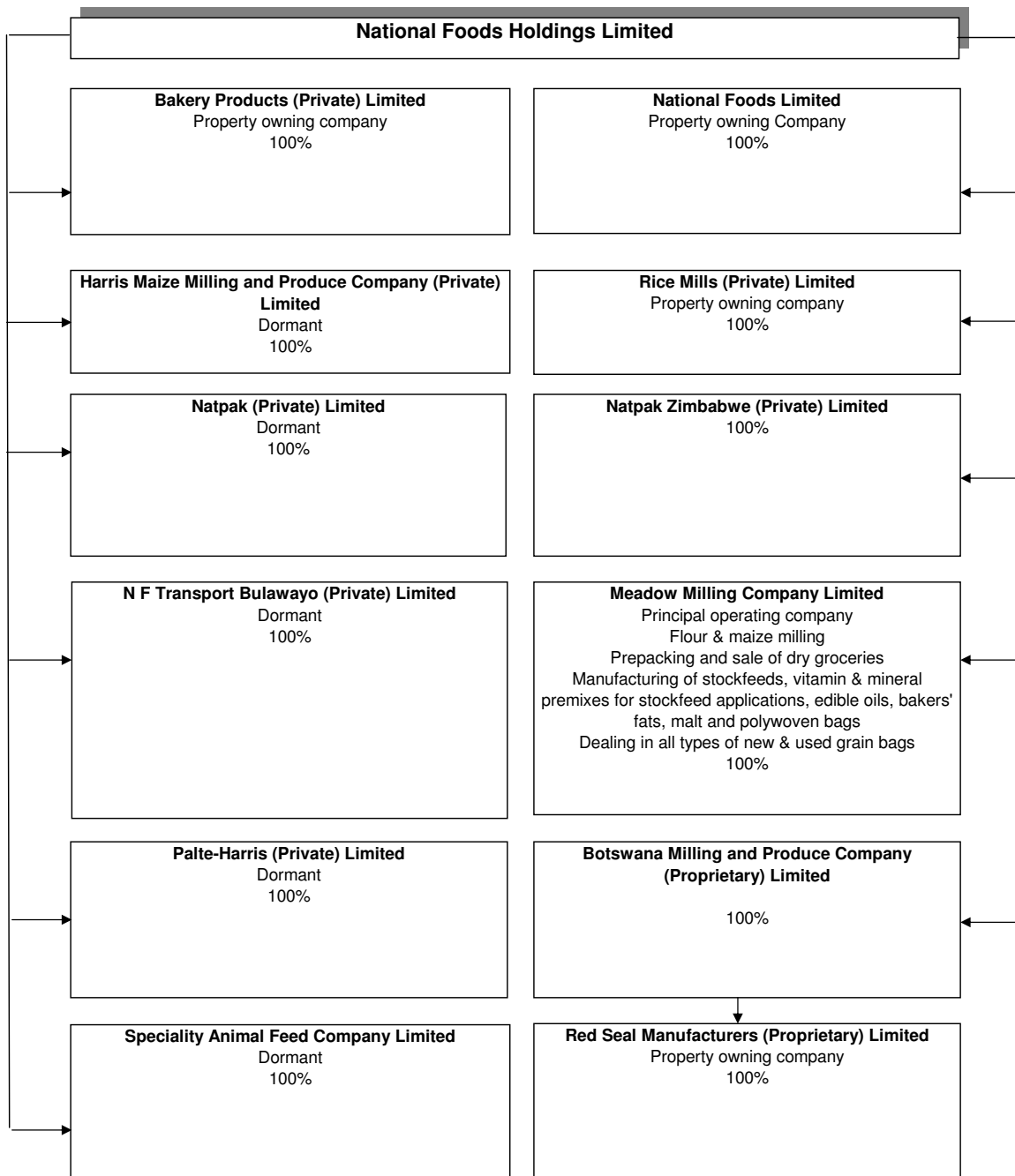


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FINANCIAL HIGHLIGHTS

| | | Inflation adjusted | | | Historical cost | | |
|--|-------|--------------------|------------|----------|-----------------|--------|---------------|
| | | 2008 | 2007 | % change | 2008 | 2007 | % change |
| Revenue | \$ | 25,994,674 | 34,494,666 | (24.6) | 2,688,646 | 69 | 3,896,488.4 |
| Profit / (Loss) from operations before taxes | \$ | 31,898,341 | (173,123) | 18,525 | 30,713,874 | 19 | 161,651,868.4 |
| Profit / (Loss) for the year after taxes | \$ | 25,357,859 | (817,953) | 3,200 | 24,203,854 | 13 | 186,183,392.3 |
| Basic Earnings / (Loss) per share | \$'s | 0.38 | (0.01) | 3,900 | 0.36 | - | |
| Headline profit / (loss) per share | \$'s | 0.02 | (0.01) | 300 | (0.03) | - | |
| Dividend per share | \$'s | - | - | | - | - | |
| Dividend cover | times | - | - | | - | - | |
| Net asset value per share | \$'s | 0.50 | 0.09 | 456 | 0.39 | - | |
| Shares in issue at year end | 000's | 67,425 | 67,425 | - | 67,425 | 67,425 | |

GROUP STRUCTURE



NATIONAL FOODS HOLDINGS LIMITED

DIRECTORATE AND ADMINISTRATION (as at 30 June 2008)

BOARD OF DIRECTORS

| | |
|-------------------|-----------|
| Chairman | T Moyo |
| Managing Director | J Brooke* |
| | M Conway |
| | T Brown |
| | M Fowler |

** Executive Director*

AUDIT COMMITTEE

| | |
|----------|----------|
| Chairman | T Brown |
| | M Conway |
| | T Moyo |

REMUNERATION COMMITTEE

| | |
|----------|----------|
| Chairman | M Conway |
| | T Brown |

SECRETARY

A D Lorimer

TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited
P O Box 11, Harare, Zimbabwe

REGISTERED OFFICE

Gloria House
10 Stirling Road, Heavy Industrial Sites
P O Box 269, Harare.

PRINCIPAL BANKERS

African Banking Corporation Limited
ZB Bank Limited

AUDITORS

Ernst & Young
Angwa City
Cnr K. Nkrumah Avenue/J.Nyerere Way
P O Box 62, Harare, Zimbabwe

LEGAL

Dube, Manikai and Hwacha
Kantor and Immerman

PRINCIPAL OPERATING COMPANY

The principal operating company of National Foods Holdings Limited is Meadow Milling Company Limited, which is incorporated in and operates throughout Zimbabwe via a system of factories, depots and agencies. This network is serviced by a large fleet of vehicles and trailers. The company also actively seeks export markets for its products.

DIRECTORS (as at 30 June 2008)

| | |
|----------------|----------------------------------|
| J Brooke | - Chairman and Managing Director |
| G D Chekenyere | - Human Resources Director |
| T Brown | - Non Executive Director |
| A. D. Lorimer | - Executive Director |

CHAIRMAN'S REVIEW FOR THE YEAR ENDED 30 JUNE 2008

Our commentary is on the inflation adjusted financial information which is denominated in new currency.

Turnover declined by 24.6% year on year to \$ 26 million . Operating profit increased by 18 525% year on year to \$31.9 million .

Basic earnings per share, exclusive of fair value adjustments, grew by 3 900% to 4c per share.

The trading year was characterized by price controls resulting, at times, in negative gross profit and by shortages of raw materials. Year on year our group volumes were down 25% to 184,600mt. By year end we were operating at 5% of capacity.

The creation of 9 strategic business units has been successful and positions the Group with more focus and a smaller more entrepreneurial structure.

MILLING DIVISION

Total volumes were down 71.4% year on year to 31,200mt . Milling is trading at ever increasing losses. Critical plant repairs and maintenance have been suspended which will in time affect production.

OILS DIVISION

Despite a 3 month closure of the plant we managed to process 12,445mt of seed and bean which is 86% down year on year. Due to the non-viability of retailing oil this business is now predominantly a toll processing unit. The fats plant in Bulawayo produced 72.5mt which is 90% down year on year. Our own stocks of product were 3,460mt at year end against an ideal of 8,000mt. The toll arrangements were profitable.

NATPAK

This division traded at a loss due to shortage of raw materials and pricing constraints. Annual production was 10,4 million m² versus a target of 25,3 million m².

STOCKFEEDS

By June 2008 this business was operating at 3.2% of capacity and in the month produced 1,618mt vs 4,552.mt in June 2007. With the unavailability of raw material the business is currently focusing on toll manufacturing for those customers who are holding their own raw material stocks. Total production for the year was 50,000mt versus 89,000mt in 2007.

GENERAL PREPACKS

The two key imported lines of rice and salt sold well and contributed significantly to the Group's performance. Strong management of stock and logistics proved invaluable along with co-operative suppliers who provided credit enabling us to hold stock in bond.

PROPERTIES DIVISION

Continued rationalization and downsizing of space utilized by the Group freed up 12% of our real estate to be rented to third parties. Of the 180,836m² available 90% was rented out at year end. The deferred repairs and maintenance to the buildings has artificially inflated this unit's contribution.

TRANSPORT DIVISION

A massive shortage of spares and tyres meant that 113 out of 142 vehicles were out of service at the year end. Recapitalisation and reconfiguration of the fleet to suit current needs is essential. Strong demand exists for our services but foreign exchange shortages have curtailed the potential. We operated for the year at 15.6% of total capacity and 39.6% of available capacity.

DISTRIBUTION AND RETAIL

This unit was the hardest hit by inflation and price controls as it was unable to replace its stock. The ZW\$ profit is offset by a substantial balance sheet loss in real terms. Seven depots were leased out to third parties which is viewed as a positive development for our future ability to distribute product and purchase grains.

