



# Dairibord

## Holdings

*More Than Just Milk*

# 2018

## Annual Report

Zim's 1st & No.1 Nutritious Dairy Fruit Mix

# CASCADE

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**big deal**

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1 litre  
pack.





## 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

**Integrity:** Our integrity will be displayed in all our interactions 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 optimize synergies and benefit from mutual co-existence.





## 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). The report provides a consolidation of our financial and sustainability undertakings for the year ended 31 December 2018.

The contents of the report were informed by an understanding and analysis of the impacts of Dairibord on its stakeholders through a materiality process which helped identify significant issues. We believe this report provides a balanced account of our social, economic and environmental impacts.

### Reporting Frameworks

The Board of Directors of Dairibord Holdings Limited are satisfied that this report was prepared with due consideration of the following reporting requirements and provisions:

- Global Reporting Initiative (GRI) Standards
- International Financial Reporting Standards (IFRS)
- The Companies Act [Chapter 24:03]
- Listing requirements of the Zimbabwe Stock Exchange (ZSE)

We have transitioned our reporting practices from GRI G4 to the new GRI standards. This report has been prepared in accordance to the GRI Standards 'Core' option.

### Reporting Boundary

The report contains information for Dairibord Holdings Limited covering operations in Zimbabwe and Malawi. The Malawi operation is reported as a discontinued operation following the Board's decision to dispose of the business. The report covers companies namely: Dairibord Zimbabwe (Private) Limited, Dairibord Malawi Limited, Goldblum Investments (Private) Limited, Chatmoss Properties (Private) Limited, Quallinnex Properties (Private) Limited, and Slimline Investments (Private) Limited. In this document unless otherwise noted references to "our", "we", "us", "the Company", "Dairibord" refers to Dairibord Holdings Limited and its subsidiaries.

### External Assurance

The integrated financial and non-financial disclosures provided in this report are intended to provide significant, transparent, accurate and balanced information for stakeholders. Non-financial information and data provided in this report was reviewed by internal subject matter experts and management but not externally assured.

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 pages 41 to 43 of our annual report. Our Board of Directors approves our reports before being published.

### Forward looking Statements

Certain statements in this report constitute 'forward looking statements'. Forward-looking statements are not statements of historical fact and may contain the terms "may", "expects", "continue", "intends", "aims" or "estimates". These 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. Readers are cautioned not to put undue reliance on forward looking statements.

We 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 2019. To do so, please email Mercy Ngoro on: [ndorom@dairibord.co.zw](mailto:ndorom@dairibord.co.zw), or Call +263 (242) 790801-6

**Josphat Sachikonye**  
Chairman

**Antony Mandiwanza**  
Group Chief Executive



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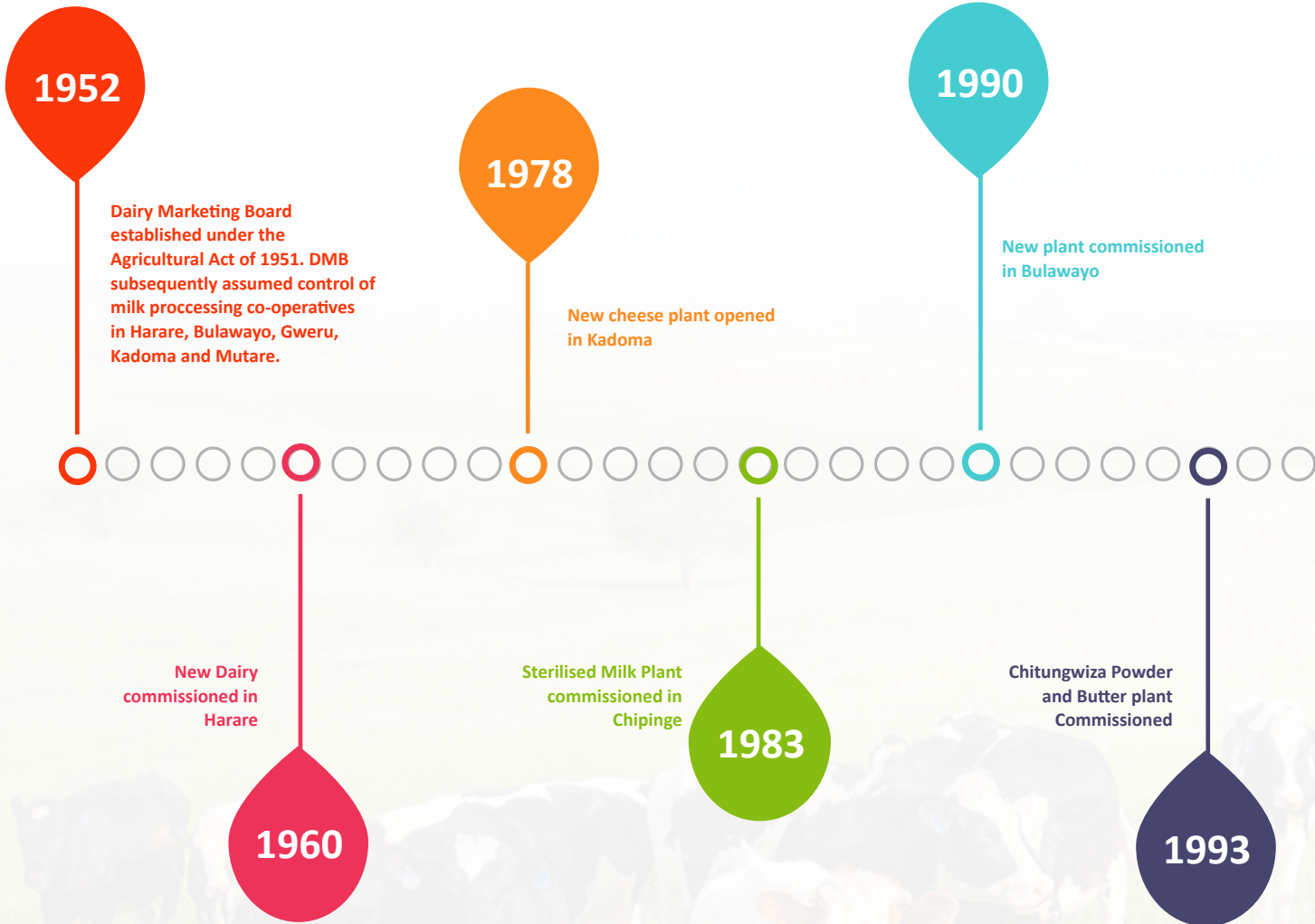
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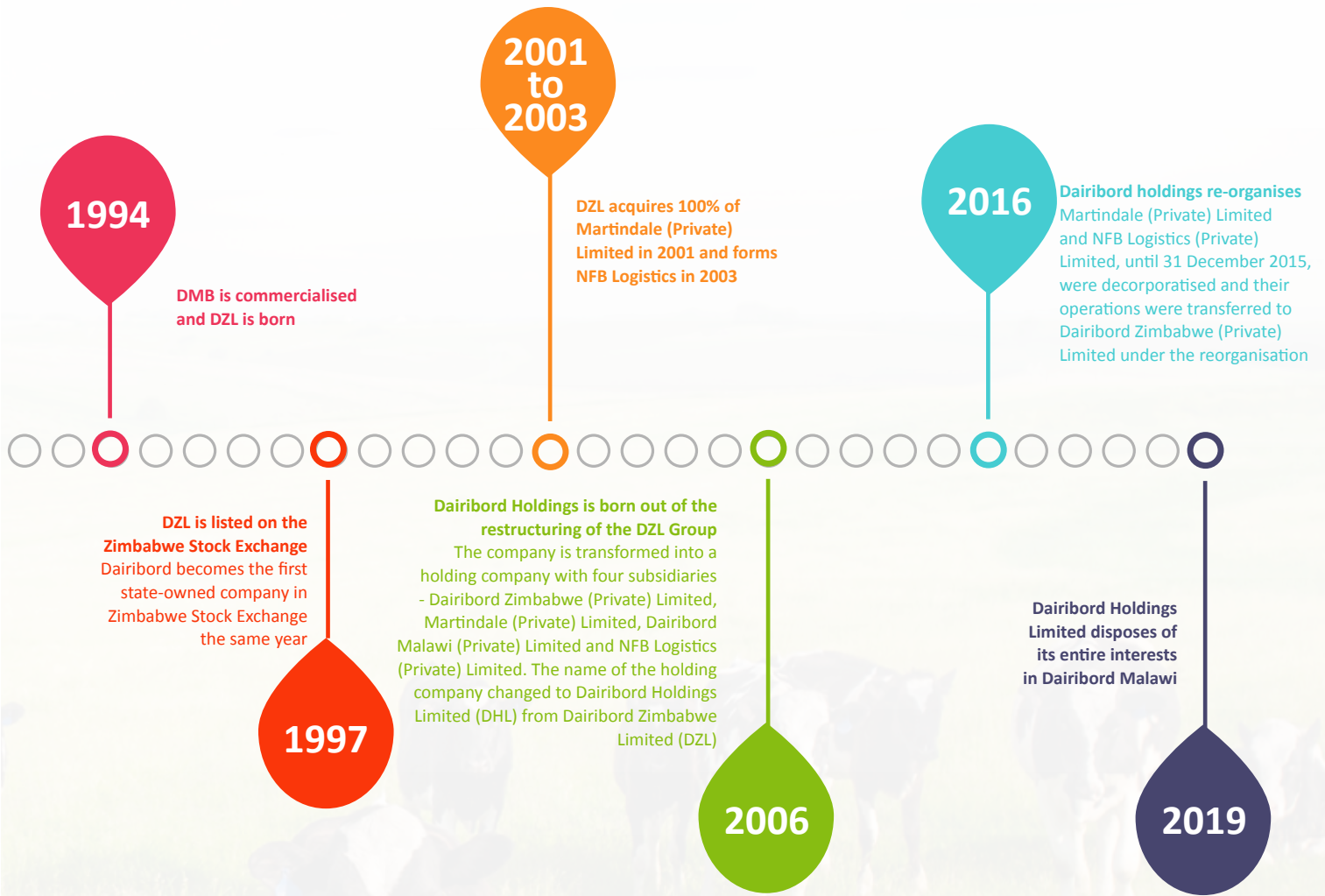




## History of the Company

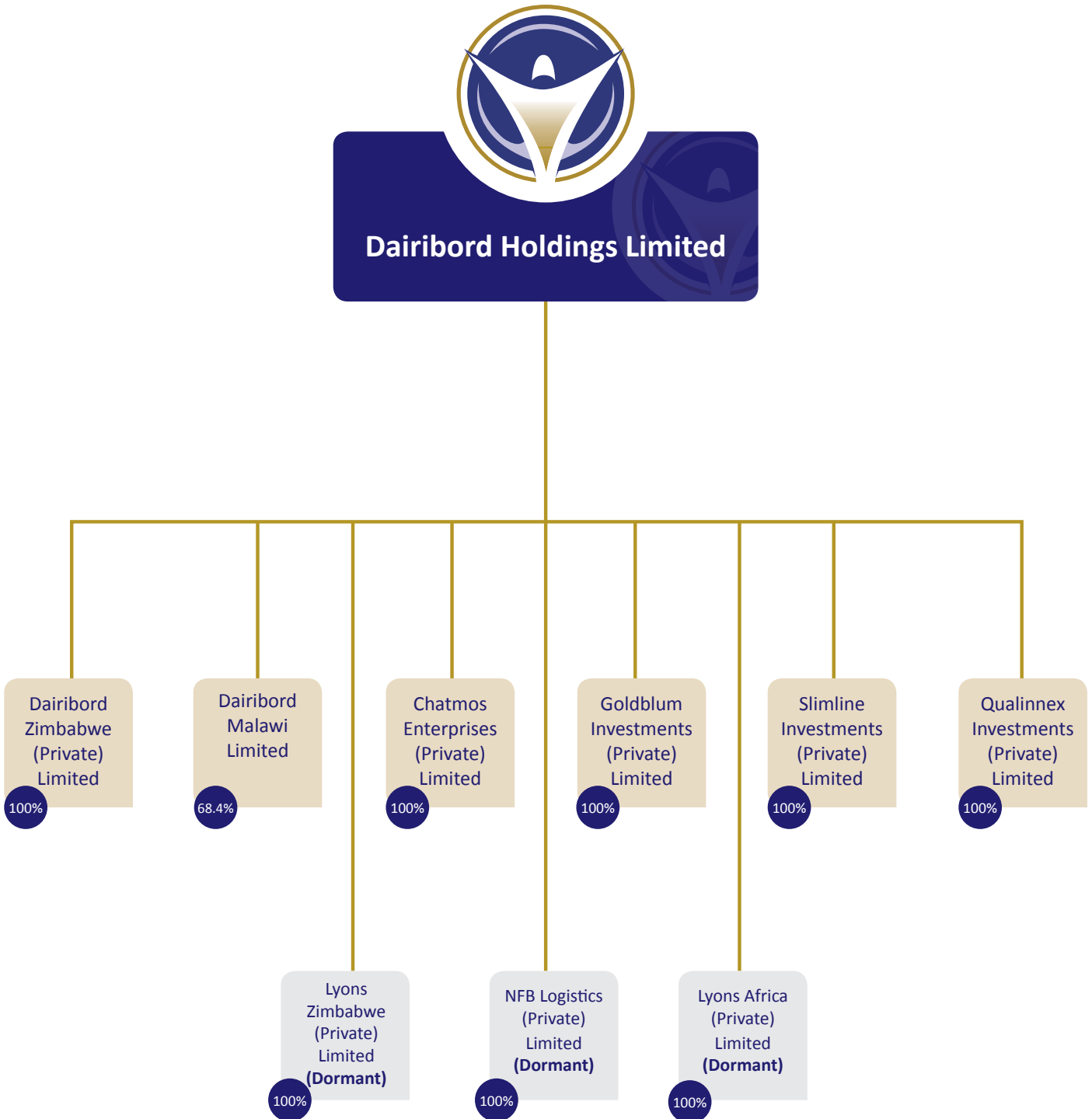
The Dairy Marketing Scheme introduced under the Agricultural Marketing Act, in 1951, established The Dairy Marketing Board on 1 October 1952 to provide for: The reception of all milk delivered to it, the manufacture and orderly marketing of milk and dairy products, the administration of regulations applicable to producer registration.







## Group Structure







## Group Brands and Markets

The Group has manufacturing operations in Zimbabwe and Malawi (discontinued). The markets however are wider throughout the SADC region in line with the Group's vision. 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 Sterilised 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 Sustainable Business Model

The Group creates value through manufacturing and distribution of foods and beverages. Our business model rests upon exploring and exploiting opportunities in the Liquid Milks, Foods and Beverages space to increase revenue and profitability both locally and regionally.

The Group continues to redefine its model for sustainable value creation and in 2018, a decision was made to dispose of shareholding in Dairibord Malawi due to constraints in raising funding for the business. The divestment out of Malawi is not a complete reversal of the model which focuses on exploiting opportunities in the region. The Group remains committed to serving regional markets, in particular Malawi through agents and other distribution channels developed.

### Our stakeholder portfolio and their key interests

The selection of these stakeholders is based on the level of their interest in, and or, impact on the operations of the business. Selection is done by management on an ongoing basis in line with the need to match strategy with risk management.

Stakeholders	Issues of interest
<b>Our Customers and consumers</b>	<ul style="list-style-type: none"> <li>▪ Product supply</li> <li>▪ Product quality</li> <li>▪ Prices</li> <li>▪ Payment terms</li> <li>▪ Trade support and promotions</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>▪ Turnaround of the business</li> <li>▪ Profitability</li> <li>▪ Investments</li> <li>▪ Dividend</li> <li>▪ Sustainability of performance</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>▪ Prices of materials and other inputs</li> <li>▪ Quality and consistence of supply</li> <li>▪ Payment terms</li> </ul>
<b>Farmers</b>	<ul style="list-style-type: none"> <li>▪ Extension services</li> <li>▪ Raw milk prices</li> <li>▪ Quality premium scheme</li> <li>▪ Other support services e.g heifer procurement, veterinary support and stock feeds procurement</li> </ul>
<b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>▪ Foreign currency availability</li> <li>▪ Import regulations</li> <li>▪ Compliance with laws and regulations</li> <li>▪ Utilities supply and pricing</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>▪ Corporate social responsibility</li> <li>▪ Clean environment</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>▪ Conditions of service</li> <li>▪ Security of employment</li> <li>▪ Training and development</li> <li>▪ Health and safety</li> </ul>



## Our Sustainable Business Model (continued)

### OUR STRATEGY AT A GLANCE





## Our Sustainable Business Model (continued)

### OUR VALUE CHAIN

Stage of the value chain	Comments
Inputs	<p><b>Raw milk</b> 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.</p> <p>Raw materials comprise of Skimmed Milk Powder (SMP), Full Cream Milk Powder (FCMP), Sugar, Orange Juices and Fruit Sets e.t.c. Packaging materials comprise of High-Density Polyethylene (HDPE), Polyethylene Terephthalate (PET), paper packaging e.t.c.</p> <p>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.</p> <p><b>Utilities [electricity, water, coal and other fuels]</b> 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.</p> <p>The poor rainfall season experienced in 2018 into 2019 will impact water supply and electricity. Alternative sources of supply are being pursued to avert supply constraints.</p> <p><b>Human Capital [contract and permanent]</b> Labour is partly contracted and partly permanent. Wages are negotiated through national employment councils on an annual basis,.</p>
Processes	<p>The Group undertakes value addition by converting the inputs into value added products. The Group operates 5 factories [4 in Zimbabwe and 1 in Malawi].</p>
Distribution channels	<ul style="list-style-type: none"> <li>• <b>Modern trade:</b> This channel is composed of large retail outlets.</li> <li>• <b>Wholesalers:</b> The channel is comprised of large and medium scale wholesalers.</li> <li>• <b>General trade:</b> Composed of small to medium scale retailers and convenience stores.</li> <li>• <b>Vending:</b> This is a cash channel with independent vendors buying stocks for resale on a daily basis.</li> <li>• <b>Franchises:</b> Most franchises operate from the Group’s premises formerly operated as distribution depots.</li> <li>• <b>Hospitality and institutions:</b> The channel focuses on hotels, schools and similar institutions.</li> <li>• <b>Exports:</b> Trade is done mainly with customers in Zambia, Mozambique, Botswana, South Africa and Malawi.</li> </ul>

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# Symphony of Tastes



Introducing Supreme Creme,  
the long lasting cream that will instantly  
add richness to every meal!

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LIFE  
CREAM**

**DAIRIBORD**



DAIRY DELIGHTS  
**DAIRIBORD**  
Zimbabwe (Private) Limited



DairibordZimbabwe





## Performance Highlights

	2018 US\$	2017 US\$	Increase
<b>FINANCIAL PERFORMANCE</b>			
Revenue (continuing operations)	126,442,610	98,636,685	28%
Operating profit (continuing operations)	9,994,123	4,559,047	119%
Profit for the year (continuing operations)	6,476,145	1,949,196	232%
Earnings before interest and tax ,depreciation & ammortisation (EBITDA)	15,005,838	9,938,767	51%
Net cashflows generated from operating activities	9,229,337	6,239,306	48%
Net assets	50,200,936	45,419,619	11%
<b>PROFITABILITY RATIOS</b>			
EBITDA %	12%	10%	
Interest cover (times)	18	6	
Return on Equity (ROE)	13%	4%	
<b>LIQUIDITY RATIOS</b>			
Gearing ratio	7%	15%	
Current ratio	2.20	1.70	
Acid test ratio	1.17	1.01	
<b>SHARE INFORMATION AND PERFORMANCE</b>			
Earnings per share			
- Basic (US cents)	1.68	0.38	344%
- Diluted (US cents)	1.68	0.38	344%
Closing market price (cents)	15.00	13.40	12%
Net asset value per share (cents)	14.10	12.70	11%
Market capitalisation (US dollars)	53,700,129	47,972,115	12%
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	

### SELECTED SUSTAINABILITY INDICATORS

Indicator	2018 Performance	% change from 2017
Solid waste disposal (tons)	5,376	8% ▼
Electricity consumption (MWh)	13,044	0% ▼
Coal consumed (tons)	6,458	3% ▼
Diesel consumed (000L)	2,009	12% ▼
Labour turnover (reduction)	31	2% ▼
Social responsibility spend (\$000)	197	2% ▲



## Chairman's Statement

### INTRODUCTION

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

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

### OPERATING ENVIRONMENT

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

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

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

### GROUP PERFORMANCE

#### Raw Milk Intake

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

#### Volumes and revenue

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

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

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

#### Profitability

The operating profit from continuing operations increased to \$10.0 million, a growth of 119% above prior year. The Group achieved a profit after tax of \$6.5 million before the effects of discontinued operations, an increase of 232% above prior year. Operating profit margin was stronger at 8% up from 5% achieved in 2017.



**J. Sachikonye**  
Chairman

*“The operating profit from continuing operations increased to \$10 million, a growth of 119% above prior year.”*



## Chairman's Statement (Continued)

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

### Working capital

Net cash generated from operations increased by 48% to \$9.229 million on account of improved operating performance. Growth in cash flows was subdued by significant investment in inventories to mitigate value erosion from rising inflation. The business closed the year with foreign obligations of USD\$3.9 million. The new foreign exchange regime announced by the Central Bank in February 2019 will enable the business to liquidate the liabilities at market exchange rates.

### DAIRIBORD MALAWI

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

### OUTLOOK

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

The business will focus on the following areas for growth:

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

### DIVIDEND

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

### DIRECTORATE

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

### APPRECIATION

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

**J. Sachikonye**  
Chairman  
25 April 2019

# DAIRIBORD Chimombe

Long Life Milk

Loved & trusted



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**Nourishing families  
for over 22 years**

**High in protein ✓ High in calcium ✓**

A Proud  Superbrand for the 11<sup>th</sup> year running







## Group Chief Executive's Review of Operations



**Antony Mandiwanza**  
Group Chief Executive

*“The business is in a much better position to remain a leader in the dairy industry”*

### PERFORMANCE OVERVIEW

The year under review marks another milestone in the turnaround journey for the business. The results for the year reflect the positive impact of the transformation journey which the business embarked on to address the structural and go-to-market challenges that were constraining performance.

