

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The Directors of Dairibord Holdings Limited are pleased to announce the Group's unaudited financial results for the six months ended 30 June 2019

Nutritious Foods and Beverages for the Sustenance of Good Health



Dairibord Holdings
More Than Just Milk

PCG3/14

FINANCIAL HIGHLIGHTS

Financial	30 June 2019	30 June 2018	31 Dec 2018	Financial	30 June 2019	30 June 2018	31 December 2018	% Change
	ZWL'000 Half year	ZWL'000 Half year	ZWL'000 Full year		ZWL'000 Half year	ZWL'000 Half year	ZWL'000 Full year	
Revenue	118,128	49,479	126,358	Net cashflows from operating activities	(7,434)	(766)	9,229	
Earnings before depreciation, amortisation, interest and tax	14,699	3,613	15,228	Equity	43,688	43,218	50,201	
Operating profit	12,248	917	10,059	Volumes				
Profit for the period attributable to owners of the parent	4,041	363	6,017	Raw milk Intake	13,895	11,431	26,547	22%
				Sales	40,261	39,087	87,729	3%

CHAIRMAN'S STATEMENT

OVERVIEW
I am pleased to report the Group's results for the half year ended 30 June 2019. The Group's performance, particularly growth in volume sold and raw milk intake, reflect the positive impact of business strategies deployed under an increasingly difficult trading environment.

OPERATING ENVIRONMENT
The period under review was characterised by several government policy changes that redefined the fundamentals in the business environment. Specific policy changes included the floating of the exchange rate from the previous 1:1 fixed rate; the introduction of a local currency, the ending of the multicurrency system and the increase in the Reserve Bank overnight accommodation rate from 15% to 50%.

These policy changes, though welcomed by most industry players, are yet to positively impact business fundamentals. Foreign currency supply remains a major challenge impacting both inflation and availability of inputs. In addition to the aforementioned developments, fuel, electricity and water supply worsened as the year progressed thus further negatively impacting the already fragile economy.

The all items year on year inflation ended the month of June at 176%, with the foods and non-alcoholic beverages inflation at 252%. Capacity utilisation in the manufacturing sector, as reported by the Ministry of Industry and Commerce, significantly decreased to an estimated 34% from 48% achieved in 2018.

PERFORMANCE Reporting currency
The changes in the currency regime mentioned above resulted in a change in functional currency from US Dollars for the prior year to Zimbabwe Dollars (ZWL) for the current year. The financial statements for 2019 are therefore presented in ZWL while comparative numbers for 2018 were converted to ZWL at a rate of 1:1 in compliance with S33 of 2019.

Raw Milk Intake
Raw milk intake continues to grow in response to the Group's efforts to close the demand-supply gap for milk products in the country as well as reducing dependence on imported milk powders. For the period under review, raw milk intake grew 22% ahead of the national average growth of 14%. The business will continue to invest in supporting viability of the milk supply chain which is increasingly becoming vulnerable under the prevailing macro-economic conditions.

Volumes and Revenue
The business achieved a volume growth of 3% to 40.3 million litres. The growth was constrained by worsening supply of inputs. By portfolio, Liquid Milks and Beverages volumes grew by 13% and 3% respectively while Foods volumes declined by 26% compared to same period last year.

Revenue for the period was ZWL118.1 million, a growth of 139% above 2018. This growth was on account of volume growth and gradual price adjustments to align with market conditions and cost push pressures. Price adjustments were however below the depreciation in exchange rates in order to balance viability with affordability. The ability to pass on to the consumer the full impact of cost increases was constrained by declining disposable incomes.

In an effort to generate foreign currency for imports of raw and packaging materials, sales in foreign currency grew by 244% to US\$2.1 million. Export growth in the regional market is of strategic importance for business survival and growth.

Profitability
While revenue increased by 139%, total operating costs increased by 123%. Resultantly, an operating profit of ZWL12.2 million was recorded compared to ZWL0.9 million achieved in the prior period.

