UNAUDITED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2018

The Directors of Dairibord Holdings Limited hereby announce the Group's unaudited financial results for the six-months ended 30 June 2018.

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 results for the six months ended 30 June 2018.

The Group recorded an improved performance over prior year, notwithstanding the challenging operating environment. Foreign currency driven demand-supply gaps constrained the Group's ability to realise the benefits of growing demand in the economy.

OPERATING ENVIRONMENT

Aggregate demand strengthened compared to last year driven by improved performance in the agriculture and mining sectors of the economy. However, foreign currency constraints worsened during the period under review with direct and indirect impact on the supply of raw materials and input prices. Total costs increased by 13% against a volume increase of 6%, reflecting the rising cost of inputs. The increase in costs against constrained capacity to adjust selling prices, affected profitability.

GROUP PERFORMANCE

Raw Milk Intake

Group raw milk intake for the first six months of the year was 12% up on same period in 2017. The improved intake benefited from the enhanced milk supply strategy which is anchored on recruitment of more farmers, herd growth and productivity improvement at farm level. The growth in milk intake will benefit market share for the liquid milks category and reduce dependence on imported milk powders, which are expensive and difficult to secure given the prevailing foreign currency constraints.

Volumes and revenue

The Group achieved a revenue of $50.872 million, 15% above H1 2017 while volumes grew by 6% to 41.002 million litres. Volumes of high value lines like condiments, ice creams and cartonised Fun and Fresh recorded significant growth over prior period. Demand was firm across all categories, however, growth in volumes sold was constrained by supply challenges for both packaging and raw materials for the majority of the Group's product lines.

Export revenues grew by 15% to $0.616 million contributing towards meeting the Group's foreign currency requirements. This remains low compared to monthly foreign currency requirements. Initiatives put in place to grow exports are anticipated to increase the contribution of exports to Group revenues going forward.

Profitability

The business achieved an operating profit of $0.720 million, a 239% improvement over last year. Profit for the period improved to $0.270 million from a loss of $0.845 million, which included non-recurring restructuring costs of $0.867 million.

Key issues to note during the reporting period were:

- Significant increases in prices of inputs. While volumes sold grew by 6%, the cost of materials increased by 21%. Compared to the same period last year, the average raw and packaging material prices increased by 15%.
- The increase in overheads was contained at 3%. The restructuring carried out in 2017 enabled the business to effectively deal with overhead costs despite increasing cost push pressures.
- Depressed performance by Dairibord Malawi resulted in a loss for the period of $0.293 million.

Cash generation

Net cash outflow from operations improved to $0.765 million from prior period outflow of $1.253 million, on account of improved operating performance and collections. However, tightening of trade terms by suppliers and investment in inventories negated the overall cash flow performance.

OUTLOOK

Sustained economic growth is anticipated in the outlook. However, foreign currency constraints are expected to continue, presenting significant risks on product supply and cost of inputs. It is anticipated that the general elections held on 30 July will allow the country to focus on economic growth initiatives which will also benefit the dairy industry.

The business anticipates a significantly better second half in line with the cyclical nature of the operations, supported by increased raw milk intake and import substitution initiatives to reduce the forex bill. Improved efficiencies across the value chain will optimise savings from the new business model implemented in 2017.

DIVIDEND DECLARATION

In light of the performance of the business and the need to support working capital requirements, the board has resolved that no dividend be declared for the six months ended 30 June 2018.

APPRECIATION

On behalf of the Board, I extend our sincere appreciation to Dr L. L Tsumba for his wise counsel during his term of office, my fellow board members for the active participation, management, staff and all our stakeholders for the continued support.

