

# **National Foods Holdings Limited**

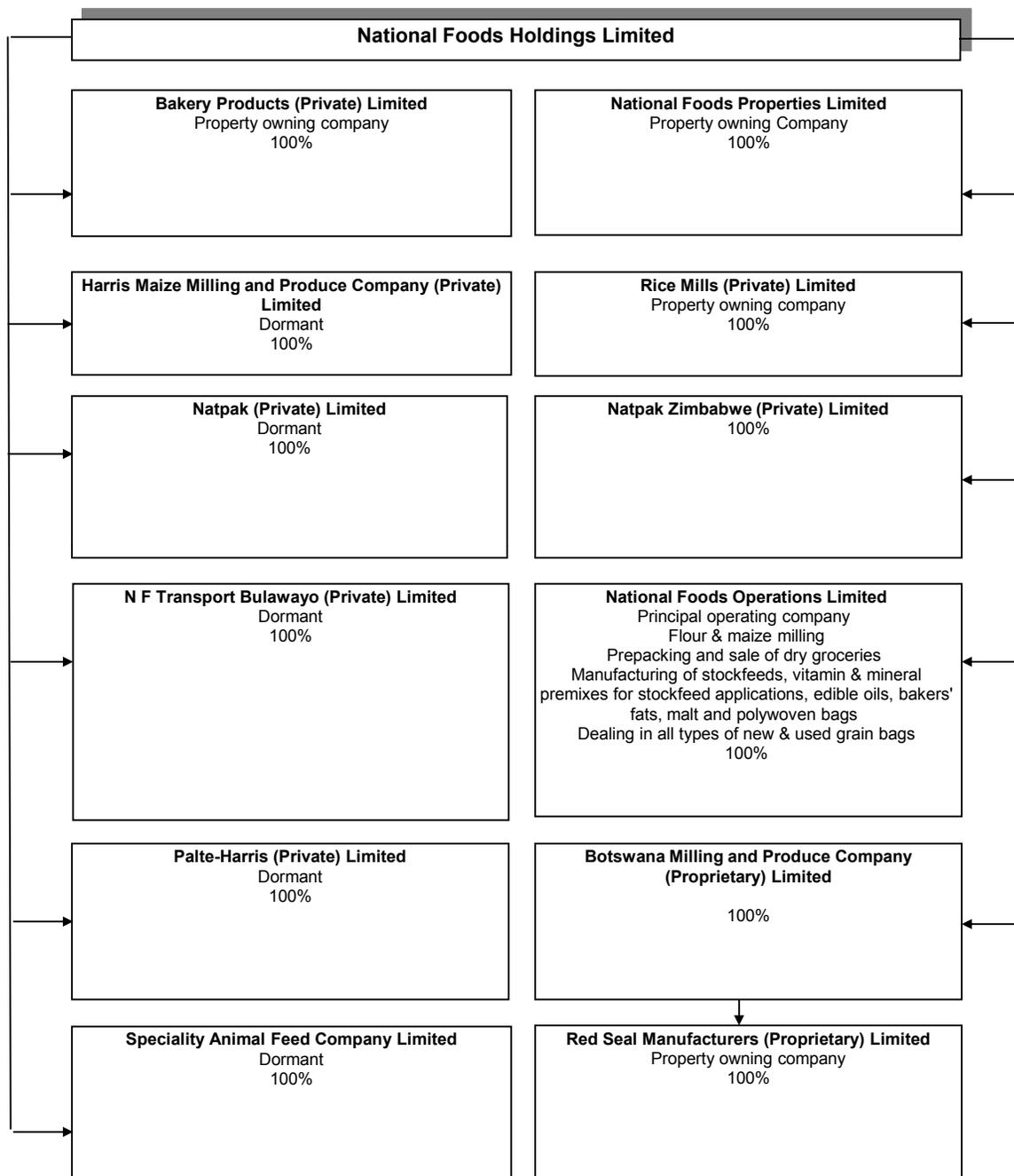
**Annual Report**  
**2009**

<b>CONTENTS</b>	<b>Page</b>
Financial highlights	2
Group structure	3
Directorate and administration	4
Principal operating company	5
Chairman's review	6
Corporate governance	9
Ratios and statistics	11
Report of the directors	13
Statement of directors' responsibility	14
Report of the independent auditors	15
Consolidated financial statements	17
Notes to the consolidated financial statements	21
Shareholders' analysis	38
Notice to shareholders	39
Shareholders' diary	40

**FINANCIAL HIGHLIGHTS**

		<b>2009</b>
Revenue	US\$'000	79,314
Profit from operations before taxes	US\$'000	6,116
Profit for the year after taxes	US\$'000	6,553
Basic Earnings per share	USc's	9.58
Headline earnings per share	USc's	9.33
Net asset value per share	USc's	67.07
Shares in issue at year end	000's	68,379

GROUP STRUCTURE



**NATIONAL FOODS HOLDINGS LIMITED**

**DIRECTORATE AND ADMINISTRATION**(as at 30 June 2009)

**BOARD OF DIRECTORS**

Chairman	T Moyo
Managing Director	J Brooke*
	M Conway
	T.W. Brown
	L.T. Murimwa*
	M.J. Fowler

*\* Executive Director*

**AUDIT COMMITTEE**

Chairman	T Brown
	M Conway
	T Moyo

**REMUNERATION COMMITTEE**

Chairman	T Brown
	M Conway

**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**

CBZ 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 National Foods Operations 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 2009)

J.J. Brooke	Managing Director
L.T. Murimwa	Financial Director
T.W. Brown	Non Executive Director
D.T. Chikukwa	Human Resources Director
A.D. Lorimer	Executive Director
M.J.R. Lashbrook	Executive Director

## **GROUP EXECUTIVES**

G. Martell	Group Treasurer
L. Nyandoro	Group Finance Manager
C. Nheta	Managing Director - Maize Milling
L. Mutakati	Managing Director - Oils & Meals
J. Pilgrim	Managing Director - Stockfeeds
M. Chawanda	Managing Director - Prepacks
H. Rinashe	Managing Director - Distribution
K. Mufukari	Managing Director - Depots
T. Kunaka	Managing Director - Packaging
J. Baker	Managing Director - Transport
A. Kinnaird	Managing Director - Buyco

## **CHAIRMAN'S REVIEW FOR THE YEAR ENDED 30 JUNE 2009**

### **ENVIRONMENT**

The year under review witnessed 3 different trading environments. From July 2008 to October 2008 the economy experienced hyperinflation and significant supply side constraints due to increases in money supply. From October 2008 Reserve Bank sold licences to trade in foreign currency with an effective tax of 7.5% of gross revenue payable to Reserve Bank. Raw materials became more available and we began to reactivate our plants.

