

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of Dairibord Holdings Limited hereby announce the Group's Abridged Audited financial results for the year ended 31 December 2020

Nutritious Foods and Beverages for the Sustenance of Good Health



Dairibord Holdings
More Than Just Milk

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present the Group's audited results for the year ended 31 December 2020. The commentary on financials is based on the inflation adjusted numbers. The historical amounts are shown as supplementary information.

OPERATING ENVIRONMENT

The operating environment was challenging as the global impact of the COVID-19 pandemic exacerbated an already volatile economic environment. COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. National lockdowns that ensued disrupted supply chains and market access, creating an overnight negative demand shock. Inflation peaked in July at 837.53% before closing the year at 348.6%. The overall effects were particularly pronounced in the first half of the year.

The second half of the year saw relaxation of operating restrictions, increased economic activity and rebounding consumer demand. The introduction of the foreign currency auction system on 23 June 2020 bolstered price stability and positively impacted on industry's ability to secure inputs. Other positive developments included improved fuel and power supply in 2020 albeit at significantly increased cost, and the introduction of Statutory Instrument (SI) 85 of 2020 allowing companies to trade locally in both ZWS and USD.

Despite the improved business operating environment in the second half of the year, some negative impacts remained throughout such as increased lead times across supply chains, increased labour and utility costs as well as increased COVID-19 mitigation costs. To manage the negative impact of the economic factors, the company pursued a low cost operating model, continuously reviewed efficiencies, diversified routes to market and focused on cash and foreign currency generation.

GROUP PERFORMANCE

Raw Milk Intake

Raw milk intake declined by 6% largely caused by reduced yields at dairy farms due to stock feed price increases. The country experienced a shortage of stock feeds because of the droughts in preceding years. Dairibord remained the largest dairy processor in Zimbabwe with raw milk intake accounting for 39.1% of intake by processors.

Sales Volumes

Sales volumes were 12.5% below 2019. The performance was particularly affected by a lacklustre outturn in the second quarter in which volumes dropped by 46% year-on-year, due to COVID-19 restrictions that impacted trading hours and sales channels. While there was a recovery in sales in the second half, supply chain constraints limited the business ability to fully capitalise on demand.

The Liquid Milks category declined by 9%, largely due to the 6% decline in raw milk intake and supply constraints in the importation of supplementary milk powders. The Beverages category declined by 18%, while the Foods category which has the highest value and margins increased by 9% over 2019. The redesigning of the route to market saw a strong recovery in the fourth quarter which resulted in a 31% percent volume growth over the same period in prior year.

Revenue

Inflation adjusted revenue grew by 5% (historical: 636%) from prior year to ZWS 5.3 billion (historical: ZWS 3.7 billion). Export revenue was affected by border lockdown restrictions and was lower than prior year by 6%. However, a significant growth in domestic foreign currency sales was realised following the introduction of SI 85 of 2020. Total foreign currency revenue increased by 123% over 2019 and accounted for 13% of the total inflation adjusted revenue (15% of historical revenue). The revenues generated coupled with proceeds from the auction market contributed towards meeting the company's import bill.

Profitability

The business achieved an operating profit of ZWS 231 million (historical: ZWS 257 million) compared to ZWS 407 million in 2019 (historical: ZWS 60 million). Operating costs grew faster than revenue increasing by 10% compared to 2019 (historical: increase of 657%). As a result, an operating profit margin of 4% was attained down from 8% in prior year. The increase in operating costs was driven by exchange rate movements, notably, costs of utilities, fuel, repairs and maintenance.

Working Capital

Cash flows generated from operations improved to ZWS 238 million on account of improved working capital management (historical: cash outflow ZWS 87 million).

AUDITOR'S STATEMENT

These abridged inflation adjusted consolidated financial statements should be read in conjunction with the complete set of inflation adjusted consolidated financial statements for the year ended 31 December 2020 which have been audited by Ernst & Young Chartered Accountants (Zimbabwe). The audit opinion is adverse with respect to non-compliance with International Financial Reporting Standards (IFRS) specifically the following: International Accounting Standard (IAS) 21 The Effects of Changes in Foreign Exchange Rates, International Accounting Standard (IAS) 8 Accounting Policies, Changes in Accounting Estimates and Errors, International Accounting Standard (IAS) 29 Financial Reporting in Hyperinflationary Economies and IFRS 13 Fair Value Measurement on the concerns on fair values of investment property and freehold land and buildings in ZWS after application of closing exchange rates to the US\$ valuations.

There were no other key audit matters communicated in the auditor's report. The Independent Audit Report on the inflation adjusted consolidated financial statements is available for inspection at the registered office of the Company. The engagement partner responsible for this audit is Mr. David Gwande (PAAB Practising Certificate Number 132).