The business delivered growth on prior year on all key metrics namely raw milk intake, volume sold, revenue and profitability.

### OPERATING ENVIRONMENT

The operating environment continued to worsen with accelerated deterioration in the last quarter of the year.

The challenges faced were largely driven by foreign currency supply constraints triggered by widening gap between official 1:1 RTGS/USD exchange rate and parallel market rates thereby increasing uncertainty around the future of the country's currency regime. Private sector implications of these developments were as follows:

- o Deteriorating supply of inputs (both local and imported) as demand for prepayments by suppliers increased,
- o Delays in the implementation of capital projects,
- o Spikes in prices of finished goods and raw materials
- o Sharp rise in demand driven by nationwide fears of stock outs and rapid money supply growth.

Year on year all items inflation increased to 42% as at end of December 2018 up from 3% in the prior year. The Foods and non-alcoholic beverages inflation increased to 54% up from 7% for the comparable period. These changes took place largely in fourth quarter of the year.

Despite the above challenges, national milk production grew 14% above 2017 to 75 million litres. This growth was achieved on the back of initiatives by government and private sector to grow milk supply in the country. The national raw milk production however remains below requirements by processors to meet demand for dairy products which is estimated at 120 million litres per annum. The demand supply gap at national level presents opportunities for import substitution.

Demand remained firm during the year as evidenced by the inability of most industry players to meet orders from the market. Improved agriculture, mining performance, particularly artisanal gold output and export promotion by the central bank, led to increased disposable incomes. The sustainability of the strong demand will however depend on the policies put in place by government to steer the economy going forward.

### PERFORMANCE OVERVIEW

#### Revenue and volumes sold

The Group recorded volume sales of 87 million litres, reflecting a growth of 3% above prior year. The growth in volume sold reflects the constraints faced by the business during the year. The main constraint was foreign currency induced product supply shortages which was mitigated by the following:

- Improved raw milk intake which grew 20% above 2017
- 67% growth in export revenue to US\$1.7 million
- Growth in domestic market share for the existing offerings and line extensions
- Stable supplier relationships mitigating the negative implications of forex supply constraints

Volume performance could have been better if product supply was consistent.





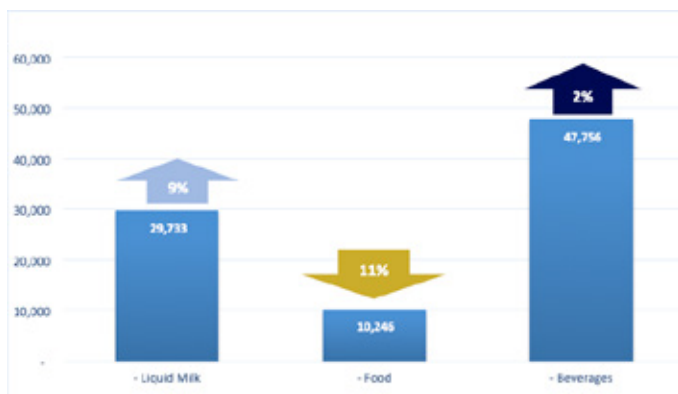
## Group Chief Executive’s Review of Operations (continued)

In line with inflation, the Group effected moderate price adjustments to defend profit margins culminating in a 25% increase in average selling price per litre. The price adjustments were moderate in comparison to year on year inflation which was higher at 42%. The price increases were largely effected in the last three months of the year.

A combination of price adjustments and volume growth resulted in a 28% growth in revenue above prior year.

### Portfolio performance

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



### Liquid Milks

The Liquid Milks category continued to grow achieving a volume growth of 9% above prior year driven by recovery in raw milk intake and use of milk powders for recombination. As highlighted in the milk supply section of this report, the growth in the Group’s share of raw milk produced in Zimbabwe had a direct impact on market share for Dairibord’s milk brands namely Chimombe, Super Milk, Lacto and Steri Milk despite increased competition. Growth in raw milk will mitigate the foreign currency constraints through substitution of imported milk powders going forward.

### Foods

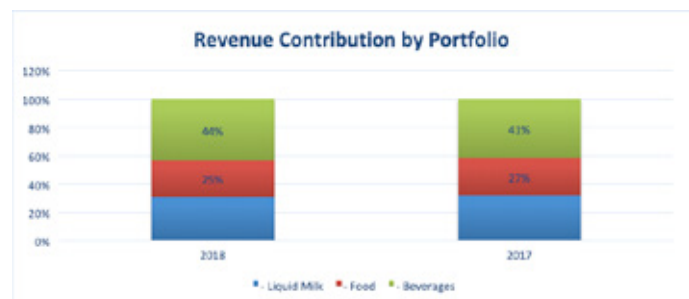
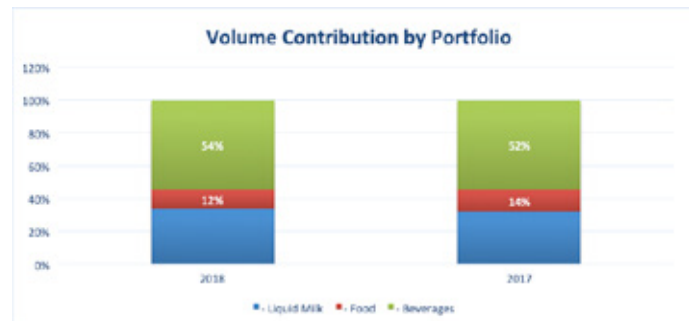
The Foods category, which was the most affected by input supply constraints, declined 11% from prior year. Key lines affected were Yoghurts, Peanut Butter and condiments. The Group retained leading market shares in the category and volume recovery is expected once the forex supply situation improves.

### Beverages

Beverages recorded a growth of 2% ahead of 2017 and contributed 54% of the Group’s volume. The Beverages category presents opportunities for growth largely driven by introduction of line extensions mainly cartonised Cascade, Fun n Fresh and Natural Joy Juices which appeal to the premium market segments of our consumers.

### Portfolio Mix

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



Opportunities for growth are present in all categories. The Group remains committed to investing in maintaining and growing the three categories, hence maintaining a balanced portfolio.

### PROFITABILITY

The transformation journey the business embarked on is bearing fruit as reflected in the profitability trajectory.

EBITDA margin, a key measure for the Group’s cash generating capacity, improved to 12% (\$15 million) from 10% (\$10 million) in prior year while profit from continuing operations increased to \$6.5 million from \$1.9 million in 2017.

This performance was due to the sustained momentum to grow both the topline and contain overheads. Manufacturing and non manufacturing overheads grew at rates slower than inflation at 13% and 4% respectively. The non manufacturing overheads performance, which was the target under the 2017 restructuring, is evidence of the effectiveness of the strategy taken to align overheads to volume of activity.

### Borrowings

Due to improved cash generation, the business managed to reduce borrowings to \$3.7 million from \$7.8 million at end of 2017 effectively reducing the gearing to 7% from 18%. Cost of borrowing remained at 8% at par with prior year. Going forward, the business will be utilizing its balance sheet to fund procurement of raw materials and minimizing foreign currency exposure.

The business ended the year with US\$3.9 million of foreign liabilities. These represent both short and medium term liabilities for working capital and capital expenditure items. The business has sufficient cash generating capacity to extinguish these liabilities.

### Cash generation and utilisation

The Group generated operating cashflows of \$9.2 million up from \$6.2 million largely on account of improved profitability. The cash resources



## Group Chief Executive's Review of Operations (continued)

generated were utilized to repay loans, invest in plant and equipment, and to pay dividends. Investments in plant and equipment were limited due to foreign currency constraints. The capital investments were largely towards maintenance of operations rather than expansion.

### Dairibord Malawi Limited (DML)

As highlighted in the Chairman's statement, the exit from Dairibord Malawi was premised on difficulties faced in capitalizing the business. The market remains attractive and the business will continue to serve the market through agents and established retail chains. No loss is anticipated from the exit.

### MILK SUPPLY

Raw milk intake for the Zimbabwe operations grew at a higher rate of 20% compared to national growth in raw milk production of 14%. Dairibord's share of raw milk produced in the country was at 40%. The company therefore remains the biggest dairy processor in the country.

The business continues to invest in milk supply growth initiatives with the aim of increasing the share of raw milk from farmers (through recruitment of new farmers and growing output for existing ones). The overall objective of the milk supply growth agenda is to reduce import dependence and support growth in both the domestic and export markets.

### BRAND BUILDING

The Group's brands retained leading market shares during the period despite product supply constraints. The company's brands, remain part of the company's most valuable assets. These brands are however not reflected in the company's balance sheet.

The following accolades were won by the business during the Marketers Association of Zimbabwe (MAZ) 2018 Super Brands awards:

1. FMCG dairy sector - Winner - Dairibord Chimombe
2. FMCG non-alcoholic cordials sector - 1<sup>st</sup> Runner Up - Lyons Quench
3. FMCG non-alcoholic beverages sector - 2<sup>nd</sup> Runner Up - Cascade
4. FMCG dairy sector - 2<sup>nd</sup> Runner Up - Lacto
5. Hot beverages sector - 2<sup>nd</sup> Runner Up - Lyons Quick Brew

These accolades, are evidence of the position occupied by the Group's brands in the market.

Investments in brand building, for both the local and export markets, will continue in order to defend and grow market shares in an increasingly competitive environment.

### HUMAN CAPITAL

The weakening in the macroeconomic environment during the year did not spare employees particularly in terms of purchasing power which is key to employee retention, motivation and stability of industrial relations. Despite the challenges, the business maintained a stable industrial relations environment throughout the year and initiative was taken to adjust conditions of service to cushion employees.

Going forward, the business will continue to invest in skills development which is critical for the achievement of the Group's strategic objectives. Core areas of focus are milk supply development, processing and sales and marketing.

### SUSTAINABILITY

Global developments continue to reinforce the increasing importance of integrating sustainability with business strategy. Key sustainability issues are to do with product responsibility, health and safety, stakeholder engagement, efficient use of energy resources and human

rights. Having started reporting sustainability impacts since 2012, the business is progressing to focus on the "Beyond Reporting" phase of the Sustainability agenda which aims at value creation for the business.

### PROSPECTS

A worsening operating environment is envisaged in 2019 and this will result in negative Gross Domestic Product (GDP) growth, projected at -4.5% by the IMF.

The major factors impacting growth prospects are:

- Continued deterioration in RTGS/USD exchange rates and limited availability of foreign currency on the recently established interbank market. While government's fiscal and monetary policy interventions are welcome, their impact on the supply of foreign currency is still to be felt.
- High rates of inflation related to forex supply and exchange rate fluctuations. February 2019 year on year (YOY) inflation surged to 59% from 56.9% in January. Recent increases in agriculture commodity prices, electricity and telecoms tariffs, fuel and wage increases are likely to sustain high rates of inflation.
- Cyclone Idai, which was experienced in Chipinge and Chimanimani, will have short and long term impact on the economy. Government will have to commit resources for humanitarian assistance and infrastructure rehabilitation.
- The below normal 2018/2019 rainfall pattern will significantly impact agriculture output with negative effects on food security, exports (especially for tobacco) and consumer disposable incomes. The rainfall pattern will also impact supply and cost of water and electricity throughout the year.

These factors will impact the implementation of the Group's growth strategy and projections.

To preserve value and sustain the performance trajectory achieved so far, the business will focus on milk supply growth, domestic and export volume growth, working capital optimisation and investment in unlocking processing and distribution capacity.

We are confident that despite headwinds in the operating environment, the business will achieve moderate volume growth and improved profitability.

A. Mandiwanza  
Group Chief Executive

25 April 2019



## 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's primary ethical framework is defined by the Group's Corporate Governance Code as approved by the Board. The code is reviewed and updated on an ongoing basis. The code provides guidelines as to what constitutes unethical behaviour. The Group maintains an ethics hotline through Deloitte Tip-Offs Anonymous and all reports are treated as confidential. We have 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 eight non-executive directors including the Chairman (80%) and two executive directors (20%). A non-executive director chairs the Board. The Board meets at least quarterly. Members of the Board possess various expertise that include business, finance, and 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 the company's expense in the furtherance of their duties.



## Corporate Governance & Ethics (continued)

### BOARD COMMITTEES

Committee	Members	Main Function
Finance & Audit	Mr. David Hasluck (Chairman) Mrs. Rachel Pfungwa Kupara Mr. N Robert 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 quarterly.
Remuneration	Mr. Josphat Sachikonye (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	Mr. Josphat Sachikonye (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 board performance.
Investments	Mr. N Robert 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 reviews of projects against intended objectives.
Milk Supply Development	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 milk production efficiencies.

### ATTENDANCE TO MEETINGS DURING 2018

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

\* Retired on 16 May 2018

\*\* Executive



## Dairibord Holdings Limited Board of Directors



**Mr. Josphat Sachikonye**  
**(Chairman)**  
**Non-executive Director**  
 B. Acc (UZ),  
 MBL (UNISA), CMA (UK),  
 INSEAD Management  
 Development Program, Executive  
 Management Programme (UCT)



**Mr. Antony Mandiwanza**  
**(Group Chief Executive)**  
**Executive Director**  
 MBA (UZ), Executive  
 Development Program (UZ)  
 Dip. Food and Dairy Technology  
 (West Scotland Agricultural  
 College UK)



**Ms. Mercy R. Ndoro**  
**(Group Finance Director and**  
**Company Secretary)**  
**Executive Director**  
 B. Acc (Hons) (UZ), ACISZ, MBA  
 (UZ)



**Mrs. Rachel Pfungwa Kupara**  
**Non-Executive Director**  
 B. Acc (Hons), CA (Z),  
 MBA (UZ)  
 Executive Development Program  
 (LBS)



**Mr. Cron Von Seidel**  
**Non-Executive Director**  
 BSc Hons Business Science, with  
 Finance Specialisation (UCT),  
 Member of the Institute of  
 Chartered Accountants in  
 England & Wales (ICEAW)



**Mr. David Hasluck**  
**Non-Executive Director**  
 BSc Geo & Psych (Rhodes  
 University), MSc Planning  
 (University of Tennessee),  
 Environmental Planning  
 Certificate (University of  
 Manchester)



**Mrs. Sibisiwe R Chindove**  
**Non-Executive Director**  
 MSc Food Science and  
 Technology (University College  
 of Cork)  
 B Admin (UZ), LCCI Dip  
 Marketing Sales and PR



**Mr. Cleton Mahembe**  
**Non-Executive Director**  
 Diploma in Agriculture (Chibero  
 College of Agriculture)



**Mr. Christopher R.J Hawgood**  
**Non-Executive Director**  
 BSc Hons in Agricultural  
 Management (University of  
 Natal)



**Mr. Nobert Chiromo**  
**Non-Executive Director**  
 B.Compt (UNISA)  
 CA (Z)





## Dairibord Holdings Limited Senior Management



**Antony Mandiwanza**  
**(Group Chief Executive)**  
**Executive Director**

MBA (UZ), Executive Development Program (UZ)  
Dip. Food and Dairy Technology (West Scotland Agricultural College UK)



**Mercy R. Ndoro**  
**(Group Finance Director and Company Secretary)**  
**Executive Director**

B. Acc (Hons) (UZ) , ACISZ, MBA (UZ)



**Theodora Marimo**  
**Manufacturing Executive**

BSc (Honours) degree in Agriculture(UZ), MSc in Food Science (UZ), MBA (UZ)



**Eunice Ganyau**  
**Commercial Executive**

BSc majoring in Chemistry (UZ), Post Graduate Dip in management (NUST), MBA (NUST) and an MSC in Strategic Marketing(UZ)



**Tracy Mutaviri**  
**Marketing Executive**

Bachelor of Business Studies (UZ), MBA (University of Pennsylvania)



**Edward Startenus**  
**Milk Supply Development Executive**

Bachelor of Technology Management (University of Hanze) (Netherlands)



**Anna Dhlamini**  
**Business Information Systems Executive**

MSc Information Security (Charles Stuart University) (Australia), MBA (MANCOSA), BCom Management (UNISA), Diploma in Information Processing (City & Guilds), Microsoft Certified Professional (MCP)



**Bernard Chakeredza**  
**Internal Audit Executive**

B. Acc (UZ), MBA (UZ), ACIS



**Gilbert Takabarasha**  
**Human Resources Executive**

Bsc (Honours) degree in Politics and Administration (UZ), IPMZ Dip, MBA (UZ)



## Risk Management

### Risk Management Philosophy

Risk is embedded in the Group's activities and is not separable from opportunity. Given the turbulence in the operating environment, continuous risk assessment is critical and what may be a low impact low likelihood circumstance may metamorphose into the most significant risk in a short period of time e.g. cyclones, social instability etc. 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.

### Group Risk Management Framework

The Board is terminally responsible for risk governance. The Board has delegated the risk management function to the Group Finance and Audit Committee. The composition of the Finance and Audit Committee is made up of Non-Executive Directors only. The 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 manager is responsible for managing risk 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	<ul style="list-style-type: none"> <li>Social instability impacting operations through work stoppages, asset and employee safety risk and worsening country risk profile</li> <li>Excessive wage demands by labor unions resulting in unsustainable wage levels</li> </ul>	<ul style="list-style-type: none"> <li>Through the company's risk management framework, the business continuously reviews emerging risks based on socio-political factors</li> <li>The company developed a clear policy on how to manage operations during social instability scenarios</li> <li>Proactive participation in wage negotiations.</li> <li>The business provided a cushion to employees to mitigate negative impact of inflation on purchasing power</li> </ul>
Legal/Regulatory	<ul style="list-style-type: none"> <li>Non-compliance with tax laws</li> <li>Increased costs of doing business due to levying of duty in forex</li> </ul>	<ul style="list-style-type: none"> <li>Tax health checks done regularly including reviews by external specialists</li> <li>Transfer pricing policy documentation and continuous review of the same</li> <li>Frequent engagement with authorities on tax laws and policies that reduce the tax burden on the business particularly payment of duty in foreign currency</li> </ul>
	Product and workplace safety below standards stipulated by law	<ul style="list-style-type: none"> <li>Operating standards are maintained above minimum requirements.</li> <li>Quality issues resolved amicably with customers in line with quality policy.</li> <li>Certification with regulators like National Social Security Authority, Environmental Management Agency and the Ministry of Agriculture are in place.</li> </ul>
Economic risk	Declining consumer disposable incomes	<ul style="list-style-type: none"> <li>Widen product offering to cater for all classes in society</li> <li>Price adjustments to retain competitiveness and viability</li> </ul>
	Increased competition from new entrants	<ul style="list-style-type: none"> <li>Maintain superior product quality and consistent product availability</li> <li>Invest in building competences to remain the preferred supplier/customer in the market</li> </ul>



## Risk Management (continued)

Risk category	Specific exposures	Mitigants
Business risk	Failure of the business model to create superior and sustainable performance	<ul style="list-style-type: none"> <li>Current year performance ahead of 2017, reflecting positive impact of performance improvement agenda</li> <li>Continuous improvement in business model to sustain the momentum achieved so far</li> </ul>
	Work stoppages/operational failure due to raw materials non-availability, power outages and other unforeseen eventualities	<ul style="list-style-type: none"> <li>Engaging financial institutions for forex prioritization</li> <li>Driving exports to contribute towards forex requirements</li> <li>Increasing investment in stocks to improve product supply</li> <li>Reduced terms for receivables to preserve value of monetary assets</li> <li>Invested in standby generators and boreholes to ensure consistent supply of utilities.</li> </ul>
	Inadequate raw milk intake volumes	<ul style="list-style-type: none"> <li>Improved the milk supply strategy beyond heifer procurement focusing on herd growth, feed formulation and procurement, veterinary support and artificial insemination</li> <li>2018 raw milk intake increased by 20% and the momentum is expected to continue</li> </ul>
Talent risk	Loss of skilled employees	<ul style="list-style-type: none"> <li>Rewarding top performers to improve retention</li> <li>Training and development of staff to ensure adequate skill pool</li> </ul>
	Inadequate succession planning exposing the future of the business	<ul style="list-style-type: none"> <li>Several management development programs are underway viz. MBAs, Graduate Trainees and Food and Dairy Technology training</li> </ul>
Financial Risk	Financial risk is comprehensively dealt with in the note 35 to the financial statements on page 93 to 96	



Dairibord Veterinary Doctor Tafadzwa Mhanga administering an injection on a dairy cow.



## 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.







## Engaging With Our Stakeholders

Engaging stakeholders provides the social and relationship capital crucial to our business model. Stakeholder engagement is distributed across the Group to key staff with responsibility of interfacing with stakeholders in their processes.