FUTURE PROSPECTS

Management focus will be on obtaining local and imported raw materials to increase throughput at the factories.

Although we lost over 300 employees during the year we do have a core of quality personnel intact whom we will endeavor to remunerate correctly.

Management will focus on finding methods to finance and import grains and oils to toll process.

DIVIDEND

The Board has resolved that given the current trading environment, it is prudent to conserve all resources and consequently no dividend has been declared for the year.

ACKNOWLEDGEMENT AND DIRECTORATE

Messrs A. Wishart, I. Harris, E. Beneke, J. Koumides, J. Pilgrim and L. Horsten resigned as directors of the company during the financial year ended 30 June 2008.

We thank them sincerely for their services as Directors

Messrs T. Brown and M. Fowler were appointed to the Board during the period under review.

I would like to thank the management and staff for their hard work during the year.

TODD MOYO
CHAIRMAN

11 September 2008

CORPORATE GOVERNANCE

National Foods Holdings Group subscribes to the principles of discipline, independence, accountability, transparency, responsibility, integrity, fairness and social responsibility, identified as the primary characteristics of good governance in the Code of Corporate Practices and Conduct, contained within the King II Report on Corporate Governance and the Combined Code on Corporate Governance.

The primary objective of any system of corporate governance is to ensure that directors and managers, to whom the running of large corporations has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the corporation and society ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation. The board believes that the group's governance practices are strong and that in all material respects, the group conforms to the principles embodied within the King II Report and Combined Code on Corporate Governance and is committed to ensuring that these principles continue to be an integral part of the way in which the group's business is conducted.

DIRECTORATE AND EXECUTIVE MANAGEMENT

The Boards of Directors of the Holding Company and of the Principal Operating Company retain full and effective control over the Group. The Boards meet regularly, no less than four times a year to review strategy, planning, operational performance, acquisitions and disposals, stakeholder communications and other material matters relating to performance of executive management.

The majority of directors of the Holding Company are non-executive bringing objective judgement to bear on issues of strategy and performance. The Group chairman is a non-executive director.

Managerial levels of authority have been established for capital expenditure projects and the acquisition and disposal of assets. However, decisions of a material nature are taken by the Board of Directors and senior management, who constitute key management and whose remuneration is disclosed in Notes 8 and 9, respectively. The directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, at the company's expense, if they believe that course of action would be in the best interest of the Group.

FINANCIAL STATEMENTS

The directors of the National Foods Holdings Group are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the company and the Group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Auditing Standards and reporting their findings thereon. The annual financial statements contained in this report have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates. The directors have no reason to believe that the Group's operations will not continue as a going concern in the year ahead.

AUDIT COMMITTEE

The company has an audit committee comprising representation by non-executive directors and is chaired by a non-executive director. The Committee comprises T Brown (chairman), M Conway and T Moyo. The external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal control in the Group with reference to the findings of both the internal and external auditors. Other areas covered include the review of important accounting issues, including specific disclosures in the financial statements and a review of the major audit recommendations.

RISK MANAGEMENT COMMITTEE

The directors are accountable for the process of risk management and for establishing appropriate risk and control policies and to ensure that these are communicated throughout the Group. Executive managers are responsible for the identification and evaluation of key risks applicable to their areas of business. A group risk management committee and related infrastructure has been established, and is responsible for overseeing and reporting on the overall group risk. This provides an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This committee reports to the Board on all areas of risk that have been identified in the Group.

CORPORATE GOVERNANCE (cont.)

INTERNAL CONTROL

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The internal audit function operates under the direction of the Group Audit Committee, which approves the scope of the work to be performed. Significant findings are reported to both executive management and the audit committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work. Nothing has come to the attention of the directors, that indicates any material breakdown in the functioning of the key internal controls and systems during the period under review. The Group has comprehensive risk and loss control procedures in place, which form an integral part of a sophisticated third party and self-insurance programme.

DIRECTORS' AND EXECUTIVE REMUNERATION

Remuneration committee

The remuneration committee has been delegated by the board with the responsibility of determining the remuneration of the executive directors and other senior management members, as well as approving all grants of share options under the National Foods Holdings Group Share Option Scheme. The chairman of the committee is obliged to report to the board on its deliberations. The committee is comprised of M Conway (Chairman) and T Brown.

Remuneration policy

The remuneration policy is formulated to attract, retain and motivate top quality people in the best interests of shareholders, and is based upon the following principles:

- Remuneration arrangements will be designed to support National Foods Holdings Group's business strategy, vision and to conform to best practices.
- Total rewards will be set at levels that are competitive within the context of the relevant areas of responsibility and the industry in which the Group operates.

Composition of executive remuneration

The remuneration packages of executive directors comprise an annual salary, incentive bonus plan and participation in the National Foods Holdings Group Share Option Scheme.

MANAGEMENT REPORTING

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. Individual budgets are approved by the Principal Operating Company board of directors, while the Group budget is reviewed by the directors of the Holding Company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and cash flow forecasts are updated weekly, while working capital and borrowing levels are monitored on an ongoing basis.

STRATEGIC PLANNING PROCESS

In line with its mission to build a world-class business, the overall strategy for National Foods Holdings is clearly focused. Annual strategic plans are compiled at both Group and business unit level, with detailed plans for action and allocated responsibilities. Progress is reviewed regularly.

ETHICS

Directors and employees are required to observe the highest ethical standards, ensuring that the business practices are conducted in a manner which, in all reasonable circumstances is beyond reproach. In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a closed period prior to the publication of its interim and year end financial results during which period directors, officers and employees may not deal in the shares of the Holding Company. Where appropriate, this is also extended to include other sensitive periods.

EQUAL OPPORTUNITY

The Group is committed to providing equal opportunities for its employees regardless of race, tribe, place of origin, political opinion, colour, creed or sex.

FIVE YEAR REVIEW

Inflation adjusted

| | Year ended 30 June 2008 \$ | Year ended 30 June 2007 \$ | 6 months ended 30 June 2006 \$ | Year ended 31 December 2005 \$ | Year ended 31 December 2004 \$ |
|---|----------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| CONSOLIDATED INCOME STATEMENTS | | | | | |
| Revenue | 25,994,674 | 34,494,666 | 9,791,761 | 17,535,027 | 17,945,226 |
| Profit from operating activities | 5,174,973 | 4,534,298 | 2,129,338 | 2,469,727 | 1,581,801 |
| Net financing (costs)/revenue | (691,710) | (760,146) | 202,142 | 388,152 | (503,565) |
| - interest payable | (850,672) | (1,094,365) | (32,486) | (29,945) | (1,073,508) |
| - interest received | 158,962 | 334,219 | 234,628 | 418,098 | 569,943 |
| Fair Value Adjustment | 23,605,786 | - | - | - | - |
| Monetary gain / (loss) | 3,809,292 | (3,947,275) | (2,143,576) | (2,158,700) | 221,139 |
| Profit / (loss) from operations before taxes | 31,898,341 | (173,123) | 187,904 | 699,179 | 1,299,375 |
| Taxation | (6,540,482) | (644,830) | (656,048) | (804,019) | (766,776) |
| Net profit / (loss) for the year | 25,357,859 | (817,953) | (468,144) | (104,840) | 532,600 |
| Dividends | - | - | (82,572) | (192,800) | (172,911) |
| Attributable profit / (loss) | 25,357,859 | (817,953) | (550,716) | (297,640) | 359,689 |
| CONSOLIDATED BALANCE SHEETS | | | | | |
| Assets | | | | | |
| Property, plant and equipment | 6,784,796 | 6,699,146 | 6,832,744 | 6,926,840 | 6,698,016 |
| Listed Investments | 25,876,470 | - | - | - | - |
| Current assets | 13,501,920 | 7,790,809 | 3,797,181 | 3,889,959 | 5,399,503 |
| Total assets | 46,163,186 | 14,489,955 | 10,629,924 | 10,816,799 | 12,097,518 |
| Equity and Liabilities | | | | | |
| Capital and reserves | 33,928,733 | 6,263,894 | 7,163,756 | 7,738,310 | 7,995,809 |
| Deferred taxation | 7,821,897 | 1,941,710 | 1,978,713 | 1,888,708 | 1,942,422 |
| Bank overdraft and acceptances | - | 1,249,799 | - | 19,320 | 43,073 |
| Current liabilities | 4,412,556 | 5,034,552 | 1,487,455 | 1,170,460 | 2,116,214 |
| Total equity and liabilities | 46,163,186 | 14,489,955 | 10,629,924 | 10,816,799 | 12,097,518 |