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

Note	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000 AUDITED	2019 ZWS'000 AUDITED Restated	2020 ZWS'000 UNAUDITED	2019 ZWS'000 UNAUDITED Restated
Revenue	5,272,883	5,000,410	3,661,897	497,216
Cost of sales	(3,938,473)	(3,579,664)	(2,617,411)	(337,756)
Gross profit	1,334,410	1,420,746	1,044,486	159,460
Operating profit	231,310	407,328	356,537	59,836
Fair value adjustments on investment properties	7,955	50,439	67,879	17,792
Net foreign exchange gains/(losses)	959	(121,208)	9,256	(6,466)
Monetary (loss)/gain	(214,241)	685,046	-	-
Profit before interest and tax	25,983	1,021,605	433,672	71,162
Finance income	1,552	6,310	1,120	922
Finance costs	(82,806)	(30,605)	(61,562)	(4,352)
(Loss)/profit before tax	(55,271)	997,310	373,230	67,732
Income tax expense	(21,369)	(181,065)	(68,106)	(22,368)
(Loss)/profit for the period from continuing operations	(76,640)	816,245	305,124	45,364
Loss from discontinued operations	-	(144,664)	-	(3,782)
(Loss)/profit for the period	(76,640)	671,581	305,124	41,582
Other comprehensive income:				
Revaluation surplus on properties, net of tax	183,177	393,234	677,153	172,479
Recycling of FCTR on disposal of subsidiary	-	130,907	-	9,205
Exchange differences on functional currency change, net of tax	-	(37,556)	-	(1,518)
Exchange differences on translating foreign operations, net of tax	-	(31,360)	-	(6,991)
Total comprehensive income for the period	106,537	1,126,806	982,277	214,757
(Loss)/profit attributable to:				
Owners of the parent	(76,640)	672,663	305,124	41,823
Non-controlling interest	-	(1,082)	-	(241)
	(76,640)	671,581	305,124	41,582
Total comprehensive income/(loss) attributable to:				
Owners of the parent	106,537	1,137,798	982,277	217,207
Non-controlling interests	-	(10,992)	-	(2,450)
	106,537	1,126,806	982,277	214,757
Earnings per share (cents)				
Basic	(21.41)	187.89	85.23	11.62
Diluted	(21.41)	187.89	85.23	11.62
Headline	(25.34)	202.27	65.95	7.25
Weighted average number of shares in issue	358,000,858	358,000,858	358,000,858	358,000,858
Weighted average number of shares adjusted for the effect of dilution	358,000,858	358,000,858	358,000,858	358,000,858

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital ZWS'000	Share Premium ZWS'000	Attributable to equity holders of the parent		Retained earnings ZWS'000	Total ZWS'000	Non-controlling interests ZWS'000	Total equity ZWS'000
			Non-distributable reserves ZWS'000	Reserves of assets classified as held for sale ZWS'000				
INFLATION ADJUSTED								
As at 1 January 2019 restated	886	34,140	-	(104,526)	612,842	543,342	(6,997)	536,345
Profit/(loss) for the period	-	-	-	-	672,663	672,663	(1,082)	671,581
Recycling of the FCTR on disposal of subsidiary	-	-	130,907	-	-	130,907	-	130,907
Revaluation surplus on PPE	-	-	393,234	-	-	393,234	-	393,234
Exchange differences on functional currency change	-	-	(37,556)	-	-	(37,556)	-	(37,556)
Exchange differences on translating foreign operations	-	-	(21,450)	-	-	(21,450)	(9,910)	(31,360)
Total comprehensive income/(loss)	-	-	465,135	-	672,663	1,137,798	(10,992)	1,126,806
Dividend paid	-	-	-	-	(56,301)	(56,301)	-	(56,301)
Disposal of a subsidiary and reclassification of reserves	-	-	(109,457)	104,526	4,931	-	17,989	17,989
As at 31 December 2019 restated	886	34,140	355,678	-	1,234,135	1,624,839	-	1,624,839
Loss for the period	-	-	-	-	(76,640)	(76,640)	-	(76,640)
Revaluation surplus on PPE	-	-	183,177	-	-	183,177	-	183,177
Exchange difference on functional currency change	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	183,177	-	(76,640)	106,537	-	106,537
Dividend paid	-	-	-	-	(7,462)	(7,462)	-	(7,462)
Disposal of a subsidiary and reclassification of reserves	-	-	-	-	-	-	-	-
As at 31 December 2020	886	34,140	538,855	-	1,150,033	1,723,914	-	1,723,914
HISTORICAL COST								
As at 1 January 2019	36	1,380	28,526	(4,224)	24,766	50,484	(283)	50,201
Profit/(loss) for the period	-	-	-	-	41,823	41,823	(241)	41,582
Recycling of the FCTR on disposal of subsidiary	-	-	9,205	-	-	9,205	-	9,205
Revaluation surplus on PPE	-	-	172,479	-	-	172,479	-	172,479
Exchange difference on functional currency change	-	-	(1,518)	-	-	(1,518)	-	(1,518)
Exchange differences on translating foreign operations	-	-	(4,782)	-	-	(4,782)	(2,209)	(6,991)
Total comprehensive income/(loss)	-	-	175,384	-	41,823	217,207	(2,450)	214,757
Dividend paid	-	-	-	-	(2,506)	(2,506)	-	(2,506)
Disposal of a subsidiary and reclassification of reserves	-	-	(4,423)	4,224	199	0	2,733	2,733
As at 31 December 2019 restated	36	1,380	199,487	-	64,282	265,185	-	265,185
Profit/(loss) for the period	-	-	-	-	305,124	305,124	-	305,124
Revaluation surplus on PPE	-	-	677,153	-	-	677,153	-	677,153
Exchange difference on functional currency change	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	677,153	-	305,124	982,277	-	982,277
Dividend Paid	-	-	-	-	(7,160)	(7,160)	-	(7,160)
Disposal of a subsidiary	-	-	-	-	-	-	-	-
Reclassification within reserves	-	-	-	-	-	-	-	-
As at 31 December 2020	36	1,380	876,640	-	362,246	1,240,302	-	1,240,302