Key material issues from stakeholder engagement processes were escalated to the Executive committee and Board for decision making. In 2018, the Group engaged with stakeholders on various critical issues as shown below:

Stakeholder	Method of Engagement	Material Issues Identified And Discussed	Result/Action taken
<b>Customers and consumers</b>	<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Business review meetings</li> <li>Social media platforms</li> <li>One on one meetings and calls</li> </ul>	<ul style="list-style-type: none"> <li>Product supply</li> <li>Pricing</li> <li>Product quality</li> <li>Payment terms</li> <li>New product launches</li> <li>Imitation by formal and informal competitors</li> </ul>	<ul style="list-style-type: none"> <li>Prices adjusted to absorb increase in input costs.</li> <li>Payment terms reduced to align with prevailing market conditions where suppliers are demanding prepayments</li> <li>Product quality significantly improved compared to prior year period</li> <li>New line extensions successfully listed in all stores and well received by the marker.</li> <li>Product supply remains a key challenge given the foreign currency supply constraints</li> <li>Legal and market based strategies being deployed to fight imitations</li> </ul>
<b>Government and regulatory Authorities</b>	<ul style="list-style-type: none"> <li>Official representations (letters)</li> <li>Representations through industry bodies</li> <li>Formal meetings</li> <li>Policy briefings</li> <li>Compliance inspections</li> </ul>	<ul style="list-style-type: none"> <li>Pricing</li> <li>Taxation and supply of foreign currency</li> <li>Creation of a level playing field between imports and exports</li> </ul>	<ul style="list-style-type: none"> <li>The business received allocation of foreign currency from the Reserve Bank of Zimbabwe. The allocations were however not adequate for the company's requirements.</li> <li>On 20 February 2019, the RBZ liberalized RTGS/USD exchange rate to allow for market determined exchange rates</li> <li>Secured adequate import permits for milk powders to augment local raw milk</li> <li>Government temporarily suspended SI122 of 2017 to improve product supply. This did not result in increased competition due to deteriorating landed costs for imports</li> </ul>
		Regulatory compliance	<ul style="list-style-type: none"> <li>Business remains compliant with regulations including foreign currency, tax, environmental and safety requirements</li> </ul>
		Water and Electricity outages	<ul style="list-style-type: none"> <li>Utility supply remains a challenge</li> <li>The company however relies on standby facilities (generators &amp; reservoirs) to bridge the gap when authorities fail to supply</li> <li>The business is also exploring investment in solar energy and this will be subject to availability of foreign currency</li> </ul>
<b>Suppliers including farmers</b>	<ul style="list-style-type: none"> <li>Formal meetings</li> <li>Supplier briefings</li> <li>Workshops</li> </ul>	Raw milk supply initiatives and pricing	<ul style="list-style-type: none"> <li>Issues raised are being addressed through the milk supply development unit around feed, quality premiums, herd growth initiatives and veterinary support</li> </ul>
		Prices, quality and supply consistency for key inputs	<ul style="list-style-type: none"> <li>Supply of key raw materials remains a challenge due to forex supply constraints</li> <li>Forex constraints also impacted input prices.</li> <li>Business is working with banks to secure foreign currency.</li> </ul>
		Cashflow constraints due to suppliers demanding prepayments	<ul style="list-style-type: none"> <li>Prepayments being done to secure supply.</li> <li>Riding on existing relationships to negotiate better terms.</li> </ul>





## Engaging With Our Stakeholders (continued)

Stakeholder	Method of Engagement	Material Issues Discussed	Result/Action taken
<b>Employees</b>	<ul style="list-style-type: none"> <li>Roadshows</li> <li>Works council meetings</li> <li>One on one discussions</li> </ul>	<ul style="list-style-type: none"> <li>Conditions of service</li> <li>Performance trends and organizational transformation</li> </ul>	<ul style="list-style-type: none"> <li>Salaries adjusted to cushion employees from the declining purchasing power of incomes</li> <li>Industrial relations climate was stable throughout the year</li> </ul>
<b>Investors and Analysts</b>	<ul style="list-style-type: none"> <li>AGMs, Briefings, one on one meetings</li> </ul>	<ul style="list-style-type: none"> <li>Business turnaround</li> <li>Sustainability of performance</li> <li>Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Business posted increased profits in the year</li> <li>Costs remained under control particularly overheads despite inflationary pressures</li> <li>Strategies in place to further growth the performance and reinforce strategic pillars</li> </ul>
<b>Financial Institutions</b>	Formal meetings	<ul style="list-style-type: none"> <li>Foreign currency</li> <li>Funding requirements</li> <li>Tenure and interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Due to reduced supply of foreign currency, banks reduced their allocations to the business</li> <li>Engagement with banks however continues to access limited funds available</li> </ul>



Group Chief Executive Antony Mandiwanza engaging market analysts at an analysts' briefing



## Approach to Sustainability

Sustainability is core to the future of Dairibord Holdings business and our growth. We understand that our planet has limits and the impacts attributed to us as a business contribute to reaching those limits. The Group’s approach to sustainability is to tap into the opportunities for performance improvement presented by the widening intersection between business strategy and sustainability. Key areas of common interest are:

Metric	Business Benefits
Energy efficiency	Improved profitability through reduced costs
Health and safety	High employee morale and lower risk mitigation costs
Business impact on social-economic metrics of the country	High corporate citizenship capital
Product responsibility	Higher market share through customer loyalty
Stakeholder relations	High stakeholder capital
Corporate governance	Long term stability and performance

These common areas of interest when optimized, provide benefits to both the business and the overall global sustainability agenda.

### Sustainability Governance

The Group has a sustainability team responsible for driving the sustainability agenda for the business under the leadership of the Group Finance Director. Operationally, the Sustainability Team tracks sustainability indices on a monthly basis and key issues for management attention. Our processes are such that once a material issue is identified, the sustainability team evaluates materiality and impact of such issues based on its economic, environmental and social significance at company level and the business as a whole before reporting to senior management for policy and decision making.

For continuous improvement and independent review, the Group is advised by INSAF, a sustainability advisory firm, which has been engaged since 2012.

### Stakeholder Engagement

The Group’s stakeholder engagement strategy is part of our overall corporate affairs and risk management strategy. Key to our operations is our stakeholders who include investors, employees, communities, government, regulators, suppliers, customers and others. The Group values these stakeholders. As such, stakeholder engagement is done to capture material concerns from our stakeholders as an input into the organization’s strategy.



## Approach to Sustainability (continued)

### Inclusive business

Inclusive business is the profitable integration of the less privileged members of the community and small & 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 table below shows the 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
<ul style="list-style-type: none"> <li>• Guaranteed market for milk produced</li> <li>• Extension services</li> <li>• Credit facilities for herd development, stock feeds, equipment and other farm requirements</li> <li>• Lobbying to government for favourable agriculture policies</li> </ul>
Vendors
<ul style="list-style-type: none"> <li>• Provision of uniforms and equipment</li> <li>• Transportation to and from selling points</li> <li>• Credit facilities to enable them to buy and pay after sales</li> </ul>
Franchises and distributors
<ul style="list-style-type: none"> <li>• Credit facilities</li> <li>• Utilisation of company premises to conduct business</li> <li>• Marketing support</li> <li>• Assistance in managing their businesses</li> </ul>

### Capital Management

The Group recognises that the various forms of capital, both financial and non-financial, 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:
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• This is the advantage we enjoy from relationships with key stakeholders including government, customers, employees, suppliers and financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• This refers to the natural environment from which inputs are produced and outputs and waste disposed. As a manufacturing entity, we are committed to preserving this natural capital as well as working to optimize benefits e.g. through solar energy.</li> </ul>	<ul style="list-style-type: none"> <li>• This refers to the knowledge our employees possess as well as the intellectual capital that enables the business to remain ahead of competition and influence trends in our chosen domains.</li> </ul>



## Sustainability Performance

### OUR BUSINESS VIABILITY, VALUE GENERATION AND DISTRIBUTION

#### Management Approach

Our business viability is managed as part of our overall business model which is anchored on exploring and exploiting opportunities in the Liquid Milks, Foods and Beverages segments. Our management ensures these opportunities are capitalised on by focusing on our key strengths and priorities. We seek to enhance this process in the future by driving an inclusive approach to wealth generation and distribution so that our economy, employees, our farmers, suppliers, communities, who benefit from us will also stimulate our business.

The indices reported in this report are for continuing operations only. The results of operations in Malawi have been excluded since the Board decided to divest out of that market.

#### Economic Value Generated and Distributed

Economic Value Generated	Year		% Change
	2018 \$000	2017 \$000	
Sales revenue	126,443	98,637	28%
Other income	466	173	170%
Interest income	122	72	70%
Cost of materials and services	(98,489)	(76,086)	29%
Depreciation and amortization	(5,012)	(5,380)	-7%
<b>Value added</b>	<b>23,530</b>	<b>17,416</b>	<b>35%</b>

Economic Value Distributed	Year		%Change
	2018	2017	
to shareholders (dividend, 2018 dividend proposal)	2,506	716	250%
to employees (wages, salaries, benefits)	13,413	12,785	5%
to the state (current tax, deferred tax and capital gains tax)	3,069	1,116	175%
to lenders (interest expense)	571	719	-21%
to the Company (reserves)	3,970	2,081	91%
<b>Value added</b>	<b>23,530</b>	<b>17,416</b>	<b>35%</b>

#### Payments to Government

Payments	Year		%Change
	2018	2017	
Valued Added Tax (VAT)	1,279,474	1,526,763	-16%
Income and capital gains tax	1,234,484	138,631	790%
<b>Total</b>	<b>2,513,957</b>	<b>1,665,394</b>	<b>51%</b>

#### Receipts from Government

Receipts	Year		%Change
	2018	2017	
Export incentives	36,023	39,732	-9%

### OUR CONSUMERS

Consumers have always been at the heart of our business. They influence our daily activities at Dairibord. Our continued success is anchored by an understanding of the consumer needs and their changing tastes and preferences. We are working hard and continue to evolve to remain relevant. Our consumers are increasingly becoming interested in health and well-being than ever before and this necessitates innovation to develop products that meet these emerging trends. Our products also have a role to play in addressing the needs of the vulnerable populations in our



## Sustainability Performance (continued)

areas of operation such as pregnant women and infants. Responsible innovation, which also incorporates how we communicate with consumers of our products, is key to improving our market share and ensuring the safety of our consumers.

### Product Responsibility

At Dairibord we are accountable for our products across its whole life cycle. Responsibility for our products does not end when our products leave our facilities. Responsibility begins from the farmers, suppliers up to final disposal and recycling of our products. We ensure that all elements that would render our products of harm to our consumers and other stakeholders are minimised or completely eliminated across the whole value chain.

### Quality and Food Safety Management

We have established systems to monitor the sourcing and manufacturing of our products to ensure that the best practises are adopted to minimise impacts on the stakeholder's health, and environment.

Our priorities in this regard are as follows:

- Testing of raw materials before use in production processes
- Testing of products during conversion 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

We have adopted internationally recognised standards to manage the quality of products. We ensure that the employees who handle our products are fit to handle foods products.

The following certifications and legal requirements have been maintained in 2018:

- ISO certification. DZPL is certified under ISO 22000:2005 Food Safety Management Systems.
- HACCP
- Public Health Act
- SI 5 of 2015 Foods and Foods Standards
- Ministry of Health and SAZ certification of all products.

We are mindful of the impact of supply chain on the final product we deliver to our consumers as such we intend to reinforce our systems to manage and eliminate potential quality risks. Key to our system is the traceability process, inspections on material delivery helps us eliminate quality and safety risks. We have a batching system to ensure we can track the final product materials back to ingredients and we will continually improve it as a drive for product responsibility. The quality and freshness of ingredients and raw materials we source determine the excellence of the final products we deliver for our clients. Internal systems to inspect, vet and train suppliers help us achieve this goal. We continue to positively accept feedback from our consumers on areas of improvement on quality. Comments and queries regarding our products can be communicated via our website <https://www.dairibord.com/contact-us/> or social media sites.

### Innovation

Our success at Dairibord has been stimulated by our innovative mind-set. We continuously develop new products to meet the needs of customers and to address the nutritional requirements affecting the vulnerable sectors of our population. We are proud that our innovation spirit has enabled us dominate the market share of dairy products in Zimbabwe. Some of product developments has eliminated the need to import foreign products as we provided premium quality alternatives developed with the Zimbabwean consumer in mind.

### Responsible Communication

As the leading manufacturer and marketer of quality food and beverages, we play a major role in influencing healthy eating and active lifestyle for our consumers. We support the concept of responsible communication particularly on nutrition labelling and advertising. These processes can help consumers to make accurate and informed decision about our products. We seek to ensure our communications are consistent with the principles of balanced diet, good nutrition and personal choice. Our consumers are at the heart of our business as such we go all-out to serve their best interest by driving the sufficient and accurate messages through our adverts and nutritional labelling.

### OUR VALUE CHAIN

Dairibord is proud of the business partnerships that contribute to the final products we deliver to our consumers. Unethical practises, drought and shifts in weather patterns can affect our ability to continue operating. Issues like human rights violations, child labour, corruption, water scarcity and climate change present key risks in our continued ability to source key materials like milk and other ingredients. We seek to tap into opportunities provided by sustainable practices in our business partnerships while minimising the risks of association to address the socially conscious consumer. Key to our value chain is the traceability, quality and safety of raw materials that we source. We seek to enhance our value chain to ensure our supply chain is sustainable. Working closely with farmers and suppliers helps to understand the risks they face and helps us improve their livelihoods.





## Sustainability Performance (continued)

### Responsible Sourcing

Our supply chain relationships present risks and opportunities to us. This has been largely driven by our consumer's quest and interest to know more about what is in their food, where it comes from and how it is made. This consumer push coupled by an understanding that the absence of supply chain scrutiny can silently promote human rights violations and environmental degradation has stimulated the drive for us to improve responsible sourcing.

### Milk Supply

Milk is a major raw material in our value chain as such we place a huge emphasis on its continued supply. We continuously engage with farmers to ensure they are capacitated to continue supplying this essential raw material in sufficient quantities and at the quality we expect. Farmers are handled by the Milk Supply Development Unit (MSDU). This unit provides advisory and monitoring services to all farmers supplying milk to Dairibord. The major parameters the unit monitors are raw milk quality, farming practices, volume growth and cost of milk production. Financial resources are fully provided by the company to enable the unit to pursue its objectives which are aligned to the Group's strategy.

We are also on a drive to promote and develop small scale farmers to capacitate our future high demand for milk.

Investment in small scale farmers

Indicator	Year	
	2018	2017
Total Milk Intake	26,547	22,034
Percentage from Small scale farmers	3%	4%

### Animal welfare

We rely on dairy cattle to provide us milk. The welfare of animals which produce our milk is of paramount importance to us. This will also serve us, as well kept animals will likely produce more quality milk. The somatic test count tests we conduct in our facilities give us a picture of the welfare of the cattle helping us track and educate farmers. We provide loans and other support to our farmers to help them source feeding supplements to avoid malnourishment of cattle. Local regulations such as the Prevention of Cruelty to Animals' Act (Chapter 19.09) also requires proper treatment of animals whether domesticated or not. It is against this understanding that we seek to promote animal welfare in all business relationship with dairy farmers.

### OUR PEOPLE AND COMMUNITIES

Our people are a huge pillar for the business. We depend on them to achieve our strategic objectives and to represent the business when engaging with stakeholders. We seek to instil a workplace environment that stimulates equal opportunity, fair treatment, dignity and respect. Continuous interaction with communities helps us understand their needs and how our relationships can the company's strategy for the long term. Dairibord takes responsibility for improving the lives of those living and working in the areas where we operate.

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

### Staff Engagements and Turnover

Employee Category	Unit	Year	
		2018	2017
Permanent	Count	(59)	(81)
Contract	Count	28	22
<b>Total</b>		<b>(31)</b>	<b>(59)</b>

In line with the Group's restructuring objectives, headcount, particularly for permanent employees continues to decline. Any terminations of employment to that effect take into account the legal requirements for due process and also the need for the company to remain a responsible citizen through employment creation.



## Sustainability Performance (continued)

### Total Employees at Year End

Employee Category	Unit	Year	
		2018	2017
Permanent	Count	536	595
Contract	Count	683	655
<b>Total</b>		<b>1,219</b>	<b>1,250</b>

### Employees Gender Distribution

Gender disparities remain a key disadvantage for women. We understand how this impedes their development and making them vulnerable to limited opportunities, as such we continue to uphold the principles of equal opportunities and fair treatment to create a conducive environment where more women aspire to work.

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

Employee Gender Category	Unit	Year	
		2018	2017
Female	Count	189	176
Male	Count	1,030	1,074
<b>Total</b>		<b>1,219</b>	<b>1,250</b>
<b>Female Employees as a % of total employees</b>		<b>16%</b>	<b>14%</b>

The Group aims to continuously increase the proportion of female employees in the total workforce. The executive committee is comprised of five (5) women out of a total of nine (9) members.

### Apprentices, Graduate trainees and Students on attachment

Skills deficit and unemployment continue to wreak havoc in our areas of operation and the economy at large. The business has created a platform of opportunities for the youth to do practical skills development as part of their studies while at the same time presenting the company with an opportunity to address succession issues.

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

Category	Unit	Year	
		2018	2017
Graduate Trainees	Count	11	-
Students on Attachment	Count	13	19
<b>Total</b>		<b>24</b>	<b>19</b>

### Health & Safety

At Dairibord we recognise the importance of providing a safe working environment for our employees. We prioritise this not only as a legal requirement but as a basic human right for our people. We are committed to ensure that the safety of our workers, contractors and other clients that do business with us are well protected across all our facilities. We do this by continuous awareness training and promoting active involvement of our employees. Our Safety, Health and Environment (SHE) department ensures this goal is achieved by working in conjunction with a team of trained safety representatives and first aiders. We also require our employees and partners to comply with established principles and requirements for safety at our premises and outside work.

### Work Related Accidents/Injuries

Indicators	Unit	Year	
		2018	2017
Hazards for which internal STOP Notes issued	Incidence	nil	nil
Number of lost time injuries	Count	23	23
Total number of injuries	Count	108	122
Number of lost days	Count	239	281



## Sustainability Performance (continued)

### Health & Safety Training and Awareness Programs

Programme	Unit	Year	
		2018	2017
Wellness Programme	Employees	13	14
Anti-Retroviral therapy	Employees	7	7
Medical aid	Employees	666	692
Peer educators	Count	13	13
HIV/AIDS awareness campaigns	Activities	4	4
Clinics	Counts	1	1
First Aid workers	Count	32	33

### COMMUNITY INVESTMENT

Dairibord commitment to corporate social responsibility continues with investment targeted at health and social welfare, environmental activities, sports and education. Key activities during the year are shown below:

#### CSR activities in 2018

Community Priority Areas	Key Activities and Beneficiaries	2018 \$000	2017 \$000
<b>Sports</b>	<ul style="list-style-type: none"> <li>For the 5th year running, Dairibord sponsored the iconic week-long Dairibord Schools Rugby Festival and the festival has seen increased participation by high school rugby teams. The teams comprise both girls and boys.</li> <li>At national level, Dairibord supported the National Rugby Team, the Sables, by co-sponsoring two of their World Cup qualifier matches. A total of seven (7) players in the current national rugby team were mentored through the Dairibord Schools Rugby Festival</li> <li>The business also supported other sporting activities during the year</li> </ul>	<b>179</b>	<b>162</b>
<b>Health, environment and social welfare</b>	<ul style="list-style-type: none"> <li>Dairibord has over the years been touching the lives of vulnerable groups. Major support initiatives are namely Rekai Tangwena Orphanage in Nyanga and Society for the Destitute and Aged (SODA) in Highfield. Support is largely done through provision of nutritious foods and beverages from the company's portfolio.</li> <li>In line with the company's sustainability agenda, support was given to the Ministry of Environment, Water and Climate at the launch of Ecohub – a centre that promotes environmental friendly business practices</li> </ul>	<b>9</b>	<b>22</b>
<b>Education</b>	During the year under review five (5) university and high school children were on the bursary scheme and of these, three were studying at local state universities.	<b>9</b>	<b>9</b>
<b>Total community investment</b>		<b>197</b>	<b>193</b>



## Sustainability Performance (continued)

### CARING FOR THE PLANET

At Dairibord we value natural resources and understand that most of them are finite and where they can be regenerated, the replacement rate is much lower than depletion. Our operations depend on the myriad of resources and services provided by our planet. We understand how our operations, if not monitored and managed, can impact negatively on our environment which in turn affects our business in the long run. This understanding drives us to operate efficiently, reduce emissions, generate less waste for disposal, efficiently manage water and assist in the protection of biodiversity and forests. We are setting for ourselves ambitions for resources management efficiency on utilities and reductions in emissions to reduce our contribution to global warming and climate change.

### Management Approach

We have ambitions towards minimising environmental impact. Emissions, water use, energy and waste are areas we can make a huge difference. The Group continues to monitor and report on its solid and liquid materials discharged into the environment. Our drive towards efficiency will contribute towards our ambitions to reduce our impact.

### Environmental Management Priorities

- Reduction in consumption of energy and hence savings in costs and reduced impact on environment
- Investing in solar energy to reduce utilisation of non-solar energy sources
- 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:

Tons	2018	2017
Natural packaging	613	551
Synthetic packaging	4,183	4,104
Combined (natural and synthetic materials)	566	328
Oils and grease	14	9
<b>Total</b>	<b>5,376</b>	<b>4,992</b>

The business remains committed to reducing the negative environmental impact of the waste discharged into the environment during production, distribution or after consumption. Through PETRECOZIM, the business supports recollection of solid waste from the environment and the following section details performance of the initiative.

### Recycling Initiatives: PETRECOZIM

The Group continued to support the industry recycling initiative through PETRECOZIM, a PET recycling company co-owned by 8 companies (Dairibord included).

The performance summary for PETRECOZIM in 2018 was as follows:

Materials	Unit	Year	
		2018	2017
Waste collections	Tons	2500	1105
Recycled material sold	Tons	1,771	802
<b>Revenue generated</b>	<b>RTGS\$</b>	<b>584,687</b>	<b>254,000</b>

The strategy to reclaim waste from the environment through the company is bearing fruit as reflected by the increase in waste collected, processed and the revenue thus generated. Dairibord's contribution during the year was at \$10,292 vs. \$14,765 contributed in 2017.



## Sustainability Performance (continued)

### Energy Consumption - Within the organisation

Energy Type	Unit	Year	
		2018	2017
Electricity	MWh	13,044	13,084
Heating (Coal)	Tons	6,458	6,259

### Energy Consumption - Outside the organisation

Energy Type	Unit	Year	
		2018	2017
Diesel	'000' Litres	2,009	2,295
Petrol	'000' Litres	181	170

Electricity, coal and diesel consumption declined on account of efficiencies in energy utilisation. This decline was despite a 3% growth in volumes. This trend is expected to continue on account of continued focus on improving value-chain efficiencies.

### Water

Source	Unit	Year	
		2018	2017
Municipal	Cubic Litres	305,028	290,027
Borehole	Cubic Litres	160,117	177,396

Water consumption efficiencies also improved as reflected in the decline in usage against growth in volumes. In line with the business focus on reducing water waste, the trend is also anticipated to sustain.



We are committed to maintaining a clean environment.





## Community Involvement



Board Member Cleton Mahembe (2<sup>nd</sup> from left) hands over Dairibord products to Mr. Jeffrey Tumizani (left), Mr. Portisali Chipango (holding Rabroy tomato sauce) and Mr. Maxwell Tendai (blue hat) while Society of the Destitute and Aged (SODA) Board Member Mrs. Emilia Mukaratirwa looks on, in Highfield, Harare.



Prince Edward 'Tigers' battling it out with Churchill 'Bulldogs'.  
Dairibord sponsors one of the biggest schools rugby festivals in the world - The Dairibord Schools Rugby Festival



Gwinyai & Chitsere Primary schools competing for a trophy at the inaugural Japhet Mparutsa "Short Cat" Mbare Primary schools tournament sponsored by Dairibord.