RATIOS AND STATISTICS

Inflation adjusted

| | | Year ended 30 June 2008 | Year Ended 30 June 2007 | 6 months ended 30 June 2006 | Year Ended 31 December 2005 | Year Ended 31 December 2004 |
|---|--------|----------------------------|----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Profitability | | | | | | |
| Operating margin | % | 122.71 | (0.50) | 1.92 | 3.99 | 7.24 |
| Return on total assets | % | 105.18 | (1.37) | 1.65 | 6.10 | 10.99 |
| Return on equity | % | 126.18 | (11.68) | (6.18) | (1.33) | 6.84 |
| Effective tax rate | % | 20.50 | (372.47) | 349.14 | 114.99 | 59.01 |
| Growth | | | | | | |
| Increase/(Decrease) in revenue | % | (24.64) | 96.72 | (45.44) | (2.29) | 8.07 |
| Increase/(Decrease) in operating profit | % | 18,525.25 | (124.76) | (85.54) | (46.19) | 27.63 |
| Productivity | | | | | | |
| Asset turnover | times | 0.77 | 5.51 | 1.37 | 2.27 | 2.24 |
| Solvency and liquidity | | | | | | |
| Current ratio | times | 3.06 | 1.24 | 2.55 | 3.27 | 2.50 |
| Interest cover | times | 38.50 | 0.84 | 6.78 | 24.35 | 2.21 |
| Total interest bearing debt to shareholders' funds | % | - | 19.95 | - | 0.25 | 0.54 |
| Total liabilities to shareholders' funds | % | 13.01 | 100.33 | 20.76 | 15.38 | 27.01 |
| Employee statistics | | | | | | |
| Number of employees (including seasonal contract workers) | ave | 1,487 | 1,953 | 2,375 | 2,342 | 2,520 |
| Revenue per employee | \$ | 17,481.29 | 17,662.40 | 4,122.85 | 7,487.20 | 7,121.12 |
| Operating profit per employee | \$ | 3,480.14 | 2,321.71 | 896.56 | 1,054.54 | 627.70 |
| Share performance | | | | | | |
| Number of shares issued | 000's | 67,425 | 67,425 | 67,350 | 66,719 | 66,032 |
| Weighted average shares in issue | 000's | 67,425 | 67,398 | 66,967 | 66,552 | 65,695 |
| Basic earnings / (loss) per share | \$'s | 0.38 | (0.01) | (0.01) | - | 0.01 |
| Headline earnings /(loss) per share | \$'s | 0.02 | (0.01) | (0.01) | - | 0.17 |
| Dividend per share | \$'s | - | - | - | 0.01 | 0.06 |
| Dividend cover | times | - | - | (5.67) | (0.54) | 3.08 |
| Dividend yield | % | - | - | - | 14.29 | 200.00 |
| Price earnings ratio | times | 10.53 | (68.00) | (7.00) | - | 3.00 |
| Net asset value per share | \$'s | 0.50 | 0.09 | 0.11 | 0.12 | 0.12 |
| Market capitalisation | \$'000 | 269,700 | 45,849 | 4,715 | 4,670 | 1,981 |
| Market price per share | | | | | | |
| High | \$'s | 4.00 | 0.79 | 0.07 | 0.07 | 0.06 |
| Low | \$'s | - | - | 0.02 | - | 0.01 |
| Price - year end | \$'s | 4.00 | 0.68 | 0.07 | 0.07 | 0.03 |
| Volume of shares traded | 000's | 6,100 | 4,410 | 2,127 | 4,058 | 2,855 |
| Other | | | | | | |
| Zimbabwe dollar exchange rates | | | | | | |
| US Dollar | | 1.10 | - | - | - | - |
| Sterling | | 2.20 | 0.01 | - | - | - |
| CPI | m's | 1,314,718.23 | 11.67 | 0.16 | 0.05 | 0.01 |

DEFINITIONS

The following definitions relate to terms used in this report.

Asset turnover

Revenue divided by net assets at the end of the financial period.

Average

Opening balance plus closing balance divided by two.

Current ratio

Ratio of current assets to current liabilities.

Dividend cover

Earnings per share divided by dividend per share.

Dividend yield

Dividend per share as a percentage of market price at period end.

Interest cover

Profit/(loss) from operations before taxes plus interest payable, divided by interest payable.

Market capitalisation

Share price at period end multiplied by number of shares in issue.

Net asset value per share

Shareholders' funds at end of period divided by number of shares in issue at that date.

Operating margin

Profit/(loss) from operating activities as a percentage of turnover.

Price earnings ratio

Market price at period end divided by earnings per share.

Return on equity

Profit/(loss) for the period as a percentage of average shareholders' funds.

Return on shareholders' funds

Net profit/(loss) for the period after taxation expressed as a percentage of average share capital and reserves for the period.

Return on total assets

Profit/(loss) from operating activities as a percentage of average total assets.

Shareholders' funds

Share capital plus distributable and non-distributable reserves.

Total liabilities

Long term liabilities, current liabilities, bank overdrafts and acceptances.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2008.

GROUP FINANCIAL RESULTS

| | Inflation Adjusted | | Historical Cost | |
|--------------------------------|--------------------|--------------|-----------------|-------|
| | 2008 | 2007 | 2008 | 2007 |
| Profit /(Loss) Before Taxation | \$ 31,898,341 | \$ (173,123) | \$ 30,713,874 | \$ 19 |
| Taxation | (6,540,482) | (644,830) | (6,510,020) | (6) |
| Profit / (Loss) for year | 25,357,859 | (817,953) | 24,203,854 | 13 |
| Dividends | - | - | - | - |
| Attributable Profit / (Loss) | 25,357,859 | (817,953) | 24,203,854 | 13 |

SHARE CAPITAL

During the year the authorised share capital remained at 73 000 000 ordinary shares of 0.08 cents each. No new shares were issued during the year and the number of shares in issue remained 67 424 508.

NATIONAL FOODS WORKERS TRUST

In 1984, National Foods Workers Trust (Private) Limited was established to provide a scheme for worker participation in both the equity and profits of the company. Through donations by the company to the Trust, the Trust has acquired and maintains 10% shareholding in the company. Dividends received through its shareholding are administered by a board of nine Trustees for the benefit of workers under grades "A", "B" and "C" of the Paterson Job Evaluation Plan and under grades 1-16 of the National Employment Council for the Textile Industry. The benefits take the form of housing loans for eligible employees and study loans for employees' children.

BORROWING POWERS

In terms of the Articles of Association, the borrowing powers of the company and its subsidiaries (excluding inter-company borrowings) are limited in aggregate to the nominal amount of the share capital of the company plus the total free reserves of the company and its subsidiaries. The level of borrowings throughout the year was adequately covered in this respect.

RESERVES

Movements in reserves are shown in the statement of changes in equity.

DIVIDENDS

Your directors did not declare a dividend for the year ended 30 June 2008 (2007 - Nil)

DIRECTORATE

Messrs M. Conway and T. Moyo retire by rotation in terms of the Articles of Association and being eligible, offer themselves for re-election.

Mr. T. Brown was appointed to the Board on 21 February 2008 while Mr M. Fowler was appointed to the Board on 3 June 2008. They retire in terms of the Articles of Association and being eligible offer themselves for re-election.

Mr A. Wishart resigned from the Board on 19 September 2007. Mr I Harris resigned from the board on 1 October 2007.

Mr. E. Beneke resigned from the Board on 22 November 2007. Mr J. Koumides resigned from the Board on 21 February 2008.

Messrs J. Pilgrim and L. Horsten resigned from the Board on 3 June 2008.

AUDITORS

Members will be asked to fix the remuneration of Messrs Ernst & Young for the past audit and to confirm their reappointment for the ensuing year.

T Moyo
Chairman
HARARE
11 September 2008

JJ Brooke
Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors of National Foods Holdings Limited are responsible for the preparation and integrity of the financial statements and other information included in this annual report. The external auditors are responsible for independently auditing and reporting on these financial statements in accordance with International Standards on Auditing. To fulfil their responsibilities, the Directors ensure that the Group maintains systems of internal control which are designed to provide reasonable assurance that the records accurately reflect the transactions of the Group and to provide protection against serious misuse or loss of the Group's assets.

Regular meetings are held between management and our internal and external auditors to review matters relating to internal financial controls, auditing and financial reporting.

Our auditors also meet periodically with the audit committee of the Board of Directors to discuss these matters. The auditors have unrestricted access to the audit committee.

The financial statements for the year ended 30 June 2008, which appear on pages 16 to 37 have been approved by the Board of Directors and are signed on its behalf by:

T Moyo
Chairman
HARARE
11 September 2008

JJ Brooke
Managing Director



Chartered Accountants (Zimbabwe)
Angwa City
Cnr Julius Nyerere Way/
Kwame Nkrumah Avenue
P.O. Box 62 or 702
Harare

Tel: +263 04 750905 / 750979
Fax: +263 04 750707 / 773842
E-mail: admin@zw.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED

Report on the Financial Statements

We have audited the inflation adjusted group financial statements of National Foods Holdings Limited, as set out on pages 16 to 37, which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

The historical cost financial statements on pages 16 to 37 are presented as supplementary information.

Audit Opinion

In our opinion, the inflation adjusted financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2008 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act (Chapter 24:03) .

Ernst & Young

Chartered Accountants (Zimbabwe)

Harare

11 September 2008

CONSOLIDATED INCOME STATEMENT
Year ended 30 June 2008

| | Notes | Inflation adjusted | | Historical cost | |
|---|-------|--------------------|--------------|-----------------|------------|
| | | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| Revenue | | 25,994,674 | 34,494,666 | 2,688,646 | 69 |
| Cost of sales | | (16,972,990) | (19,314,312) | (713,540) | (15) |
| Gross profit | | 9,021,684 | 15,180,354 | 1,975,106 | 54 |
| Inventory realisable value adjustment | | - | (3,129,944) | | (3) |
| Adjusted gross profit | | 9,021,684 | 12,050,410 | 1,975,106 | 51 |
| Other income | | 3,619,633 | 103,763 | 3,414,578 | - |
| Variable Costs | | (702,404) | (1,774,789) | (55,278) | (3) |
| Staff Costs | | (4,067,150) | (436,507) | (137,088) | (2) |
| Other Overheads | | (2,597,947) | (5,238,084) | (75,372) | (24) |
| Depreciation | | (98,843) | (170,495) | (3) | - |
| Profit from operating activities | 3 | 5,174,973 | 4,534,298 | 5,121,943 | 22 |
| Net financing cost | 4 | (691,710) | (760,146) | (189,980) | (3) |
| Fair value adjustment - Investments | | 23,605,786 | - | 25,781,911 | - |
| Monetary Gain / (loss) | | 3,809,292 | (3,947,275) | | - |
| Profit / (Loss) before taxation | | 31,898,341 | (173,123) | 30,713,874 | 19 |
| Taxation | 5 | (6,540,482) | (644,830) | (6,510,020) | (6) |
| Profit / (Loss) for the year | | 25,357,859 | (817,953) | 24,203,854 | 13 |
| Basic earnings / (loss) per share (\$'s) | 6 | 0.38 | (0.01) | 0.36 | - |
| Headline profit / (loss) per share (\$'s) | 6 | 0.02 | (0.01) | (0.03) | - |
| Diluted earnings per share (\$'s) | 6 | 0.37 | - | 0.36 | - |