FINANCIAL HIGHLIGHTS

Financial	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000	% Change	2020 ZWS'000	% Change
Revenue	5,272,883	5%	3,661,897	636%
Earnings before depreciation, amortisation, interest and tax	152,964	-86%	445,061	486%
Operating profit	231,310	-43%	356,537	496%
(Loss)/profit for the period attributable to owners of the parent	(76,640)	-111%	305,124	630%
Equity	1,723,914	6%	1,240,302	368%
Volume (Litres'000)				
Raw milk intake	27,201	-6%	27,201	-6%
Sales	63,823	-13%	63,823	-13%

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

Note	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000 AUDITED	2019 ZWS'000 AUDITED Restated	2020 ZWS'000 UNAUDITED	2019 ZWS'000 UNAUDITED Restated
Assets				
Non-current assets				
Property, plant and equipment	1,528,895	1,364,786	1,153,718	215,883
Investment property	85,070	86,319	85,070	19,242
Intangible assets	5,031	7,092	244	287
Other non-current financial assets	-	2,161	-	482
Deferred tax asset	-	-	9,420	172
	1,618,996	1,460,358	1,248,452	236,066
Current assets				
Inventories	598,744	656,156	413,165	83,663
Prepayments	281,450	120,418	205,598	16,054
Trade and other receivables	291,236	253,809	291,236	56,580
Cash and cash equivalents	205,677	84,511	205,677	18,839
	1,377,106	1,114,894	1,115,676	175,136
Total assets	2,996,103	2,575,252	2,364,128	411,202
Equity and liabilities				
Equity				
Share Capital	886	886	36	36
Share Premium	34,140	34,140	1,380	1,380
Non-distributable reserves	538,855	355,678	876,640	199,487
Retained earnings	1,150,033	1,234,135	362,246	64,282
Equity attributable to owners of the parent	1,723,914	1,624,839	1,240,302	265,185
Total equity	1,723,914	1,624,839	1,240,302	265,185
Non-current liabilities				
Interest - bearing borrowings	76,308	40,983	76,308	9,136
Share incentive liability	28,045	-	28,045	-
Financial guarantee liability	6,998	5,665	6,998	1,263
Deferred tax liability	373,372	386,970	225,007	20,413
	484,723	433,618	336,358	30,812
Current liabilities				
Trade and other payables	364,333	351,773	364,333	78,418
Contract liabilities	15,762	9,213	15,762	2,054
Interest - bearing borrowings	363,307	87,237	363,307	19,447
Bank overdraft	-	20,085	-	4,477
Dividend payable	396	679	396	151
Income tax payable	43,668	47,808	43,668	10,657
	787,466	516,795	787,466	115,204
Total liabilities	1,272,189	950,413	1,123,825	146,016
Total equity and liabilities	2,996,103	2,575,252	2,364,128	411,202

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of Dairibord Holdings Limited hereby announce the Group's Abridged Audited financial results for the year ended 31 December 2020.

Nutritious Foods and Beverages for the Sustenance of Good Health



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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The Group's Financial statements, of which these abridged results are an extract do not comply with the disclosure requirements of the Companies and Other business Entities Act (Chapter 24:31) and International Financial reporting standards (IFRS) due to departure from IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 29 Financial Reporting in Hyperinflationary Economies and IFRS 13 Fair value measurement.