Following the liberalisation of exchange rates in February 2019, and the translation of foreign obligations to the Zimbabwe Dollar (ZWL), the business incurred foreign exchange losses of ZWL5.9 million for the period ended 30 June 2019. After accounting for the foreign exchange losses and an interest bill of ZWL0.3 million, the company posted a profit before tax of ZWL6.1 million compared to ZWL0.7 million achieved in the prior period.

Working capital
Foreign currency denominated liabilities closed the period at US\$1.85 million from US\$3.96 million at 31 December 2018, of which \$0.5 million is long term and the balance being short term obligations.

Interest bearing borrowings increased to ZWL17.3 million

from ZWL3.7 million as at 31 December 2018, with ZWL6.8 million arising from foreign exchange losses on the foreign loans. In view of the rising interest rates and constrained liquidity, the company will focus attention on strategic borrowings going forward.

Investments
Investment in plant and equipment was curbed at ZWL2.4 million compared to ZWL0.5 million in prior year. The investment during the period was constrained by access to foreign currency thereby directing limited resources to critical items only.

DAIRIBORD MALAWI
The disposal process for Dairibord Malawi is at an advanced stage. An investor has been secured and parties are in the process of finalising the deliverables in line with agreed terms. The disposal process will be concluded by the end of August 2019.

SUSTAINABILITY REPORTING
The company remains committed to integrating the Sustainability Agenda with the entire strategy of the business. The company is currently reviewing its Sustainability Reporting framework to provide both internal and external stakeholders with more information necessary for assessing the impact of the company's operations on the society, environment and the economy. In the same process, the business also aims to improve efficiencies and build the company's non-financial capitals necessary for value creation.

OUTLOOK
With respect to the future, the environment is envisaged to remain fragile and uncertain making it difficult for businesses to implement their growth plans. The supply of electricity, water and foreign currency is expected to remain constrained. Under such circumstances, the company will focus on the survival and hold strategy. Critical for survival in the second half of the year are the following issues:

- Supporting viability and growth of the milk supply chain as an import substitution and export growth strategy
- Cost reduction and efficiency improvement initiatives to mitigate inflationary pressures
- Reducing foreign currency liabilities and limiting borrowings to support critical supply and demand requirements
- Optimising the cash operating cycle through reviewing credit terms to align with emerging trends
- Developing export initiatives in the region
- Continue to invest in robust risk management and compliance procedures

Given the aforesaid challenges in the operating environment, sales volumes for the second half are expected to be lower than what was achieved in the first half of the year. However, the board is confident that the company has a sound business model capable of preserving shareholder value and viability for the remainder of the year.

DIVIDEND DECLARATION
In light of the changes in the environment and the need to support working capital requirements, the board has resolved that no dividend be declared for the six months ended 30 June 2019.

DIRECTORATE
Mr David Hasluck and Mr Cron von Seidel retired at the AGM held on 31 May 2019 having joined the board in 2015 and 2016 respectively. David was Chairman of the Finance and Audit committee and a member of the Milk Supply Development and Remuneration Committees. Cron von Seidel was a member of the Investments committee. I would like to thank and wish both gentlemen all the best in the future.

The Board approved the appointment of Mr Ketan N. Naik as director of the company with effect from 21 August 2019. Ketan holds a BSc. (Hons) in Management Sciences from Warwick Business School and MSc. Real Estate Investment from CASS Business School. He is a director of several private companies and also a member of the Harare Chapter of the Young Presidents Organisation.