J. Sachikonye
Chairman
August 2018

FINANCIAL HIGHLIGHTS

Revenue	15%	↑
Earnings before depreciation, ammortisation ,interest and tax	18%	↑
Operating profit	239%	↑
Earnings attributable to owners of the parent	147%	↑
Net cashflows from operating activities	39%	↑
Raw milk intake	12%	↑
Volume sold	6%	↑

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 US$ UNAUDITED	31 Dec 2017 US$ AUDITED
Assets			
Non-current assets			
Property, plant and equipment		40,078,977	42,200,715
Intangible assets		407,289	455,643
Deffered tax asset		-	26,174
		40,486,266	42,682,532
Current assets			
Inventories		12,903,249	12,119,852
Prepayments		2,009,916	1,553,843
Trade and other receivables		9,134,937	10,043,187
Cash and cash equivalents		3,416,883	5,819,110
		27,464,985	29,535,992
Total assets		**67,951,251**	**72,218,524**
Equity and liabilities			
Equity			
Share Capital		35,800	35,800
Share Premium		1,379,664	1,379,664
Non-distributable reserves		24,318,766	24,318,766
Retained earnings		19,379,880	19,733,297
Equity attributable to owners of the parent		45,114,110	45,467,527
Non -controlling interest		(140,648)	(47,908)
Total equity		**44,973,462**	**45,419,619**
Non-current liabilities			
Interest - bearing borrowings	8	2,100,303	3,831,399
Deferred tax liability		5,509,780	5,422,557
Deferred income		310,070	218,908
		7,920,153	9,472,864
Current liabilities			
Trade and other payables	4	9,906,364	13,277,541
Interest-bearing borrowings	8	4,039,206	3,953,308
Income tax payable		13,936	5,859
Bank overdraft		1,098,130	89,333
		15,057,636	17,326,041
Total liabilities		**22,977,789**	**26,798,905**
Total equity and liabilities		**67,951,251**	**72,218,524**

GROUP STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2018

	6 months ended 30 Jun 18 US$ UNAUDITED	6 months ended 30 Jun 17 US$ UNAUDITED	12 months ended 31 Dec 17 US$ AUDITED
Revenue	**50,872,412**	**44,354,848**	**103,147,437**
Earnings before depreciation, ammortisation, interest and tax	**3,454,532**	**2,934,712**	**9,521,690**
Depreciation and ammortisation	(2,734,518)	(2,722,501)	(5,463,478)
Operating profit	**720,014**	**212,211**	**4,058,212**
Restructuring costs	-	(865,508)	(847,373)
Profit / (loss) before interest and tax	**720,014**	**(653,297)**	**3,210,839**
Finance income	41,207	37,963	72,012
Finance costs	(313,682)	(460,485)	(811,927)
Profit / (loss) before tax	**447,539**	**(1,075,819)**	**2,470,924**
Income tax (expense)/credit	(177,695)	230,506	(1,115,957)
Profit / (loss) for the period	**269,844**	**(845,313)**	**1,354,967**
Other comprehensive income:			
Other comprehensive income for the period, net of tax	-	(1,275)	-
Total comprehensive income for the period	**269,844**	**(846,588)**	**1,354,967**
Profit / (loss) attributable to:			
Owners of the parent	362,584	(773,236)	1,609,810
Non-controlling interest	(92,740)	(72,077)	(254,843)
	269,844	**(845,313)**	**1,354,967**
Total comprehensive income / (loss) attributable to:			
Owners of the parent	362,584	(774,108)	1,609,810
Non-controlling interests	(92,740)	(72,480)	(254,843)
	269,844	**(846,588)**	**1,354,967**
Earnings /(loss) per share (cents)			
Basic	0.10	(0.22)	0.45
Diluted	0.10	(0.22)	0.45
Headline	0.10	0.03	0.69
Shares in issue and weighted average number of shares	358,000,858	358,000,858	358,000,858