The consolidated financial statements have been prepared in accordance with IFRS Standards and are based on the statutory records that are maintained under the historical cost convention, except for land and buildings and investment property that have been measured at fair value.

The historical costs have been adjusted for the effects of applying International Accounting Standard (IAS 29) - "Financial Reporting in Hyperinflationary Economies". The group and company financial statements for the year ended 31 December 2020 and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency, and as a result, are stated in terms of the measuring unit current at the end of the reporting period.

The consolidated financial statements are presented in Zimbabwean Dollars (ZWL), which is the Group's functional and presentation currency. The group changed its functional currency in February 2019, following the issuance of Statutory Instrument (SI) 33 of 2019 by the Government of Zimbabwe. The Statutory Instrument gave birth to the RTGS dollar (now the Zimbabwean Dollar) prescribed parity between the United States Dollar (USD) and the local currency as at and up to 22 February 2019.

Pursuant to the above changes, the Group adopted 28 February 2019 as the effective date of change (back stop date) for accounting purposes. At this date, the Group converted all foreign currency denominated monetary assets and liabilities using the ruling interbank rate. The resultant exchange differences were accounted for in equity through other comprehensive income. Non-monetary assets were converted to ZWL at 1:1 in line with Statutory Instrument 33 of 2019.

1.1 Hyper Inflation

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

The Directors have made appropriate adjustments to reflect the changes in the general purchasing power on the Zimbabwe Dollar and for purposes of fair presentation in accordance with IAS 29, these changes have been made on the historical cost financial information. The ZWL all items CPI was used in adjusting the historical financial statements for inflation. The ZWL CPI was obtained from the Reserve Bank of Zimbabwe website. Below are the indices and adjustment factors used up to December 2020:

	Indices	Adjustment Factor
CPI as at 31 December 2020	2474.51	1.00
CPI as at 31 December 2019	551.63	4.49
CPI as at 28 February 2019 (Group's selected date of change in functional currency)	100.00	24.75
Average CPI for 2020	1500.05	

2. Significant accounting policies

Accounting policies are consistent with those used in the previous year with no significant impact arising from new and revised International Financial Reporting Standards applicable for the year ended 31 December 2020.

3. Approval of Financial Statements

The underlying financial statements to these abridged results were approved by the Board on 27 April 2021.

4. Segment information

The Group is currently organised into business units for management purposes. The Group has 3 operating segments which management uses to monitor performance and therefore inform decision making and these are:

	Manufacturing and distribution ZWS'000	Properties ZWS'000	Corporate ZWS'000	Adjustments & eliminations ZWS'000	Group ZWS'000
INFLATION ADJUSTED					
Year ended 31 December 2020					
Revenue					
- External customers	5,268,880	4,003	-	-	5,272,883
- Inter-segment	4,483	2,033	100,103	(106,621)	-
	5,273,363	6,036	100,103	(106,621)	5,272,883
Results					
Depreciation and amortisation	105,741	17,697	3,542	-	126,981
Operating profit	150,990	74,084	6,247	-	231,311
Segment assets	1,192,408	1,186,656	1,508,663	(891,624)	2,996,103
Segment liabilities	893,323	44,311	345,882	(11,326)	1,272,190
Capital expenditure	55,245	-	2,275	-	57,520

	Manufacturing and distribution ZWS'000	Properties ZWS'000	Corporate ZWS'000	Adjustments & eliminations ZWS'000	Group ZWS'000
Year ended 31 December 2019					
Revenue					
- External customers	4,997,602	2,808	-	-	5,000,410
- Inter-segment	1,017	15,730	78,001	(94,748)	-
	4,998,619	18,538	78,001	(94,748)	5,000,410
Results					
Depreciation and amortisation	98,182	1,447	3,511	-	103,140
Operating profit	389,578	12,396	5,355	-	407,329
Segment assets	1,601,857	911,802	1,306,349	(1,244,756)	2,575,252
Segment liabilities	779,304	42,555	117,951	10,603	950,413
Capital expenditure	84,414	-	15,739	-	100,154

	Manufacturing and distribution ZWS'000	Properties ZWS'000	Corporate ZWS'000	Adjustments & eliminations ZWS'000	Group ZWS'000
HISTORICAL COST					
Year ended 31 December 2020					
Revenue					
- External customers	3,659,097	2,800	-	-	3,661,897
- Inter-segment	3,110	961	68,858	(72,929)	-
	3,662,207	3,761	68,858	(72,929)	3,661,897
Results					
Depreciation and amortisation	5,976	5,029	384	-	11,389
Operating profit	351,730	1,799	3,008	-	356,536
Segment assets	1,165,267	1,186,656	391,133	(378,929)	2,364,128
Segment liabilities	883,598	44,311	344,283	(148,367)	1,123,825
Capital expenditure	50,467	-	1,882	-	52,349