CONSOLIDATED BALANCE SHEETS
At 30 June 2008

| | Notes | Inflation adjusted | | Historical cost | |
|--------------------------------------|-------|--------------------|-------------------|-------------------|------------|
| | | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | 6,784,796 | 6,699,146 | 74 | - |
| Listed Investments | | 25,876,470 | - | 25,876,470 | - |
| | | <u>32,661,266</u> | <u>6,699,146</u> | <u>25,876,544</u> | <u>-</u> |
| Current assets | | | | | |
| Inventories | 10 | 4,581,221 | 3,554,180 | 1,975,885 | 32 |
| Accounts receivable | 11 | 6,012,889 | 4,236,629 | 6,012,889 | 37 |
| Cash & Cash Equivalents | | 2,907,810 | - | 2,907,810 | - |
| | | <u>13,501,920</u> | <u>7,790,809</u> | <u>10,896,584</u> | <u>69</u> |
| Total assets | | <u>46,163,186</u> | <u>14,489,955</u> | <u>36,773,128</u> | <u>69</u> |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 12 | - | - | - | - |
| Adjustment to share capital | | 5,942,367 | 5,942,367 | - | - |
| Foreign currency translation reserve | | 2,413,805 | 106,825 | 2,306,980 | - |
| Distributable reserves | 13 | 25,572,561 | 214,702 | 24,203,867 | 13 |
| | | <u>33,928,733</u> | <u>6,263,894</u> | <u>26,510,847</u> | <u>13</u> |
| Non-current liabilities | | | | | |
| Deferred taxation | 14 | 7,821,897 | 1,941,710 | 5,849,725 | - |
| | | <u>7,821,897</u> | <u>1,941,710</u> | <u>5,849,725</u> | <u>-</u> |
| Current liabilities | | | | | |
| Accounts payable | 15 | 3,464,558 | 1,187,971 | 3,464,558 | 11 |
| Bank overdrafts and acceptances | | - | 1,249,799 | - | 11 |
| Short Term Loans | | 279,082 | - | 279,082 | - |
| Provisions | 15 | 22,950 | 3,422,113 | 22,950 | 30 |
| Provision for taxation | | 645,966 | 424,468 | 645,966 | 4 |
| | | <u>4,412,556</u> | <u>6,284,351</u> | <u>4,412,556</u> | <u>56</u> |
| Total equity and liabilities | | <u>46,163,186</u> | <u>14,489,955</u> | <u>36,773,128</u> | <u>69</u> |

Directors

T. Moyo

J.J. Brooke

Harare
11 September 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2008

Inflation adjusted

| | Share capital \$ | Adjustment to share capital \$ | Foreign Currency Translation Reserve \$ | Distributable reserves \$ | Proposed dividend \$ | Total \$ |
|-----------------------------|------------------------|--------------------------------------|---|---------------------------------|----------------------------|-------------------|
| Balance 30 June 2006 | - | 5,942,367 | 106,156 | 1,032,655 | 82,571 | 7,163,749 |
| Loss for the period | - | - | - | (817,953) | - | (817,953) |
| Translation Gain | - | - | 669 | - | - | 669 |
| Dividends | - | - | - | - | (82,571) | (82,571) |
| Balance 30 June 2007 | - | 5,942,367 | 106,825 | 214,702 | - | 6,263,894 |
| Profit for the period | - | - | - | 25,357,859 | - | 25,357,859 |
| Translation Gain | - | - | 2,306,980 | - | - | 2,306,980 |
| Balance 30 June 2008 | - | 5,942,367 | 2,413,805 | 25,572,561 | - | 33,928,733 |

Historical Cost

| | Share capital \$ | Foreign Currency Translation Reserve \$ | Distributable reserves \$ | Proposed dividend \$ | Total \$ |
|------------------------------|------------------------|---|---------------------------------|----------------------------|-------------------|
| Balance 30 June 2006 | - | - | - | - | - |
| Profit (loss) for the period | - | - | 13 | - | 13 |
| Translation Gain | - | - | - | - | - |
| Dividends | - | - | - | - | - |
| Balance 30 June 2007 | - | - | 13 | - | 13 |
| Profit for the period | - | - | 24,203,854 | - | 24,203,854 |
| Translation Gain | - | 2,306,980 | - | - | 2,306,980 |
| Balance 30 June 2008 | - | 2,306,980 | 24,203,867 | - | 26,510,847 |

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 2007

| | Inflation adjusted | | Historical cost | | |
|---|--------------------|--------------------|--------------------|------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 | |
| Notes | \$ | \$ | \$ | \$ | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash generated from operations | 16.1 | 8,795,361 | 708,839 | 4,834,193 | 22 |
| Working capital changes | 16.2 | (3,925,877) | (962,250) | (4,501,238) | (28) |
| Operating cash flow | | 4,869,484 | (253,411) | 332,955 | (6) |
| Net interest paid | 16.3 | (691,710) | (760,146) | (189,980) | (3) |
| Taxation paid | 16.4 | (438,797) | (698,312) | (14,333) | (2) |
| Dividends paid | | - | (82,571) | - | - |
| Net cash flows from operating activities | | 3,738,977 | (1,794,440) | 128,642 | (11) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditure on existing operations | | (184,493) | (36,897) | (77) | - |
| Proceeds on disposal of fixed assets | | - | 48,872 | - | - |
| Proceeds on disposal of Investments | | 304,284 | - | 304,284 | - |
| Purchase of Investments | | (2,287,221) | - | (111,090) | - |
| Net cash flows from investing activities | | (2,167,430) | 11,975 | 193,117 | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Increase in loans | | 279,082 | - | 279,082 | - |
| Net cash flows from financing activities | | 279,082 | - | 279,082 | - |
| Increase in cash and cash equivalents | | 1,850,629 | (1,782,465) | 600,841 | (11) |
| Foreign Currency Translation Reserve | | 2,306,980 | 669 | 2,306,980 | - |
| Cash and cash equivalents at beginning of the year | | (1,249,799) | 531,997 | (11) | - |
| Cash and cash equivalents at the end of the year | 16.5 | 2,907,810 | (1,249,799) | 2,907,810 | (11) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. CORPORATE INFORMATION**

The Company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal Manufactures (Proprietary) Limited which are incorporated in Botswana.

The Group's main activities comprise the milling of flour and maize, manufacture of stockfeeds, edible oils, bakers' fats and malt, manufacture of polywoven bags and the packaging and sale of other general household goods.

The consolidated financial statements of National Foods Holdings Limited for the year ended 30 June 2008 were authorised for issue in accordance with a resolution of the Directors on 11 September 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are set out hereunder and are consistent with those applied in the previous year. The financial statements of the Group are in conformity with International Financial Reporting Standards, and were prepared in accordance with the requirements of the Companies Act (Chapter 24:03)

2.1 Basis of preparation

The consolidated financial statements have, in all material respects, been prepared in accordance with the International Financial Reporting Standards and the applicable requirements of Companies Act(Chapter 24 :03)

The financial statements, which are expressed in the new Zimbabwe dollars, are based on statutory records maintained under the historical cost convention , except for the fair valuation of listed equity investments at year end.

Appropriate restatements for changes in the general purchasing power of the Zimbabwe Dollar have been made to the historical financial information for the purposes of fair presentation, in accordance with International Accounting Standard 29 (IAS29) (Financial Reporting in Hyperinflationary Economies).

International Accounting Standard 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date (30 June 2008) and that the corresponding figures for previous periods be restated in the same terms.

One characteristic that leads to the classification of an economy as hyperinflationary, is a cumulative three year inflation rate approaching or exceeding 100 percent.

The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Index (CPI) issued by the Central Statistical Office of Zimbabwe. The indices and conversion factors used to restate these financial statements are as follows:

| | Index | Conversion factor |
|------------------|-------------------|--------------------------|
| 30 June 2008 | 1,314,718,233,514 | 1 |
| 30 June 2007 | 11,666,843 | 112,688 |
| 30 June 2006 | 158,709 | 8,283,829 |
| 31 December 2005 | 48,206 | 27,272,917 |
| 31 December 2004 | 7,029 | 187,042,002 |

The main procedures applied in the above mentioned restatement of transactions and balances are as follows:

- All corresponding figures as of, and for the period ended 30 June 2007 are restated by applying the change in the index for 30 June 2007 and 30 June 2008.
- Monetary assets and liabilities are not restated as they are already stated in terms of the measuring unit, current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at balance sheet date and components of shareholders' funds are restated by applying the relevant monthly conversion factor.
- Non-monetary assets and liabilities that are carried at amounts current at balance sheet date, i.e. at fair value, are not restated.
- Property, plant and equipment are stated at indexed cost less applicable indexed depreciation and impairment losses.
- Income statement transactions, except depreciation and amortisation, are restated by applying the change in the index from the month of the transaction to 30 June 2008.
- Gains and losses arising from the net monetary asset and liability positions are included in the income statement.
- Cashflow items are expressed in terms of the measuring unit current at balance sheet date.