By February 2009 the use of foreign currency for personal and trade use was permitted with no top-line deduction. The local currency disappeared and the environment became free to trade in.

The immediate impact was the advent of duty free imported basic commodities which brought down prices and encouraged local manufacturers to compete in the Global Market. The new found enthusiasm was dampened by serious challenges including capacity utilisation, skills shortage, working capital constraints and aged equipment. Nevertheless February 2009 will be a seminal moment in Zimbabwe's economic history.

### **FINANCIAL**

Due to the unique circumstances prevailing in the Zimbabwean economy during the financial year and its consequent effect on the Group's ability to report accurately for a large portion of this period, the Directors advise caution in the use of the income statement, cash flow statement, statement of changes in shareholders equity and the opening balance sheet for analysis and decision making purposes. The Directors are however satisfied that the balance sheet as at 30 June 2009 forms the correct base for reporting results for future periods.

As a result, the audit opinion for 30 June 2009 financial statement is a split opinion with qualification on the income and cash flow statements while the balance sheet is unqualified. This will be the case for most organisations in Zimbabwe as endorsed by the Public Accountants and Auditor's Board and the Zimbabwe Stock Exchange, who have crafted the wording of the qualification.

### **OPERATIONS**

The dual currency trading environment in the last six months brought reality to our business. Volumes in the second half were 104% up on first half and total volumes for the year at 189,725mt were 20.6% up on prior year. We further divisionalised the business structure splitting flour and maize milling and also splitting sales & distribution into separate SBU's. This creates greater focus in a highly competitive market.

### **FLOUR MILLING**

Flour sales of 62,951mt were flat year on year however the second half was up 291% on first half primarily due to the re-emergence of Bakers and the good performance of our pre-packed flour range. Local crop is forecast at an all time low for 2009 so we expect this division to maintain its performance on the back of a consistent supply of imported grain which is already secured. We recruited the services of an accomplished international miller whose mandate is to repair our existing plant to achieve correct quality and train new Zimbabwean millers.

### **MAIZE MILLING**

Roller meal sales of 53,351mt for the year reflect normal annual volumes. This division has however seen steady decreases in production over the last 4 months in the face of imported duty free product of various qualities. Despite good purchases of local maize from a small crop it remains difficult to compete with imports due to capacity utilization, lack of funding for equipment repair and the premium on GMO free maize we are forced to pay whilst imported product is not controlled.

Two new degerminators will be commissioned in August 2009 enabling greater production of Pearlenta refined roller meal and brewing grits. An evaluation of this unit's ability to compete with imports is underway.

### **OILS & MEALS**

The Bulawayo oils & fats plant closed down on 31 January 2009 due to non viability against imported cooking oil. The Harare plant experienced a 4 month water outage, incessant power outages and a fire that destroyed a warehouse. The water situation has been rectified, while the bottling plant and the toaster gearbox have been repaired. This unit returned to production in July 2009 and has sufficient cotton seed and soya bean stocks to process. It made a small profit on only 16,863mt of oil and meal sold.

We are hopeful this business can contribute significantly in the forthcoming year.

## **STOCKFEEDS**

Sales of 31,518mt are 34% down year on year but the prior year includes vast sales of price controlled product. We are currently operating at 20% of capacity with ample raw materials in stock. Stockfeeds small contribution to Group profit is commendable given the state of the livestock industry. Improvements in processes and formulations have had an immediate impact on sales particularly in the beef and dairy sectors. The Safco plant was decommissioned and moved to Aspindale along with the block press plant. The new extruder from USA has been commissioned allowing us to produce 1,000mt of fish food monthly.

We will continue with a low profit margin strategy in order to play a role in the rehabilitation of the livestock industry and strengthen our customer base for the future.

## **NATPAK**

Sales of 14,5 million m<sup>2</sup> of product are up on last year with both plants now running 24 hours a day. Inconsistent demand for grain, cement, fertilizer and sugar bags affected this business however it contributed well to Group profit. Current manpower costs per bag compare poorly to the region hence the need to modernise. Exports to Zambia and Mozambique are steadily growing. Natpak continues on the process to achieve ISO9001 status.

## **GENERAL PREPACKS**

The introduction of multiple brands per product was instrumental in helping sales grow by 68% to 22,155mt for the year. Lead brands like Mahatma Rice, Red Seal Salt and Rice, Tastic Rice, Black Cat Peanut Butter and Chimera Malt all dominated in their category. Prepacks will increase the range of pack size on all its products. Our Fattis & Monis pasta range, Koo Baked Beans and Hugo's Fruit Jam all experienced growth in sales and shelf space. The Gloria Biscuit and Mazzapy Snack ranges will be revamped in the forthcoming year. We also expect certain of our brands to be distributed in Zambia and Malawi. A new bulk salt handling facility was commissioned in Bulawayo in June 2009. The Malt Plant remains closed at this time pending disposal or reactivation.

## **PROPERTIES**

Of the 180, 836m<sup>2</sup> of real estate 72% was rented to NFL and 23% to third parties with only 5% unrented. \$200,000 was spent on improving properties with a further \$230,000 approved for increased security measures. The Safco premises on Lytton Road will be renovated this year and will provide a further 8,000m<sup>2</sup> for rental.

## **TRANSPORT DIVISION AND DISTRIBUTION**

Transport contributed to Group profit by transporting product a distance of 1.1 million kilometers for National Foods and third parties. Vehicle availability improved to 35 serviceable out of 105 available. Nevertheless the fleet continues to age and some vehicles are now sub economic to repair. We disposed of 16 vehicles and purchased 12 second hand 30mt rigs from the USA.