## Accolades and Associations

### 2018 MARKETERS ASSOCIATION OF ZIMBABWE (MAZ) - SUPER BRAND AWARDS

1. FMCG dairy sector - Winner - Dairibord Chimombe
2. FMCG non-alcoholic cordials sector - 1<sup>st</sup> Runner Up - Lyons Quench
3. FMCG non-alcoholic beverages sector - 2<sup>nd</sup> Runner Up – Cascade
4. FMCG dairy sector - 2<sup>nd</sup> Runner Up – Lacto
5. Hot beverages sector - 2<sup>nd</sup> Runner Up - Lyons Quick Brew

### 2018 BUY ZIMBABWE AWARD

1. Farmers Support Award - Winner

MAZ FMCG DAIRY SECTOR



MAZ FMCG NON-ALCOHOLIC CORDIALS SECTOR



MAZ FMCG NON-ALCOHOLIC BEVERAGES SECTOR



MAZ FMCG DAIRY SECTOR



MAZ HOT BEVERAGES SECTOR



BUY ZIMBABWE FARMERS SUPPORT AWARD







## 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 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 consider that in the preparation of these financial statements, reasonable and prudent judgments and estimates have been made. International Financial Reporting Standards (IFRS) have also been followed, where applicable with suitable accounting policies having been consistently applied subject to limitations imposed by statutes.

### Compliance with legislation

These financial statements prepared under the historical cost convention (except for fair value measurement where applicable) agree with the underlying books and records, and have been prepared in accordance with the accounting policies set out Note 2.

### Compliance with IFRSs

The Financial Statements are prepared with the aim of fully complying with IFRS which comprise interpretations adopted by the International Financial Reporting Standards Board (IASB), and include standards adopted by the IASB and the interpretations developed by the International Financial Reporting Interpretations Committee or by the former Standing Interpretations Committee (SIC).

While full compliance with IFRSs has been possible in previous reporting periods, only partial compliance has been achieved for 2018. The IFRS Conceptual Framework, provides that in applying fair presentation to the Financial Statements, entities should go beyond consideration of the legal form of transactions and other factors impacting on the Financial Statements and to also consider the underlying economic substance therein. International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" requires an entity to apply certain parameters in determining the functional currency of an entity, for use in preparing its Financial Statements. IAS 21 also requires an entity to make certain judgements around appropriate exchange rates to be applied between currencies where exchangeability through a legal exchange mechanism (such as a formal currency market) is not achievable. In February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019, which, based on our interpretation for accounting and other purposes, prescribes parity between the US\$ and local currency as at and up to the effective date of 22 February 2019, and also prescribes the manner in which certain balances in the Financial Statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe.

In our opinion, the requirement to comply with SI 33 of 2019 has created inconsistencies with IAS 21, as well as with the principles embedded in the IFRS Conceptual Framework, as also enunciated in the guidance issued by the Public Accountants and Auditors Board on 21 March 2019. This has resulted in accounting treatment being adopted in the 2018 Financial Statements which is different from that which would have been adopted if the Company had been able to comply with IFRS. As such, the Directors and Management have been unable to produce Financial Statements which in their view would be true and fair and urge users of the financial statements to exercise due caution. Note 37 seeks to provide users with more information given the context and the aforementioned guidance.

### Going concern

In view of the subsequent events of 20 February 2019, the Directors have assessed the ability of the Company to continue as a going concern and 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, the Directors believe that the preparation of these financial statements, on a going concern basis is still appropriate.

### Preparation and audit of the financial statements

The financial statements have been audited by the Group's External Auditors, Ernst & Young (Chartered Accountants) Zimbabwe, 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.

### Approval of the Financial Statements

The financial statements for the year ended 31 December 2018 have been approved by the Board of Directors and are signed on its behalf by the Chairman of the Board, Mr J.H.K Sachikonye and by the Group Chief Executive, Mr. A. Mandiwanza.

**J.H.K Sachikonye**  
Chairman  
25 April 2019

**A Mandiwanza**  
Group Chief Executive  
25 April 2019



## Report of the Directors

The Directors have pleasure in submitting their twenty-fourth annual report, together with audited financial statements of the Group for the year ended 31 December 2018.

### 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
Effect of adopting new accounting standards	(285 616)
Profit for the year	6 017 714
Dividend paid	(716 001)
Other movements	16 797
<b>Distributable reserves at the end of the year</b>	<b>24 766 191</b>

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

### PROPERTY PLANT AND EQUIPMENT

Expenditure on property, plant and equipment during the period was US\$1.2 million. Expenditure for the year January to December 2019 is planned at RTGS \$11.2 million. This expenditure is to be financed mainly from the Group's own resources.

### DIVIDEND

The Board declared a dividend of 0.007 RTGS cents per share for the year ended 31 December 2018 which was paid on or around 16 April 2019.

### DIRECTORS

In accordance with article 100 of the company's Articles of Association, Mr. Cron von Seidel retires by rotation and being eligible, offers himself for re-election.

In accordance with article 100 of the company's Articles of Association, Mrs. S. R. Chindove retires by rotation and being eligible, offers herself for re-election.

Mr David Hasluck, who has served the board as a non-executive director since 12 March 2015 will be retiring at the conclusion of this Annual General Meeting in terms of article 85A of the Company's Articles of Association.

### AUDITORS

Members will be asked to approve the remuneration of the auditors, Ernst & Young Chartered Accountants (Zimbabwe) of \$133 250, for the year ended 31 December 2018 and their re-appointment as Auditors to the company for the ensuing year.

M. Ndoro  
Company Secretary

25 April 2019



**Building a better  
working world**

**Ernst & Young**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way /  
Kwame Nkrumah Avenue  
P O Box 62 or 702  
Harare  
Zimbabwe

Tel: +263 4 750905-14 or 750979-83  
Fax: +263 4 750707 or 773842  
E-mail: admin@zw.ey.com  
www.ey.com

**Independent Auditor's Report  
To the Shareholders of Dairibord Holdings Limited**

**Report on the Audit of the Consolidated Financial Statements**

**Adverse Opinion**

We have audited the consolidated and company financial statements of Dairibord Holdings Limited and its subsidiaries (the Group) set out on pages 44 to 98, which comprise the consolidated and company statement of financial position as at 31 December 2018, and the consolidated and company statement of comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

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

**Basis for Adverse Opinion**

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

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out 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. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGS\$) and the interbank foreign exchange market.

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

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

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

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



### **Basis for Adverse Opinion (continued)**

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

Therefore, had RTGS\$ been designated as the functional currency and a different RTGS\$:US\$ currency rate been determined and applied by management, most of the account balances and the information provided by way of notes to, the accompanying financial statements, would have been materially different.

Specifically all line items of the statement of financial position have been affected except for investment property, investments in subsidiaries, long term loans receivable, financial assets at fair value through profit or loss, short term loans receivable, share capital, share premium and non-distributable reserves. All line items of the statement of profit or loss and other comprehensive income have also been affected except for loss for the year from discontinued operations and exchange differences on translating foreign operations. The effects of the above departure from IFRS are therefore pervasive to the financial statements and however have not been quantified.

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

### **Key Audit Matters**

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

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

### **Other Information**

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

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

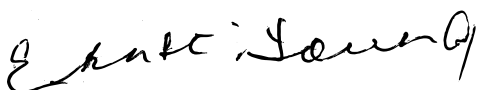
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Fungai Kuipa (PAAB Number 207).



ERNST & YOUNG  
CHARTERED ACCOUNTANTS (ZIMBABWE)  
REGISTERED PUBLIC AUDITORS  
HARARE

26 APRIL 2019



## Statements of profit or loss and other comprehensive income for the year ended 31 December 2018

	Notes	GROUP		COMPANY	
		2018 US\$	2017* US\$	2018 US\$	2017 US\$
<b>Continuing operations</b>					
Revenue from contracts with customers	4	126,358,407	98,553,022	-	-
Rental income		84,203	83,663	-	-
Revenue from management services	4	-	-	1,038,124	1,030,936
Revenue from royalties	4	-	-	1,226,910	450,000
<b>Revenue</b>		<b>126,442,610</b>	<b>98,636,685</b>	<b>2,265,034</b>	<b>1,480,936</b>
Cost of sales		(93,012,082)	(71,549,510)	-	-
<b>Gross profit</b>		<b>33,430,528</b>	<b>27,087,175</b>	<b>2,265,034</b>	<b>1,480,936</b>
Other operating income	5	465,721	172,744	6,331,211	597
Selling and distribution expenses	6.1	(15,705,980)	(16,296,272)	-	-
Administration expenses	6.2	(8,131,036)	(5,761,693)	(1,509,482)	(1,195,222)
Other operating expenses	6.3	(65,110)	(642,907)	(11,942)	-
<b>Operating profit</b>	<b>7</b>	<b>9,994,123</b>	<b>4,559,047</b>	<b>7,074,821</b>	<b>286,311</b>
Restructuring costs	6.4	-	(847,373)	-	(436,882)
Finance costs	8	(570,773)	(718,533)	(366,350)	(585,008)
Finance revenue	9	122,198	72,012	618,248	857,962
<b>Profit before tax</b>		<b>9,545,548</b>	<b>3,065,153</b>	<b>7,326,719</b>	<b>122,383</b>
Income tax expense	10	(3,069,403)	(1,115,957)	(287,118)	(58,976)
Profit for the year		6,476,145	1,949,196	7,039,601	63,407
<b>Discontinued operations</b>					
Loss for the year from discontinued operations	12	(693,320)	(594,229)	-	-
<b>Profit for the year</b>		<b>5,782,825</b>	<b>1,354,967</b>	<b>7,039,601</b>	<b>63,407</b>
<b>Profit/(loss) attributable to:</b>					
Equity holders of the parent		6,017,714	1,609,810	7,039,601	63,407
Non-controlling interests		(234,889)	(254,843)	-	-
		5,782,825	1,354,967	7,039,601	63,407
<b>Other comprehensive income:</b>					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translating foreign operations		109	-	-	-
		109	-	-	-
<b>Total comprehensive income for the year</b>		<b>5,782,934</b>	<b>1,354,967</b>	<b>7,039,601</b>	<b>63,407</b>
<b>Total comprehensive income /(loss) attributable to:</b>					
Equity holders of the parent		6,017,789	1,609,810	7,039,601	63,407
Non-controlling interests		(234,855)	(254,843)	-	-
		5,782,934	1,354,967	7,039,601	63,407
<b>Earnings per share (cents)</b>					
Basic earnings for the year attributable to ordinary equity holders of the parent	11	1.68	0.38		
Diluted earnings for the year attributable to ordinary equity holders of the parent	11	1.68	0.38		
<b>Earnings per share for continuing operations (cents)</b>					
Basic earnings from continuing operations attributable to ordinary equity holders of the parent	11	1.81	0.53		
Diluted earnings from continuing operations attributable to ordinary equity holders of the parent	11	1.81	0.53		

\* Comparatives for 2017 and the relevant explanatory notes have been restated to reflect effect of discontinued operations and the reclassification of discounts and rebates to revenue as per new standard IFRS 15 (Refer to Note 3 and 12, respectively)



## Statements of financial position

as at 31 December 2018

	Notes	GROUP		COMPANY	
		2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	34,725,326	40,895,715	52,532	73,004
Investment property	14	1,450,000	1,305,000	-	-
Intangible assets	15	352,567	455,643	99,095	112,256
Investment in subsidiaries	16	-	-	47,111,145	47,111,145
Long-term loans receivable	17.1	-	-	3,151,530	7,024,260
Other non-current financial assets	18.1	501,515	-	192,000	-
Deferred tax asset	28	20,681	26,174	20,681	26,174
		<b>37,050,089</b>	<b>42,682,532</b>	<b>50,626,983</b>	<b>54,346,839</b>
<b>Current assets</b>					
Inventories	19	18,308,918	12,119,852	-	-
Related party balances	20.1	-	-	4,261,759	1,922,333
Prepayments		3,099,048	1,553,843	5,636	-
Trade and other receivables	21	7,256,984	10,043,187	287,865	110
Short-term loans receivable	17.2	-	-	2,242,681	2,974,083
Financial assets at fair value through profit or loss	18.2	160,205	-	160,205	-
Cash and cash equivalents	22	10,317,729	5,819,110	633,293	200,534
		39,142,884	29,535,992	7,591,439	5,097,060
Assets classified as held for sale	12	2,360,343	-	-	-
		41,503,227	29,535,992	7,591,439	5,097,060
		<b>78,553,316</b>	<b>72,218,524</b>	<b>58,218,422</b>	<b>59,443,899</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	23.1	35,800	35,800	35,800	35,800
Share premium	23.2	1,379,664	1,379,664	1,379,664	1,379,664
Non-distributable reserves	23.4	28,526,143	24,318,766	16,999,800	17,016,597
Reserves of assets classified as held for sale	23.4	(4,224,099)	-	-	-
Retained earnings		24,766,191	19,733,297	35,912,810	29,572,413
Equity attributable to owners of the parent		50,483,699	45,467,527	54,328,074	48,004,474
Non-controlling interests		(282,763)	(47,908)	-	-
<b>Total equity</b>		<b>50,200,936</b>	<b>45,419,619</b>	<b>54,328,074</b>	<b>48,004,474</b>
<b>Non-current liabilities</b>					
Interest-bearing borrowings	24.1	1,293,436	3,831,399	780,643	2,606,532
Financial guarantee liability	25	136,971	-	-	-
Deferred income	26	-	218,908	-	-
Deferred tax liability	28	6,378,038	5,422,557	-	-
		<b>7,808,445</b>	<b>9,472,864</b>	<b>780,643</b>	<b>2,606,532</b>
<b>Current liabilities</b>					
Trade and other payables	29	14,428,925	13,209,667	525,403	223,295
Interest-bearing borrowings	24.2	2,408,554	3,953,308	2,242,681	3,513,351
Bank overdraft	22	387,838	89,333	-	-
Dividend payable	23.3	87,906	67,874	87,906	67,874
Amounts owed to group companies	20.2	-	-	83,694	5,028,373
Income tax payable		501,463	5,859	170,021	-
		17,814,686	17,326,041	3,109,705	8,832,893
Liabilities associated with assets held for sale	12	2,729,249	-	-	-
		20,543,935	17,326,041	3,109,705	8,832,893
		<b>28,352,380</b>	<b>26,798,905</b>	<b>3,890,348</b>	<b>11,439,425</b>
<b>Total liabilities</b>		<b>28,352,380</b>	<b>26,798,905</b>	<b>3,890,348</b>	<b>11,439,425</b>
<b>Total equity and liabilities</b>		<b>78,553,316</b>	<b>72,218,524</b>	<b>58,218,422</b>	<b>59,443,899</b>

**J.K.H. SACHIKONYE**  
Chairman  
25 April 2019

**A. MANDIWANZA**  
Group Chief Executive  
25 April 2019



## Statements of cash flows for the year ended 31 December 2018

	Notes	GROUP		COMPANY	
		2018 US\$	2017* US\$	2018 US\$	2017 US\$
<b>Operating activities</b>					
Profit before tax-continuing operations		9,545,548	3,065,153	7,326,719	122,383
Loss before tax-discontinued operations		(612,301)	(594,229)	-	-
Adjusted for:					
Depreciation of property, plant and equipment	13	5,060,801	5,357,180	19,834	96,035
Asset written off	13	1,430	-	1,430	-
Amortisation of intangible assets	15	109,269	106,297	13,161	13,161
(Profit)/loss on disposal of property, plant and equipment	5	(111,634)	(57,668)	6,276	-
Profit on disposal of investment property	5	(1,739)	-	-	-
Profit on disposal of financial assets at fair value through profit or loss	5	(122,045)	-	(122,045)	-
Non cash dividend income	5	-	-	(6,180,000)	-
Finance income	9	(122,198)	(72,012)	(618,248)	(857,962)
Inventory written off	19	575,885	768,832	-	-
Allowances for credit losses	21	822,285	334,953	-	-
Grants released to profit and loss	26	(27,621)	(87,829)	-	-
Loan guarantee costs	25	104,294	-	-	-
Fair value adjustment on investment property	14	(11,700)	-	-	-
Fair value adjustment on financial assets at fair value through profit or loss	18.2	(21,876)	-	(21,876)	-
Finance costs		779,329	811,927	366,350	585,008
Working capital movements :					
(Increase)/decrease in inventories		(7,095,871)	354,306	-	-
Decrease/ (Increase) in trade and other receivables and prepayments		3,234	(967,422)	(197,391)	34,032
(Increase) /decrease in amounts owed by group companies		-	-	(2,339,426)	193,236
Increase in amounts owed to group companies		-	-	1,235,321	345,014
Increase/(decrease) in trade and other payables		2,384,410	(1,829,624)	302,108	(415,512)
		11,259,500	7,189,864	(207,787)	115,395
Interest paid		(779,329)	(811,927)	(366,350)	(585,008)
Income tax paid		(1,250,834)	(138,631)	(111,604)	-
<b>Net cashflows generated from /(used in) operating activities</b>		<b>9,229,337</b>	<b>6,239,306</b>	<b>(685,741)</b>	<b>(469,613)</b>
<b>Investing activities</b>					
Purchase of plant and equipment	13	(1,150,972)	(1,964,151)	(7,068)	(783)
Purchase of intangible assets	15	(6,193)	(8,146)	-	-
Proceeds from sale of property, plant and equipment		425,326	94,279	-	5,000
Proceeds from sale of assets held for sale & investment property		51,739	625,217	-	-
Proceeds from sale of financial assets at fair value through profit or loss		1,203,682	-	1,203,682	-
Purchase of financial assets at fair value through profit or loss	18.2	(1,219,966)	-	(1,219,966)	-
Grants received	26	237,709	306,737	-	-
Loans issued to other third parties		(716,000)	-	(288,000)	-
Loans issued to subsidiaries		-	-	(582,000)	(582,000)
Loans repaid by subsidiaries		-	-	5,186,132	3,022,770
Finance income on effective interest rate method	9	122,198	72,012	618,248	857,962
<b>Net cashflows (used in)/ generated from investing activities</b>		<b>(1,052,477)</b>	<b>(874,052)</b>	<b>4,911,028</b>	<b>3,302,949</b>
<b>Financing activities</b>					
Proceeds from borrowings	35.3	582,000	1,870,587	582,000	582,000
Repayment of borrowings	35.3	(3,928,612)	(4,241,035)	(3,678,559)	(3,237,912)
Dividends paid	23.3	(695,969)	-	(695,969)	-
<b>Net cash outflow from financing activities</b>		<b>(4,042,581)</b>	<b>(2,370,448)</b>	<b>(3,792,528)</b>	<b>(2,655,912)</b>
Net increase in cash and cash equivalents		4,134,279	2,994,806	432,759	177,424
Net foreign exchange difference		112	-	-	-
Cash and cash equivalents at beginning of the period		5,729,777	2,734,971	200,534	23,110
<b>Cash and cash equivalents at the end of the period</b>	<b>22</b>	<b>9,864,168</b>	<b>5,729,777</b>	<b>633,293</b>	<b>200,534</b>





## Statements of changes in equity

for the year ended 31 December 2018

### GROUP

#### Attributable to equity holders of the parent

	Share Capital US\$	Share Premium US\$	Non - distributable reserves US\$ (Note 23.4)	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 2017	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
Revaluation reserve realised on sale of assets	-	-	-	(154,857)	154,857	-	-	-
Transfer back to revaluation reserve on reclassification of assets from held for sale back to property	-	-	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
Effect of adopting new accounting standard IFRS 9 (Note 3)	-	-	-	-	(285,616)	(285,616)	-	(285,616)
Restated 1 January 2018	35,800	1,379,664	24,318,766	-	19,447,681	45,181,911	(47,908)	45,134,003
Profit /(loss) for the year	-	-	-	-	6,017,714	6,017,714	(234,889)	5,782,825
Other comprehensive income	-	-	75	-	-	75	34	109
Total comprehensive income	-	-	75	-	6,017,714	6,017,789	(234,855)	5,782,934
Transfer to retained earnings of share option reserve	-	-	(16,797)	-	16,797	-	-	-
Dividends (Note 23.3)	-	-	-	-	(716,001)	(716,001)	-	(716,001)
Reserves of discontinued operation	-	-	4,224,099	(4,224,099)	-	-	-	-
As at 31 December 2018	35,800	1,379,664	28,526,143	(4,224,099)	24,766,191	50,483,699	(282,763)	50,200,936

### COMPANY

	Share Capital US\$	Share Premium US\$	Non distributable reserves US\$	Retained earnings US\$	Total US\$
As at 1 January 2017	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
Profit for the year	-	-	-	7,039,601	7,039,601
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	7,039,601	7,039,601
Dividends paid (Note 23.3)	-	-	-	(716,001)	(716,001)
Transfer to retained earnings of the share option reserve	-	-	(16,797)	16,797	-
As at 31 December 2018	35,800	1,379,664	16,999,800	35,912,810	54,328,074



## Notes to the Financial Statements

### 1. Corporate information

The financial statements of Dairibord Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue on 25 April 2019 in accordance with a resolution of the directors. Dairibord Holdings Limited is a company incorporated and domiciled in Zimbabwe. 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, investment property and financial assets at fair value through profit or loss that have been measured at fair value. The consolidated financial statements are presented in a currency deemed to be at par with the United States Dollars (US\$). Following the introduction of the multi-currency system in 2009, the United States dollar (US\$) became the dominant trading currency and was accepted as both functional and presentation currency by most entities, including the Group. Due to subsequent shortages of foreign currency, the Reserve Bank of Zimbabwe introduced various policy measures such as priority listing of foreign payments impacting the payment of foreign creditors. The RBZ also introduced Bond notes, a surrogate currency pegged at 1:1 to the US\$. These problems became more pronounced into the current year with increasing delays in foreign payments and more pronounced multiple forms of pricing in the market depending on the mode of payment (US\$, Bond note or RTGS).