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

J. Sachikonye
Chairman
02 August 2019

UNAUDITED GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

Note	30 June 2019	30 June* 2018	31 December 2018
	ZWL'000 UNAUDITED	ZWL'000 UNAUDITED	ZWL'000 AUDITED
Revenue	118,128	49,479	126,358
Earnings before depreciation, amortisation, interest and tax	14,699	3,613	15,228
Depreciation and amortisation	(2,451)	(2,696)	(5,169)
Operating profit	12,248	917	10,059
Exchange loss	(5,874)	-	(65)
Profit before interest and tax	6,374	917	9,994
Finance income	98	41	122
Finance costs	(343)	(217)	(571)
Profit before tax	6,129	741	9,545
Income tax expense	(1,567)	(178)	(3,069)
Profit for the period from continuing operations	4,562	563	6,476
Loss from discontinued operations	(784)	(293)	(693)
Profit for the period	3,778	270	5,783
Other comprehensive income:			
Other comprehensive loss for the period, net of tax	(4,302)	-	-
Total comprehensive (loss)/income for the period	(505)	270	5,783
Profit/(Loss) attributable to:			
Owners of the parent	4,041	363	6,018
Non-controlling interest	(244)	(93)	(235)
	3,797	270	5,783
Total comprehensive (loss)/income attributable to:			
Owners of the parent	1,116	363	6,017
Non-controlling interest	(1,621)	(93)	(234)
	(505)	270	5,783
Earnings per share (cents)			
Basic	1.13	0.10	1.68
Diluted	1.13	0.10	1.68
Headline	1.26	0.16	1.78
Shares in issue and weighted average number of shares	358,000,858	358,000,858	358,000,858
Weighted average shares adjusted for the effect of dilution	358,000,858	358,000,858	358,000,858

*Restated for discontinued operations

UNAUDITED ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to equity holders of the parent		Reserves of assets classified as held for sale		Retained earnings ZWL'000	Total ZWL'000	Non-controlling interests ZWL'000	Total equity ZWL'000
	Share Capital ZWL'000	Share Premium ZWL'000	Non-distributable reserves ZWL'000	ZWL'000				
As at 1 January 2018	36	1,380	24,319	-	19,447	45,182	(48)	45,134
Profit/(loss) for the period	-	-	-	-	6,018	6,018	(235)	5,783
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	6,018	6,018	(235)	5,783
Transfer to retained earnings of share option reserve	-	-	(17)	-	17	-	-	-
Dividend declared	-	-	-	-	(716)	(716)	-	(716)
Reserves of discontinued operations	-	-	-	-	-	-	-	-
As at 31 December 2018	36	1,380	28,526	(4,224)	24,766	50,484	(283)	50,201
As at 1 January 2019	36	1,380	28,526	(4,224)	24,766	50,484	(283)	50,201
Profit/(Loss) for the period	-	-	-	-	4,041	4,041	(244)	3,797
Other comprehensive income	-	-	-	-	(2,925)	(2,925)	(1,377)	(4,302)
Total comprehensive income/(loss)	-	-	-	-	4,041	(1,116)	(1,621)	(505)
Dividend declared	-	-	-	-	(2,506)	(2,506)	-	(2,506)
Functional currency change equity restatement	-	-	(3,502)	-	(3,502)	(3,502)	-	(3,502)
As at 30 June 2019	36	1,380	25,024	(7,149)	26,301	45,592	(1,904)	43,688

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

UNAUDITED ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Note	30 June 2019	31 December 2018
	ZWL'000 UNAUDITED	ZWL'000 AUDITED
Assets		
Non-current assets		
Property, plant and equipment	34,117	34,725
Investment property	1,450	1,450
Intangible assets	298	353
Other non-current financial assets	474	501
Deferred tax asset	70	21
	36,409	37,050
Current assets		
Inventories	27,065	18,309
Prepayments	13,308	3,099
Trade and other receivables	19,746	7,257
Other current financial assets	-	160
Cash and cash equivalents	6,043	10,318
	66,162	39,143
Assets classified as held for sale	13,514	2,360
Total assets	116,085	78,553
Equity and liabilities		
Equity		
Share Capital	36	36
Share Premium	1,380	1,380
Non-distributable reserves	25,024	28,526
Reserves of assets classified as held for sale	(7,149)	(4,224)
Retained earnings	26,301	24,766
Equity attributable to owners of the parent	45,592	50,484
Non-controlling interest	(1,904)	(283)
Total equity	43,688	50,201
Non-current liabilities		
Interest - bearing borrowings	8	10,412
Deferred tax liability	4,273	6,378
Financial guarantee liability	544	137
	15,229	7,808
Current liabilities		
Trade and other payables	7	26,810
Interest - bearing borrowings	8	6,871
Bank overdraft	1,814	388
Dividend payable	152	88
Income tax payable	2,237	501
	37,884	17,815
Liabilities associated with assets held for sale	19,284	2,729
Total liabilities	72,397	28,352
Total equity and liabilities	116,085	78,553