For the inflation adjusted financial statements purposes, land and buildings and productive plant and machinery are restated by applying the relevant monthly conversion factors.

Comparative financial statements are restated using general inflation indices in terms of the measuring unit current at the balance sheet date.

Income statement items are restated by applying the relevant monthly, yearly average, or year-end conversion factors.

The net effect of inflation on the net monetary position of the Group is included in the income statement as a monetary gain or loss.

2.2 Principles of consolidation

The consolidated financial statements comprise those of National Foods Holdings Limited and its subsidiaries.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

Subsidiaries are consolidated from the date the parent obtains control until such time as control ceases. Subsidiaries that have financial year ends different from those of the parent company are taken into account for the same reporting period as the parent company, using consistent accounting policies.

2.3 Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences between the tax base of assets or liabilities and their carrying amounts in the balance sheet for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income 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, associates and interests in joint ventures, 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 income 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 income 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income 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 income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxation is recognised in the income statement except to the extent that it relates to items charged or credited to equity.

Deferred taxation relating to tax losses carried forward is recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

-Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

-receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.4 Foreign currency translation

The Group's financial statements are presented in Zimbabwe dollars (see 2.22), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. The tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of the historical cost basis in a foreign currency are translated using the exchange rates ruling at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the dates when the fair value was determined.

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Zimbabwe dollars using the rate of exchange ruling at the reporting date. The income statement is translated at weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity. On disposal of the foreign entity, the deferred cumulative amount recognised in equity is recycled to the income statement.

Foreign currencies

Assets and liabilities denominated in foreign currencies are converted to local currencies at rates of exchange at the end of the financial year, at which the liabilities are likely to be settled and assets realised.

Where a forward exchange contract has been established, the rate in the forward exchange contract is applicable. Transactions during the year are translated at rates of exchange ruling at the time of those transactions. Translation and transaction gains or losses on conversion or settlement are normally dealt with in the income statement.

2.5 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. In general, cost is determined on a "first-in, first-out" or weighted average cost basis. In the case of manufactured goods, cost includes materials, attributable direct labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.6 Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses.

2.7 Accounts Receivable

Accounts receivable are recognised and carried at the net realisable value. A provision is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

2.9 Leases

The determination of whether an arrangement contains a lease depends on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

Those assets leased in terms of agreements considered to be finance leases are capitalised in the balance sheet at their cash cost equivalent. Such assets are depreciated in accordance with the Group's policy on depreciation over the shorter of the lease term or the asset's useful life.

Lease finance charges are amortised over the duration of the finance leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable for occupation of leased properties are recognised on a systematic basis over the lease period, representative of the benefits accruing and charged to income accordingly.

2.10 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event 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 Group expects some or all of the 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 the income statement net of any certain reimbursements.

If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to those provisions. Where discounting is used, the increase in the provision due to passage of time is recognised in the income statement as a borrowing cost.

2.11 Retirement benefits

Retirement benefits are provided for eligible Group employees through various independently administered defined contribution schemes, including the National Social Security Authority.

Defined contribution plan

Contributions to these funds are recognised as an expense in the period to which employees' services relate.

2.12 **Property, plant and equipment**

All items of property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses.

Land is carried at cost whereas buildings are carried at cost less accumulated depreciation and accumulated impairment losses

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in full.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

No depreciation is provided on land or capital work-in-progress.

Other fixed assets are depreciated on a straight line basis, at such rates as are considered appropriate to reduce their book values to residual values over their estimated useful lives, as follows:

| | |
|--|--------------|
| Buildings | 40 years |
| Productive plant and machinery | 8 - 20 years |
| Ancillary machinery, equipment and furniture | 5 - 10 years |
| Motor vehicles | 5 - 10 years |

2.13 **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received net of discounts, rebates, VAT and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest Income

Revenue of a financial nature is dealt with on an accruals basis using the effective interest method, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income

Rental income arising from operating leases on properties is accounted for on a straight line basis over the lease terms.

Borrowing costs

Borrowing costs shall be recognised as an expense in the period in which they are incurred except to the extent that they are capitalised.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

2.14 **Share option scheme**

Some executive employees of the Group participate in the group share option scheme which is not remuneration oriented. The cost of the share option scheme is measured by reference to the middle market price of the shares on the Zimbabwe Stock Exchange on the day preceding the day on which such options are granted together with other variables.

Where the terms of a share option award are modified, as a minimum the expense is recognised as if the terms had not been modified. Where an option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

2.15 Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value to sell 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 groups of assets. Where the carrying amount of an asset 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 to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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 an indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimate that determines the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 income statement. After the reversal depreciation charge is adjusted in future periods to allocate the revised carrying amount over the remaining useful life, on a systematic basis.

2.16 Key management

Key management include executive directors and divisional management.

2.17 Key estimates, uncertainties and judgments

Except for the judgments exercised in the determination of estimated figures such as provisions, as laid out in the various accounting policies, management have not exercised other significant accounting judgments requiring separate disclosure.

2.18 Adoption of new and revised standards

Standards and Interpretations effective in the current year

In the current year, the Group has adopted IFRS7 Financial Instruments Disclosures which is effective for reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

Two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are:

IFRIC 7 Applying the Restatement Approach under IAS29, Financial Reporting in Hyperinflationary Economies;
IFRIC 10 Interim Financial Reporting and Impairment; and

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue not yet effective

The following standards and Interpretations were in issue but not yet effective:

IFRS 8 Operating segments (effective 1 January 2009)
IFRIC 12 Service Concession Arrangements (effective 1 January 2008);
IFRIC 13 Customer Loyalty Programmes (effective 1 July 2008)
IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The Group has not early adopted these standards and interpretations

2.19 Financial assets

Financial assets include trade and other accounts receivable, cash and cash equivalents and investments.

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.19.1 Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in profit and loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

2.19.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. These are initially measured at fair value. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. *Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.*

2.19.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.19.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.19.5 Financial liabilities

Financial liabilities include trade and other accounts payable and interest bearing loans, and these are initially measured at fair value including transaction costs and subsequently amortised costs. Gains or losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process

2.20 Capital management

The objective of the group is to ensure that the Group's companies maintain healthy capital ratios in order to support the business and maximise shareholder value.

The Group manages its capital structure and makes adjustment 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 years ended 30 June 2007 and 30 June 2008.

| | 2008 | 2007 |
|-------------------|------------|------|
| | \$ | \$ |
| Total liabilities | 10,262,281 | 56 |
| Total Equity | 26,510,847 | 13 |
| Gearing ratio | 0.39 | 4.31 |

Financial Instruments

Set out below is a comparison of carrying amounts and fair values of all the Group's financial instruments at 30 June 2008.

| | Carrying amount | | Fair value | |
|---------------------------------------|-----------------|------|------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Financial assets | | | | |
| Cash | 2,907,810 | - | 2,907,810 | - |
| Listed Investments | 25,876,470 | - | 25,876,470 | - |
| Financial liabilities | | | | |
| Bank overdraft | - | 11 | - | 11 |
| Interest bearing loans and borrowings | 5,849,725 | - | 5,849,725 | - |

Market values have been used to determine the fair values of listed investments.

Fair valuation risk

The Group is exposed to movement in fair value of listed equities. Investments in equities are valued at fair value and are therefore susceptible to market fluctuations. Comprehensive measures and limits are in place to control the exposure of the Group's equity investments to fair value risk.

The Group treasury office is tasked with the responsibility of performing research into potential opportunities in order to provide suggestions for investment to the Board of Directors. They also monitor the performance of the current investment portfolio and reports to the Board of Directors.

2.21 Non adjusting events after balance sheet date

Financial assets - Investment at fair value through profit and loss

Subsequent to the year end there has been a significant increase in the fair value of investments -held at fair value through profit and loss. This has arisen owing to the increase in the mining and industrial indices and their impact on share prices of counters quoted on the Zimbabwe Stock Exchange (ZSE).

2.22 Currency

The Zimbabwean Dollar was revalued on 1 August 2008 as stated in the August 2008 Monetary Policy Review Statement. The Financial Statements are stated in Revalued Currency. Comparative financial information has also been stated in the Revalued Currency.

| | Inflation Adjusted | | Historical cost | |
|---|--------------------|-----------|-----------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 3. PROFIT FROM OPERATING ACTIVITIES | | | | |
| Profit from operating activities is arrived at after taking into account the following: | | | | |
| Audit fees and expenses | | | | |
| - current | 100,112 | - | - | - |
| - prior year under provision | - | - | - | - |
| | 100,112 | - | - | - |
| Inventory write-downs to realisable value | | | | |
| Raw materials | - | 826,932 | - | 1 |
| Finished goods | - | 997,381 | - | 1 |
| Packaging | - | 577,512 | - | - |
| Stores | - | 728,108 | - | - |
| | - | 3,129,933 | - | 2 |
| Depreciation | | | | |
| - productive plant and machinery | 94,905 | 83,178 | - | - |
| - ancillary machinery, equipment and furniture | 3,938 | 12,678 | 3 | - |
| - motor vehicles | - | 74,639 | - | - |
| | 98,843 | 170,495 | 3 | - |
| Net surplus on foreign exchange | 3,117,238 | 2,686 | 3,117,238 | - |
| Profit on disposal of property, plant and equipment | - | 48,679 | - | - |
| Profit on disposal of listed investments | 287,747 | - | 287,747 | - |
| Operating lease payments | - | 98,115 | - | - |
| 4. NET FINANCING COSTS | | | | |
| Interest paid | | | | |
| - bank overdrafts and other short term borrowings | 850,672 | 1,094,365 | 192,885 | 4 |
| Interest received | (158,962) | (334,219) | (2,905) | (1) |
| | 691,710 | 760,146 | 189,980 | 3 |
| 5. TAXATION | | | | |
| Income tax | | | | |
| - on current profits at normal rates | 627,932 | 659,498 | 627,932 | 6 |
| - government levy | 18,838 | 19,859 | 18,838 | - |
| Withholding tax on interest income | 13,525 | 2,468 | 13,525 | - |
| Deferred tax relating to current temporary differences | 5,880,187 | (36,995) | 5,849,725 | - |
| | 6,540,482 | 644,830 | 6,510,020 | 6 |
| 5.1 Reconciliation of income tax charge: | | | | |
| Notional tax based on anticipated statutory rate | 8,679,516 | 1,166,213 | 9,490,587 | 6 |
| Non-taxable income or Tax on disallowable expenditure | (2,139,034) | (521,383) | (2,980,567) | - |
| | 6,540,482 | 644,830 | 6,510,020 | 6 |