On 22 February 2019 the Government of Zimbabwe issued Statutory Instrument 33(SI 33 of 2019) which prescribes parity between the United States Dollar (USD) and the local currency as at and up to 22 February 2019 and also prescribes the manner in which certain balances in the Financial statements may be treated as a consequence of the recognition of the RTGS Dollar as currency in Zimbabwe. In order to comply with this SI 33, full compliance with IFRS, in particular IAS 21: Effects of Changes in Foreign Exchange rates has not been possible

#### Functional currency

These Financial statements are presented in United States Dollars (USD), which is the Company's functional currency.

#### Determination of the functional currency

The entity is operating in a multi-currency environment since its adoption in 2009 to curb hyperinflation. The business operating environment witnessed significant monetary and exchange control policy changes by the Reserve Bank of Zimbabwe (RBZ) between 2016 to date which includes among others:

- The introduction of bond notes in 2016 at a fixed 1:1 rate with the USD.
- Priority listing of foreign payments which brought an impact on the timing of settlement of foreign payables.

These were measures to alleviate the challenges of the foreign currencies shortages especially the USD which had been in wide use. As the foreign currency challenges continued in the current year, it triggered multiple forms of pricing in the market depending on the mode of payment available (Bond Cash, USD Cash or RTGS).

The Directors have assessed the functional currency of the Group according to the primary considerations under IAS 21- Effects of changes in foreign exchange rates and determined that the functional currency for the current financial year is the US Dollar. The Directors have also assessed that the exchange rate between the USD\$ and RTGS\$ was 1:1 as at and for the year ended 31 December 2018 as per the monetary policy statement announcement on 20 February 2019.

#### Statement of compliance

The requirement to comply with SI 33 of 2019 has created inconsistencies with IAS 21 as well as with the principles embedded in the IFRS Conceptual Framework. This has resulted in accounting treatment being adopted in the 2018 Financial Statements which is different from that which would have been adopted if the Group had been able to comply with IFRS. As such, the Group has not been able to fully comply with 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 2018. 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 in the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights



## Notes to the Financial Statements (continued)

### 2.2 Basis of preparation (continued)

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.

The Group determines whether a subsidiary is materially owned by reference to such factors as rights or control the non-controlling shareholders have on the subsidiary principally the right to appoint directors to the Board of the subsidiary.

### 2.3 Changes in accounting policies and disclosures

The Group applied for the first time certain standards, interpretations and amendments to standards, which are effective for annual periods beginning on or after 1 January 2018. The Company 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:

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The group applied the following practical expedients when applying the standard retrospectively:

- (a) for completed contracts, an entity need not restate contracts that:
  - (i) begin and end within the same annual reporting period; or
  - (ii) are completed contracts at the beginning of the earliest period presented.
- (b) for completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The Group did not apply any the other available optional practical expedients.

The nature of these adjustments are described below:



## Notes to the Financial Statements (continued)

### 2.3 Changes in accounting policies and disclosures (continued)

#### (a) Sale of goods with variable consideration

Some contracts for the sale of goods provide customers with a right of return and volume rebates. Before adopting IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return and volume rebates give rise to variable consideration.

- **Rights of return**

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15. Before the adoption of IFRS 15, the Group adjusted the returns as they occurred and did not provide for expected returns.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. Under IFRS 15, for goods expected to be returned, the Group is supposed to present a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. The Group has determined that the amount of goods that will be returned are not significant and hence there is no impact on the statement of comprehensive income or financial position. The Group has thus not recognised the right of return and refund liability.

- **Volume rebates**

Before the adoption of IFRS 15, the Group estimated the expected volume rebates using the probability-weighted average amount of rebates approach and included an allowance for rebates in trade and other payables.

Under IFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. For example, an amount of consideration would be variable if either a product was sold with a right of return or a fixed amount is promised as a performance bonus on achievement of a specified milestone.

The following rebates are paid to the customer by Dairibord at the end upon the occurrence of:

1. Corporate Advertising : A percentage of sales paid towards the customer by DZPL
2. Base Incentives : Fixed Percentage of Sales paid by DZPL to the Customer
3. Growth Incentives : A variable fee paid to the customer by DZPL to incentive growth over the same period in the prior year
4. Distribution Centre allowance: A percentage passed off invoiced quantities per order for negotiated deliveries.

The amounts in respect of the above are measured at a specific date at the end of month or period and agreed with the customer and the customer's account credited. The corresponding debit is adjusted against revenue.

The effect of adopting IFRS 15, shown in Note 3, has been the reclassification of volume rebates and discounts from selling and distribution costs to revenue. IFRS 15 requires measurement of revenue at the fair value of consideration receivable and effectively the volume rebates and discounts are an adjustment to revenue recognised.

#### **IFRS 9 Financial Instruments**

*IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied IFRS 9 using the modified retrospective approach with initial date of application of 1 January 2018 and adjusting the opening allowance for credit losses on 1 January 2018 and an adjustment to opening retained earnings as at that date. The effect of adopting IFRS 9 is shown in note 3.

The nature of these adjustments are described below:



## Notes to the Financial Statements (continued)

### 2.3 Changes in accounting policies and disclosures (continued)

#### (a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets (i.e., loans to related parties and loan to a director) previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Listed equity investments that would have been previously classified as available for sale financial assets are now classified and measured as financial assets at fair value through profit or loss.

There was no impact on the statement of financial position.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

#### (b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group recognised additional impairment on the Group's trade and other receivables and financial guarantees of \$351,990 and \$32 677, respectively, which resulted in a decrease in retained earnings of \$285,615 (after tax) as at 1 January 2018.

The statement of financial position as at 31 December 2017 was not restated, as the Group selected the modified retrospective approach. Refer to Note 3.1 for the impact.

#### (c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, non-controlling interests and retained earnings were adjusted as necessary.

#### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements as the principles above were already being applied and the Group did not have multiple payments nor multiple receipts in advance.

#### **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. These amendments have limited impact on the Group's consolidated financial statements since investment property is measured at fair value and freehold land and buildings is measured under the revaluation model. Therefore the properties will be transferred at their fair values.





## Notes to the Financial Statements (continued)

### 2.3 Changes in accounting policies and disclosures (continued)

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

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. 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. The Group does not have share based payment transactions and therefore, these amendments do not have any impact on the Group's consolidated financial statements.

### 2.4 Significant accounting judgements, estimates and assumptions

The preparation of the 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

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

The Company 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 (g) for the useful lives of property, plant and equipment and Note 13 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. Investment property was valued by an independent valuer as at 31 December 2018, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As at 31 December 2018, the directors performed a valuation of the freehold land and buildings and there was no change in fair value from the valuation done by an independent valuer as at 31 December 2016. Refer note 13 and 14 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 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 asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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 value 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 no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies 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 CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.



## Notes to the Financial Statements (continued)

### 2.4 Significant accounting judgements, estimates and assumptions (continued)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU'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 the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU

#### iv) Judgements in relation to contracts with customers

##### *Estimating variable consideration for returns and volume rebates*

The Group estimates variable considerations to be included in the transaction price for the sale of products with rights of return and volume rebates.

The Group developed a model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Group applied a model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 December 2018, the amount assessed as refund liability for the expected returns and volume rebates was considered immaterial to be recognised in the financial statements and accordingly no refund liability or right of return asset has been recognised.

#### v) Assets held for sale and discontinued operation

On 6 December 2018, the Board of Directors announced its decision to discontinue the business of Dairibord Malawi Limited, a 68.4% owned subsidiary. Operations of Dairibord Malawi Limited are classified as a disposal group held for sale. The Board considered the subsidiary to meet the criteria to be classified as held for sale at that date for the following reasons:

- Dairibord Malawi Limited is available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage.

For more details on the discontinued operation, refer to Note 12.

#### vi) Provision for expected credit losses of trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).



## Notes to the Financial Statements (continued)

### 2.4 Significant accounting judgements, estimates and assumptions (continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and the carrying amount of receivables is disclosed in Note 35 and 21, respectively.

#### vii) Provision for obsolete stocks

The Group assesses the movement of its inventories to identify slow moving stocks. Raw material items which are no longer used in the manufacture of goods and slow moving finished goods stocks are provided for as obsolete at the carrying amount of the inventory items.

#### viii) Recoverability of deferred tax asset

The group had a deferred tax asset as at year end of \$20 681 (2017:\$26 174). Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### ix) Functional currency assessment.

Significant judgement is required to determine the functional currency. The currency that mainly influences sales prices, currency of the country whose competitive forces and regulations mainly determine sales prices, currency that mainly influences labour, material and other costs are the primary considerations. Other considerations include currency in which funds (financing activities) are generated and the currency in which receipts from operating activities are usually retained and the underlying currency of the major items on the statement of financial position.

### 2.5 Summary of significant accounting policies

#### a) Foreign currency translation

The financial statements are presented in United States Dollars, which is also the company's functional currency.

##### Transactions and balances

Transactions in foreign currencies are initially recorded by the Company 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.

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).

#### b) Revenue and other income recognition

The Group is in the business of selling liquid milks, foods and beverages. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement, because it typically controls the goods or services before transferring them to the customer.

Revenue comprises of revenue from sale of goods at Group level. At company level the revenue comprises of royalties and management services income. Revenue is recognised in terms of IFRS 15 considering whether performance obligations are satisfied at a point in time or over time. Revenue is measured based on the consideration specified in the different contracts with customers and net of value-added tax, rebates and discounts.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.4(iv).

#### i) Revenue from contracts with customers

The Entity recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The entity satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The entity's performance does not create an asset with an alternate use to the entity and the entity has as an enforceable right to payment for performance completed to date.
- b) The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

#### Sale of goods

Revenue from sale of goods (liquid milks, foods and beverages) is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is up to 30 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of the goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

#### (i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and is constrained to the extent that it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

- **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group applied the requirements on constraining estimates of variable consideration and assessed the effect as immaterial and thus no refund liability was recognised for the expected future rebates.

#### (ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

#### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (e) Financial instruments – initial recognition and subsequent measurement.

#### **Assets and liabilities arising from rights of return**

##### *Right of return assets*

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

##### *Refund liabilities*

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

##### *Contract liability*

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due. Contract liabilities are recognised as revenue when the Group performs under the contract.

#### ii) Revenue from rendering management services

DHL (the company) recognises management services income within the inter-segment revenue when it has provided services to the subsidiaries. The performance obligation is satisfied over time. The management services are provided on a daily basis and invoiced monthly based on a cost recovery model.

#### **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 Company's right to receive payment is established, which is generally when the shareholders approve the dividend.





## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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. This constitutes a right to access the brands and thus the holding company recognises revenue as the goods (made using the brands) are sold i.e. monthly.

#### c) 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 company 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.
- 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.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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.

#### d) Pensions and other post-employment benefits and termination benefits

##### Pensions and other post-employment benefits

Retirement benefits are provided for Company 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 Company 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.

#### e) Financial assets

##### Initial recognition

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (b) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 date, i.e., the date that the Group commits to purchase or sell the asset.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### **Subsequent measurement**

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

**For purposes of subsequent measurement, financial assets are classified in four categories:**

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### **Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, And;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to staff, related party balances and loan to a director and farmers included under other non-current financial assets.

#### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

#### **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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or;
- 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. 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.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

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.

#### Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- **Trade receivables, Note 35.1**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- **Financial guarantee contracts and other receivables**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables, the Group applies the general approach in calculating ECLs because most receivables in this category extend beyond 12 months. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For guarantee contracts, the Group recognises a guarantee liability based on the cash flows of the financial asset discounted at the rate equal to the difference between the interest rate which would have been charged had there been no guarantee and the rate charged with the guarantee. The guarantee liability is then measured at the higher of the discounted cash flows calculated as explained above and the ECL in respect of the guarantee.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The relevant financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### Policy applicable for comparative period- (Financial assets)

##### 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 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 profit or loss and other 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 profit or loss and other comprehensive income.





## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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.

#### f) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

##### Policy applicable for comparative period - 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 or loss and other comprehensive income.

##### Trade and other payables

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



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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.

#### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition if, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Interest bearing borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 24.

#### Financial guarantee liability

A liability is recognised equivalent to the expected credit loss on the guarantees the Group gave on loans issued to farmers and its staff. The guarantee is measured at the present value of the loans cash flows discounted at the interest rate differential between the market interest rates the borrower would have been charged had there been no guarantee and the interest rate charged with the guarantee. Refer to Note 25 for more detail.

#### 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 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.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### g) Freehold land and buildings, plant and equipment

Property includes freehold land and buildings. 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. The revaluation reserve will be utilised upon the de-recognition of the asset. The revaluation surplus will be transferred to retained earnings upon the de-recognition of the asset.

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 Company 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 Company'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:

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.

#### h) 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.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### i) Impairment of non-financial assets

The Company 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 Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher 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 Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company'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 Company 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.

#### j) 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.

#### Group as a lessor

Leases in which the Company 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.

#### k) 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 balance of the grant not yet released to profit or loss is recognised as deferred income on the statement of financial position.

The grant is disclosed in Note 26.



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### l) 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. A substantial period of time is at least one calendar year. 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.

#### m) 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 standard costs for direct materials costs, labour and an appropriate portion of manufacturing overheads based on normal operating capacity, but excluding borrowings costs. At the point of sale of finished goods, the cost of the stock, as valued above, is moved from inventory in the statement of financial position to the cost of goods account in profit or loss.

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.

Cost of finished goods sold is included in the cost of sales.

#### n) 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 and bank overdrafts.

#### o) Provisions

Provisions are recognised when the Company 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 Company 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.

#### p) Contingent liabilities

##### A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are disclosed in the financial statements when there are matters or cases for which there is not likely to be an outflow of resources and management is confident of a positive outcome on the matters or cases.

#### q) 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)

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's 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 Company 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.

#### r) Fair value measurement

The Company 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 the Company.

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



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company 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.

#### Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Financial assets in equities listed on the Zimbabwe Stock Exchange are valued by reference to the price as published on the reporting date.

For the purposes of fair value disclosures the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair value values are disclosed, are summarised in the following notes:

- |  |                          |
|--|--------------------------|
| • Disclosures for valuation methods, significant estimates and assumptions | Notes 2.3(r); 13; 14; 34 |
| • Quantitative disclosures of fair value measurement hierarchy             | Note 34                  |
| • Property, plant and equipment under revaluation model                    | Note 13                  |
| • Investment properties  | Note 14                  |
| • Financial instruments (including those carried at amortised cost)        | Note 34                  |

#### s) Current versus non-current classification

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

#### t) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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



## Notes to the Financial Statements (continued)

### 2.5 Summary of significant accounting policies (continued)

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

Additional disclosures are provided in Note 12. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

#### u) Cash dividend

The Company recognises a liability to pay a dividend when the distribution is declared and the distribution is no longer at the discretion of the Company. As per the corporate laws of Zimbabwe, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

#### v) Investment 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 Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### IFRS 16 – Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

#### Transition to IFRS 16

The Group plans to adopt IFRS 16 prospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.



## Notes to the Financial Statements (continued)

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

The Group will make a detailed impact assessment of the standard in 2019 and will adopt the standard prospectively. However adoption of the standard will result in the Group recognizing a right of use asset and a corresponding lease liability on the statement of financial position for all operating leases where the Group is a lessee.

#### 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.

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 far as possible, the tax legislation amended from time to time.

#### Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- **IAS 12 Income Taxes**

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements. These amendments are not expected to have an impact on the Group.

- **IAS 23 Borrowing Costs**

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 early application permitted. Since the Group's current practice is in line with earlier application permitted, the amendments are not expected to have an impact.

- **IAS 1 and IAS 8 Definition of material**

Effective for annual period beginning on or after 1 January 2020.



## Notes to the Financial Statements (continued)

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

#### Key requirements

In October 2018, the IASB issued amendments IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of material across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information is material in the context of the financial statements.

#### Obscuring information

The amendments explain that information is obscured if it communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated or conversely, if similar items are inappropriately disaggregated.

#### New threshold

The amendments replaced the threshold “could influence” which suggests that any potential influence of users must be considered with ‘could reasonably be expected to influence in the definition of material. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

#### Primary users of the financial statements

The current definition refers to users but does not specify their characteristics which can be interpreted to imply that an entity is required to consider all possible users of financial statements when deciding what information to disclose. Consequently the IASB decided to refer to primary users in the new definition to help respond to concerns that the term users may be interpreted too widely.

#### Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statements 2: Making Materiality Judgements were amended to align with the revised definition of material in IAS 1 and IAS 8.

#### Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

#### Impact

Although the amendments to the definition of material is not expected to have a significant impact on the Group’s financial statements, the introduction of the term “obscuring information in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

### 2.7 General disclosures

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

USD 1:	<i>Statement of financial position</i>	<i>Statement of comprehensive income</i>
Malawi Kwacha	739.67	736.63
South African Rand	13.96	13.01
EURO	0.86	0.89





## Notes to the Financial Statements (continued)

### 3 Effect of adopting new standards

#### 3.1 IFRS 15 impact on 2017 revenue

	As previously Stated	Adjustments	Restated
Revenue	99,841,378	(1,204,693)	98,636,685
Gross profit	28,291,868	(1,204,693)	27,087,175
Selling and distribution expenses	(17,500,965)	1,204,693	(16,296,272)

The adjustments relate to volume rebates and discounts previously included in selling and distribution costs but now included in revenue.

#### 3.2 Initial application of IFRS 9

The Group selected the modified approach to implement IFRS 9 on 1 January 2018. Therefore the Group remeasured the impairment loss using IFRS 9 on 31 December 2017. The increase in provision was adjusted to opening retained earnings. The impact of the change in the impairment model is provided in the table below

Class of financial instrument	Gross carrying amount	IAS 39 impairment	IFRS 9 impairment	Increase in impairment	Restated IFRS 9 balance
Trade debtors	9,208,366	562,978	873,949	310,971	8,334,417
Other receivables	1,207,425	906,556	947,575	41,019	259,850
Financial guarantee liability	-	-	32,677	32,677	(32,677)
Total	10,415,790	1,469,534	1,854,201	384,667	8,561,589
Deferred tax (Note 28)				(99,052)	
<b>Net adjustment to retained earnings</b>				<b>285,615</b>	

### 4 Revenue from contracts from customers

#### 4.1 Disaggregated revenue information

Type of goods	Group		Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Sale of liquid milks	39,082,049	31,240,900	-	-
Sale of foods	32,187,043	26,537,508	-	-
Sales of beverages	55,089,315	40,774,614	-	-
Revenue from management services	-	-	1,038,124	1,030,936
Revenue from royalties	-	-	1,226,910	450,000
<b>Total revenue from contracts with customers</b>	<b>126,358,407</b>	<b>98,553,022</b>	<b>2,265,034</b>	<b>1,480,936</b>

The Group obtains most of its revenue from the domestic market.

#### 4.2 Contract assets and liabilities

Trade receivables (Note 21)	6,069,455	9,933,365	-	-
Contract liabilities (Note 29)	1,113,822	340,453	-	-

Trade receivables are non-interest bearing and are generally on terms of 30 days. The significant increase in contract liabilities was a result of customers prepaying for the product which was in short supply. In 2018, \$222 615 (2017: \$924 122) was recognised as allowance for credit losses on trade receivables.

Contract liabilities include advances received to deliver goods in 2019 and all are short term.



## Notes to the Financial Statements (continued)

	Group		Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>5 Other operating income</b>				
Profit on disposal of property, plant and equipment	111,634	42,955	-	-
Profit on disposal of investment property	1,739			
Profit on disposal of scrap	131,619	74,683	-	-
Profit on disposal of financial assets at fair value through profit or loss	122,045	-	122,045	-
Dividend income*	5,847	-	6,185,847	-
Export incentive	36,023	-	-	-
Fair value adjustment on financial assets classified at fair value through profit and loss (Note 18.2)	21,876	-	21,876	-
Fair value adjustment on investment property (Note 14)	11,700	-	-	-
Sundry income	23,238	55,106	1,443	597
	<b>465,721</b>	<b>172,744</b>	<b>6,331,211</b>	<b>597</b>
* Included in dividend income in the separate company financial statements is \$6 180 000 non-cash income dividend from its subsidiaries. The dividend was set off against intercompany payables with the subsidiaries.				
<b>6 Other operating expenses</b>				
<b>6.1 Selling and distribution costs</b>				
Employee benefit expenses	5,189,842	5,000,127	-	-
Fuel and hire charges	4,513,307	4,720,511	-	-
Repairs and maintenance costs	1,115,518	1,291,741	-	-
Merchandising costs	789,120	818,767	-	-
Expected credit losses of trade receivables *	656,157	171,363	-	-
Depreciation	889,059	967,280	-	-
Advertising and promotions	645,482	912,221	-	-
Other costs	1,907,495	2,414,262	-	-
	<b>15,705,980</b>	<b>16,296,272</b>	<b>-</b>	<b>-</b>
<b>6.2 Administration expenses</b>				
Employee benefit expenses	4,100,542	2,846,412	880,542	590,206
Bank charges	996,102	227,042	14,641	4,091
Repairs and maintenance costs	715,932	792,294	-	-
Rent and rates	275,768	132,973	-	-
Depreciation expense	218,630	234,837	19,834	96,038
Amortisation expense (Note 15)	109,269	106,297	13,161	13,161
Audit fees	133,250	113,138	18,000	8,871
Insurance	147,296	143,078	-	-
Directors fees	146,789	120,785	146,789	111,305
Loan guarantee costs (Note 25)	104,294	-	-	-
Allowance for credit losses*	62,007	21,124	-	-
Other costs	1,121,157	1,023,713	416,515	371,550
	<b>8,131,036</b>	<b>5,761,693</b>	<b>1,509,482</b>	<b>1,195,222</b>
<b>*Total allowance for credit losses (Note 21)</b>	<b>718,164</b>	<b>192,487</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements (continued)

	Group		Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>6.3 Other operating expenses</b>				
Exchange loss on foreign currency translation	65,110	258,763	5,666	-
Loss on disposal of equipment	-	-	6,276	-
Impairment - Inventory	-	384,144	-	-
	<u>65,110</u>	<u>642,907</u>	<u>11,942</u>	<u>-</u>
<b>6.4 Restructuring costs</b>				
The Group undertook a restructuring exercise in 2017 which involved integration of functions and production plants to achieve operational effectiveness and efficiencies. In the process staff excess to requirements were retrenched. The costs incurred are broken down as follows:				
Retrenchment costs	-	634,170	-	317,852
Office relocation and related costs	-	213,203	-	119,030
	<u>-</u>	<u>847,373</u>	<u>-</u>	<u>436,882</u>
<b>7 Operating profit is stated after charging the following:</b>				
Audit fees	133,250	113,138	18,000	8,871
Depreciation of property, plant and equipment	5,060,801	5,357,180	19,834	96,035
Amortisation of intangible assets	109,269	106,297	13,161	13,161
Directors emoluments	821,284	1,155,754	821,284	911,485
- for services as directors	146,789	124,643	146,789	111,305
- salaries and benefits	674,495	726,667	674,495	495,736
- termination benefits	-	304,444	-	304,444
<b>Employee benefits expense</b>				
- Salaries and wages	12,958,626	12,294,605	830,832	599,558
- Pension costs	293,663	328,785	26,075	26,332
- National Social Security Authority	161,016	161,370	7,014	7,292
	<u>13,413,305</u>	<u>12,784,760</u>	<u>863,921</u>	<u>633,182</u>
<b>8 Finance costs</b>				
Interest on borrowings	570,773	718,533	366,350	585,008
Finance costs relate to financial liabilities measured at amortised cost. Interest was calculated using the effective interest rate method.				
<b>9 Finance revenue</b>				
Interest received on loans and short term deposits	122,198	72,012	618,248	857,962
Finance income relates to financial assets measured at amortised cost. Interest was calculated using the effective interest rate method.				
<b>10 Taxation</b>				
Current income tax:	1,713,597	64,189	269,412	-
- Current year charge	1,103,882	64,189	269,412	-
- Prior periods charge	609,715	-	-	-
Capital gains tax	32,841	27,820	12,213	-
Deferred tax charge	1,322,965	1,023,948	5,493	58,976
	<u>3,069,403</u>	<u>1,115,957</u>	<u>287,118</u>	<u>58,976</u>



## Notes to the Financial Statements (continued)

	Group		Company	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>10 Taxation (continued)</b>				
<b>Tax rate reconciliation</b>				
Standard rate	25.75%	25.75%	25.75%	25.75%
Prior periods under provision	6.39%	-	-	-
Fair value adjustment on financial assets at fair value through profit or loss not taxed	(0.06%)	-	(0.08%)	-
Disallowed expenses*	0.32%	9.75%	0.25%	22.44%
Dividend income not taxable	(0.02%)	-	(21.74%)	-
Effect of capital gains tax	(0.22%)	0.90%	(0.26%)	-
<b>Effective tax rate</b>	<b>32.16%</b>	<b>36.41%</b>	<b>3.92%</b>	<b>48.19%</b>

\*Included in the disallowed expenses are fines, penalties, donations, and other expenses not allowed for tax purposes.