UNAUDITED GROUP STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019	30 June* 2018
	ZWL'000 UNAUDITED	ZWL'000 UNAUDITED
Operating activities:		
Profit before tax	6,129	741
loss before tax from discontinued operations	(341)	(293)
Non-cash items	6,553	2,692
Working capital movement	(18,371)	(3,779)
Net finance costs	245	(41)
Income tax paid	(1,649)	(86)
Net cash outflow from operating activities	(7,434)	(766)
Investing activities:		
Additions to property, plant and equipment	(2,397)	(544)
Grant received	-	102
Proceeds from sale of property, plant and equipment	249	101
Proceeds from sale of investments	160	-
Net finance costs	(375)	41
	(2,363)	(300)
Net cash outflow before financing activities	(9,796)	(1,066)
Financing activities:		
Proceeds from borrowings	7,600	-
Repayment of borrowings	(1,062)	(1,651)
Dividend paid	(2,442)	(695)
Net cashflows from financing activities	4,096	(2,346)
Decrease in cash and cash equivalents	(5,701)	(3,412)
Effects of exchange rate changes	-	-
Cash and cash equivalents at beginning of period	9,930	5,730
Cash and cash equivalents at the end of period (net of bank overdraft)	4,229	2,318
*Restated for discontinued operations		

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

These abridged financial statements were prepared in accordance with the minimum requirements of IAS 34-Interim Financial Reporting and in accordance with the Zimbabwe Stock Exchange listing requirements.

The financial results are presented in Zimbabwean Dollars (ZWL). The ZWL currency was introduced on 24 June 2019 through Statutory Instrument 142 of 2019 (SI 142) which recognised the RTGS dollar, previously introduced on 20 February 2019 through SI 33, as the Zimbabwean dollar.

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 period ended 30 June 2019.

3. 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 ZWL'000	Properties ZWL'000	Corporate ZWL'000	Adjustments & eliminations ZWL'000	Consolidated ZWL'000
Six months ended 30 June 2019					
Revenue					
External customers	118,047	81	-	-	118,128
Inter-segment	28	537	-	(565)	-
Total revenue	118,075	617	-	(565)	118,128
Results					
Depreciation and amortisation	2,100	311	40	-	2,451
Operating profit	10,463	464	1,321	-	12,248
Segment assets	86,308	18,876	65,327	(54,426)	116,085
Segment liabilities	57,746	713	13,210	(728)	70,941
Capital expenditure	2,119	-	279	-	2,398

	Manufacturing and distribution ZWL'000	Properties ZWL'000	Corporate ZWL'000	Adjustments & eliminations ZWL'000	Consolidated ZWL'000
Six months ended * 30 June 2018					
Revenue					
External customers	49,445	34	-	-	49,479
Inter-segment	616	332	-	(948)	-
Total revenue	50,061	366	-	(948)	49,479
Results					
Depreciation and amortisation	2,471	164	62	-	2,696
Operating profit/(loss)	1,248	209	(565)	-	892
Segment assets	48,890	24,067	58,233	(65,996)	65,194
Segment liabilities	25,200	622	10,742	(16,788)	19,776
Capital expenditure	540	-	4	-	544

	2019 ZWL'000	2018 ZWL'000
4. Depreciation and amortisation charge	2,451	2,696
5. Capital expenditure	2,397	544
6. Capital commitments		