Historically the Sales & Distribution unit both sold and warehoused product. There is a conflict in operational culture regarding these two functions. Consequently the warehousing function will be merged with transport and the sales function decentralized directly to the SBU's with effect from 1 August 2009. The SBUs will control their sales and debtors directly which should increase revenue in the medium term.

The new logistics unit comprising transport and warehouses will warehouse all finished goods and deliver nationwide.

## **DEPOT NETWORK**

The combination of company operated and third party operated depots contributed impressively to cash generation and brand exposure. However increased competition in the food supply chain seems to indicate less of a role for the traditional wholesaler and a more direct relationship between the retail trade and the manufacturers. Accordingly we will convert the depot network to distribution points for our wholesale customers from August 2009. We hope to maintain 17 functioning depots Nationwide. This will be of enormous benefit to the retail trade who are the backbone of our business.

## **FUTURE PROSPECTS**

Management will focus on right sizing the businesses with particular focus on the cost structures. Full brand triangles will be created for each of our 27 core products giving both breadth and depth to range and pack size. We will remain fiercely competitive against imported basic foodstuffs whilst upholding the quality of our brands.

We will explore improved logistics solutions whilst continuing to erode the backlog of repairs to our primary plant and equipment.

**DIVIDEND**

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

**ACKNOWLEDGEMENT AND DIRECTORATE**

Mr M J Fowler resigned from the Board of Directors on 30 June 2009 and we welcome Mr J P Schonken onto the Board. We thank Mr Fowler for his services to the Board.

I would like to thank the management and staff for their hard work during the year and in particular their resoluteness in times of

**Todd Moyo**  
**Chairman**  
**17 August 2009**

## **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 10 and 11, 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 T Brown ( Chairman) and M Conway.

#### **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.

**RATIOS AND STATISTICS**

		<b>Year ended 30 June 2009</b>
<b>Profitability</b>		
Operating margin	%	7.71
Return on total assets	%	11.52
Return on equity	%	15.39
Effective tax rate	%	(7.15)
<b>Productivity</b>		
Asset turnover	times	1.73
<b>Solvency and liquidity</b>		
Current ratio	times	1.60
Interest cover	times	19.19
Total interest bearing debt to shareholders' funds	%	0.88
Total liabilities to shareholders' funds	%	41.31
<b>Employee statistics</b>		
Number of employees (including seasonal contract workers)	ave	2,366
Revenue per employee	\$	33,522
Operating profit per employee	\$	3,191
<b>Share performance</b>		
Number of shares issued	000's	68,378
Weighted average shares in issue	000's	68,378
Basic earnings per share	\$'s	9.58
Diluted earnings per share	\$'s	9.58
Headline earnings per share	\$'s	9.33
Dividend per share	\$'s	-
Dividend cover	times	-
Dividend yield	%	-
Price earnings ratio	times	0.11
Net asset value per share	\$'s	0.67
Market capitalisation	\$'000	75,216
<b>Market price per share</b>		
High	\$'s	1.10
Low	\$'s	0.05
Price - year end	\$'s	1.10
Volume of shares traded	000's	6,100
<b>Other</b>		
United States dollar exchange rates		
South African Rand		7.74
Sterling		0.61
Botswana Pula		6.77

## **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 t

### **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 2009.

### GROUP FINANCIAL RESULTS

	<b>2009</b>
Profit before tax	\$ 6,115,885
Tax	437,101
Profit after tax	6,552,986
Dividends	-
Attributable profit	<u>6,552,986</u>

### SHARE CAPITAL

During the year the authorised share capital remained at 73 000 000 ordinary shares of ZWD 0.08 cents each (revalued). 800,000 new shares were issued during the year and the number of shares in issue moved from 67 424 508 to 68 378 808.

### 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

In view of the need to ensure that working capital levels are adequately funded to meet trading demands, the Board has deemed it inappropriate to declare a dividend for the year.

### DIRECTORATE

Messrs T. W. Brown 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.

At a board meeting held on the 17th of August 2009 Mr J. P. Schonken was appointed as a Director of the Company with effect from 18 August 2009. In terms of the Articles of Association of the Company he is required to retire from the Board at the Annual General Meeting and being eligible, offers himself for re-election.

### 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  
17 August 2009

JJ Brooke  
Managing Director

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

The Directors of the company are required by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit and cash flows for the period. In preparing the accompanying financial statements International Financial Reporting Standards have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The uncertainties in the adverse Zimbabwean economic environment have resulted in limitations in financial reporting as more fully explained in note 30.

As a result of these uncertainties and inherent limitations, the Directors advise caution in the use of all comparative information, income statement, cash flow statement and statement of changes in equity for decision making purposes.

The Directors believe that the balance sheet that has been presented as at 30 June 2009 is a fair reflection of the assets and liabilities of the Company and the Group and therefore a fair reflection of the Shareholders' equity.

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board recognises and acknowledges its responsibility for the Group's systems of internal financial control. National Foods maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit Committee has met the external auditors to discuss their reports on the results of their work, which include assessments of relative strengths and weaknesses of key control areas. Whilst in a growing Group of the size, complexity and diversity of National Foods it may be expected that occasional breakdowns in established control processes may occur, no breakdowns involving material loss have been reported to the Directors in respect of the period under review.

The financial statements for the year ended 30 June 2009, which appear on pages 17 to 37 have been approved by the Board of Directors and are signed on its behalf by:

T Moyo  
Chairman  
HARARE

JJ Brooke  
Managing Director



Chartered Accountants (Zimbabwe)  
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### **Independent Auditor's Report**

To the Members of National Foods Holdings Limited

We have audited the accompanying financial statements of National Foods Holdings Limited as set out on pages 17 to 37, which comprise the consolidated balance sheet at 30 June 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

### **Directors' Responsibility for the Financial Statements**

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Zimbabwe Companies Act (Chapter 24:03). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 judgement, including the assessment of the risks 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 on 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 management, as well as evaluating the overall presentation of the financial statements.