GROUP STATEMENT OF CASH FLOWS
For The Six Months Ended 30 June 2018

	Note	30 June 2018 US$ UNAUDITED	30 June 2017 US$ UNAUDITED
Operating activities:			
Profit / (loss) before tax		447,539	(1,075,819)
Non-cash items		2,693,630	2,602,939
Working capital movement		(3,779,081)	(2,666,838)
Finance income		(41,207)	(37,963)
Income tax paid		(86,232)	(75,379)
Net cash outflow from operating activities		**(765,351)**	**(1,253,060)**
Investing activities:			
Additions to property, plant and equipment		(543,941)	(930,587)
Grant received	5	102,074	-
Proceeds from sale of property, plant and equipment and assets classified as held for sale		101,261	226,993
Finance income		41,207	37,963
Net cash outflows from investing activities		**(299,399)**	**(665,631)**
Net cash outflow before financing activities		**(1,064,750)**	**(1,918,691)**
Financing activities:			
Net movement in borrowings		(1,650,672)	(429,499)
Dividend paid		(695,602)	-
Net cashflows from financing activities		**(2,346,274)**	**(429,499)**
Decrease in cash and cash equivalents		(3,411,024)	(2,348,190)
Effects of exchange rate changes		-	(156)
Cash and cash equivalents at beginning of period		5,729,777	2,734,971
Cash and cash equivalents at the end of period		**2,318,753**	**386,625**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Six Months Ended 30 June 2018

	Attributable to equity holders of the parent						
	Share Capital US$	Share Premium US$	Non-distributable reserves US$	Retained earnings US$	Total US$	Non - controlling interests US$	Total equity US$
As at 1 January 2018	**35,800**	**1,379,664**	**24,318,766**	**19,733,297**	**45,467,527**	**(47,908)**	**45,419,619**
Profit /loss) for the period	-	-	-	362,584	362,584	(92,740)	269,844
Other comprehensive income	-	-		-	-		-
Total comprehensive income/(loss)	**-**	**-**	**-**	**362,584**	**362,584**	**(92,740)**	**269,844**
Dividend				(716,001)	(716,001)	-	(716,001)
As at 30 June 2018	**35,800**	**1,379,664**	**24,318,766**	**19,379,880**	**45,114,110**	**(140,648)**	**44,973,462**
30 June 2017							
As at 1 January 2017	**35,800**	**1,379,664**	**24,473,623**	**17,968,630**	**43,857,717**	**206,935**	**44,064,652**
Loss for the period	-	-	-	(773,236)	(773,236)	(72,077)	(845,313)
Other comprehensive income	-	-	(872)	-	(872)	(403)	(1,275)
Total comprehensive income/(loss)	**-**	**-**	**(872)**	**(773,236)**	**(774,108)**	**(72,480)**	**(846,588)**
As at 30 June 2017	**35,800**	**1,379,664**	**24,472,751**	**17,195,394**	**43,083,609**	**134,455**	**43,218,064**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Significant accounting policies

The accounting policies adopted are consistent with those of the previous period except for the effects of the adoption of IFRS 9-Financial Instruments and IFRS 15-Revenue, whose effective date was 1 January 2018. The Group elected the modified approach in applying IFRS 9 and made a reassessment of the adequacy of the allowance for credit losses as at 31 December 2017 which was found to be adequate and therefore no adjustment has been made to opening retained earnings. In applying IFRS 15, the Group restated the revenue for the period ended 30 June 2017 by making a reclassification from expenses to revenue as follows:

	US$
As previously reported	44,629,950
IFRS 15 adjustment-customer rebates	(275,102)
Restated amount	44,354,848

3. Segment information

The Group is currently organised into business units for management purposes. The Group has 4 operating segments which management uses to monitor performance and inform decision making and these are:

	Manufacturing - Zimbabwe US$	Manufacturing - Malawi US$	Properties US$	Corporate Services US$	Inter segment eliminations US$	Group US$
Six months ended 30 June 2018						
Revenue						
- External customers	49,444,421	1,393,595	34,396	-	-	50,872,412
- Inter-segment	616,032	33,270	332,076	-	(981,378)	-
	50,060,453	**1,426,865**	**366,472**	**-**	**(981,378)**	**50,872,412**
Results						
Depreciation and ammortisation	2,455,078	73,064	165,533	40,843	-	2,734,518
Operating profit / (loss)	1,248,260	(172,158)	208,580	(564,668)	-	720,014
Segment assets	48,890,007	2,757,157	24,066,853	58,232,834	(65,995,600)	67,951,251
Segment liabilities	25,199,791	3,202,246	621,859	10,741,757	(16,787,864)	22,977,789
Capital expenditure	540,058	-	-	3,883	-	543,941
Six months ended 30 June 2017						
Revenue						
- External customers	43,063,466	1,246,564	44,818	-	-	44,354,848
- Inter-segment	107,623	-	332,076	-	(439,699)	-
	43,171,089	**1,246,564**	**376,894**	**-**	**(439,699)**	**44,354,848**
Results						
Depreciation and ammortisation	2,278,826	38,631	163,525	61,519	-	2,542,501
Operating profit /(loss)	904,189	(230,399)	185,470	(647,049)	-	212,211
Restructuring costs	(428,626)	-	-	(436,882)	-	(865,508)
Segment assets	50,038,011	1,599,118	23,772,479	60,751,682	(67,102,209)	69,059,080
Segment liabilities	42,049,231	1,173,630	630,881	12,702,335	(30,715,061)	25,841,016
Capital expenditure	855,022	74,665	-	900	-	930,587

	2018 US$	2017 US$
4. Trade and other payables		
Trade payables	6,359,243	10,298,648
Payroll accruals	855,331	749,544
Other payables	2,691,790	2,229,349
	9,906,364	**13,277,541**

5. Grant received

Dairibord Malawi received a grant of $102 074 during the period towards the cost of a carton filing and packing machine acquired in 2017. The amount will be amortised over the useful life of the machine.

	2018 US$	2017 US$
6. Depreciation and ammortisation charge	**2,734,518**	**2,549,065**
7. Capital expenditure	**543,941**	**930,587**

8. Interest bearing borrowings

30 Jun 18	Current utilisation US$ 30-Jun-18	Current utilisation US$ 31-Dec-17	short term portion US$ 30-Jun-18	short term portion US$ 31-Dec-17	long term portion US$ 30-Jun-18	long term portion US$ 31-Dec-17	All in cost and security
Bank loans-long term	4,640,913	6,119,883	3,721,556	3,513,351	919,356	2,606,532	8%-10.5%; Land & buildings
Vendor loan 1-long term	738,386	880,217	168,000	285,559	570,386	594,658	8%; Unsecured
Vendor loan 2-long term	438,282	438,282	-	-	438,282	438,282	14%; Machinery financed
Bank loan-short & long term (Malawi Kwacha denominated)	321,928	346,325	149,650	154,398	172,279	191,927	33%; An all asset debenture on movable assets
	6,139,509	**7,784,707**	**4,039,206**	**3,953,308**	**2,100,303**	**3,831,399**	

9. Commitments and contigencies

	30-Jun-18 US$	31-Dec-17 US$
Capital commitments	**5,686,170**	**6,230,111**
- Authorised and contracted for	63,167	492,650
- Authorised but not contracted for	5,623,003	5,737,461
Operating lease commitments		
- Within one year	245,664	351,864

Contigencies

The Group is respondent in various employee claims and vendor litigations. On the basis of legal advice, the claims are not valid and there will be no outflow of resources

10. Events after the reporting date

There have been no siginificant events from period end to the date of the issue of this publication.

Directors: J. Sachikonye (Chairman), *A. Mandiwanza (Group Chief Executive), C. V. Seidel, C. Mahembe, S. Chindove, D. Hasluck, R. P. Kupara, *M. Ndoro (Finance Director), N. Chiromo, C. R. J. Hawgood *Executive.