other non-current financial assets		490	1 262	490	482
Deferred tax asset		-	-	-	172
		1 116 912	859 387	856 318	238 540
Current assets					
Inventories		335 143	383 220	195 820	83 663
Prepayments		46 133	70 329	31 667	16 054
Trade and other receivables		134 044	148 235	134 044	56 580
Cash and cash equivalents		31 782	49 357	31 782	18 839
		547 102	651 141	393 313	175 136
Total assets		1 664 014	1 510 528	1 249 631	413 676
Equity and liabilities					
Equity					
Share capital		517	517	36	36
Share premium		19 939	19 939	1 380	1 380
Non-distributable reserves		421 594	249 418	601 877	194 310
Retained earnings		639 356	639 834	168 211	71 322
Total equity		1 081 406	909 708	771 504	267 048
Non-current liabilities					
Interest - bearing borrowings		31 341	23 935	31 341	9 136
Financial guarantee liability		3 085	3 309	1 039	1 263
Employee benefit liability		12 659	-	12 659	-
Deferred tax liability		273 982	271 748	171 547	21 025
		321 067	298 992	216 586	31 424
Current liabilities					
Trade and other payables		168 428	210 830	168 428	80 472
Interest - bearing borrowings		76 000	50 950	76 000	19 447
Bank overdraft		3 421	11 731	3 421	4 477
Dividend payable		136	395	136	151
Income tax payable		13 556	27 922	13 556	10 657
		261 541	301 828	261 541	115 204
Total liabilities		582 608	600 820	478 127	146 628
Total equity and liabilities		1 664 014	1 510 528	1 249 631	413 676

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	INFLATION ADJUSTED GROUP		HISTORICAL GROUP	
	30-Jun-20 ZWL'000 Reviewed	30-Jun-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	30-Jun-19 ZWL'000 Unaudited
Operating activities:				
(Loss)/ profit before tax-continuing operations	(42 895)	138 469	127 300	6 128
Loss before tax from discontinued operations	-	(10 016)	-	(763)
Non-cash items	(68 204)	(22 346)	(64 787)	6 314
Finance income	(306)	(1 313)	(187)	(98)
Finance costs	15 732	3 890	9 745	343
Working capital movements	55 695	(225 757)	(103 593)	(21 078)
	(39 978)	(117 073)	(31 522)	(9 154)
Income tax paid	(26 253)	(23 834)	(10 652)	(1 649)
Net cashflows used in operating activities	(66 231)	(140 907)	(42 174)	(10 803)
Investing activities				
Purchase of plant and equipment	(2 113)	(31 077)	(1 758)	(2 397)
Proceeds from sale of property, plant and equipment	17 050	3 105	10 011	249
Proceeds from sale of financial assets at fair value through profit or loss	-	2 315	-	160
Finance income on effective interest rate method	306	823	187	98
Net cash inflow/ (outflow) from investing activities	15 243	(24 834)	8 440	(1 890)
Financing activities				
Proceeds from borrowings	91 000	63 698	91 000	7 600
Repayment of borrowings	(32 760)	(15 353)	(32 760)	(1 062)
Interest paid	(15 732)	(3 890)	(9 745)	(343)
Dividends paid	(38)	(34 697)	(15)	(2 506)
Net cash inflow from financing activities	42 470	9 758	48 480	3 689
(Decrease)/ increase in cash and cash equivalents	(8 518)	(155 983)	14 746	(9 004)
Effects of exchange rate changes	(747)	(2 724)	(746)	(198)
Effect of change in functional currency	-	50 606	-	3 502
Cash and cash equivalents at beginning of the period	37 627	143 508	14 362	9 930
Cash and cash equivalents at the end of the period	28 362	35 407	28 362	4 230

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Nutritious Foods and Beverages for the Sustenance of Good Health



ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

GROUP	Attributable to equity holders of the parent							
	Share Capital ZWL'000 Reviewed	Share Premium ZWL'000 Reviewed	Non-distributable assets/ reserves ZWL'000 Reviewed	Reserves of assets/ classified as held for sale ZWL'000 Reviewed	Retained earnings ZWL'000 Reviewed	Total ZWL'000 Reviewed	Non-controlling interests ZWL'000 Reviewed	Total equity ZWL'000 Reviewed
For the Six Months ended 30 June 2020								
INFLATION ADJUSTED								
Balance as at 31 December 2019	517	19 939	249 418	-	639 834	909 708	-	909 708
Profit /(loss) for the year	-	-	-	-	(478)	(478)	-	(478)
Other comprehensive income	-	-	172 176	-	-	172 176	-	172 176
Total comprehensive income	-	-	172 176	-	(478)	171 698	-	171 698
Balance as at 30 June 2020	517	19 939	421 594	-	639 356	1 081 406	-	1 081 406
For the Six Months ended 30 June 2019								
	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited
Balance at 1 January 2019, as previously reported	517	19 939	412 263	(61 047)	357 923	729 595	(4 087)	725 508
Profit /(loss) for the year	-	-	-	-	58 602	58 602	(3 205)	55 397
Exchange differences on translating foreign operations	-	-	-	(24 496)	-	(24 496)	(11 527)	(36 023)
Total comprehensive income	-	-	-	(24 496)	58 602	34 106	(14 732)	19 374
Exchange difference on functional currency change	-	-	(50 606)	-	-	(50 606)	-	(50 606)
Dividends	-	-	-	-	(32 882)	(32 882)	-	(32 882)
Balance as at 30 June 2019	517	19 939	361 657	(85 543)	383 643	680 213	(18 818)	661 394
For the Six Months ended 30 June 2020								
HISTORICAL								
Balance as at 31 December 2019	36	1 380	194 310	-	71 322	267 048	-	267 048
Profit /(loss) for the year	-	-	-	-	96 889	96 889	-	96 889
Other comprehensive income	-	-	407 567	-	-	407 567	-	407 567
Total comprehensive income	-	-	407 567	-	96 889	504 456	-	504 456
Balance as at 30 June 2020	36	1 380	601 877	-	168 211	771 504	-	771 504
For the Six Months ended 30 June 2019								
	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited	ZWL'000 Unaudited
Balance at 1 January 2019, as previously reported	36	1 380	28 526	(4 224)	24 766	50 484	(283)	50 201
Profit /(loss) for the year	-	-	-	-	4 041	4 041	(244)	3 797
Exchange differences on translating foreign operations	-	-	-	(2 925)	-	(2 925)	(1 377)	(4 302)
Total comprehensive income	-	-	-	(2 925)	4 041	1 116	(1 621)	(505)
Exchange difference on functional currency change	-	-	(3 502)	-	-	(3 502)	-	(3 502)
Dividends	-	-	-	-	(2 506)	(2 506)	-	(2 506)
Balance as at 30 June 2019	36	1 380	25 024	(7 149)	26 301	45 592	(1 904)	43 688

NOTES TO THE FINANCIAL STATEMENTS

1. **CORPORATE INFORMATION**

Dairibord Holdings Limited is a company incorporated and domiciled in Zimbabwe. The registered office is located at 1225 Rekeyi Tangwena Avenue, in Harare. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group's principal activities are the manufacturing, processing, marketing and distribution of milk products, foods and beverages.

2. **BASIS OF PREPARATION**

The abridged consolidated financial statements for the six months ended 30 June 2020 were prepared in accordance with the minimum requirements of IAS 34 Interim Financial Reporting, IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29) and Statutory Instrument 134 of 2019 Securities and Exchange (Zimbabwe Stock Exchange) Rules 2019, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019.

The consolidated financial statements are presented in Zimbabwe Dollars (ZWL), which is the Group's functional and presentation currency. The historical financial information has been presented as supplementary information which is unreviewed and unaudited.

3. **HYPER INFLATION**

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement on the application of IAS 29. This followed runaway inflation experienced in Zimbabwe. The pronouncement required that entities operating in Zimbabwe with financial periods ending on or after 1 July 2019 prepare and present financial statements in line with the requirements of IAS 29.