### **Non-compliance with IAS 29 (Financial Reporting in Hyperinflationary Economies) and IAS 21 (The Effects of Foreign Exchange Rates)**

The Zimbabwe economy was recognised as being hyperinflationary for purposes of financial reporting. The consolidated income statement, consolidated cash flow statement and the consolidated statement of changes on equity have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with for the following reasons:

**Independent Auditor's Report (continued)**

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment as explained in note 30.
- the inability to adjust items that are recorded in the currency of a hyperinflationary economy (ie the Zimbabwean dollar) into a unit of measure that is current at the remeasurement date as more fully explained in note 30.

The Directors have not presented any comparative information for the consolidated income statement as required by IAS 1 because they believe the information will be misleading for the reasons noted in note 32.

**Adverse opinion on non-compliance with International Financial Reporting Standards on the comparative information, the consolidated income statement, the consolidated cash flow statement and consolidated statement of changes in equity.**

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, these statements and comparatives do not give a true and fair view of the of the results of the Group's operations and cash flows for the year ended 30 June 2009 in accordance with International Financial Reporting Standards.

**Unqualified opinion on the statement of financial position**

In our opinion, the Consolidated Balance Sheet, in all material respects presents fairly the financial position of National Foods Holdings Limited at 30 June 2009 in accordance with International Financial Reporting Standards.

**Report on legal and regulatory requirements**

In our opinion, the financial statements have been properly prepared in all material respects in accordance with the accounting policies set out in note 3 and comply in all material respects with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments (SI 33/99 and SI 62/96).

In our opinion, the Group has also applied in all material respects with the guidance issued by the Public Accountants and Auditors Board, the Zimbabwe Stock Exchange and the Zimbabwe Accounting Practices Board. This guidance was issued to assist preparers of financial statements in converting their financial statements from Zimbabwe Dollars into their functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the presentation and functional currency.

**Ernst & Young**

Chartered Accountants (Zimbabwe)

Harare

17 August 2009

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 30 June 2009

	Notes	2009 US\$
<b>Revenue</b>		79,313,927
Cost of sales		(51,722,599)
<b>Gross profit</b>		27,591,328
Other income		219,059
Selling and distribution expenses		(4,181,892)
Employee benefits expenses		(7,518,387)
Other operating expenses		(6,964,614)
Depreciation		(1,594,890)
<b>Profit from operating activities</b>	6	7,550,604
Interest income	7	18,804
Interest expense	7	(336,220)
Fair value adjustment - Investments		(102,166)
Monetary loss		(1,015,137)
<b>Profit before tax</b>		6,115,885
Income tax expense	8	437,101
<b>Profit for the year</b>		6,552,986
Basic earnings per share (cents)	9	9.58
Headline earnings per share (cents)	9	9.33
Diluted earnings per share (cents)	9	9.58

**CONSOLIDATED BALANCE SHEETS**  
as at 30 June 2009

	Notes	2009 US\$	2008 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	34,495,612	34,814,105
Other financial assets	13	158,286	1,450,205
		<u>34,653,898</u>	<u>36,264,310</u>
<b>Current assets</b>			
Inventories	14	12,805,231	1,976,586
Trade and other receivables	15	14,733,224	2,447,933
Cash & Cash Equivalents	23.4	2,685,600	593,237
		<u>30,224,055</u>	<u>5,017,756</u>
<b>Total assets</b>		<u>64,877,953</u>	<u>41,282,066</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	16	-	-
Non distributable reserve	17	35,094,364	35,094,364
Distributable reserves	18	10,767,897	4,214,911
		<u>45,862,261</u>	<u>39,309,275</u>
<b>Non-current liabilities</b>			
Interest bearing borrowings	19	-	-
Deferred tax liability	20	69,837	1,169,945
		<u>69,837</u>	<u>1,169,945</u>
<b>Current liabilities</b>			
Trade and other payables	21	14,607,019	520,862
Bank overdrafts and acceptances	23.4	402,561	50,342
Interest bearing borrowings	19	3,135,425	55,816
Provisions	22	520,370	4,590
Income tax payable		280,480	171,236
		<u>18,945,855</u>	<u>802,846</u>
<b>Total equity and liabilities</b>		<u>64,877,953</u>	<u>41,282,066</u>

Directors

T. Moyo .....

J.J. Brooke .....

Harare  
17 August 2009

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2009

	Share capital US\$	Non-distributable reserves US\$	Distributable reserves US\$	Total US\$
<b>Balance 1 July 2008</b>	-	35,094,364	4,214,911	39,309,275
Profit for the year	-	-	6,552,986	6,552,986
<b>Balance 30 June 2009</b>	-	<b>35,094,364</b>	<b>10,767,897</b>	<b>45,862,261</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 30 June 2009

	Notes	2009 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	23.1	8,082,355
Working capital changes	23.2	(8,511,999)
Operating cash flow		(429,644)
Interest received		18,804
Interest paid		(336,220)
Income tax paid	23.3	(553,763)
<b>Net cash flows from operating activities</b>		<b>(1,300,823)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on existing operations		(1,309,201)
Proceeds on disposal of property, plant and equipment		22,741
Proceeds on disposal of Investments		1,247,818
Purchase of Investments		-
<b>Net cash flows from investing activities</b>		<b>(38,642)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings		3,079,609
<b>Net cash flows from financing activities</b>		<b>3,079,609</b>
<b>Increase in cash and cash equivalents</b>		<b>1,740,144</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>542,895</b>
<b>Cash and cash equivalents at the end of the year</b>	23.4	<b>2,283,039</b>

**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 2009 were authorised for issue in accordance with a resolution of the Directors on 17 August 2009.

**2. MATTERS OF EMPHASIS IN RESPECT OF REPORTING****2.1 Functional and Reporting Currency**

The Group changed its functional and reporting currency from Zimbabwe Dollars (ZWD) to United States Dollars (USD) with effect from 1 February 2009, following the liberalisation of the foreign currency market and the approval to trade in multi-currencies. Thus these financial statements are disclosed in United States Dollars.