| | Inflation Adjusted | | Historical Cost | |
|---|--------------------|------------|-----------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 6 EARNINGS PER SHARE | | | | |
| Basic earnings per share is calculated by dividing the profit or loss for the period by the weighted average shares in issue. | | | | |
| Headline earnings per share is calculated by dividing headline earnings by the weighted average shares in issue. | | | | |
| Diluted earnings per share is calculated by dividing profit for the period by the adjusted weighted average number of shares. | | | | |
| The following reflects the income and share data used in the earnings per share computations : | | | | |
| Weighted average shares in issue | 67,578,808 | 67,397,891 | 67,578,808 | 67,397,891 |
| Dilutive effect of shares under option | 191,902 | 191,902 | 191,902 | 191,902 |
| Adjusted weighted average number of shares | 67,770,710 | 67,589,793 | 67,770,710 | 67,589,793 |
| Profit/(loss) for the year | 25,357,859 | (817,953) | 24,203,854 | 13 |
| Adjusted for: | | | | |
| Profit on disposal of property, plant and equipment | - | (48,679) | - | - |
| Profit on disposal of Listed Investments | (287,747) | - | (287,747) | - |
| Fair value adjustment | (23,605,786) | - | (25,781,911) | - |
| Headline earnings | 1,464,326 | (866,632) | (1,865,804) | 13 |
| 7 DIRECTORS EMOLUMENTS | | | | |
| Aggregate amounts paid by the Company and its subsidiaries to directors of the Company | | | | |
| - for services as directors | - | 59 | - | - |
| - otherwise in connection with management | 21,471 | 282,340 | 21,471 | - |
| | 21,471 | 282,399 | 21,471 | - |
| 8 OTHER KEY MANAGEMENT REMUNERATION | | | | |
| Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company | 32,468 | 95,139 | 20,680 | - |
| Pension Contributions | 19,783 | 100,098 | 19,783 | 2 |

9 PROPERTY, PLANT AND EQUIPMENT
Inflation Adjusted

| | Land and buildings \$ | Productive plant and machinery \$ | Ancillary machinery, equipment and furniture \$ | Motor vehicles \$ | Total \$ |
|----------------------------|--------------------------|---|---|----------------------|------------------|
| 9.1 At 30 June 2008 | | | | | |
| Restated Cost | | | | | |
| At beginning of the year | 4,123,961 | 2,933,517 | 849,502 | 630,712 | 8,537,692 |
| Additions | - | 3,430 | 3,635 | 177,428 | 184,493 |
| Disposals | - | - | - | - | - |
| At end of the year | 4,123,961 | 2,936,947 | 853,137 | 808,140 | 8,722,185 |
| Depreciation | | | | | |
| At beginning of the year | 100,686 | 430,799 | 764,974 | 542,087 | 1,838,546 |
| Charge for the year | - | 94,905 | 3,938 | - | 98,843 |
| Disposals | - | - | - | - | - |
| At end of the year | 100,686 | 525,704 | 768,912 | 542,087 | 1,937,389 |
| Carrying amount | 4,023,275 | 2,411,243 | 84,225 | 266,053 | 6,784,796 |
| 9.2 At 30 June 2007 | | | | | |
| Restated Cost | | | | | |
| At beginning of the year | 4,123,961 | 2,902,894 | 843,228 | 666,206 | 8,536,289 |
| Additions | - | 30,623 | 6,274 | - | 36,897 |
| Disposals | - | - | - | (35,494) | (35,494) |
| At end of the year | 4,123,961 | 2,933,517 | 849,502 | 630,712 | 8,537,692 |
| Depreciation | | | | | |
| At beginning of the year | 100,686 | 347,621 | 752,296 | 502,942 | 1,703,545 |
| Charge for the year | - | 83,178 | 12,678 | 74,639 | 170,495 |
| Disposals | - | - | - | (35,494) | (35,494) |
| At end of the year | 100,686 | 430,799 | 764,974 | 542,087 | 1,838,546 |
| Carrying amount | 4,023,275 | 2,502,718 | 84,528 | 88,625 | 6,699,146 |

9 PROPERTY, PLANT AND EQUIPMENT
Historical cost

| | Land and buildings \$'000 | Productive plant and machinery \$'000 | Ancillary machinery, equipment and furniture \$'000 | Motor vehicles \$'000 | Total \$'000 |
|--|------------------------------|---|---|--------------------------|-----------------|
| 9.3 At 30 June 2008 | | | | | |
| Cost or valuation | | | | | |
| At beginning of year | - | - | - | - | - |
| Additions | - | - | 77 | - | 77 |
| Disposals | - | - | - | - | - |
| At end of the year | - | - | 77 | - | 77 |
| Depreciation | | | | | |
| At beginning of year | - | - | - | - | - |
| Charge for the year | - | - | 3 | - | 3 |
| Disposals | - | - | - | - | - |
| At end of the year | - | - | 3 | - | 3 |
| Carrying amount | - | - | 74 | - | 74 |
| Capital work-in-progress included above | | | | | |
| At beginning of year | - | - | - | - | - |
| Re-classified on completion | - | - | - | - | - |
| At end of year | - | - | - | - | - |
| 9.4 At 30 June 2007 | | | | | |
| Cost or valuation | | | | | |
| At beginning of period | - | - | - | - | - |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| At end of period | - | - | - | - | - |
| Depreciation | | | | | |
| At beginning of period | - | - | - | - | - |
| Charge for the period | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| At end of period | - | - | - | - | - |
| Carrying amount | - | - | - | - | - |

| | Inflation Adjusted | | Historical cost | |
|-------------------------------|--------------------|------------------|------------------|--------------|
| | 30 June 2008 | 30 June 2007 | 30 June 2008 | 30 June 2007 |
| | \$ | \$ | \$ | \$ |
| 10 INVENTORIES | | | | |
| Raw materials | 329,047 | 1,286,897 | 124,188 | 11 |
| Finished goods | 2,465,454 | 1,487,482 | 1,073,633 | 13 |
| Packaging | 1,307,321 | 344,825 | 569,300 | 3 |
| Stores | 479,399 | 434,976 | 208,764 | 4 |
| | 4,581,221 | 3,554,180 | 1,975,885 | 32 |
| 11 ACCOUNTS RECEIVABLE | | | | |
| Trade | 3,857,114 | 3,988,417 | 3,857,114 | 35 |
| Other | 2,155,775 | 359,268 | 2,155,775 | 3 |
| Provision for doubtful debts | - | (111,056) | - | (1) |
| | 6,012,889 | 4,236,629 | 6,012,889 | 37 |

As at 30 June 2008 there were no trade receivables that were past due date and therefore none were provided for.

12 SHARE CAPITAL

Note 13 is presented in Old Currency, before slashing ten zeros

12.1 Authorised

73 000 000 shares of 0.08 cents each

| | | | |
|----|----|----|----|
| 58 | 58 | 58 | 58 |
|----|----|----|----|

12.2 Issued and fully paid

67 424 508 (2007 - 67 424 508) shares of 0.08 cents each

| | | | |
|----|----|----|----|
| 54 | 54 | 54 | 54 |
|----|----|----|----|

No shares were issued during the year.

12.3 Unissued shares

5 575 492 (2007 - 5 575 492) shares of 0.08 cents each

| | | | |
|---|---|---|---|
| 4 | 4 | 4 | 4 |
|---|---|---|---|

The unissued shares are under the control of the Directors for an indefinite period and are subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange.