### 11 Earnings per share (EPS)

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	
	2018 US\$	2017 US\$
Profit attributable to ordinary equity holders of the parent for basic earnings		
Continuing operations	6,470,728	1,906,589
Discontinued operations	(453,014)	(551,622)
<b>Profit attributable to ordinary equity holders of the parent for basic earnings</b>	<b>6,017,714</b>	<b>1,354,967</b>
	2018 No.	2017 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
To calculate the EPS for discontinued operations, the weighted average number of ordinary shares for both the basic and diluted EPS is as per the table above. The following table provides the profit/(loss) amount used:		
Profit attributable to equity holders of the parent from discontinued operation	(453,014)	(551,622)

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)

### 12 Discontinued operations

In December 2018, the Board of Directors of Dairibord Holdings Limited resolved that the Group should disinvest from Dairibord Malawi Limited (DML). DML has posted persistent losses for the past six years as a result of old, antiquated machinery and the performance has worsened in the last 2 years due to working capital challenges. The Board evaluated the various options presented by management one of which was naturally to fund the business but due to the foreign currency challenges in Zimbabwe, the parent company is not able to recapitalise the business. The Board therefore took the decision to dispose of the investment and hence the operation has been classified as held for sale in the current year. With the business of Dairibord Malawi classified as a discontinued operation, the segment is no longer presented in the segment note. The results of Dairibord Malawi Limited are presented below:

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

The major classes of assets and liabilities of Dairibord Malawi as at 31 December 2018, are as below. For the purposes of consolidated financial statements, intercompany transactions and balances have been eliminated. Refer to Note 33-materially owned subsidiary- for all liabilities and assets including intercompany balances.

	US\$
<b>Assets</b>	
Property, plant and equipment	1,750,154
Inventories	306,938
Prepayments	10,915
Income tax asset	18,103
Trade and other receivables	267,059
Cash balances	7,174
	<u>2,360,343</u>
<b>Liabilities</b>	
Trade and other payables	1,165,152
Deferred tax liability	342,510
Interest bearing borrowings	728,247
Deferred income-grants received	420,443
Bank overdraft	72,897
	<u>2,729,249</u>
Net assets associated directly with assets held for sale for consolidated financial statements	(368,906)
<b>Reserves associated with the discontinued operation</b>	
Foreign currency translation reserve	(4,305,586)
Revaluation of freehold land and buildings	81,487
	<u>(4,224,099)</u>

The reserves will be recycled to profit or loss on disposal of the subsidiary. With the subsidiary in a net liability position, and at least some consideration expected on disposal, the revaluation reserve will be realised.

The net cash flows incurred by Dairibord Malawi Limited are as follows:

	US\$ 2018
Operating	56,923
Investing	(15,126)
Financing	(32,688)
	<u>9,109</u>





## Notes to the Financial Statements (continued)

### 13 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\$
<b>Cost or valuation</b>									
<b>At 1 January 2017</b>	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	260,472	-	-	-	-	260,472	-	-	-
Disposals	-	-	-	-	(546,656)	(546,656)	-	(169,758)	(169,758)
<b>At 31 December 2017</b>	16,379,327	44,617,276	-	1,213,047	6,128,224	68,337,874	478,154	601,977	1,080,131
Additions	15,126	845,718	-	116,380	173,748	1,150,972	7,068	-	7,068
Asset written off	-	-	-	(1,609)	-	(1,609)	(1,609)	-	(1,609)
Disposals	(256,478)	(3,000)	-	(2,426)	(227,573)	(489,477)	(2,426)	(60,000)	(62,426)
Transfer from investment property (Note 14)	70,000	-	-	-	-	70,000	-	-	-
Transfer to investment property (Note 14)	(265,000)	-	-	-	-	(265,000)	-	-	-
Exchange rate adjustments	(20,181)	3,071	-	(442)	(278)	(17,830)	-	-	-
Transfer to assets held for sale (Note 12)	(759,802)	(1,811,766)	-	(66,465)	(41,832)	(2,679,865)	-	-	-
<b>At 31 December 2018</b>	15,162,992	43,651,299	-	1,258,485	6,032,289	66,105,065	481,187	541,977	1,023,164
<b>Accumulated depreciation and impairment</b>									
<b>At 1 January 2017</b>	(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
<b>At 31 December 2017</b>	(338,934)	(22,330,100)	-	(1,044,321)	(3,728,804)	(27,442,159)	(449,867)	(557,260)	(1,007,127)
Depreciation charge for the year	(340,448)	(4,117,852)	-	(100,256)	(502,245)	(5,060,801)	(9,771)	(10,063)	(19,834)
Asset written off	-	-	-	179	-	179	179	-	179
Disposals	3,461	2,900	-	1,950	167,474	175,785	1,950	54,200	56,150
Transfer to investment property	11,700	-	-	-	-	11,700	-	-	-
Exchange rate adjustments	136	5,105	-	414	191	5,846	-	-	-
Transfer to assets held for sale (Note 12)	22,951	815,202	-	62,378	29,180	929,711	-	-	-
<b>At 31 December 2018</b>	(641,134)	(25,624,745)	-	(1,079,656)	(4,034,204)	(31,379,739)	(457,509)	(513,123)	(970,632)
<b>Net book value</b>									
At 31 December 2018	14,521,858	18,026,554	-	178,829	1,998,085	34,725,326	23,678	28,854	52,532
At 31 December 2017	16,040,393	22,287,176	-	168,726	2,399,420	40,895,715	28,287	44,717	73,004



## Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>13.1 Reconciliation of opening and closing carrying amounts</b>				
<b>Net carrying amount at 1 January</b>	<b>40,895,715</b>	<b>43,062,308</b>	<b>73,004</b>	<b>173,256</b>
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)
<b>Movement for the year:</b>				
Additions	1,150,972	2,401,968	7,068	783
Revaluation	-	-	-	-
Net carrying amount of disposals	(313,692)	(57,853)	(6,276)	(5,000)
Depreciation charge for the year	(5,060,801)	(5,357,180)	(19,834)	(96,035)
Asset written off	(1,430)	-	(1,430)	-
Transfer from investment property (note 14)	70,000	586,000	-	-
Transfer (to) /from assets held for sale (note 12)	(1,750,154)	260,472	-	-
Transfer to investment property	(253,300)	-	-	-
Net exchange adjustment	(11,984)	-	-	-
<b>Net carrying amount at 31 December</b>	<b>34,725,326</b>	<b>40,895,715</b>	<b>52,532</b>	<b>73,004</b>
Cost	66,105,065	68,337,874	1,023,164	1,080,131
Accumulated depreciation and impairment	(31,379,739)	(27,442,159)	(970,632)	(1,007,127)

### 13.2 Property revaluation

The valuation of property was performed in line with market values on 31 December 2016 by Dawn Property Consultancy, an independent property valuer. 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. The directors believe that there have not been significant changes in property values since 31 December 2016 and therefore the current carrying amounts approximate the fair value of land and buildings. Property consists of residential, commercial and industrial buildings in Zimbabwe.

Fair value measurement disclosures for the revalued office properties are provided in note 34.

#### Significant unobservable data

Price per square metre US\$400 - US\$1,250

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

Refer Note 34 for fair value hierarchy, which also includes investment property, and Note 23.4 for the movement in the revaluation reserve. If land and buildings were measured using cost model, the carrying amount would be \$7 439 296 (2017 : \$7 630 693).

### 11.3 Property secured against borrowings

Property with a carrying amount of \$12 405 850(2017: \$13,395,950) is encumbered against interest bearing borrowings (Note 24).



## Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>14 Investment property</b>				
Balance at 1 January	1,305,000	2,186,000	-	-
Transfer from property, plant and equipment	253,300	-	-	-
Transfer back to property, plant and equipment	(70,000)	(586,000)	-	-
Disposals	(50,000)	(295,000)	-	-
Fair value adjustment recognised in profit or loss (in other operating income)	11,700	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,450,000</b>	<b>1,305,000</b>	<b>-</b>	<b>-</b>

The Group's investment property comprises of 16 commercial properties located across the country. As at 31 December 2018, some properties were transferred from investment property to property, plant and equipment as they were no longer leased to third parties.

### Investment property valuation

The valuation of investment property was performed in line with market values on 31 December 2018 by Dawn Property Consultancy.

Fair value of the investment properties was determined using the implicit investment approach, that is capitalisation of income rentals, significantly adjusted for difference in the nature, location or condition of the specific property.

### Significant unobservable data

Construction cost per square metre	US\$650-US\$1250
Rentals per square metre/ month	US\$3-\$15
Estimated rental yields	5%-9%

Significant increases/(decreases) in estimated rentals per square metre and rent growth per annum in isolation would result in a significantly higher/(lower) fair value.

### Property mortgaged against borrowings

Property valued at \$1 190 000 in this category is mortgaged against borrowings (Refer to Note 24).

Fair value hierarchy disclosures for investment properties are in Note 34.

### Revenue and expenses relating to investment property

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Rental income from leasing	84 203	84,880	-	-
Operating costs	( 26 571)	(26,571)	-	-
<b>Net income</b>	<b>57,632</b>	<b>58,309</b>	<b>-</b>	<b>-</b>



## Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>15 Intangible assets-software</b>				
Cost				
At 1 January	1,072,462	1,064,316	138,578	138,578
Additions	6,193	8,146	-	-
<b>At 31 December</b>	<b>1,078,655</b>	<b>1,072,462</b>	<b>138,578</b>	<b>138,578</b>
Amortisation				
At 1 January	(616,819)	(510,522)	(26,322)	(13,161)
Charge for the year (included in administration costs-see note 6.2)	(109,269)	(106,297)	(13,161)	(13,161)
<b>At 31 December</b>	<b>(726,088)</b>	<b>(616,819)</b>	<b>(39,483)</b>	<b>(26,322)</b>
<b>Net book value</b>	<b>352,567</b>	<b>455,643</b>	<b>99,095</b>	<b>112,256</b>
<b>Reconciliation of opening and closing carrying amounts</b>				
Net carrying amount at 1 January	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)
Movement for the year:				
Additions	6,193	8,146	-	-
Amortisation	(109,269)	(106,297)	(13,161)	(13,161)
Net carrying amount at 31 December	352,567	455,643	99,095	112,256
Cost	1,078,655	1,072,462	138,578	138,578
Accumulated amortisation	(726,088)	(616,819)	(39,483)	(26,322)
The intangible assets consist of accounting , business intelligence and auditing software.				
<b>16 Investment in subsidiaries</b>				
Dairibord Zimbabwe (Private) Limited (100 % owned)	-	-	25 531 867	25 531 867
Goldblum Investments Private Limited (100% owned)	-	-	11 464 006	11 464 006
Chatmoss Enterprises Private Limited (100% owned)	-	-	4 075 705	4 075 705
Quallinnex Investments (Private) Limited (100% owned)	-	-	2 139 430	2 139 430
Slimline Investments Private Limited (100% owned)	-	-	3 392 330	3 392 330
Dairibord Malawi Limited (68.4% owned)	-	-	507 807	507 807
NFB Logistics (Private) Limited (100% owned)	-	-	-	-
Lyons Africa (Private) Limited	-	-	-	-
Lyons Zimbabwe Management Services (Private) Limited	-	-	-	-
	-	-	47,111,145	47,111,145



## Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>17 Loans receivable</b>				
<b>17.1 Long-term loans receivable</b>				
Dairibord Zimbabwe (Private) Limited	-	-	5 178 150	9,782,282
Dairibord Malawi Limited	-	-	216,061	216,061
	-	-	5,394,211	9,998,343
Less : Amounts falling due within one year	-	-	(2 242 681)	(2,974,083)
	-	-	3,151,530	7,024,260
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 at market related interest rates.				
<b>17.2 Short-term loans receivable</b>				
Dairibord Zimbabwe (Private) Limited	-	-	-	-
Add : Amounts falling due within one year of long term loans receivable	-	-	2,242,681	2,974,083
	-	-	2,242,681	2,974,083
<b>18 Other financial assets</b>				
<b>18.1 Other non-current financial assets</b>				
Loans receivable	501,515		192,000	-
The balance consists of loans issued to farmers and a loan issued to one executive director, and both loans are payable over 3 years. Both loans bear interest at 9% per annum. The short term portion is included in other receivables .				
An impairment of \$ 42 800 was recognised in terms of IFRS 9 for the loan issued to a farmer. Refer to note 21 where this allowance for credit loss is included in the amount of \$64 808. The loan issued to an executive director was not impaired as the loan is well secured and can be recovered from termination benefits.				
<b>18.2 Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	160 205	-	160 205	-
This is an investment in shares of a company listed on the Zimbabwe Stock Exchange (ZSE). The shares are valued at the market price as at 31 December 2018. On purchase, the financial asset was designated at fair value through profit or loss. The Group did not pledge the financial asset nor receive any collateral for it. As at reporting date, the carrying amount equals the fair value of the instrument. For details on the recognition, measurement, valuation techniques and inputs used for the fair value of this investment, refer to note 34.				
<i>Reconciliation of other current financial assets</i>				
Purchase	1,219,966	-	1 219 966	-
Disposal of shares at cost	(1,081,637)	-	(1 081 637)	-
Fair value adjustment through profit or loss of remaining shares at 31 December 2018* closing value	21,876	-	21 876	-
	160,205	-	160 205	-

\* Disclosed in other operating income on the statement of profit or loss and comprehensive income.





## Notes to the Financial Statements (continued)

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>19 Inventories</b>				
Packaging and raw materials (at cost)	11 971 949	8,057,837	-	-
Spares and general consumables (at cost)	4 078 374	3,249,092	-	-
Finished goods (at lower of cost and net realisable value)	2 258 595	812,923	-	-
<b>Total inventories</b>	<b>18,308,918</b>	<b>12,119,852</b>	<b>-</b>	<b>-</b>
The amount of inventories recognised as an expense in cost of sales for the period was \$79 342 500 (2017 :\$58 833 905 ).				
During 2018, stock losses amounting to US\$ 575 885 (2017:US\$768 832) was recognised as an expense in cost of sales.				
<b>20 Group companies</b>				
The following balances arise from normal trading activities:				
<b>20.1 Amounts owed by group companies</b>				
Dairibord Malawi Limited*	-	-	-	-
Dairibord Zimbabwe (Private) Limited	-	-	4 261 759	1 922 333
	<b>-</b>	<b>-</b>	<b>4,261,759</b>	<b>1,922,333</b>

\*The receivable from Dairibord Malawi Limited (DML) of \$61 272 was impaired as at 31 December 2018 as the subsidiary had failed to honour its obligations for management fees and interest on loan accrued to the parent company. The table below shows the provision matrix for the credit loss of the Dairibord Malawi balance in the Company financial statements:

	Current	61-90 days	> 120 days	Total
Expected credit loss rate	100%	100%	100%	100%
Total gross carrying amounts of receivables	5,066	10,612	45,594	61,272
Expected credit loss	5,066	10,612	45,594	61,272

### 20.2 Amounts owed to group companies

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Goldblum Investments (Private) Limited	-	-	20,463	2,571,605
Chatmoss Enterprises (Private) Limited	-	-	46,309	1,100,051
Qualinex Properties (Private) Limited	-	-	8,530	537,931
Slimline Investments (Private) Limited	-	-	8,392	818,786
	<b>-</b>	<b>-</b>	<b>83,694</b>	<b>5,028,373</b>

These amounts are interest free, and are repayable on demand.

### 21 Trade and other receivables

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Trade receivables	6,069,455	9,933,365	-	-
VAT receivable	699,383	411,202	-	-
Receivables for property disposals	-	203,203	-	-
Loans receivable from farmers	342,169	170,772	-	-
Amount receivable from disposal of financial assets at fair value through profit or loss	191,865	-	191,865	-
Loan to a director-short term portion	96,000	-	96,000	-
Staff car loans	89,601	159,360	-	-
Other receivables	112,371	812,228	-	110
<b>Total</b>	<b>7,600,844</b>	<b>11,690,130</b>	<b>287,865</b>	<b>110</b>
Allowance for credit losses	(343,860)	(1,646,943)	-	-
	<b>7,256,984</b>	<b>10,043,187</b>	<b>287,865</b>	<b>110</b>

As at 31 December 2018, receivables of \$343 860 (2017 : \$1 646 943) were provided for.



## Notes to the Financial Statements (continued)

### 21 Trade and other receivables (continued)

The following is a movement in the allowance for credit losses balance:

	GROUP				Total
	Trade receivables	Loans to farmers	Staff car loans	other staff receivables	
Balance at 1 January 2017	924,122	1,341	51,739	543,665	1,520,867
Charge for the year	194,778	-	-	140,175	334,953
-continuing operations	52,312	-	-	140,175	192,487
-discontinued operations	142,466	-	-	-	142,466
Bad debts written off	(207,536)	(1,341)	-	-	(208,877)
Transfer between classes	(63,000)	-	-	63,000	-
<b>Balance at 31 December 2017</b>	<b>848,364</b>	<b>-</b>	<b>51,739</b>	<b>746,840</b>	<b>1,646,943</b>
Effect of adopting IFRS 9	311,146	3,051	9,501	28,291	351,989
Charge for the year	760,278	61,757	250	-	822,285
-continuing operations	656,157	61,757	250	-	718,164
-discontinued operations	104,121	-	-	-	104,121
Bad debts written off	(1,436,768)	-	(34,914)	(745,270)	(2,216,952)
Transfer to discontinued operation	(260,405)	-	-	-	(260,405)
<b>Balance at 31 December 2018</b>	<b>222,615</b>	<b>64,808</b>	<b>26,576</b>	<b>29,861</b>	<b>343,860</b>

Refer to note 35.1 on the impairment provision matrix on the Group's trade and other receivables.

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

See note 35.1 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.

### 22 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of:

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Cash at banks and on hand-continuing operations	9,231,838	5,819,110	633,293	200,534
Short term investment*	1,085,891	-	-	-
	10,317,729	5,819,110	633,293	200,534
Cash at banks and on hand attributable to discontinued operations (Note 12)	7,174	-	-	-
Bank overdraft-continuing operations**	(387,838)	(89,333)	-	-
Bank overdraft attributable to discontinued operations	(72,897)	-	-	-
Cash and cash equivalents	9,864,168	5,729,777	633,293	200,534

\*This is a short term deposit at an interest rate of 7% per annum and repayable on demand.

\*\*The Group has a bank overdraft facility of US\$1 million at 7% per annum with Stanbic Bank Zimbabwe Limited. The facility is unsecured.



## Notes to the Financial Statements (continued)

### 23 Issued capital and reserves

#### 23.1 Share capital

	GROUP AND COMPANY	
	2018 No.	2017 No.
<b>Authorised shares</b>		
Number of ordinary shares of US\$0.0001 each	425,000,000	425,000,000
Authorised share capital amount (\$)	42,500	42,500
	No.	US\$
<b>Ordinary shares issued and fully paid</b>		
Number of ordinary shares of US\$0.0001 each	358,000,858	358,000,858
	\$	\$
Issued capital amount	35,800	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	
	2018 US\$	2017 US\$
<b>23.2 Share premium</b>		
At 31 December	1,379,664	1,379,664
	\$	\$
<b>23.3 Dividend declared</b>		
Cash dividend on ordinary shares declared		
Final dividend for 2017 (2016:nil): 0.2 cents per share	716,001	-
<b>Reconciliation of dividend payable</b>		
Opening balance	67,874	67,874
Dividend proposed	716,001	-
Dividend paid	(695,969)	-
Dividend payable - 31 December 2018	87,906	67,874

The dividend for 2017 was approved at the Annual General Meeting (AGM) on 16 May 2018. Proposed dividends are subject to approval at an AGM and are not recognised as a liability as at year end.