	Manufacturing and distribution ZWS'000	Properties ZWS'000	Corporate ZWS'000	Adjustments & eliminations ZWS'000	Group ZWS'000
Year ended 31 December 2019					
Revenue					
- External customers	496,960	256	-	-	497,216
- Inter-segment	82	1,065	8,872	(10,019)	-
	497,042	1,321	8,872	(10,019)	497,216
Results					
Depreciation and amortisation	4,408	321	80	-	4,809
Operating profit	34,278	24,506	1,051	-	59,835
Segment assets	196,457	199,911	78,108	(63,273)	411,203
Segment liabilities	135,199	8,609	25,767	(23,559)	146,017
Capital expenditure	4,624	-	848	-	5,472

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000	2019 ZWS'000	2020 ZWS'000	2019 ZWS'000
5. Operating profit				
Included in operating profit are the following items:				
Depreciation and amortisation	126,981	103,140	11,389	4,809
Profit on disposal of PPE and investment property	8,642	1,777	6,033	110
Loss on disposal of financial assets	-	(617)	-	(136)
Profit on disposal of scrap	-	2,959	-	314

NOTES TO THE FINANCIAL STATEMENTS - (continued)

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000	2019 ZWS'000	2020 ZWS'000	2019 ZWS'000
6. Income tax				
The major components of income tax are shown below:				
Current tax	94,627	77,793	94,627	17,246
Capital gains tax	492	429	492	96
Deferred tax	(73,750)	102,843	(27,013)	5,026
	21,369	181,065	68,106	22,368
7. Income tax expense				
- Authorised and contracted for	114,617	69,611	114,617	15,518
- Authorised but not contracted for	575,278	123,506	575,278	27,532
8. Trade and other payables				
- Trade payables	215,952	233,202	215,952	51,986
- Payroll accruals	69,320	47,815	69,320	10,659
- Vat accrual	17,136	9,804	17,136	2,186
- Utilities	13,011	13,612	13,011	3,034
- Other payables	48,914	47,340	48,914	10,553
	364,333	351,773	364,333	78,418

	Current utilisation		Short term portion		Long term portion		All in cost and security
	31-Dec-20 ZWS'000	31-Dec-19 ZWS'000	31-Dec-20 ZWS'000	31-Dec-19 ZWS'000	31-Dec-20 ZWS'000	31-Dec-19 ZWS'000	
INFLATION ADJUSTED							
Bank loans - long term	79,081	34,051	2,773	15,158	76,308	18,893	45% Land and buildings
Vendor loan - long term*	-	38,544	-	16,454	-	22,090	8% machinery financed
Bank loan - short term	360,534	55,625	360,534	55,625	-	-	45%-52% Land and buildings
	439,615	128,220	363,307	87,237	76,308	40,983	
HISTORICAL COST							
Bank loans - long term	79,081	7,591	2,773	3,379	76,308	4,212	45% Land and buildings
Vendor loan - long term*	-	8,592	-	3,668	-	4,924	8% machinery financed
Bank loan - short term	360,534	12,400	360,534	12,400	-	-	45%-52% Land and buildings
	439,615	28,583	363,307	19,447	76,308	9,136	

*The vendor loan was settled in full in November 2020

10. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Headline earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent adjusted for profits or losses for disposal of assets, fair value adjustments and impairments (re-measurements) by the weighted average number of ordinary shares outstanding during the year.

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

	INFLATION ADJUSTED		HISTORICAL COST	
	2020 ZWS'000	2019 ZWS'000	2020 ZWS'000	2019 ZWS'000
Profit attributable to ordinary equity holders of the parent for basic earnings	(76,640)	816,246	305,124	45,364
Continuing operations	-	(143,582)	-	(3,541)
Discontinued operations	-	-	-	-
Profit attributable to ordinary equity holders of the parent for basic earnings	(76,640)	672,664	305,124	41,823
Profit on disposal of assets, net of tax	(6,506)	(2,959)	(4,542)	(314)
Profit on disposal of subsidiary, net of tax	-	104,871	-	2,241
Fair value adjustment on investment property, net of tax	(7,557)	(50,439)	(64,485)	(17,792)
Profit attributable to ordinary equity holders of the parent for headline earnings	(90,702)	724,137	236,097	25,958
	2020 No.	2019 No.	2020 No.	2019 No.
Weighted average number of ordinary shares for basic earnings per share	358,000,858	358,000,858	358,000,858	358,000,858
Number of shares in issue	358,000,858	358,000,858	358,000,858	358,000,858
Weighted average number of ordinary shares for diluted earnings per share	358,000,858	358,000,858	358,000,858	358,000,858

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.