12.4 Shares under option

The Directors are empowered to grant share options to certain employees of the company through a share option scheme. The options are exercisable at the middle market price of the shares on the Zimbabwe Stock Exchange on the day preceding the day on which such options are granted. Options remain valid for a maximum of ten years.

| | | Number of shares 3,800,300 | Number of shares 3,800,300 | Number of shares 3,800,300 | Number of shares 3,800,300 |
|--|---------------|-------------------------------|-------------------------------|-------------------------------|----------------------------------|
| Shares available in the scheme | | | | | |
| | Price (cents) | | | | |
| Options outstanding | | | | | |
| Granted 21 October 1998 | 0.235 | 23,700 | 23,700 | 23,700 | 23,700 |
| Granted 4 April 2001 | 0.600 | 168,202 | 168,202 | 168,202 | 168,202 |
| | | 191,902 | 191,902 | 191,902 | 191,902 |
| Movements for the year | | | | | |
| At beginning of the year | | 191,902 | 253,568 | 191,902 | 253,568 |
| Options granted | | - | - | - | - |
| Options exercised | | - | (11,666) | - | (11,666) |
| Lapsed during the year | | - | (50,000) | - | (50,000) |
| At end of the year | | 191,902 | 191,902 | 191,902 | 191,902 |
| 12.5 Directors' shareholdings | | | | | |
| At 30 June 2008, the Directors held directly or indirectly the following shares in the Company: | | 2008 | 2007 | 2008 | 2007 |
| T Moyo | | 100 | 100 | 100 | 100 |
| M Fowler | | 100 | - | 100 | - |
| JJ Brooke | | 100 | - | 100 | - |
| M Conway | | 100 | - | 100 | - |
| T Brown | | 100 | - | 100 | - |
| There have not been any changes in the Directors' shareholdings in the Company between year end and the date of this report. | | | | | |
| | | 2008 | 2007 | 2008 | 2007 |
| | | | | \$ | \$ |
| 13 DISTRIBUTABLE RESERVES | | | | | |
| General reserve | | 214,702 | 1,032,655 | 13 | - |
| Attributable Profit / (Loss) | | 25,357,859 | (817,953) | 24,203,854 | 13 |
| | | 25,572,561 | 214,702 | 24,203,867 | 13 |

| | Inflation adjusted | | Historical cost | |
|---|--------------------|-------------|-----------------|------------|
| | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| 14 DEFERRED TAXATION | | | | |
| At beginning of the year | 1,941,710 | 1,978,705 | - | - |
| Deferred tax charged / (released) to income statement | 5,880,187 | (36,995) | 5,849,725 | - |
| At end of the year | 7,821,897 | 1,941,710 | 5,849,725 | - |
| 14.1 Analysis of deferred taxation | | | | |
| Listed Investments | 5,849,725 | - | 5,849,725 | - |
| Property, Plant and equipment | 1,972,172 | 1,941,710 | - | - |
| | 7,821,897 | 1,941,710 | 5,849,725 | - |
| 15 ACCOUNTS PAYABLE | | | | |
| Trade | 3,464,558 | 1,006,083 | 3,464,558 | 11 |
| Other | - | 181,888 | - | - |
| Provisions | 22,950 | 3,422,113 | 22,950 | 30 |
| | 3,487,508 | 4,610,084 | 3,487,508 | 41 |
| 15.1 Provisions | | | | |
| Employee | | | | |
| At beginning of the year | 2,028,384 | - | 18 | - |
| Created during the year | - | 2,028,384 | - | 18 |
| Utilised during the year | (2,028,384) | - | (18) | - |
| At end of the year | - | 2,028,384 | - | 18 |
| Other | | | | |
| At beginning of the year | 1,393,729 | 507,941 | 12 | - |
| Created during the year | 22,950 | 1,393,729 | 22,950 | 12 |
| Utilised during the year | (1,393,729) | (507,941) | (12) | - |
| At end of the year | 22,950 | 1,393,729 | 22,950 | 12 |
| Total provisions | 22,950 | 3,422,113 | 22,950 | 30 |
| 16 CASH FLOW INFORMATION | | | | |
| 16.1 Cash generated from operations | | | | |
| Profit / (loss) Before Taxation | 31,898,341 | (173,123) | 30,713,874 | 19 |
| Net Finance Costs | 691,710 | 760,146 | 189,980 | 3 |
| Depreciation | 98,843 | 170,495 | (3) | - |
| Profit on disposal of fixed assets | - | (48,679) | - | - |
| Fair Value Adjustment | (23,605,786) | - | (25,781,911) | - |
| Profit on disposal of listed investments | (287,747) | - | (287,747) | - |
| | 8,795,361 | 708,839 | 4,834,193 | 22 |
| 16.2 Working capital changes | | | | |
| Increase in inventories | (1,027,041) | (1,645,574) | (1,975,853) | (31) |
| Increase in accounts receivable | (1,776,260) | (2,880,264) | (6,012,852) | (37) |
| (Decrease) / Increase in accounts payable | (1,122,576) | 3,563,588 | 3,487,467 | 41 |
| | (3,925,877) | (962,250) | (4,501,238) | (28) |

| | Inflation Adjusted | | Historical cost | |
|---|--------------------|-------------|-----------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| 16.3 Net finance cost | | | | |
| Interest received | 158,962 | 334,219 | 2,905 | 1 |
| Interest paid | (850,672) | (1,094,365) | (192,885) | (4) |
| | (691,710) | (760,146) | (189,980) | (3) |
| 16.4 Taxation paid | | | | |
| Charge per income statement | (6,540,482) | (644,830) | (6,510,020) | (6) |
| Movement in tax liability | 221,498 | (16,487) | 645,962 | 4 |
| Movement in deferred tax liability | 5,880,187 | (36,995) | 5,849,725 | - |
| | (438,797) | (698,312) | (14,333) | (2) |
| 16.5 Cash and cash equivalents at end of year | | | | |
| Cash and cash equivalents consist of cash on hand and balances with banks, and investments in the money market instruments. | | | | |
| Cash & Cash Equivalents | 2,907,810 | - | 2,907,810 | - |
| Bank overdraft and acceptances | - | (1,249,799) | - | (11) |
| | 2,907,810 | (1,249,799) | 2,907,810 | (11) |
| The Group has negotiated facilities amounting to \$120.6 billion of which \$9.7 billion was undrawn as at the year end. The facilities expire at different dates during the year and will be reviewed and renewed when they mature. All facilities established are secured by an unlimited guarantee from the parent company. The facilities can only be used for working capital purposes. | | | | |
| 17. RELATED PARTY TRANSACTIONS | | | | |
| Purchases from shareholder | 91,930 | 1,859,720 | 91,930 | 3 |
| Sales to shareholder | 2,535,195 | 306,923 | 2,535,195 | 1 |
| Technical fees paid to shareholders | 519,893 | 716,648 | 53,773 | 1 |
| All transactions with related parties are conducted on an arms length basis. | | | | |
| 18. CAPITAL COMMITMENTS | | | | |
| Capital expenditure | | | | |
| Authorised and contracted for | - | - | - | - |
| Authorised but not contracted for | 5,387,579 | 5,020 | 5,387,579 | - |
| | 5,387,579 | 5,020 | 5,387,579 | - |
| Expenditure will be funded by internal resources. | | | | |

19 PENSION SCHEMES

All eligible employees are members of the following Group schemes which are independently administered:

19.1 Defined contribution plan

In 1999, the rules of all Group schemes were amended, such that all retirement benefits for future services rendered will be provided for by contributions made to a defined contribution plan.

19.2 National Social Security Authority Scheme

This is a defined benefit scheme established under the National Social Security Authority Act (1989). Contributions by employees are 3% per month of pensionable monthly emoluments, up to a maximum of \$120 000 per month. The Act requires that the long term benefits are actuarially valued every three years.

19.3 Pension costs recognised as an expense during the period

| | Inflation Adjusted | | Historical Cost | |
|---|--------------------|----------------|-----------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Defined contribution fund | 34,621 | 175,172 | - | - |
| National Social Security Authority Scheme | 8,412 | 3,561 | - | - |
| | 43,033 | 178,733 | - | - |

20. FINANCIAL RISK MANAGEMENT

20.1 Treasury risk

A treasury management policy is in place to maximise returns on available surplus funds which is controlled by management.

20.2 Foreign currency risk

Foreign currency risk is managed at an operational level monitored by the relevant head of department. Exposure to losses on foreign creditors is managed through prompt payment of outstanding balances and forward contracts when available.

20.3 Credit risk

Financial assets of the Group which are subject to credit risk consist mainly of cash resources and debtors. Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are of a high standing.

Substantially all accounts payable and accounts receivable are non-interest bearing and repayable within one year. Accounts receivable are disclosed net of a provision for doubtful debts. The management of credit risk of trade debtors is performed at an operational level through credit evaluations.

20.4 Liquidity risk

The Group has no risk of illiquidity as it has significant unutilised banking facilities and reserve borrowing capacity including liquid resources.

20.5 Interest risk

Group policy is to adopt a non-speculative approach to manage interest rate risk whilst maximising profit. Approved short term investments and funding instruments are at variable interest rates and mature within one year.

20.6 Fair values

The carrying amounts of accounts receivable, cash and short term deposits, accounts payable and accrued expenses and short term borrowings approximate their fair values due to the short term maturities of these assets and liabilities.

21 **SEGMENTAL ANALYSIS**21.1 **Business segments**

Details of products, services and business segments are shown with the Group Structure at the beginning of this report. Segmental results are not significant and are therefore not reportable.

Pricing between segments is on an arms length basis.

21.2 **Geographical segments**

The Group operates principally in one geographical area, Zimbabwe. Therefore no further information about geographical segments is provided.

22 **LEASE COMMITMENTS**

| | Inflation Adjusted | | Historical Cost | |
|--|--------------------|-------|-----------------|------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ |
| Commitments in respect of motor vehicle leases | | | | |
| Payable in the next financial year | - | 3,058 | - | - |
| Payable in the next two to four years | - | 6,115 | - | - |
| | - | 9,173 | - | - |

The lease periods range from three to four years.