**2.2 Inflation Indices**

Inflation indices have not been published since July 2008. Subsequent estimates by economists reflect a wide range of potential outcomes. Official indices, when available, were only available at month end. Therefore the use of assumptions to determine inflation in the intervening periods renders the information susceptible to errors.

In order to report in the new functional currency in terms of International Financial Reporting Standards, inflation adjusted financial statements should be prepared and converted to the new currency in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and IAS 29 "Financial Reporting in Hyperinflationary Economies". This was not possible due to the absence of inflation indices. Consequently the Group used the guidelines issued by the Public Accountants and Auditors Board and the Zimbabwe Stock Exchange to translate the financial statements for the seven months to 31 January 2009 to United States Dollars and the net impact of the translation from ZWD to USD is shown on the Income Statement as a monetary adjustment.

**2.3 Comparative information**

Comparative figures for the income statement, cash flow statement and statement of changes in shareholders' equity have not been presented as the Directors are of the view that these figures would be largely meaningless due to the foreign currency exchange rate distortions prevailing at that time.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted by the Group are set out here-under 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)

**3.1 Statement of compliance**

The financial statements have not been prepared in conformity with International Financial Reporting Standards (IFRS) due to non-compliance with IAS 1, IAS 21 and IAS 29. The non-compliance arises due to the reasons given in notes 30, 31 and 32. The financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03)

**3.2 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 United States dollars, are based on statutory records maintained under the historical cost convention , except for the fair valuation of listed equity investments at year end.

### 3.3 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.

### 3.4 Taxes

#### 3.4.1 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.

#### 3.4.2 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, only 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.

#### 3.4.3 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.

### 3.5 **Foreign currency translation**

The Group's financial statements are presented in United States dollars (see 2.1), 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.

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 United States 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.

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.

### 3.6 **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.

### 3.7 **Investments in subsidiaries**

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

### 3.8 **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.

### 3.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 3.9.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### 3.9.2 The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 3.10 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.

### 3.11 Retirement benefits

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

#### 3.11.1 **Defined contribution plan**

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

### 3.12 **Property, plant and equipment**

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

Land is carried at cost/valuation whereas buildings are carried at cost/valuation 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

### 3.13 **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:

#### 3.13.1 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.

#### 3.13.2 Rental income

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

### 3.14 **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 capitalized.

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

### 3.15 **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.

### 3.16 **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 for an asset 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 less costs 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 assets or 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.

### 3.1.6 **Impairment of assets (continued)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine 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, less any residual value, on a systematic basis over the remaining useful life.

### 3.17 **Key management**

Key management include executive directors and divisional management. These are set out on pages 4 and 5 of the annual report.

### 3.18 **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 and loans and receivables 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.

#### 3.18.1 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. Gains or losses on investments held for trading are recognised in profit and loss.

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.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid price 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.

#### 3.18.2 Loans and receivables

Loans and receivables are 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.

#### 3.18.3 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

#### **4. KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS**

The following are the critical judgements, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

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

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. The useful lives are set out in note 3.12 and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is indication of impairment in value.

##### **4.2 Conversion of the Zimbabwe Dollar transactions from 1 July 2008 to 31 January 2009 to United States Dollars - Income Statement and Opening Balance Sheet**

The Group used the guidelines issued by the Public Accountants and Auditors Board and the Zimbabwe Stock Exchange to translate the financial statements for the seven months to 31 January 2009 to United States Dollars and the net impact of the translation from ZWD to USD is shown on the Income Statement as a monetary adjustment.

In respect of the opening balance sheet, where appropriate, Directors' valuations were carried out for property, plant and equipment. These valuations were taken as the deemed opening cost. Reserves were determined as the residual balance after conversion and valuation of all other balances.

##### **4.3 Taxation and deferred taxation**

The taxation liability was categorised into two periods, one dealing with the Zimbabwe Dollar environment and the other with the United States Dollar environment. For purposes of deferred taxation, income tax values for assets purchased before the conversion date have been assumed to equal the carrying amount. This position could be changed by subsequent legislation.

#### **5. ADOPTION OF NEW AND REVISED STANDARDS**

##### **5.1 Standards and interpretations effective in the current year**

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

IFRIC 11 IFRS 2 Group and Treasury Share Transactions effective 1 March 2007  
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 adoption of these Interpretations has not led to any changes in the Group's accounting policies.

##### **5.2 Standards and Interpretations in issue not yet effective**

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

IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised) effective 1 January 2009  
IFRS 2 Share-based Payment (Revised) effective 1 January 2009  
IFRS 3 Business Combinations (Revised) effective 1 July 2009  
IFRS 8 Operating Segments effective 1 January 2009  
IAS 1 Presentation of Financial Statements effective 1 January 2009  
IAS 23 Borrowing Costs (Revised) effective 1 January 2009  
IAS 27 Consolidated and Separate Financial Statements (Revised) effective 1 July 2009  
IAS 39 Financial Instruments: Recognition and Measurement (Revised) effective 1 July 2008  
IFRIC 13 Customer Loyalty Programmes effective 1 July 2008  
IFRIC 15 Agreements for the Construction of Real Estate effective 1 January 2009  
IFRIC 16 Hedges and Net Investment in a Foreign Operation effective 1 October 2008  
IFRIC 17 Distribution of Non Cash Assets to owners effective 1 July 2009  
IFRIC 18 Transfers to Assets from Customers effective 1 July 2009

The Group has not early adopted these standards. The adoption of these standards will not have a material impact on the financial statements.