The Directors have made appropriate adjustments to reflect the changes in the general purchasing power on the Zimbabwe Dollar and for purposes of fair presentation in accordance with IAS 29, these changes have been made on the historical cost financial information. Various assumptions have been made, with significant assumption being the use of consumer price indices (CPI) for the period. The source of the price indices used was the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to 30 June 2020:

	Index	Conversion factor
CPI as at 28 February 2019	100 00	14.45
CPI as at 30 June 2019	172 61	8.37
CPI as at 31 December 2019	551 63	2.62
CPI as at 30 June 2020	1 445 21	1.00

4. **SEGMENT INFORMATION**

4.1 **The Group has three operating segments which are listed below. The segments are identified based on how performance is measured and monitored for each business unit.**

Manufacturing and distribution (Zimbabwe)- manufacture and marketing of milks, foods and beverages
 Properties - leasing of properties
 Corporate - management and corporate services

The manufacturing segment is the main operating segment of the Group , generating almost all of the Group's revenue and cash flows.

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

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively:

Inflation Adjusted Six months ended 30 June 2020	Manufacturing and distribution (Zimbabwe) ZWL'000 Reviewed	Properties ZWL'000 Reviewed	Corporate ZWL'000 Reviewed	Adjustments and eliminations ZWL'000 Reviewed	Group ZWL'000 Reviewed
Revenue					
Revenue from contracts with external customers	1 230 232	859	-	-	1 231 091
Revenue from contracts with internal customers	1 306	-	-	(1 306)	-
Revenue from management services	-	-	23 841	(23 841)	-
Rental income - internal customers	-	888	-	(888)	-
Total revenue	1 231 538	1 747	23 841	(26 035)	1 231 091
Results					
Depreciation, and ammortisation	10 070	5 446	2 298	-	17 814
Operating profit/(loss)	89 502	(2 748)	20 944	-	107 698
Finance income	257	-	7 903	(7 854)	306
Finance costs	16 303	-	7 283	(7 854)	15 732
Segment (loss)/profit before tax	(55 521)	8 033	4 593	-	(42 895)
Six months ended 30 June 2019	Dairibord Zimbabwe ZWL'000 Unaudited	Properties ZWL'000 Unaudited	Corporate ZWL'000 Unaudited	Adjustments and eliminations ZWL'000 Unaudited	Group ZWL'000 Unaudited
Revenue					
Revenue from contracts with external customers	1 442 836	979	-	-	1 443 815
Revenue from contracts with internal customers	365	-	-	(365)	-
Revenue from management services	-	-	18 795	(18 795)	-
Rental income - internal customers	-	6 792	-	(6 792)	-
Total revenue	1 443 201	7 771	18 795	(25 952)	1 443 815
Results					
Depreciation	21 937	8 635	485	-	31 057
Operating profit	20 776	5 476	16 857	-	3 108
Finance income	908	-	3 543	(3 138)	1 313
Finance costs	4 699	-	2 329	(3 138)	3 890
Segment profit before tax	129 039	5 907	3 523	-	138 469