## Notes to the Financial Statements (continued)

### 23.4 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\$
<b>Balance at 1 January 2017</b>	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
<b>Balance at 31 December 2017</b>	16,797	(4,423,445)	18,641,370	9,966,260	117,784	24,318,766
Other comprehensive income	-	75	-	-	-	75
Gross	-	75	-	-	-	75
Income tax effect	-	-	-	-	-	-
Transfer to retained earnings of the share option reserve	(16,797)	-	-	-	-	(16,797)
Transfer to reserves of disposal group held for sale		4,423,370	-	(81,487)	(117,784)	4,224,099
<b>Balance at 31 December 2018</b>	-	-	18,641,370	9,884,773	-	28,526,143

#### Company

	Share Option reserve US\$	Foreign currency conversion reserve US\$	Total US\$
<b>Balance at 1 January 2017</b>	16,797	16,999,800	17,016,597
	-	-	-
<b>Balance at 31 December 2017</b>	16,797	16,999,800	17,016,597
Transfer to retained earnings on expiry of share options	(16,797)	-	(16,797)
<b>Balance at 31 December 2018</b>	-	16,999,800	16,999,800

#### 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. The share option expired in 2017 and the balance on the reserve has been transferred to retained earnings.

##### Reserves of assets held for sale

The reserve relates to the revaluation surplus on assets classified as held for sale.



## Notes to the Financial Statements (continued)

	Borrowing cost (%)		Maturity	GROUP		COMPANY	
	United States dollar	Malawi Kwacha		2018 US\$	2017 US\$	2018 US\$	2017 US\$
<b>24 Interest bearing borrowings</b>							
<b>24.1 Long term borrowings</b>							
a) PTA Bank-2014 Loan	10.6%	-	May 2019	-	2,676,312	-	2,676,312
b) Bank loan Zimbabwe (2015)	8.3%	-	Nov 2020	1,247,643	2,151,071	1,247,643	2,151,071
c) Bank loan Zimbabwe (2016)	7.8%	-	July-Sep 2019	-	1,292,500	-	1,292,500
d) Bank loan Zimbabwe (2018)	7.8%	-	Aug-Oct 2022	500,000	-	500,000	-
e) Tetra Pak	8%	-	Sept 2022	678,666	880,217	-	-
f) Tetra Pak (Dairibord Malawi)	10%	-	Dec 2023	-	437,819	-	-
g) Bank loan Malawi	-	31%		-	288,589	-	-
				<b>2,426,309</b>	<b>7,726,508</b>	<b>1,747,643</b>	<b>6,119,883</b>
Less : Amounts falling due within one year				(1,132,873)	(3,895,109)	(967,000)	(3,513,351)
				<b>1,293,436</b>	<b>3,831,399</b>	<b>780,643</b>	<b>2,606,532</b>
<b>24.2 Short term borrowings</b>							
a) PTA Bank-2014 Loan	10.6%	-	May 2019	778,181	-	778,181	-
c) Bank loan Zimbabwe (2016)	7.8%	-	July-Sep 2019	497,500	-	497,500	-
h) Bank loan Malawi (2)	-	31%	2018	-	58,199	-	-
				1,275,681	58,199	1,275,681	-
Add : Portion of long term loans falling due within one year				1,132,873	3,895,109	967,000	3,513,351
				<b>2,408,554</b>	<b>3,953,308</b>	<b>2,242,681</b>	<b>3,513,351</b>
<b>Total interest bearing borrowings</b>				<b>3,701,990</b>	<b>7,784,707</b>	<b>3,023,324</b>	<b>6,119,883</b>

**a) 10.6% 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 8 May 2019.

**b) 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 \$4,499,490.

**c) Bank Loan Zimbabwe**

This facility was drawdown in 2016 and is secured, together with the other amounts in (b) and (d) above, on property worth \$ 4.5 million. The facility has a tenure of 3 years and will be fully paid by 6 September 2019.

**d) Bank Loan Zimbabwe**

The loan was drawn during the year to finance capital projects . The loan has a tenure of 3 years, including 12 months grace period. The loan is secured over the same land and buildings as in (c) above.

**e) 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. Repayments are done monthly and the loan is expected to be fully repaid by September 2022. The loan is secured over the asset financed.

**f)** This is a vendor loan which financed part of capital expenditure in Malawi. The loan, payable over 5 years starting December 2018, is part of interest bearing liabilities associated with assets classified as held for sale. The loan is secured over the asset financed.

**g) 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 \$1.9 million. The loan is part of interest bearing borrowings associated with assets classified as held for sale.

**h) Bank loan Malawi (2)**

This loan was repaid during 2018.







## Notes to the Financial Statements (continued)

### 28 Deferred taxation

Deferred tax relates to the following:

Property  
Plant and equipment  
Intangible assets  
Inventory  
Accounts receivable  
Unrealised loss on exchange  
Unutilised tax loss  
Leave pay and other provisions

	GROUP		COMPANY	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Property	2 720 208	2,727,453	-	-
Plant and equipment	4 595 644	4,685,191	9 497	10,152
Intangible assets	90 028	117,328	25 595	28,984
Inventory	( 31 584)	(40,237)	-	-
Accounts receivable	( 242 585)	(424,977)	(15,778)	-
Unrealised loss on exchange	(15,307)	(36,919)	-	-
Unutilised tax loss	-	(1,665,409)	-	(57,933)
Leave pay and other provisions	( 416 537)	33,953	( 39 995)	(7,377)
<b>Net liability/(asset)</b>	<b>6,699,867</b>	<b>5,396,383</b>	<b>(20,681)</b>	<b>(26,174)</b>

Disclosed as follows on the statement of financial position:

Asset  
Liability  
- Continuing operations  
- Discontinued operations (Note 11)

Asset	20 681	26,174	20,681	26,174
Liability	6,720,548	5,422,557	-	-
- Continuing operations	6,378,038	5,422,557	-	-
- Discontinued operations (Note 11)	342,510	-	-	-

The Group has an asset in one company of \$20 681 arising mainly from leave pay provision which will reverse in future periods when the leave pay is paid.

**Reconciliation of deferred tax**

Opening balance as of 1 January  
Arising on IFRS 9 adjustment to allowance for credit losses (Note 3)  
Tax expense recognised in profit or loss  
Effect of exchange rate change

Opening balance as of 1 January	5,396,383	4,372,435	(26,174)	(85,150)
Arising on IFRS 9 adjustment to allowance for credit losses (Note 3)	(99,052)	-	-	-
Tax expense recognised in profit or loss	1,322,965	1,023,948	5,493	58,976
Effect of exchange rate change	79,571	-	-	-

**Closing balance as at 31 December**

<b>Closing balance as at 31 December</b>	<b>6,699,867</b>	<b>5,396,383</b>	<b>(20,681)</b>	<b>(26,174)</b>
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### 29 Trade and other payables

Trade payables  
Contract liabilities  
Payroll accruals  
Employee bonus accrual  
Deductions due to farmers' organisations  
VAT & VAT withholding tax payable  
Leave accrual  
Utilities accruals  
Audit fee accrual  
Interest accrued  
Other payables

Trade payables	9 385 810	10,297,679	-	-
Contract liabilities	1 113 822	340,453	-	-
Payroll accruals	653 937	536,418	97 985	60,093
Employee bonus accrual	350 000	-	100 000	-
Deductions due to farmers' organisations	323 557	57,876	-	-
VAT & VAT withholding tax payable	462 302	390,148	209 163	58,215
Leave accrual	237 447	361,455	37 321	28,649
Utilities accruals	243 535	141,713	-	-
Audit fee accrual	154 000	121,574	18 000	12,500
Interest accrued	31 046	19,304	31 046	19,304
Other payables	1 473 469	943,047	31 888	44,534
<b>14,428,925</b>	<b>13,209,667</b>	<b>525,403</b>	<b>223,295</b>	

**Terms and conditions of trade and other payables:**

Trade and other payables are non - interest bearing and are on 14 - 30 day terms.



## Notes to the Financial Statements (continued)

### 30 Commitments and contingencies

Capital commitments :

Authorised and contracted for

Authorised and not contracted for

GROUP	
2018	2017
US\$	US\$
1,162,233	492,650
10,570,007	5,737,461
<b>11,732,240</b>	<b>6,230,111</b>

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 for \$307 490. On the basis of legal advice, the claims are not valid and it is more likely than not that there will be no outflow of resources.

The Group is also a respondent in tax claims amounting to \$618 837 which it has an appeal for amnesty. Chances of winning the amnesty application are high.

#### Financial guarantees

The Group guaranteed farmers' and staff car loans at Stanbic Bank. The total exposure at the 31 December 2018 in respect of these is \$1 188 000 (2017: \$195 370) for which a guarantee liability of \$136 971 has been recognised as at 31 December 2018 (refer to note 25 on the measurement of the financial guarantee liability in terms of IFRS 9).

#### 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.

Future minimum rentals payable under the operating leases as at 31 December are as follows :

Expensed in the current year

Within one year

245,667	245,664
245,667	245,664

#### 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.

Future minimum rentals payable under the operating leases as at 31 December are as follows :

Recognised as income in the current year

Within one year

84,203	83,663
104,764	79,150

### 31 Related party disclosures

31.1 The consolidated financial statements include the financial statements of Dairibord Holdings Limited, the parent company and its subsidiaries listed in the following table :

Name	Country of Incorporation	Principal activity	% equity Interest	
			2018	2017
Dairibord Malawi Limited	Malawi	manufacture and distribution of milks, foods and beverages	68.4	68.4
NFB Logistics ( Private ) Limited (dormant)	Zimbabwe	Dormant	100	100
Dairibord Zimbabwe (Private) Limited	Zimbabwe	manufacture and distribution of milks, foods and beverages	100	100
Lyons Africa (Private) Limited (dormant)	Zimbabwe	Dormant	100	100
Lyons Zimbabwe (Private) Limited (dormant)	Zimbabwe	Dormant	100	100
Goldblum Investments Private Limited	Zimbabwe	Property holding and leasing	100	100
Slimline Investments Private Limited	Zimbabwe	Property holding and leasing	100	100
Chatmoss Enterprises Private Limited	Zimbabwe	Property holding and leasing	100	100
Quallinnex Properties Private Limited	Zimbabwe	Property holding and leasing	100	100



## Notes to the Financial Statements (continued)

	2018 US\$	2017 US\$
<b>Related party transactions and balances</b>		
<b>31.2 Group</b>		
Milk purchases from Tavistock Estates( a company controlled by a director of Dairibord Holdings Limited)	2,299,830	-
Loan issued to Tavistock Estates (Pvt) Ltd	428,000	-
Loan issued to an executive director	288,000	-
Interest income on loans to Tavistock and an executive director	16,197	-
Consultancy services offered by Corporate Excellence (a company in which one company director has an interest)	26,500	-
The loans issued to a director and to Tavistock are at an annual interest rate of 9% , the same rate at which loans are issued to other farmers. The milk purchases from Tavistock are on terms similar with other farmers.		
<b>31.3 Company</b>		
Management fees received from subsidiaries	1,038,124	1,030,936
Royalties received from subsidiaries	1,226,910	450,000
Loans issued to subsidiaries	582,000	582,000
Loans repaid by subsidiaries	5,186,122	3,022,770
Loan issued to an executive director	288,000	-
Interest income on loans to subsidiaries	577,216	816,264
Interest income on loan from a director	4,320	-
Consultancy services offered by Corporate Excellence (a company in which one company director has an interest)	26,500	-
Refer to Note 17, 18 and 20 for loans receivable from subsidiaries, a director and a company controlled by a director of the company and related party balances respectively.		
<b>31.4 Key management personnel transactions</b>		
<b>Compensation</b>		
<b>Group</b>		
Short term employee benefits	2,273,163	2,205,204
Termination benefits	-	363,842
Pension contributions	35,423	38,349
<b>Total compensation paid</b>	<b>2,308,586</b>	<b>2,607,395</b>
<b>Company</b>		
Short term employee benefits	674,495	513,105
Termination benefits	-	304,444
Pension contributions	10,625	11,033
<b>Total compensation paid</b>	<b>685,120</b>	<b>828,582</b>
<b>32 Pension and retirement plans</b>		
<b>32.1 Defined contribution funds</b>		
All employees of the Group are eligible to be members of defined contributions funds.		
<b>32.2 National Social Security Authority Scheme</b>		
This is a scheme established under the National Social Security Authority Act (1989). Contributions 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.		
<b>32.3 Pension costs charged to profit and loss during the year</b>		
<b>Group</b>		
National Social Security Authority Scheme - Zimbabwe	161,016	161,370
Defined contribution funds	293,663	293,920
	<b>454,679</b>	<b>455,290</b>
<b>Company</b>		
National Social Security Authority Scheme - Zimbabwe	7,014	7,292
Defined contribution funds	26,075	26,332
	<b>33,089</b>	<b>33,624</b>



## Notes to the Financial Statements (continued)

### 33 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	2018	2017
Dairibord Malawi Limited	Malawi	31.6%	31.6%
		<b>2018 US\$</b>	<b>2017 US\$</b>
Accumulated balances of material non-controlling interest:		(47,908)	(47,908)
Loss allocated to non-controlling interest		(254,843)	(254,843)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations. The subsidiary is now classified as a discontinued operation (Refer to note 12).

#### Dairibord Malawi Limited summarised statement of profit or loss for 2018

	2018 US\$	2017 US\$
<b>Revenue</b>	<b>2,944,563</b>	<b>3,306,059</b>
Cost of sales	(2,443,673)	(2,722,101)
Other income	125,202	-
Administrative expenses	(1,079,837)	(1,134,793)
Finance costs	(208,556)	(93,394)
<b>Loss before tax</b>	<b>(662,301)</b>	<b>(644,229)</b>
Income tax expense	(81,019)	(162,236)
<b>Loss for the year</b>	<b>(743,320)</b>	<b>(806,465)</b>
Other comprehensive income	109	-
<b>Total comprehensive income</b>	<b>(743,211)</b>	<b>(806,465)</b>
Attributable to non-controlling interests	(234,855)	(254,843)

#### Dairibord Malawi Limited summarised statement of financial position as at 31 December 2018

Inventories, receivables and cash and bank balances (current)	691,075	1,007,167
Property, plant and equipment and other non-current financial assets (non-current)	1,750,153	1,905,367
Trade and other payables (current)	(1,555,899)	(1,581,628)
Interest-bearing loans and borrowings (current)	(221,557)	(154,396)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	(1,558,591)	(1,328,118)
<b>Total equity</b>	<b>(894,819)</b>	<b>(151,608)</b>
Attributable to equity holders of parent	(612,056)	(103,700)
Non-controlling interest	(282,763)	(47,908)

#### Summarised cash flow information for the year ending 31 December 2018

Operating	56,923	(12,025)
Investing	(15,126)	(602,660)
Financing	(32,688)	845,951
<b>Net increase in cash and cash equivalents</b>	<b>9,109</b>	<b>231,266</b>



## Notes to the Financial Statements (continued)

### 34 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 2018

Fair value measurement using

Assets measured at fair value	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US\$	US\$	US\$	US\$
Revalued land and freehold buildings (Note 13)	14,521,858	-	-	14,521,858
Investment property (Note 14)	1,450,000	-	-	1,450,000
Loans receivable (Note 18.1)	501,515	-	-	501,515
Financial assets at fair value through profit or loss (Note 18.2)	160,205	160,205	-	-
Trade and other receivables (Note 21)	(343,860)	-	-	(343,860)
Cash and cash equivalents (Note 22)	10,317,729	-	-	10,317,729
There have been no transfers between Level 1 and Level 2.				
Refer to Note 14 for inputs used in valuation of investment property and note 18.2 on valuation of quoted shares.				
<b>Liabilities measured at fair value</b>				
Interest bearing borrowings (Note 24)	3,701,990	-	-	3,701,990
Bank overdraft (Note 22)	387,838	-	-	387,838
Trade and other payables (Note 29)	14,428,925	-	-	14,428,925
Finance guarantee liability (Note 25)	136,971	-	-	136,971

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

As at 31 December 2017

Fair value measurement using

Assets measured at fair value	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	US\$	US\$	US\$	US\$
Revalued land and freehold buildings (Note 13)	16,040,393	-	-	16,040,393
Investment property (Note 14)	1,305,000	-	-	1,305,000
Trade and other receivables (Note 21)	(1,646,943)	-	-	(1,646,943)
Cash and cash equivalents (Note 22)	5,819,110	-	-	5,819,110
There have been no transfers between Level 1 and Level 2.				
Refer to note 14 on inputs used for valuation of investment property and note 18.2 on valuation of quoted shares.				
<b>Liabilities measured at fair value</b>				
Interest bearing borrowings (Note 24)	7,784,707	-	-	7,784,707
Bank overdraft (Note 22)	89,333	-	-	89,333
Trade and other payables (Note 29)	13,209,667	-	-	13,209,667

Management assessed that the fair values of cash and short term deposits, bank overdrafts, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- There is an active market for the group's listed equity investments as it is observable with activity on the Zimbabwe Stock Exchange(ZSE).
- The fair values of the Group's interest bearing borrowings are determined by using the Discounted Cash Flow (DCF) method using the discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2018 was assessed to be insignificant.
- The fair value of the financial guarantee liability was determined with reference to the gross carrying amounts of the underlying assets and the expected credit loss variable.





## Notes to the Financial Statements (continued)

### 35 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 Group'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 :

#### 35.1 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 established 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 21. 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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 23. The security held by the Group and other forms of credit insurance are considered an integral part of trade receivables and considered in the calculation of impairment. At 31 December 2018, 60% (2017: 65%) of the Group's trade receivables are covered by mortgage bonds. These credit enhancements obtained by the Group resulted in a decrease in the ECL of \$91,731 as at 31 December 2018 (2017: \$40,000). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets. 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 21. 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix

31-Dec-18						
	Current	30-60 days	61-90 days	90-120 days	> 120 days	Total
Expected credit loss rate	0.44%	1.69%	8.59%	98.00%	76.78%	3.66%
Total gross carrying amounts of receivables	5,533,230	252,323	56,333	23,697	215,910	6,081,493
Expected credit loss	24,517	4,257	4,838	23,222	165,782	222,615

##### Loans and other receivables

The Group issues loans to farmers and staff under its heifer programme and car loan vehicle scheme, respectively. Credit risk is managed subject to the Group's established policy , procedures and control relating to applicant credit risk management. Credit limits are established for all farmers and staff based on internal rating criteria. Credit quality of the farmers is assessed through extensive credit verification procedures and individual facility limits are defined in accordance with this assessment. The farmers are required to insure the animals and other assets pledged as security with the Group registered as the loss payee. Farmers in terms of contract supply the company with milk for the duration of the loan period and repayments are made through deductions from amounts payable for milk delivered. Farmers with outstanding balances are regularly monitored.

Set out below is the information about the credit risk exposure on the Group's loans and other receivables using a provision matrix

31-Dec-17						
	Current	30-60 days	61-90 days	90-120 days	> 120 days	Total
Expected credit loss rate	2.86%	-	-	-	93.86%	9.11%
Total gross carrying amounts of receivables	1,239,795	-	-	-	91,431	1,331,226
Expected credit loss	35,427	-	-	-	85,818	121,245



## Notes to the Financial Statements (continued)

### 35.1 Credit risk (continued)

#### 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 22.

#### Significant increase in credit risk

The Group monitors all financial assets and contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information. Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

#### Write off policy

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts owed to the Group. A write-off constitutes a derecognition event.

### 35.2 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 receivables, 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 2018 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\$
<b>GROUP</b>						
<b>Liabilities</b>						
<b>Year ended 31 December 2018</b>						
Interest bearing borrowings	-	751,795	1,829,002	1,340,817	-	3,921,614
Trade and other payables	-	14,428,925	-	-	-	14,428,925
	-	<b>15,180,720</b>	<b>1,829,002</b>	<b>1,340,817</b>	-	<b>18,350,539</b>
<b>Year ended 31 December 2017</b>						
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
	-	<b>14,322,051</b>	<b>3,156,726</b>	<b>4,209,270</b>	-	<b>21,688,047</b>
<b>COMPANY</b>						
<b>Liabilities</b>						
<b>Year ended 31 December 2018</b>						
Interest bearing borrowings	-	698,252	1,668,373	787,540	-	3,154,165
Trade and other payables	-	525,403	-	-	-	525,403
Amounts owed to Group companies	-	83,694	-	-	-	83,694
	-	<b>1,307,349</b>	<b>1,668,373</b>	<b>787,540</b>	-	<b>3,763,262</b>
<b>Year ended 31 December 2017</b>						
<b>Liabilities</b>						
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
	-	<b>6,272,145</b>	<b>2,881,006</b>	<b>2,796,429</b>	-	<b>11,949,580</b>



## Notes to the Financial Statements (continued)

### 35.3 Changes in liabilities arising from financing activities

Year ended 31 December 2018	01-Jan-18		Cash flows repayments	Reclassified as part of disposal group	Other movements	31-Dec-18 Non cash loan	
		new loans					
Current interest bearing loans and borrowings	3,953,308	-	(3,928,612)	(148,661)	2,532,519	-	2,408,554
Non current interest bearing borrowings and loan	3,831,399	582,000	-	(579,586)	(2,532,519)	(7,858)	1,293,436
<b>Total</b>	<b>7,784,707</b>	<b>582,000</b>	<b>(3,928,612)</b>	<b>(728,247)</b>	<b>-</b>	<b>(7,858)</b>	<b>3,701,990</b>

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 2017	01-Jan-17		Cash flows repayments	as part of disposal group	Reclassified Other movements	31-Dec-17 Non cash loan	
		new loans					
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
<b>Total</b>	<b>9,717,338</b>	<b>1,870,587</b>	<b>(4,241,035)</b>	<b>-</b>	<b>-</b>	<b>437,817</b>	<b>7,784,707</b>

### 35.4 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 as well as the availability of foreign currency in the market. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (given the Group's foreign obligations arising from a huge import bill). The Group limits exposure to exchange rate fluctuations by either prepaying for purchases or retaining stock until the foreign currency to settle the related liability has been secured. The Group's exposure to the risk of unavailability of foreign currency relates primarily to challenges in accessing the foreign currency to settle foreign currency denominated liabilities and when available, the price at which the foreign currency will be purchased at in RTGS currency which can result in significant exchange losses. The Group's foreign currency liabilities as at 31 December 2018 stand at US\$3,9 million 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

	Change in rates	GROUP	
		Effect on profit before tax	Effect on equity
2018	+10%	352,697	261,878
	-10%	(389,568)	(289,254)
2017	+10%	234,117	173,832
	-10%	(264,594)	(196,461)

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



## Notes to the Financial Statements (continued)

### 35.5 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. As at 31 December 2018, approximately 80% of the Group's loans are at fixed interest rates.