		<b>2009</b>
		US\$
<b>6. PROFIT FROM OPERATING ACTIVITIES</b>		
Profit from operating activities is arrived at after taking into account the following:		
Audit fees and expenses		
- current		45,000
Depreciation		
- buildings		484,808
- productive plant and machinery		697,648
- ancillary machinery, equipment and furniture		85,255
- motor vehicles		327,179
		<u>1,594,890</u>
Loss on foreign exchange		519,747
Loss on disposal of property, plant and equipment		10,063
Loss on disposal of listed investments		<u>58,065</u>
<b>7. FINANCE COSTS</b>		
Interest paid		
- bank overdrafts and other short term borrowings		336,220
Interest received		<u>(18,804)</u>
		<u>317,416</u>
<b>8. INCOME TAX EXPENSE</b>		
Income tax		
- on current profits at normal rates		883,550
- Capital gains tax		(65,793)
- prior year over provision		(154,750)
Withholding tax on interest income		
Deferred tax relating to current temporary differences		<u>(1,100,108)</u>
		<u>(437,101)</u>
<b>8.1 Reconciliation of income tax charge:</b>		
Notional tax based on anticipated statutory rate		(1,889,808)
Non-taxable income or Tax on disallowable expenditure		<u>1,452,707</u>
		<u>(437,101)</u>

		2009 US\$
<b>9.</b>	<b>EARNINGS PER SHARE</b>	
	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	68,378,808
	Dilutive effect of shares under option	-
	Adjusted weighted average number of shares	<u>68,378,808</u>
	<b>Profit for the year</b>	6,552,986
	Adjusted for:	
	Profit on disposal of Property, Plant and Equipment	(10,063)
	Profit on disposal of Listed Investments	(58,065)
	Fair value adjustment	(102,166)
	<b>Headline earnings</b>	<u>6,382,692</u>
<b>10.</b>	<b>DIRECTORS EMOLUMENTS</b>	
	Aggregate amounts paid by the Company and its subsidiaries to directors of the Company	
	- for services as directors	60,320
	- otherwise in connection with management	335,997
		<u>396,317</u>
<b>11.</b>	<b>OTHER KEY MANAGEMENT REMUNERATION</b>	
	Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company	72,500
	Pension Contributions	<u>2,900</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US\$	Plant and machinery US\$	Motor vehicles US\$	Total US\$
<b>At 30 June 2009</b>				
<b>Cost or valuation</b>				
At beginning of year	25,522,411	8,194,294	2,074,266	35,790,971
Additions		460,057	849,144	1,309,201
Disposals		(570)	(41,292)	(41,862)
At end of the year	25,522,411	8,653,781	2,882,118	37,058,310
<b>Depreciation</b>				
At beginning of year	484,808	313,222	178,836	976,866
Charge for the year	484,808	782,903	327,179	1,594,890
Disposals		(36)	(9,022)	(9,058)
At end of the year	969,616	1,096,089	496,993	2,562,698
<b>Carrying amount</b>	24,552,795	7,557,692	2,385,125	34,495,612

	2009 US\$	2008 US\$
<b>13. OTHER FINANCIAL ASSETS</b>		
Listed investments	158,286	1,450,205
<b>14. INVENTORIES</b>		
Raw materials	6,478,700	1,367,200
Work in progress	193,125	139,833
Finished goods	5,428,711	361,222
Goods in transit	46,289	
Consumable stores	658,406	108,331
	<u>12,805,231</u>	<u>1,976,586</u>
<b>15. TRADE AND OTHER RECEIVABLES</b>		
Trade	10,732,390	1,463,551
Other	4,266,412	984,382
Provision for doubtful debts	(265,578)	
	<u>14,733,224</u>	<u>2,447,933</u>

As at 30 June 2009 there were no trade receivables that were past due date and therefore none were provided for.

## 16. SHARE CAPITAL

References to the nominal share price in ZWD are prior to the slashing of 10 zeros from the Zimbabwe dollar in August 2008

### 16.1 Authorised

73 000 000 shares of ZWD 0.08 cents each (revalued)

### 16.2 Issued and fully paid

At 30 June 2008

67 578 808 shares of ZWD 0.08 cents each (revalued)

Issued during the year

800,000 shares of ZWD 0.08 cents each (revalued)

At 30 June 2009

68 378 808 shares of ZWD 0.08 cents each (revalued)

### 16.3 Unissued shares

4 621 192 (2008 - 5 421 192) shares of 0.08 cents each (revalued)

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.

16.4 **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.

	<b>2009</b>	<b>2008</b>
	<b>Number of shares</b>	<b>Number of shares</b>
<b>Shares available in the scheme</b>	3,800,300	3,800,300
<b>Options outstanding</b>		
Granted 21 October 1998	23,700	23,700
Granted 4 April 2001	168,202	168,202
	<u>191,902</u>	<u>191,902</u>
<b>Movements for the year</b>		
At beginning of the year	191,902	253,568
Options granted	800,000	-
Options exercised	(800,000)	(11,666)
Lapsed during the year	-	(50,000)
At end of the year	<u>191,902</u>	<u>191,902</u>

16.5 **Directors' shareholdings**

At 30 June 2009, the Directors held directly or indirectly the following shares in the Company:

T Moyo	100	100
M Fowler	100	100
JJ Brooke	500,000	100
M Conway	-	-
T Brown	100	100
L.T. Murimwa	150,000	-

There have not been any changes in the Directors' shareholdings in the Company between year end and the date of this report.

17. **NON-DISTRIBUTABLE RESERVES**

Arising on conversion of Zimbabwe dollar balances	35,094,364
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18. **DISTRIBUTABLE RESERVES**

General reserve	4,214,911
Attributable Profit	6,552,986
	<u>10,767,897</u>

			<b>2009</b>	<b>2008</b>
			<b>US\$</b>	<b>US\$</b>
<b>19. INTEREST BEARING BORROWINGS</b>				
	Rate of interest	Year Repayable		
<b><u>Short term financing</u></b>				
<b>Secured</b>				
Bank loans	21-25%	2009	3,034,625	-
<b>Unsecured</b>				
Other	21-25%	2009	100,800	55,816
<b>Total short term loans</b>			<b>3,135,425</b>	<b>55,816</b>
Overdrafts and acceptances	24% On Demand		402,561	50,342
<b>Total interest bearing borrowings</b>			<b>3,537,986</b>	<b>106,158</b>
<p>Short term borrowings for part of the borrowings of the Group and are renewed on maturity in terms of ongoing facilities negotiated with the relevant financial institutions</p> <p>Borrowing powers</p> <p>In terms of the Company's Articles of Association, the Company may, with previous sanction of an ordinary resolution of the Company in a general meeting, borrow, on the determination of the Directors, amounts that do not exceed the aggregate of total shareholder's funds</p>				
<b>20. DEFERRED TAX LIABILITY</b>				
At beginning of the year			1,169,945	
Deferred tax charged / (released) to income statement			(1,100,108)	
At end of the year			69,837	
<b>Analysis of deferred tax liability</b>				
Foreign currency denominated debtors and creditors			(40,535)	
Property, plant and equipment			110,372	
			69,837	
<b>21. TRADE AND OTHER PAYABLES</b>				
Trade			9,540,322	359,116
Accruals			2,664,033	8,745
Other			2,402,664	153,001
			<b>14,607,019</b>	<b>520,862</b>