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

SEGMENT INFORMATION (CONT'D)					
As at 30 June 2020	Dairibord Zimbabwe ZWL'000 Reviewed	Properties ZWL'000 Reviewed	Corporate ZWL'000 Reviewed	Adjustments and eliminations ZWL'000 Reviewed	Group ZWL'000 Reviewed
Segment assets	967 918	623 577	135 970	(63 451)	1 664 014
Segment liabilities	521 840	20 316	73 650	(33 198)	582 608
Capital expenditure	1 963	-	150	-	2 113
As at 31 December 2019	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment assets	935 547	532 527	211 539	(169 085)	1 510 528
Segment liabilities	455 143	26 456	68 888	50 333	600 820
Capital expenditure	49 302	-	9 192	-	58 494
Historical Six months ended 30 June 2020	Manufacturing and distribution (Zimbabwe) ZWL'000 Reviewed	Properties ZWL'000 Reviewed	Corporate ZWL'000 Reviewed	Adjustments and eliminations ZWL'000 Reviewed	Group ZWL'000 Reviewed
Revenue					
Revenue from contracts with external customers	750 320	517	-	-	750 837
Revenue from contracts with internal customers	1 225	-	-	(1 225)	-
Revenue from management services	-	-	14 258	(14 258)	-
Rental income - internal customers	-	499	-	(499)	-
Total revenue	751 545	1 016	14 258	(15 982)	750 837
Results					
Depreciation, and ammortisation	2 488	2 511	108	-	5 107
Operating profit/(loss)	84 667	65 983	(13 792)	-	136 858
Finance income	157	-	4 977	(4 947)	187
Finance costs	10 073	-	4 619	(4 947)	9 745
Segment profit before tax	54 228	71 545	1 527	-	127 300
Six months ended 30 June 2019	Dairibord Zimbabwe ZWL'000 Unaudited	Properties ZWL'000 Unaudited	Corporate ZWL'000 Unaudited	Adjustments and eliminations ZWL'000 Unaudited	Group ZWL'000 Unaudited
Revenue					
Revenue from contracts with external customers	118 047	81	-	-	118 128
Revenue from contracts with internal customers	28	-	-	(28)	-
Revenue from management services	-	-	1 893	(1 893)	-
Rental income -internal customers	-	537	-	(537)	-
Total revenue	118 075	618	1 893	(2 458)	118 128
Results					
Depreciation	2 100	311	40	-	2 451
Operating profit	7 315	431	(1 373)	-	6 373
Finance income	67	-	296	(265)	98
Finance costs	407	-	201	(265)	343
Segment profit before tax	4 248	464	1 416	-	6 128
The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:					
As at 30 June 2020	Dairibord Zimbabwe ZWL'000 Reviewed	Properties ZWL'000 Reviewed	Corporate ZWL'000 Reviewed	Adjustments and eliminations ZWL'000 Reviewed	Group ZWL'000 Reviewed
Segment assets	406 757	831 304	127 210	(115 640)	1 249 631
Segment liabilities	312 326	164 698	73 257	(72 154)	478 127
Capital expenditure	1 608	-	150	-	1 758
As at 31 December 2019	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Segment assets	196 457	203 261	77 231	(63 273)	413 676
Segment liabilities	135 199	10 098	24 890	(23 558)	146 629
Capital expenditure	4 624	-	848	-	5 472
The transactions between operating segments are at arm's length.					
The adjustments and eliminations columns relate to inter-segments transactions and balances which are eliminated on consolidation.					
5 REVENUE FROM CONTRACTS WITH CUSTOMERS					
Disaggregated revenue information		INFLATION ADJUSTED GROUP		HISTORICAL GROUP	
	30-Jun-20 ZWL'000 Reviewed	30-Jun-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	30-Jun-19 ZWL'000 Unaudited	
Type of goods					
Sale of liquid milks	541 950	498 946	347 746		41 674
Sale of foods	214 321	286 595	130 708		23 543
Sales of beverages	474 820	658 274	272 383		52 911
Total revenue from contracts with customers	1 231 091	1 443 815	750 837		118 128
The Group obtains most of its revenue from the domestic market.					

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	INFLATION ADJUSTED GROUP		HISTORICAL GROUP	
	30-Jun-20 ZWL'000 Reviewed	30-Jun-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	30-Jun-19 ZWL'000 Unaudited
6 DEPRECIATION AND AMORTISATION CHARGE	17 814	31 057	5 107	2 451
7 INCOME TAX				
The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:				
Current income tax	13 070	7 190	13 070	859
Capital gains tax	492	186	492	22
Deferred income tax expenses related to the origination and reversal of temporary differences	(55 979)	65 680	16 849	686
Income tax (credit)/ expense recognised in statement of profit or loss	(42 417)	73 056	30 411	1 567
8 PROPERTY, PLANT AND EQUIPMENT				
	INFLATION ADJUSTED GROUP		HISTORICAL GROUP	
	30-Jun-20 ZWL'000 Reviewed	31-Dec-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	31-Dec-19 ZWL'000 Unaudited
Opening balance	803 570	501 854	218 357	34 725
Additions	2 113	58 494	1 758	5 472
Disposals	(6 242)	(878)	(2 913)	(175)
Depreciation	(17 814)	(59 284)	(5 107)	(4 743)
Asset write offs	-	(4 317)	-	(269)
Exchange rate adjustments	-	(3 860)	-	(461)
Revaluation	228 731	311 561	541 482	183 808
Closing balance	1 010 358	803 570	753 577	218 357
9 INVESTMENT PROPERTY				
Opening balance	50 414	3 799	19 242	1 450
Fair value adjustment	51 612	46 615	82 784	17 792
Closing balance	102 026	50 414	102 026	19 242

	INFLATION ADJUSTED GROUP		HISTORICAL GROUP	
	30-Jun-20 ZWL'000 Reviewed	31-Dec-19 ZWL'000 Unaudited	30-Jun-20 ZWL'000 Unaudited	31-Dec-19 ZWL'000 Unaudited
10 INTEREST BEARING BORROWINGS				
New issues				
Bank loans	91 000	19 911	91 000	7 600
Repayments				
Bank loans	(32 760)	(2 783)	(32 760)	(1 062)

All new issues are short term as they have a tenure of between 30 - 180 days and are all secured.