COMPANY BALANCE SHEETS
At 30 June 2008

| | Notes | Inflation adjusted | | Historical cost | |
|-------------------------------------|-------|--------------------|------------------|-----------------|----------------|
| | | 2008 \$ | 2007 \$ | 2008 | 2007 \$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Investments | A | 2,897,759 | 2,897,762 | | - |
| Current assets | | | | | |
| Subsidiary companies | | - | - | | - |
| Sundry debtors | | - | 5 | | - |
| | | - | 5 | | - |
| Total assets | | 2,897,759 | 2,897,767 | | - |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Share capital | 12 | - | - | | - |
| Adjustment to share capital | | 5,942,367 | 5,942,367 | | - |
| Distributable reserves | B | (3,044,608) | (3,045,806) | | - |
| Proposed dividend | | - | - | | - |
| | | 2,897,759 | 2,896,561 | | - |
| Current liabilities | | | | | |
| Accounts payable | C | - | 380 | | - |
| Subsidiary companies | | - | 704 | | - |
| Provision for taxation | | - | (3) | | - |
| Bank overdrafts and acceptances | | - | 125 | | - |
| | | - | 1,206 | | - |
| Total equity and liabilities | | 2,897,759 | 2,897,767 | | - |

NOTES TO THE COMPANY FINANCIAL STATEMENTS
At 30 June 2008

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A. INVESTMENTS

Subsidiaries

Shares at cost
Loan accounts

| Notes | Inflation adjusted | | Historical cost | |
|-------------------------------------|--------------------|--------------------|-----------------|------------|
| | 2008 \$ | 2007 \$ | 2008 \$ | 2007 \$ |
| | 2,897,759 | 2,897,759 | - | - |
| | - | 3 | - | - |
| | 2,897,759 | 2,897,762 | - | - |
| B. DISTRIBUTABLE RESERVES | | | | |
| General reserve | | | | |
| At beginning and end of year | 213,090 | 213,090 | - | - |
| Attributable loss | | | | |
| At beginning of year | (3,258,896) | (3,257,534) | - | - |
| (Loss)/profit for the year | 1,198 | (1,362) | - | - |
| At end of year | (3,257,698) | (3,258,896) | - | - |
| Total distributable reserves | (3,044,608) | (3,045,806) | - | - |
| C. ACCOUNTS PAYABLE | | | | |
| Accruals and provisions | - | 380 | - | - |

SHAREHOLDERS' ANALYSIS**At 30 June 2008**

| Shareholding | | | No. of | | Issued shares | |
|--------------------------------|-----|-------|--------------|---------------|-------------------|---------------|
| | | | shareholders | % | | % |
| 1 | - | 1000 | 407 | 49.10 | 180 771 | 0.27 |
| 1001 | - | 10000 | 307 | 37.03 | 957 448 | 1.42 |
| 10001 | - | 50000 | 73 | 8.81 | 1 584 676 | 2.34 |
| 50001 | and | over | 42 | 5.06 | 64 855 913 | 95.97 |
| | | | 829 | 100.00 | 67 578 808 | 100.00 |
| Shareholders | | | | | | |
| Banks and nominees | | | 35 | 4.22 | 7 140 517 | 10.57 |
| Deceased estates | | | 6 | 0.72 | 8 010 | 0.01 |
| External company | | | 2 | 0.24 | 17 596 695 | 26.04 |
| Insurance companies/societies | | | 7 | 0.84 | 118 286 | 0.18 |
| Pension funds | | | 37 | 4.46 | 992 806 | 1.47 |
| Resident individuals | | | 513 | 61.88 | 3 678 051 | 5.44 |
| Non-resident individuals | | | 65 | 7.84 | 89 653 | 0.13 |
| Investment and trust companies | | | 105 | 12.67 | 3 805 468 | 5.63 |
| Other corporate holdings | | | 59 | 7.13 | 34 149 322 | 50.53 |
| | | | 829 | 100.00 | 67 578 808 | 100.00 |

At 30 June 2007

| Shareholding | | | No. of | | Issued shares | |
|--------------------------------|-----|-------|--------------|---------------|-------------------|---------------|
| | | | shareholders | % | | % |
| 1 | - | 1000 | 356 | 46.48 | 158 337 | 0.23 |
| 1001 | - | 10000 | 284 | 37.08 | 889 954 | 1.32 |
| 10001 | - | 50000 | 80 | 10.44 | 1 642 692 | 2.44 |
| 50001 | and | over | 46 | 6.00 | 64 733 525 | 96.01 |
| | | | 766 | 100.00 | 67 424 508 | 100.00 |
| Shareholders | | | | | | |
| Banks and nominees | | | 45 | 5.87 | 12 061 889 | 17.89 |
| Deceased estates | | | 5 | 0.65 | 9 270 | 0.01 |
| External company | | | 1 | 0.13 | 17 596 695 | 26.10 |
| Insurance companies/societies | | | 12 | 1.57 | 429 605 | 0.64 |
| Pension funds | | | 45 | 5.87 | 2 062 826 | 3.06 |
| Resident individuals | | | 448 | 58.49 | 1 330 590 | 1.97 |
| Non-resident individuals | | | 63 | 8.22 | 86 704 | 0.13 |
| Investment and trust companies | | | 58 | 7.57 | 1 412 497 | 2.09 |
| Other corporate holdings | | | 89 | 11.63 | 32 434 432 | 48.11 |
| | | | 766 | 100.00 | 67 424 508 | 100.00 |

SHAREHOLDERS' ANALYSIS continued**Major shareholders**

The top ten shareholders of the Company at 30 June 2008 and 30 June 2007:

| | 2008 | | 2007 | |
|--|---------------|-------|---------------|-------|
| | No. of shares | % | No. of shares | % |
| Innsco Africa Limited | 33 740 252 | 49.93 | 24 767 872 | 36.73 |
| Tiger Brands Limited | 17 596 695 | 26.04 | 17 596 695 | 26.10 |
| Security Nominees Limited | - | - | 5 649 696 | 8.38 |
| National Foods Workers Trust (Private) Limited | 6 734 978 | 9.97 | 6 734 978 | 9.99 |
| Amaval Investments | 790 039 | 1.17 | 465 340 | 0.69 |
| E.F.E. Securities Nominees | 653 250 | 0.97 | - | - |
| Gozzan Investments | 465 340 | 0.69 | - | - |
| Stanbic Nominees (Private) Limited | 383 429 | 0.57 | 865 883 | 1.28 |
| Local Authorities Pension Fund | 292 073 | 0.43 | 424 640 | 0.63 |
| Edwards Nominees (Pvt) Ltd | 286 237 | 0.42 | - | - |
| Fed Nominees (Pvt) Ltd | 215,069 | 0.32 | - | - |
| Datvest Nominees | - | - | 931,321 | 1.38 |
| Bard Nominees (Private) Limited | - | - | 684,498 | 1.02 |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the thirty-ninth Annual General Meeting of National Foods Holdings Limited is to be held at the registered office, Gloria House, 10 Stirling Road, Heavy Industrial Sites, Harare on 14 November 2008 at 8.00am, to conduct the following business: -

Ordinary Business

1. To receive, approve and adopt the Financial Statements and Reports of the Directors and Auditors for the financial year ended 30 June 2008.
2. To elect the following Directors, Messrs M Conway and T Moyo who retire by rotation in terms of the Articles of Association of the Company and, being eligible, offer themselves for re-election.
3. To approve the appointment of Messrs T Brown and M Fowler, who were appointed as Directors of the Company with effect from 21 February 2008 and 3 June 2008 respectively, and who in terms of the Articles of Association of the Company are required to retire from the Board at the Annual General Meeting and being eligible, offer themselves for re-election.
4. To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to approve their remuneration for the past audit.

Special Business

5. Share Buy-Back

5.1 To consider, and if deemed appropriate, to resolve by ordinary resolution, with or without amendment that the Company be authorised in advance, in terms of section 79 of the Companies Act [Chapter 24:03], to purchase its own shares, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, but subject to the following terms and conditions: -

- a. Acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (*ten per centum*) of the Company's issued ordinary share capital as at the date of this resolution;
- b. The purchase price shall be the open market price at which such shares are traded on the Zimbabwe Stock Exchange in the normal course of trading activity;
- c. The share buy-back shall be financed from a reserve fund appropriated out of the revenue reserves, to be set up by the Company for that purpose;
- d. All shares purchased pursuant to the aforesaid authority shall be utilised by the Company for treasury purposes;
- e. This authority shall expire on the date of the Company's next Annual General Meeting provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;

5.2 The Directors of the Company, in considering the effect of such maximum share repurchase, have reviewed the budget and cash flow forecast for the National Foods Holdings Limited group for the 12 (twelve) month period after the date of this notice and state that: -

- a. The Company is in a strong financial position and will, in the ordinary course of business, be able to pay its debts for a period of 12 (twelve) months after the Annual General Meeting;
- b. The assets of the Company will be in excess of its liabilities for a period of 12 (twelve) months after the Annual General Meeting;
- c. The ordinary capital and reserves of the Company will be adequate for a period of 12 (twelve) months after the Annual General Meeting;
- d. The working capital of the Company will be adequate for a period of 12 (twelve) months after the Annual General Meeting;

Any Other Business

6. To transact any other business competent to be dealt with at an Annual General Meeting.

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. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

BY ORDER OF THE BOARD

A.D. LORIMER
GROUP COMPANY SECRETARY
GLORIA HOUSE
10 STIRLING ROAD
HEAVY INDUSTRIAL SITES
P O. BOX 269
HARARE

16-Oct-08

SHAREHOLDERS' DIARY

| | |
|---|-------------|
| Financial year end | 30 June |
| Preliminary results | 31 August |
| Annual results published | October |
| Annual General Meeting | 22 November |
| Half-year interim results and dividend declaration | March |
| Payment of interim dividend | N/A |

NATIONAL FOODS HOLDINGS LIMITED

PROXY FORM

I/We.

of.

being the registered owner(s) of

ordinary shares in the abovenamed company hereby appoint

.....

of

or failing him

of

or failing him THE CHAIRMAN OF THE MEETING

as my/our proxy to vote for me/us and on my/our behalf at

the Annual General Meeting of the Company to be held on

14 November 2008, at 08.00 hours, and at any adjournment thereof.

SIGNED this day of2008

Signature of Member

NOTES

1. A member of the company is entitled to appoint one or more proxies to act in the alternative to attend and vote and speak instead of him. A proxy need not be a member of the company.
2. Instruments of proxy must be deposited at the registered office of the company not less than forty eight hours before the time appointed for holding the meeting.