		<b>2009</b>
		\$
<b>22.</b>	<b>PROVISIONS</b>	
	<b>Leave pay provision</b>	
	At beginning of the year	4,590
	Created during the year	554,910
	Utilised during the year	(39,130)
	At end of the year	<u>520,370</u>
	Leave pay for employees is calculated on the basis of leave days accumulated at an expected rate of payment	
<b>23.</b>	<b>CASH FLOW INFORMATION</b>	
<b>23.1</b>	<b>Cash generated from operations</b>	
	Profit before tax	6,115,885
	Interest received	(18,804)
	Interest paid	336,220
	Depreciation	1,594,890
	Loss on disposal of fixed assets	10,063
	Fair Value Adjustment	102,166
	Loss on disposal of listed investments	(58,065)
		<u>8,082,355</u>
<b>23.2</b>	<b>Working capital changes</b>	
	Increase in inventories	(10,828,645)
	Increase in accounts receivable	(12,285,291)
	Increase in accounts payable	14,601,937
		<u>(8,511,999)</u>
<b>23.3</b>	<b>Income tax paid</b>	
	Charge per income statement	437,101
	Movement in tax liability	109,244
	Movement in deferred tax liability	(1,100,108)
		<u>(553,763)</u>
<b>23.4</b>	<b>Cash and cash equivalents at end of year</b>	
	Cash and cash equivalents consist of cash on hand and balances with banks, and	
	Cash & Cash Equivalents	2,685,600
	Bank overdraft and acceptances	(402,561)
		<u>2,283,039</u>
	The Group has negotiated facilities amounting to \$6.6 million of which \$3.5 million 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.	

		2009
		\$
<b>24</b>	<b>RELATED PARTY TRANSACTIONS</b>	
	Raw materials supplied on toll basis	364,703
	Product delivered on toll arrangement	255,408
	Technical fees paid to shareholders	284,153
	All transactions with related parties are conducted on an arms length basis.	
<b>25</b>	<b>CAPITAL COMMITMENTS</b>	
	<b>Capital expenditure</b>	
	Authorised and contracted for	70,000
	Authorised but not contracted for	2,515,173
		2,585,173
	Expenditure will be funded by internal resources.	
<b>26</b>	<b>PENSION SCHEMES</b>	
	All eligible employees are members of the following Group schemes which are independently administered:	
<b>26.1</b>	<b>Defined contribution plan</b>	
	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.	
<b>26.2</b>	<b>National Social Security Authority Scheme</b>	
	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.	
<b>26.3</b>	<b>Pension costs recognised as an expense</b>	
	Defined contribution fund	112,641
	National Social Security Authority Scheme	77,205
		189,846

## **27 FINANCIAL RISK MANAGEMENT**

### **27.1 Treasury risk**

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

### **27.2 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.

### **27.3 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.

### **27.4 Liquidity risk**

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

### **27.5 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.

### **27.6 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.

## **28 SEGMENTAL ANALYSIS**

### **28.1 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.

### **28.2 Geographical segments**

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

## 29 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 2008 and 30 June 2009.

	<b>2009 US\$</b>	<b>2008 US\$</b>
Total liabilities	19,015,692	1,972,791
Total Equity	45,862,261	39,309,275
Gearing ratio	0.41	0.05

## 30 Limitation of financial reporting in the general environment prevailing

The uncertainties in the adverse Zimbabwean economic environment during the period 1 July 2008 to 31 January 2009 have resulted in limitations in financial reporting. The inflation indices applicable to the Zimbabwean Dollar were not published from 31 July 2008. Estimates by economists, of Zimbabwe Dollar inflation in the period post 31 July 2008 were wide ranging and extremely high (percentages in excess of hundreds of trillions to quadrillions, in some cases). It was impossible to reliably measure inflation in Zimbabwe during this period because the rate of change of inflation on a daily basis was extremely high. Any attempt to measure inflation was subject to various limitations because reliable and timely price data was not available. The inability to reliably measure inflation was also exacerbated by the existence of multiple pricing criteria for similar products based on the mode of settlement.

Consequently the Group used the guidelines issued by the Public Accountants and Auditors Board and the Zimbabwe Stock Exchange to translate the financial statements for the seven months to 31 January 2009 to United States Dollars and the net impact of the translation from ZWD to USD is shown on the Income Statement as a monetary adjustment.

## 31 Non-compliance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) in respect of the measurement of the income statement, cashflow statement and statement of changes in

The Company's functional currency changed during the course of the financial year from Zimbabwe Dollars to United States Dollars. The Company has chosen to report all its transactions in United States Dollars because it is the new functional currency applicable to all current transactions. The Company has not been able to comply with the requirements of IAS 21 because this standard requires all transactions that are in the currency of a hyperinflationary economy to be adjusted to a unit of measure current at the measurement date before conversion to an alternative presentation currency. The Company has not been able to adjust its Zimbabwean Dollar transactions to comply with IAS 29 as more fully explained in note 30.

## 32 Non-compliance with IAS 1 (Presentation of Financial Statements) in respect of comparative

The Directors have not presented comparative information for the income statement, cash flow statement and statement of changes in equity, because they believe that it will be misleading. Due to the prevailing economic environment in the previous year, it is not possible to convert financial statements into United States Dollars in a manner consistent with IAS 21 and IAS 29 as described in notes 30 and 31.