#### Interest rate sensitivity

The table below demonstrates the sensitivity of reasonable movements in LIBOR on the relevant loan whose rate moves in line with LIBOR:

	% change in LIBOR	Effect on profit before tax
2018	10%	8,746
2017	10%	10,817

### 35.6 Capital management

The primary objective of the company's capital management is to ensure that the company 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 objectives, policies or processes during the year ended 31 December 2018.

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.

	2018 US\$	2017 US\$
Interest bearing borrowings (Note 24)	3,701,990	7,784,707
Bank overdraft-continuing operations (Note 22)	387,838	89,333
Bank overdraft-discontinued operations (Note 12)	72,897	-
Trade and other payables (Note 29)	14,428,925	13,277,541
Less cash and short-term deposits (Note 22)	(10,324,903)	(5,819,110)
Net Debt	8,266,747	15,332,471
Equity	45,419,619	45,419,619
Capital and debt	53,686,366	60,752,090
Gearing ratio	15.4%	25.2%

### 36 Segment Information

#### 36.1 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. Dairibord Malawi which was a reportable segment in 2017 has been classified as a discontinued operation and is no longer a reportable segment (Refer to note 12).

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



## Notes to the Financial Statements (continued)

### 36 Segment Information (continued)

	Manufacturing and Distribution (Zimbabwe) US\$	Properties US\$	Corporate US\$	Adjustments and eliminations US\$	Group US\$
<b>Year ended 31 December 2018</b>					
<b>Revenue</b>					
Revenue from contracts with external customers	126,358,407	84,203	-	-	126,442,610
Revenue from contracts with internal customers	7,158	-	-	(7,158)	-
Revenue from management services	-	-	1,480,936	(1,480,936)	-
Rental income -internal customers	-	1,079,908	-	(1,079,908)	-
<b>Total revenue</b>	<b>126,365,565</b>	<b>1,164,111</b>	<b>1,480,936</b>	<b>(2,568,002)</b>	<b>126,442,610</b>
<b>Results</b>					
Depreciation, and amortisation	4,648,821	329,899	32,995	-	5,011,715
Operating profit	7,978,880	884,874	894,822	235,547	9,994,123
Finance income	81,166	-	618,248	(577,216)	122,198
Finance costs	(781,639)	-	(366,350)	577,216	(570,773)
Segment profit before tax	7,278,407	884,874	1,146,720	235,547	9,545,548
Segment assets	58,978,168	18,526,569	58,218,421	(57,169,842)	78,553,316
Segment liabilities	31,085,644	724,315	3,869,667	(10,056,495)	25,623,131
Capital expenditure	1,134,971	-	7,068	-	1,142,039

	Dairibord Zimbabwe US\$	Properties US\$	Corporate US\$	Adjustments and eliminations US\$	Group US\$
<b>Year ended 31 December 2017</b>					
<b>Revenue</b>					
External customers	98,553,023	83,662	-	-	98,636,685
Inter-segment	221,877	664,152	1,480,936	(2,366,965)	-
<b>Total revenue</b>	<b>98,774,900</b>	<b>747,814</b>	<b>1,480,936</b>	<b>(2,366,965)</b>	<b>98,636,685</b>
<b>Results</b>					
Depreciation	4,946,275	324,246	109,199	-	5,379,720
Operating profit	3,944,267	378,469	286,312	(50,001)	4,559,047
Restructuring costs	(410,491)	-	(436,882)	-	(847,373)
Finance income	30,314	-	857,962	(816,264)	72,012
Finance costs	(949,789)	-	(585,008)	816,264	(718,533)
Segment profit before tax	2,614,301	378,469	122,384	(50,001)	3,065,153
Segment assets	53,150,823	23,892,146	59,443,896	(67,180,874)	69,305,991
Segment liabilities	29,659,260	609,216	11,439,424	(17,973,142)	23,734,758
Capital expenditure	1,555,271	2,550	783	-	1,558,604

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.

#### Reconciliation of 2017 segment assets and liabilities per statement of financial position to segment note

<b>Assets</b>	
As per segment note	69,305,991
Dairibord Malawi segment assets	2,912,533
<b>Total assets on the 2017 statement of financial position</b>	<b>72,218,524</b>
<b>Liabilities</b>	
As per segment note	23,734,758
Dairibord Malawi segment liabilities	3,064,147
<b>Total liabilities on the 2017 statement of financial position</b>	<b>26,798,905</b>



## Notes to the Financial Statements (continued)

### 37 Events after the reporting date

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

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

	Total RTGS\$ denominated monetary and non-monetary balances	Total USD denominated monetary assets and liabilities balances	Total translated at a rate of US\$:RTGS\$ 1	TOTAL RTGS @ 1:2.5	TOTAL RTGS @ 1:3	TOTAL RTGS @ 1:4
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	34,725,326	-	34,725,326	34,725,326	34,725,326	34,725,326
Investment property	1,450,000	-	1,450,000	1,450,000	1,450,000	1,450,000
Intangible assets	352,567	-	352,567	352,567	352,567	352,567
Other non-current financial assets	501,515	-	501,515	501,515	501,515	501,515
Deferred tax asset	20,681	-	20,681	20,681	20,681	20,681
	<b>37,050,089</b>	<b>-</b>	<b>37,050,089</b>	<b>37,050,089</b>	<b>37,050,089</b>	<b>37,050,089</b>
<b>Current assets</b>						
Inventories	18,308,918	-	18,308,918	18,308,918	18,308,918	18,308,918
Prepayments	2,886,656	212,392	3,099,048	3,417,636	3,523,832	3,736,224
Trade and other receivables	7,089,585	167,399	7,256,984	7,508,083	7,591,782	7,759,181
Financial assets at fair value through profit or loss	160,205	-	160,205	160,205	160,205	160,205
Cash and cash equivalents	10,056,729	261,000	10,317,729	10,709,229	10,839,729	11,100,729
	<b>38,502,093</b>	<b>640,791</b>	<b>39,142,884</b>	<b>40,104,071</b>	<b>40,424,466</b>	<b>41,065,257</b>
Assets classified as held for sale	2,360,343	-	2,360,343	2,360,343	2,360,343	2,360,343
	<b>40,862,436</b>	<b>640,791</b>	<b>41,503,227</b>	<b>42,464,414</b>	<b>42,784,809</b>	<b>43,425,600</b>
<b>TOTAL ASSETS</b>	<b>77,912,525</b>	<b>640,791</b>	<b>78,553,316</b>	<b>79,514,503</b>	<b>79,834,898</b>	<b>80,475,689</b>
<b>EQUITY &amp; LIABILITIES</b>						
<b>Equity</b>						
Share capital	35,800	-	35,800	35,800	35,800	35,800
Share premium	1,379,664	-	1,379,664	1,379,664	1,379,664	1,379,664
Non-distributable reserves	28,526,143	-	28,526,143	28,526,143	28,526,143	28,526,143
Foreign currency translation reserve	-	-	-	(4,978,209)	(6,637,612)	(9,956,418)
Reserves of assets classified as held for sale	(4,224,099)	-	(4,224,099)	(4,224,099)	(4,224,099)	(4,224,099)
Retained earnings	24,766,191	-	24,766,191	24,766,191	24,766,191	24,766,191
<b>Equity attributable to owners of the parent</b>	<b>50,483,699</b>	<b>-</b>	<b>50,483,699</b>	<b>45,505,490</b>	<b>43,846,087</b>	<b>40,527,281</b>
Non-controlling interests	(282,763)	-	(282,763)	(282,763)	(282,763)	(282,763)
<b>Total equity</b>	<b>50,200,936</b>	<b>-</b>	<b>50,200,936</b>	<b>45,222,727</b>	<b>43,563,324</b>	<b>40,244,518</b>
<b>Non-current liabilities</b>						
Interest-bearing borrowings	780,644	512,792	1,293,436	2,062,624	2,319,020	2,831,812
Financial guarantee liability	136,971	-	136,971	136,971	136,971	136,971
Deferred tax liability	6,378,038	-	6,378,038	6,378,038	6,378,038	6,378,038
	<b>7,295,653</b>	<b>512,792</b>	<b>7,808,445</b>	<b>8,577,633</b>	<b>8,834,029</b>	<b>9,346,821</b>
<b>Current liabilities</b>						
Trade and other payables	11,926,174	2,502,751	14,428,925	18,183,052	19,434,427	21,937,178
Interest-bearing borrowings	1,464,500	944,054	2,408,554	3,824,635	4,296,662	5,240,716
Bank overdraft	387,838	-	387,838	387,838	387,838	387,838
Dividend payable	87,906	-	87,906	87,906	87,906	87,906
Income tax payable	501,463	-	501,463	501,463	501,463	501,463
	<b>14,367,881</b>	<b>3,446,805</b>	<b>17,814,686</b>	<b>22,984,894</b>	<b>24,708,296</b>	<b>28,155,101</b>
Liabilities associated with assets held for sale	2,729,249	-	2,729,249	2,729,249	2,729,249	2,729,249
	<b>17,097,130</b>	<b>3,446,805</b>	<b>20,543,935</b>	<b>25,714,143</b>	<b>27,437,545</b>	<b>30,884,350</b>
<b>Total liabilities</b>	<b>24,392,783</b>	<b>3,959,597</b>	<b>28,352,380</b>	<b>34,291,776</b>	<b>36,271,574</b>	<b>40,231,171</b>
<b>Total equity and liabilities</b>	<b>74,593,719</b>	<b>3,959,597</b>	<b>78,553,316</b>	<b>79,514,503</b>	<b>79,834,898</b>	<b>80,475,689</b>

#### Assumptions/Notes:

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





## Glossary of Terms

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



## GRI Content Index - “Core”

GRI Indicator		Page No.	External Assurance
<b>STRATEGY AND ANALYSIS</b>			
GRI102-14		8 - 11, 13 - 18	Not Assured
<b>ORGANISATIONAL PROFILE</b>			
GRI102-15		Cover	Not Assured
GRI102-2		7, 8, 10	Not Assured
GRI102-3		106	Not Assured
GRI102-4		106	Not Assured
GRI102-5		102 - 103	Not Assured
GRI102-6		7	Not Assured
GRI102-7		12	Not Assured
GRI102-8		32 - 33	Not Assured
GRI102-41		N/A	Not Assured
GRI102-9		10, 31 - 32	Not Assured
GRI102-10		14	Not Assured
GRI102-11		Scope	Not Assured
GRI102-12		35	Not Assured
GRI102-13		38	Not Assured
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
GRI102-45		Scope	Not Assured
GRI102-46		Scope	Not Assured
GRI102-47		26, 28	Not Assured
GRI103-1		25	Not Assured
GRI102-48		30	Not Assured
GRI102-49		N/A	Not Assured
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI102-40		8	Not Assured
GRI102-42		26 - 27	Not Assured
GRI102-43		26 - 27	Not Assured
GRI102-44		26 - 27	Not Assured
<b>REPORT PROFILE</b>			
GRI102-50		Scope	Not Assured
GRI102-51		Scope	Not Assured
GRI102-52		Scope	Not Assured
GRI102-53		Scope	Not Assured
GRI102-54		Scope	Not Assured
GRI102-56		N/A	Not Assured
<b>GOVERNANCE</b>			
GRI102-18		19 - 23	Not Assured
<b>ETHICS AND INTEGRITY</b>			
GRI102-16		19	Not Assured



## GRI Content Index “Core” (continued)

### SPECIFIC STANDARD DISCLOSURES

#### Material Aspects: DMA and Indicators

		Page (s)	Omission	External Assurance
<b>ECONOMIC</b>				
Economic Performance				
GRI201-1	Direct economic value generated and distributed (see Financial Statements)	44-98	n/a	Assured
GRI201-3	Coverage of the Organisation’s defined contribution plan	47	n/a	Assured
GRI201-4	Significant financial assistance received from government	31	n/a	Not Assured
<b>ENVIRONMENTAL</b>				
Materials				
GRI301-1	Material used by weight or volume	35	n/a	Not Assured
GRI301-2	Percentage materials used that are recycled materials	35	n/a	Not Assured
Energy				
GRI302-1	Direct energy consumption by primary energy source	36	n/a	Not Assured
GRI302-2	Indirect energy consumption by primary source	36	n/a	Not Assured
Water				
GRI303-1	Total water withdrawn by source	36	n/a	Not Assured
<b>SOCIAL PERFORMANCE INDICATORS</b>				
Employment				
GRI401-1	Employees and Turnover	32	n/a	Not Assured
GRI403 -3	Health and Safety Incidences	33	n/a	Not Assured



## Shareholders Analysis 31 December 2018

### ANALYSIS BY VOLUME

Range	Shares	Shares %	Shareholders	Shareholders %
1-5000	3,772,007	1.05	5,076	91.94
5001-10000	751,517	0.21	104	1.88
10001-25000	1,703,987	0.48	99	1.79
25001-50000	2,453,940	0.69	67	1.21
50001-100000	3,545,964	0.99	49	0.89
100001-200000	5,471,886	1.53	36	0.65
200001-500000	11,047,946	3.09	35	0.63
500001-1000000	13,690,100	3.82	19	0.34
1000001 and Above	315,563,511	88.15	36	0.65
<b>Totals</b>	<b>358,000,858</b>	<b>100.00</b>	<b>5,521</b>	<b>100.00</b>

### ANALYSIS BY INDUSTRY

Industry	Shares	Shares %	Shareholders	Shareholders %
LOCAL COMPANIES	97,923,103	27.35	283	5.13
PENSION FUNDS	70,970,613	19.82	99	1.79
LOCAL NOMINEE	63,509,548	17.74	67	1.21
INSURANCE COMPANIES	49,987,963	13.96	08	0.14
FOREIGN NOMINEE	23,279,478	6.50	08	0.14
LOCAL INDIVIDUAL RESIDENT	23,343,169	6.52	4,835	87.57
OTHER INVESTMENTS & TRUST	12,537,044	3.50	52	0.94
FOREIGN COMPANIES	6,583,310	1.84	04	0.07
NEW NON RESIDENT	5,566,924	1.56	23	0.42
TRUSTS	2,367,728	0.66	21	0.38
FOREIGN INDIVIDUAL RESIDENT	1,187,857	0.33	10	0.18
DECEASED ESTATES	251,769	0.07	97	1.76
GOVERNMENT / QUASI	243,836	0.07	01	0.02
FUND MANAGERS	140,477	0.04	03	0.05
BANKS	70,262	0.02	02	0.04
CHARITABLE	37,777	0.01	08	0.14
<b>Totals</b>	<b>358,000,858</b>	<b>100.00</b>	<b>5,521</b>	<b>100.00</b>

### Top Ten Shareholders

Names	Tax	Industry	Shares	Percentage
STANBIC NOMINEES (PVT) LTD	FN	FN	94,133,921	26.29
OLD MUTUAL LIFE ASS CO ZIM LTD	INS	INS	49,022,712	13.69
SERRAPIN INVESTMENTS (PVT) LTD	LC	LC	43,706,444	12.21
MEGA MARKET (PVT) LTD	LC	LC	38,976,204	10.89
SCB NOMINEES 033663900002	PF	PF	18,081,801	5.05
MINING INDUSTRY PENSION FUND	PF	PF	17,667,266	4.93
NSSA - NATIONAL PENSION SCHEME	PF	PF	11,123,595	3.11
DZL HOLDINGS EMPLOYEE SHARE TRUST	INV	INV	10,000,000	2.79
ANTONY MANDIWANZA	LR	LR	8,295,193	2.32
OLD MUTUAL ZIMBABWE LIMITED	LC	LC	6,368,443	1.78
<b>Selected Shares</b>			<b>297,375,579</b>	<b>83.07</b>
<b>Non - Selected Shares</b>			<b>60,625,279</b>	<b>16.93</b>
<b>Issued Shares</b>			<b>358,000,858</b>	<b>100.00</b>

### Directors' Shareholding

J. H. K. Sachikonye	266
S. Chindove	2,637,879
C. Mahembe	138,575
A. S. Mandiwanza	9,419,115
M. R. Ndoro	3,167,513
D. Hasluck	-
R. P. Kupara	-
Cron von Seidel	-
N. Chiromo	-
C. R. J. Hawgood	1,000,000



## Shareholders Analysis 31 December 2017

### ANALYSIS BY VOLUME

Range	Shares	Shares %	Shareholders	Shareholders %
1-5000	3,784,781	1.06	5,086	91.18
5001-10000	757,273	0.21	105	1.88
10001-25000	1,847,030	0.52	107	1.92
25001-50000	2,670,604	0.75	71	1.27
50001-100001	4,692,995	1.31	66	1.18
100001-200000	6,801,953	1.90	45	0.81
200001-500000	12,931,892	3.61	40	0.72
500001-1000000	16,238,212	4.54	23	0.41
1000001 and Above	308,276,118	86.11	35	0.63
<b>Totals</b>	<b>358,000,858</b>	<b>100.00</b>	<b>5,578</b>	<b>100</b>

### ANALYSIS BY INDUSTRY

Industry	Shares	Shares %	Shareholders	Shareholders %
PENSION FUNDS	78,205,902	21.85	142	2.55
FOREIGN NOMINEE	66,895,573	18.69	15	0.27
LOCAL COMPANIES	59,142,093	16.52	286	5.13
LOCAL NOMINEE	53,034,413	14.81	68	1.22
INSURANCE COMPANIES	49,794,194	13.91	13	0.23
LOCAL INDIVIDUAL RESIDENT	23,747,689	6.63	4,821	86.43
OTHER INVESTMENTS & TRUST	12,475,694	3.48	39	0.7
FOREIGN COMPANIES	5,874,010	1.64	3	0.05
NEW NON RESIDENT	5,623,732	1.57	25	0.45
TRUSTS	2,254,314	0.63	5	0.09
FUND MANAGERS	289,010	0.08	7	0.13
OTHER	208,816	0.06	27	0.48
DECEASED ESTATES	197,886	0.06	94	1.69
CHARITABLE	177,370	0.05	29	0.52
BANKS	70,262	0.02	2	0.04
FOREIGN INDIVIDUAL RESIDENT	9,900	0.00	2	0.04
<b>Totals</b>	<b>358,000,858</b>	<b>100.00</b>	<b>5,578</b>	<b>100</b>

### Top Ten Shareholders

Names	Shares	Percentage
STANBIC NOMINEES [PVT] LTD	127,821,887	35.70
OLD MUTUAL LIFE ASS CO ZIM LTD	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
NSSA - NATIONAL PENSION SCHEME	11,123,595	3.11
DZL HOLDINGS 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
<b>Totals</b>	<b>358,000,858</b>	<b>100.00</b>

### Directors' Shareholding

S. Chindove	2,637,879
C. Mahembe	138,575
A. S. Mandiwanza	9,419,115
J. H. K. Sachikonye	266
M. R. Ngoro	3,167,513
D. Hasluck	-
R. P. Kupara	-
Cron von Seidel	-
N. Chiromo	-
C. R. J. Hawgood	1,000,000



## Notice to Shareholders

Notice is hereby given that the twenty-fourth Annual General Meeting of members of Dairibord Holdings Limited will be held in Stewart Room Meikles Hotel, on Friday 31 May 2019 at 12:00 hours.

### Ordinary Business

1. To receive and adopt the Financial Statements for the year ended 31 December 2018, 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. Cron von Seidel retires by rotation and being eligible, offers himself for re-election.

In accordance with article 100 of the company's Articles of Association, Mrs. S. R. Chindove retires by rotation and being eligible, offers herself for re-election.

Mr David Hasluck, who has served the board as a non-executive director since 12 March 2015 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 RTGS\$0.007 per share declared on 6 March 2019.

### 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.

### By order of the Board

Handwritten signature of M. Ndoro in black ink.

M. Ndoro  
Company Secretary

8 May 2019





## Shareholders' Calendar

2018 Annual Report Published	May 2019
Twenty-fourth Annual General Meeting	31 May 2019
Interim report for 6 months to 30 June 2019 and dividend announcement	August 2019
Financial Year End	31 December 2019
Publication of the results for the 12 months ending 31 December 2019 and dividend announcement	March 2020



## 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 24 2790801-5, 2779035-45

### 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

### Bankers

Standard Chartered Bank of Zimbabwe Limited  
Stanbic Bank Zimbabwe Limited  
First Capital Bank Limited  
Ecobank Zimbabwe Limited  
Central Africa Building Society  
FBC Bank Limited

### Transfer Secretaries

Corpserve (Private) Limited  
4th Floor, ZB Centre  
Cnr 1<sup>st</sup> Street and Kwame Nkrumah Avenue  
Harare  
Zimbabwe

### Sustainability Reporting Advisors

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

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Contains nutrients which help to boost the immune system

Controls cholesterol by balancing the HDL/LDL ratio



### DAIRIBORD CHIMOMBE, SUPER MILK & STERI

Rich in quality protein that helps reduce age related muscle loss and promotes muscle repair

Contains minerals and vitamins that benefit bone health

Contains healthy fats



### DAIRIBORD AQUALITE

Contains potassium which increases mental alertness.

Contains skin friendly silica particles

It boosts metabolism

Contains minerals that regulate body fat



### FUN 'N' FRESH & NUTRIPLUS

Contains whey that is an excellent source of quality proteins that promotes muscle growth

Whey protein enhances the body's antioxidants

Nutriplus is fortified (Added vitamins and minerals)



### PFUKO / UDIWO MAHEWU

Aids in digestion

Is dairy based, high in proteins, contains minerals and vitamins.



### QUICKBREW TEA

Contains alkylamine antigens that help boost immune response

Black tea reduces plaque formation and promotes good oral health





**Dairibord Holdings Limited**

1225 Rekayi Tangwena Avenue, Belvedere, Harare

P O Box 587, Harare , Zimbabwe

Telephone: + 263 24 2790801-5, 2779035-45