11. Restatement due to prior period errors

During the year ended 31 December 2020, management identified the following errors relating to the financial statements for the year ended 31 December 2019. The errors have been corrected by restating the individual line items affecting in the financial statements. None of the errors have an impact on the 2018 financial statements. Additional information relating to the errors can be obtained in the consolidated financial statements for the year ended 31 December 2020.

- The prior year inflation adjusted revaluation surplus on property, plant and equipment was erroneously omitted in the statement of other comprehensive income resulting in an understatement of the non-distributable reserve and overstatement of retained earnings and profit for the year.
- On initial application of IAS 29, the revaluation reserve and the currency conversion reserve as at 1 January 2019 were not eliminated resulting in an overstatement of the non-distributable reserve and an understatement of retained earnings and profit for the year.
- In the prior year the Group disposed its entire interest in Dairibord Malawi. On disposal of the subsidiary, the foreign currency translation reserve was not reclassified to profit or loss as required by IAS 21. This resulted in an overstatement of the profit on disposal of the subsidiary in other income and the profit for the year.
- During the year ended 2019, loan guarantee costs, profit on disposal of financial assets at fair value, loss on disposal of scrap and exchange differences were included in the "effect of exchange rate changes" amount in the cash and cash equivalents section. These non-cash items should have been included in the operating activities section of the statement of cash flows. In addition the movement in prepayments relating to capital expenditure was included under operating activities instead of investing activities. These errors have been corrected by restating the affected line items in the statement of cash flow.

12. Restatement of opening balance for functional currency change

As noted in the Group's consolidated financial statements for the year ended 31 December 2019 the Group changed its functional currency from the US\$ to ZWS with effect from 28 February 2019. In compliance with Statutory Instrument 33 of 2019, non monetary assets were translated to ZWS at USD1 : ZWS1. These comprised of property, plant and equipment, investment property, intangible assets and inventories. All monetary assets and liabilities were translated to ZWS at a rate of USD1:ZWS2.56 which was the interbank rate ruling at 28 February 2019, the date that the group selected as the effective date of functional change for accounting purposes. The resultant movement was accounted for in equity.

13. Events after the reporting date

Subsequent to year end, following the resurgence of the COVID-19 pandemic, the government of Zimbabwe proclaimed a 30-day lockdown period effective 03 January 2021. The lockdown was further extended by another 2 weeks to 15 February 2021. Following a decline in COVID-19 cases, the lockdown restrictions were relaxed with effect from 01 March 2021. The restrictions imposed by the government during the lockdown, which included reduced trading hours, closure of land borders, limited availability of public transport had an impact on the operations of the Group, as with most businesses.

Despite the aforementioned, management has a reasonable expectation that the Group has adequate resources to continue in operation in the foreseeable future and that the going concern basis of accounting remains appropriate. In order for the business to remain viable, management continuously reviews the way in which the Group conducts business. To date management has implemented the following measures:

- The business is in the process of creating an online purchasing platform to promote alternative procurement options for customers.
- Restructuring of current facilities through reduction of interest rates and rolling forward of facilities falling due.
- Reduction of casual work force through the non-renewal of expired employment contracts for casual employees.
- Cost containment and cost reduction strategies are being pursued to align costs to reduced volume of activity.

As the outbreak continues to evolve, it is challenging at this point, to predict the full extent and duration of its business impact. Consequently there is still uncertainty over the future development of the outbreak and the possible impact on the Group. However due to the development of the COVID-19 vaccines which are currently being administered locally, the directors are optimistic that the pandemic will not have a significant impact on the Group. The Directors, based on their interpretation of IFRS have considered the global outbreak of COVID-19 to be a non-adjusting event in terms of international accounting standard 10 ("IAS 10"), Events after the reporting period.



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DAIRIBORD HOLDINGS LIMITED

Report on the Audit of the Inflation Adjusted Consolidated and Separate Financial Statements

Adverse Opinion

We have audited the inflation adjusted consolidated and separate financial statements of Dairibord Holdings Limited and its subsidiaries (the group) set out on pages 13 to 70 which comprise the inflation adjusted consolidated and separate statements of financial position as at 31 December 2020, and the inflation adjusted consolidated and separate statements of profit or loss and other comprehensive income, the inflation adjusted consolidated and separate statements of changes in equity and the inflation adjusted consolidated and separate statements of cash flows for the year then ended, and notes to the inflation adjusted consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the inflation adjusted consolidated and separate financial statements do not present fairly, in all material respects, the financial position of the group and company as at 31 December 2020, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Adverse Opinion

Non-compliance with International Financial Reporting Standards (IFRS): International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Polices, Changes in Accounting Estimates and Errors:

As explained in note 2.1 to the consolidated and separate inflation adjusted financial statements, the Group and Company changed its functional and reporting currency from United States Dollars (US\$) to Real Time Gross Settlement Dollars (RTGS\$) on 22 February 2019 in compliance with Statutory Instrument 33 of 2019.