**SHAREHOLDERS' ANALYSIS****At 30 June 2009**

<b>Shareholding</b>	<b>No. of shareholders</b>	<b>%</b>	<b>Issued shares</b>	<b>%</b>
1 - 1000	601	55.6	227 158	0.33
1001 - 10000	360	33.3	1 154 481	1.69
10001 - 50000	73	6.8	1 639 386	2.40
50001 and over	46	4.2	65 357 783	95.58
	<b>1,080</b>	<b>100.0</b>	<b>68 378 808</b>	<b>100.00</b>
<b>Shareholders</b>				
Banks and nominees	19	1.76	461 127	0.67
Deceased estates	6	0.56	8 010	0.01
External company	3	0.28	17 598 644	25.74
Insurance companies/societies	3	0.28	5 553	0.01
Pension funds	24	2.22	465 656	0.68
Resident individuals	614	56.85	10 054 717	14.70
Non-residents	63	5.83	85 154	0.13
Investment and trust companies	42	3.89	1 277 458	1.87
Other corporate holdings	306	28.34	38 422 489	56.19
	<b>1,080</b>	<b>100.01</b>	<b>68 378 808</b>	<b>100.00</b>

**At 30 June 2008**

<b>Shareholding</b>	<b>No. of shareholders</b>	<b>%</b>	<b>Issued shares</b>	<b>%</b>
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	5.07	64 855 913	95.97
	<b>829</b>	<b>100.01</b>	<b>67 578 808</b>	<b>100.00</b>
<b>Shareholders</b>				
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
	<b>829</b>	<b>100.00</b>	<b>67 578 808</b>	<b>100.00</b>

**SHAREHOLDERS' ANALYSIS continued****Major shareholders**

The top ten shareholders of the Company at 30 June 2009 and 30 June 2008:

	<b>2009</b>		<b>2008</b>	
	<b>No. of shares</b>	<b>%</b>	<b>No. of shares</b>	<b>%</b>
Innsco Africa Limited	33 747 166	49.35	33 740 252	49.93
Tiger Brands Limited	17 596 695	25.73	17 596 695	26.04
National Foods Workers Trust (Private) Limited	6 734 978	9.85	6 734 978	9.97
Amaval Investments	854 311	1.25	790 039	1.17
Brooke, Joseph Jeremy	500 000	0.73	-	-
Gozzan Investments	465 340	0.68	465 340	0.69
TFS Nominees	483 483	0.71	-	-
Stanbic Nominees	419 473	0.61	383 429	0.57
KHM Trust	301 768	0.44	-	-
Gezmark Investments	298,232	0.44	-	-
Bard Nominees (Private) Limited	293,888	0.43	-	-
Local Authorities Pension Fund	276,645	0.40	292 073	0.43

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fortieth 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 17 November 2009 at 8.30am, 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 2009.
2. To elect the following Directors, Messrs T. W. Brown 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 Mr J. P. Schonken who was appointed as a Director of the Company with effect from 18 August 2009, and who in terms of the Articles of Association of the Company is required to retire from the Board at the Annual General Meeting and being eligible, offers himself for re-election.
4. To approve Directors' fees for the financial year ended 30 June 2009.
5. 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

#### 6. Re-denomination of the Authorised Share Capital

To resolve as a special resolution, with or without amendment, that: - "The authorised share capital of the Company be redenominated from seventy three million (73,000,000) ordinary shares of ZW\$0,08 each to seventy three million (73,000,000) ordinary shares of US\$0,01 each, and that the following conditions apply: -

- i.) That the directors be authorised to transfer from the capital reserves an equivalent of the nominal value to fund the above redenomination and this will amount to six hundred and eighty three thousand, seven hundred and eighty eight United States Dollars (US\$683,788)
- ii.) That pursuant to this resolution, any reference to "nominal value" in the Articles of Association of the Company be amended to read as US\$0,01."

#### 7. Share Buy-Back

To consider, and if deemed appropriate, to pass with or without amendment, the following ordinary resolution: - "That the Company be authorised in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange Listing Requirements, 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: -

- i.) 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; and
- ii.) Acquisitions shall be of ordinary shares which, in aggregate in any one financial year, shall not exceed 10% (ten per cent) of the Company's issued ordinary share capital as at the date of this resolution; and
- iii.) The maximum and minimum prices respectively, at which such ordinary shares may be acquired will be 20% (twenty per cent) above and 25% (twenty five per cent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately preceding the date of purchase of such ordinary shares by the Company; and
- iv.) A press announcement will be published as soon as the Company has acquired ordinary shares constituting on a cumulative basis in the period between annual general meetings, 3% (three per cent) of the number of ordinary shares in issue prior to the acquisition."

Note: -

In terms of this resolution, the Directors are seeking authority to allow use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the Zimbabwe Stock Exchange, for treasury purposes. The Directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority the Directors will duly take into account following such repurchase, the ability of the Company to be able to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company the adequacy of ordinary capital and reserves as well as working capital.

#### 8. Loans to Directors

To resolve as an ordinary resolution, with or without amendments: - "That the Company be and is hereby authorised to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company, as may be determined by the Remuneration Committee of the Board of Directors, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director."

#### Any Other Business

9. 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

5 October 2009

**SHAREHOLDERS' DIARY**

<b>Financial year end</b>	30 June
<b>Preliminary results</b>	September
<b>Annual results published</b>	October
<b>Annual General Meeting</b>	November
<b>Half-year interim results and dividend declaration</b>	March
<b>Payment of interim dividend</b>	N/A

**NATIONAL FOODS HOLDINGS LIMITED**

**PROXY FORM – AGM – 17 November 2009**

I / We. ....

of. ....

being the registered owner(s) of .....

ordinary shares in the above named Company hereby appoint

.....

of. ....

or failing him / her .....

of. ....

or failing him / her, 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 Tuesday 17 November 2009, at 08.30 hours, and at any adjournment thereof.

SIGNED this ..... day of .....2009

Signature of Member .....

**NOTE: -**

- 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.