11 EVENTS AFTER THE REPORTING DATE
On 25 June 2020, in compliance with a Government directive, the Zimbabwe Stock Exchange (ZSE) suspended all trading until 3 August 2020. Consequently the shares of the company were not being traded during that period. However, this had no major impact on the company.

In addition, on 24 July 2020, the Government of Zimbabwe issued Statutory Instrument 185 of 2020 which requires that any person who provides goods or services in Zimbabwe shall display, quote or offer the price for such goods or services in both Zimbabwe dollar and foreign currency at the ruling exchange rate.

Subsequent to year end there has been a significant spike in the number of confirmed positive cases in the country. The Government of Zimbabwe has responded to the spike through the issue of Statutory Instrument 174 of 2020 aimed at tightening the COVID-19 prevention measures.

In order to mitigate the impact of COVID-19, management has implemented measures to ensure the company remains. Some of the measures are detailed below:

- Media mix altered to reduce dependence on outdoor advertising and increased use of digital and social media platforms.
- Cost containment and cost reduction strategies being pursued to align costs to reduced volume of activity for example contract labour is being stepped down when necessary.
- Internal resources are being used to service equipment that normally requires foreign expertise, until restrictions on travel are lifted. In addition, remote monitoring of such equipment is being done to ensure that the equipment continues to function as expected.
- Development of the online selling platform is being finalised to provide alternative routes to market.
- Resource allocation to the best advantage.

With the COVID-19 cases on the rise, the government continues to monitor and review the measures currently in place, which makes the economic environment fluid. In light of this, the full impact of the pandemic on the business cannot be reliably estimated at this stage. Management remains agile to the evolving economic environment to minimise the impact of the pandemic on the business.

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INDEPENDENT AUDITOR'S REVIEW CONCLUSION

TO THE MEMBERS OF DAIRIBORD HOLDINGS LIMITED

Introduction

We have reviewed the accompanying inflation adjusted condensed consolidated interim financial statements of Dairibord Holdings Limited and its subsidiaries ("the Group"), as set out on pages 6 to 22, which comprise the inflation adjusted condensed consolidated interim statement of financial position as at 30 June 2020 and the related inflation adjusted condensed consolidated interim statement of profit or loss and other comprehensive income, the inflation adjusted condensed consolidated interim statement of changes in equity and the inflation adjusted condensed consolidated interim statement of cash flows for the six-month period then ended and explanatory notes.

Management is responsible for the preparation and presentation of this inflation adjusted condensed consolidated interim financial information in accordance with the International Financial Reporting Standards; International Accounting Standard 34-*Interim Financial Reporting* and the Zimbabwe Stock Exchange listing rules. Our responsibility is to express a review conclusion on this inflation adjusted condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse review conclusion

IAS 21 Non-Compliance including historical errors not adjusted for in terms of IAS 8

As explained in note 2 to the inflation adjusted condensed consolidated interim financial statements, the Group changed its functional currency from the United States Dollar (US\$) to Zimbabwe Dollars (ZWL) on 23 February 2019 in order to comply with Statutory Instrument 33 of 2019 issued on the same date. We however believe that the change in currency occurred prior to that date. The inflation adjusted condensed consolidated interim 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. 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 (RTGS\$) and the interbank foreign exchange market.

DAIRIBORD HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REVIEW CONCLUSION (CONTINUED)

Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, the Zimbabwe Dollar or ZWL (which comprises RTGS\$, Bond notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group 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 RTGS\$/ZWL as formal currencies supports that there was a change in functional currency from US\$ to RTGS\$/ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGS\$/ZWL: US\$ exchange rate and this occurred effective 1 October 2018.