We however believe that the change occurred on 1 October 2018 in terms of IAS21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019.

Our audit opinion for the year ended 31 December 2019 was therefore modified as management prospectively applied the change in functional currency from US\$ to RTGS\$ from 23 February 2019, which we disagreed with. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards – IAS 8 – *Accounting Polices, Changes in Accounting Estimates and Errors*.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

Basis for Adverse Opinion (continued)

Non-compliance with International Financial Reporting Standards: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (continued).

The matter continues to impact the following amounts on the consolidated and separate inflation adjusted statements of financial position which still comprise of material amounts from opening balances.

Group:

- ZWL 1 364 786 455 included in Property, plant and equipment of ZWL 1 528 895 240.
- Non - distributable reserves of ZWL 538 854 797.
- Retained earnings of ZWL 1 150 033 052.
- Deferred tax liability of ZWL 373 371 634.

Company:

- ZWL 13 700 258 included in Property, plant and equipment of ZWL 12 421 883.
- Intangible assets of ZWL 2 250 448.
- Investment in Subsidiary of ZWL 1 153 204 547.
- Retained earnings of ZWL 1 148 063 306.
- Deferred tax liability of ZWL 1 599 354.

Exchange rates used in current year:

In the current year, the Group and Company translated foreign denominated transactions and balances to ZWL using the interbank exchange rates for the period 1 January 2020 to 22 June 2020, prior to introduction of the Foreign Exchange Auction Trading System. This includes the period between March and June 2020 when the exchange rate was fixed at US\$1: ZWL25. As in the prior year, we concluded that the interbank exchange rates did not meet the definition of spot exchange rates as per IAS 21, as they were not available for immediate delivery. Consequently, the following amounts are materially impacted:

Group:

- Revenue stated at ZWL 5 268 879 888 (2019: ZWL 4 997 601 895) of which ZWL 79 821 628 is misstated.
- Cost of sales stated at ZWL 3 938 472 308 (2019: ZWL 3 579 663 855) of which ZWL 12 658 945 is misstated.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

Basis for Adverse Opinion (continued)

Exchange rates used in current year (continued):

Group:

- Other operating income stated at ZWL 12 423 824 (2019: ZWL 5 126 636) of which ZWL 9 256 593 is misstated.
- Administration expenses of ZWL 570 009 573 (2019: ZWL 410 872 238).
- Income tax expense of ZWL 21 369 476 (2019: ZWL 181 064 594).

Company:

- Other operating income stated at ZWL 1 621 554 (2019: expense of ZWL 472 881) of which ZWL 1 479 663 is misstated.
- Income tax expense of ZWL 4 434 874 (2019: ZWL 8 099 545).

The impact can however not be quantified on all accounts due to the lack of records on appropriate rates and impracticability given the volume of transactions. Our prior year audit opinion was also modified in respect of this matter.

Valuation of Investment property and freehold land and buildings (included in property, plant and equipment) – Group

The Group's Freehold land and buildings (included in property, plant and equipment) were revalued and have a carrying amount of ZWL 1 087 180 000 (2019: ZWL 873 761 476) and the Investment Property is included at a valuation of ZWL 85 070 000 (2019: ZWL 86 319 022) as at 31 December as described in Notes 12 and Note 13 to the inflation adjusted financial statements respectively.

These assets were valued as guided by management experts using historical US\$ denominated inputs and converted into ZWL at the applicable closing exchange rates both in the prior year and as at 31 December 2020. For properties, there is a unique disconnect between the currency in which the rentals are being paid (ZWL) and the currency in which the properties are being valued (US\$). The implicit investment method was applied for industrial and commercial properties and key inputs into the calculations include rentals per square metre and capitalisation rates. Residential properties were valued in terms of the market comparable approach. We have concerns over the appropriateness of using a foreign currency for the valuation and then applying a conversion rate to determine the ZWL values of the investment property and freehold land and buildings.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

Basis for Adverse Opinion (continued)

Valuation of Investment property and freehold land and buildings (included in property, plant and equipment) – Group: (continued)

The translation process adopted by management does not meet the fair value measurement principles of the affected items as set out in IFRS 13 “*Fair Value Measurement*” due to the following considerations: 1) With respect to the implicit investment approach, the US\$ estimated rentals may not be an appropriate proxy for the ZWL amounts in which rentals are settled. 2) While historical US\$ amounts based on similar transactions have been used as a starting point in determining comparable values on the market comparable approach, it is noted that market participants take into account different risk factors in determining an appropriate value in ZWL terms which are not necessarily limited to the exchange rates.