Management has not restated the opening balances to resolve these matters which resulted in the adverse audit report in the prior period in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, further, some of the matters are continuing as discussed below. In addition, there was a consequential impact of the application of IAS 29 in the prior period. Had the correct base numbers and start date been used the outcome would have been materially different. As a result of these matters impacting the opening balances (and for which we modified our previous opinion), the following closing balances ; ZWL283 738 286 in Property, Plant and Equipment of ZWL 1 010 358 185 which is not under the revaluation model, ZWL 10 650 260 in Inventories of ZWL 335 142 638, Non-distributable reserves - ZWL421 593 613 , Retained Earnings - ZWL639 355 598, and Deferred Tax Liabilities - ZWL273 981 915 as stated on the Statement of Financial Position remain misstated and the quantum of misstatement and/or portion cannot be quantified for each of these owing to the lack of restatement and determination of the amounts by management.

As in prior year, management continued to use the interbank exchange rate to translate foreign denominated transactions and balances to ZWL functional and reporting currency both in prior year and in current period. The interbank rate does not meet the IAS 21 definition of a spot rate. As a result, all amounts in the Statement of Profit or Loss and Other Comprehensive Income are impacted except for Rental income and Finance Revenue. For practical reasons, the elements of transactions affected by foreign currency have not been quantified for the review period to 30 June 2020. In addition, the following accounts on the Statement of Financial Position are misstated either due to items having been translated during the period or the balances comprising of foreign currency components:

- Those for which the portion of foreign currency could be identified: ZWL 10 650 260 in Inventories of ZWL 335 142 638, ZWL12 354 000 in Prepayments of ZWL 46 132 987, ZWL 47 141 267 in Trade and Other Receivables of ZWL 134 044 308, ZWL8 234 796 in Cash and Cash Equivalents of ZWL 31 782 485, ZWL42 709 600 in Trade and other Payables of ZWL168 427 876, ZWL25 326 315 in Interest-bearing Borrowings of ZWL107 340 924 and Employee benefit liability of ZWL 12 65 8945.
- Those for which the portion of foreign currency could not be identified owing to the nature of the accounting records: ZWL 283 738 286 of Property, plant and equipment of ZWL1 010 358 185 which is not under the revaluation model
- In addition, Income Tax Payable of ZWL13 555 854 is consequentially impacted by the impact from the profit or loss as noted above.

The potential impact of these cannot be quantified owing to the impracticability of obtaining and/or assigning appropriate spot rates

DAIRIBORD HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REVIEW CONCLUSION (CONTINUED)

As a result of these matters for which we modified our opinion in the prior period:

- All corresponding numbers are misstated on the Group inflation adjusted Statements of Financial Position, Cash Flows, Profit or Loss and Comprehensive Income and Changes in Equity and our opinion is therefore modified in respect of comparability of those amounts with the current year amounts.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is further modified in respect of the impact of this matter on the inflation adjusted Statement of Cash Flows, Statement of Profit or Loss and Other Comprehensive Income and Statement of Changes in Equity.

The effect cannot be quantified owing to the degree of modifications and their combined interaction and primarily that appropriate alternate spot rates cannot be determined.

Valuation of investment properties and freehold land and buildings

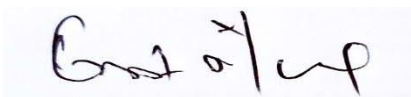
The Group's investment properties and freehold land and buildings are carried at ZWL102 025 779 (31 December 2019: ZWL19 242 488) and ZWL772 589 266 (31 December 2019: ZWL197 255 350) respectively as at 30 June 2020. The freehold land and buildings are included in the Property, plant and equipment balance of ZWL1 056 327 952. These properties were valued by the Directors using historical US\$ denominated inputs and converted to ZWL at the interbank rate both in prior year and as at 30 June 2020. There is a unique disconnect between the currency in which the rentals are being paid (ZWL) and the currency in which the properties are being valued (US\$). Further, the US\$ inputs used may not be a true reflection of market dynamics as risks associated with currency trading do not reflect the risks associated with property trading. Owing to the nature of the matter, we are unable determine the appropriate correct inputs and therefore cannot quantify the possible impact. Our conclusion on the current period's inflation adjusted condensed consolidated interim financial information is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation adjusted condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review audit resulting in this review conclusion report on the inflation adjusted condensed consolidated interim financial statements is Mr David Gwande (PAAB Practicing Certificate Number 132).



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

HARARE

30 September 2020