Consequently, property, plant and equipment and investment property may be materially misstated and owing to lack of information on relevant inputs in ZWL, we are unable to determine what adjustments may be necessary to correctly account for these amounts. Our opinion on the prior and current year's consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Application of IAS29 - Financial Reporting in Hyperinflationary Economies:

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, the following account balances on the consolidated and separate inflation adjusted Statements of Financial Position and Statements of Profit or Loss and Other Comprehensive Income would have been materially affected:

Group:

- Property, plant and equipment of ZWL 1 528 895 240 (2019: ZWL 1 364 786 455)
- Non - distributable reserves of ZWL 538 854 797 (2019: ZWL 355 677 754)
- Deferred tax liability of ZWL 373 371 634 (2019: ZWL 386 970 307)
- Revenue of ZWL 5 268 879 888 (2019: ZWL 4 997 601 895)
- Cost of sales of ZWL 3 938 472 308 (2019: ZWL 3 579 663 855)
- Other operating income of ZWL 12 423 824 (2019: ZWL 5 126 636)
- Administration expenses of ZWL 570 009 573 (2019: ZWL 410 872 238)
- Income tax expense of ZWL 21 369 476 (2019: ZWL 181 064 594)

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

Basis for Adverse Opinion (continued)

Application of IAS29 - Financial Reporting in Hyperinflationary Economies (continued):

Company:

- Property, plant and equipment of ZWL 12 421 883 (2019: ZWL 13 700 258)
- Intangible assets of ZWL 2 250 448 (2019: ZWL 2 266 294)
- Investment in Subsidiary of ZWL 1 153 204 547 (2019: ZWL 1 153 204 547)
- Non - distributable reserves of ZWL 20 308 850 (2019: ZWL 20 308 850)
- Deferred tax liability of ZWL 1 599 354 (2019: ZWL 2 362 004)
- Other operating income of ZWL 1 621 554 (2019: expense of ZWL 472 881)
- Income tax expense of ZWL 4 434 874 (2019: ZWL 8 099 545).

Overall consequential impact

As no restatements have been recorded in current year per IAS8 to correct the above matters, our audit report on the consolidated and separate inflation adjusted financial statements for the year ended 31 December 2020 is further modified for the following reasons;

- Virtually all corresponding numbers remain misstated on the consolidated and separate inflation adjusted Statements of Financial Position, the consolidated and separate inflation adjusted Statements of Profit or Loss and Other Comprehensive Income, the consolidated and separate inflation adjusted Statements of Cash Flows and the consolidated and separate inflation adjusted Statements of Changes in Equity and this also impacts comparability of the current period's figures.
- As opening balances enter into the determination of cash flows and performance, our audit opinion is modified in respect of the impact of these matters on the consolidated and separate inflation adjusted Statements of Profit or Loss and Other Comprehensive Income, the consolidated and separate inflation adjusted Statements of Cash Flows and the consolidated and separate inflation adjusted Statements of Changes in Equity.

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate Inflation adjusted annual financial statements* section of our report. We are independent of the Group and Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

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

Other information

The other information comprises the Chairman's Statement, the Abridged Audited Results Press Publication statement, the Report of the Directors and the Statement of Directors' Responsibility but does not include the consolidated and separate inflation adjusted financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the consolidated and separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group and Company did not comply with the requirements of IAS 21 – *Effects of Changes in Foreign Exchange Rates* and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, IAS 29 – *Financial Reporting in Hyperinflationary Economies* and IFRS 13 – *Fair Value Measurement*. We have concluded that the other information is materially misstated for the same reasons.

Responsibilities of the Directors for the consolidated and separate Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal controls as the directors determine is necessary to enable the preparation of inflation adjusted consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate inflation adjusted financial statements, the directors are responsible for assessing the Company and 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 and Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

Auditor's Responsibilities for the Audit of the consolidated and separate inflation adjusted Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate inflation adjusted 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 based on these consolidated and separate inflation adjusted financial statements.

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

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is enough 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 controls 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 Company's and Group's internal controls.
- 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 and Company'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 separate inflation adjusted 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 and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate inflation adjusted financial statements, including the disclosures, and whether the consolidated and separate inflation adjusted 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 separate inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

DAIRIBORD HOLDINGS LIMITED

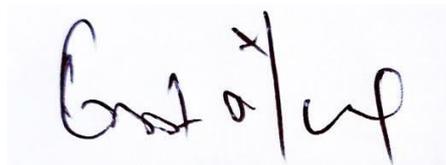
Auditor's Responsibilities for the Audit of the consolidated and separate inflation adjusted Financial Statements (continued).

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of consolidated and separate inflation adjusted 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande (PAAB Practicing Certificate Number 132).



ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare

30 April 2021