

annual
report
for the year ended 30 June
2010



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Group Structure



Directorate and Administration (as at 30 June 2010)

National Foods Holdings Limited

Board Of Directors

Chairman
Managing Director

T. Moyo
 J.J. Brooke*
 M.J. Conway
 T.W. Brown
 L.T. Murimwa*
 J.P. Schonken
 N. Segoale
 * *Executive Director*

Audit Committee

Chairman

T.W. Brown
 M.J. Conway
 T. Moyo

Remuneration Committee

Chairman

T.W. Brown
 M.J. 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

National Foods Operations Limited

Directors

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

Group Executives

G. Martell	Group Treasurer
L. Nyandoro	Group Finance Manager
I. Chapaner	Managing Director - Flour Milling
C. Nheta	Managing Director - Maize Milling
J. Pilgrim	Managing Director - Stockfeeds
M. Chawanda	Managing Director - FMCG
K. Mufukari	Managing Director - Depots
T. Kunaka	Managing Director - Packaging
J. Heath	Managing Director - Logistics & Transport
A. Kinnaid	Managing Director - Buyco

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.



Financial Highlights

		2010	RESTATED 2009
Revenue	US\$'000	165,887	79,314
Profit from operations	US\$'000	1,524	7,551
Profit before tax	US\$'000	591	6,116
Profit for the year after taxes	US\$'000	2,897	6,553
Basic Earnings per share	USc's	4.24	9.58
Net asset value per share	USc's	57.08	52.85
Shares in issue at year end	000's	68,379	68,379



Chairman's Statement

Introduction

The economic developments of the last twelve months have seen a return to a more stable environment mainly due to the adoption of the multi-currency monetary regime and the removal of price controls. This has given the Group the opportunity to return to normal trading and the platform to make the business more efficient and more competitive.

Liquidity has remained tight and borrowings were expensive. The suspension of import duties on basic food commodities continues and with this the continued price pressure on National Foods products from foreign manufacturers who have better economies of scale and operate more efficient and modern plants. National Foods has identified areas of strength and in the coming year will focus on improving efficiencies and the control environment in these core areas.

Overview of Financial Performance

The principal accounting policies of the Group are consistent with those applied in the previous year except as detailed in note 2.3 of the financial statements and conform to International Financial Reporting Standards except as mentioned in note 2.1 of the financial statements.

At the time of finalisation of the Group's 2009 Financial Statements, guidance for deferred tax had not yet been issued and consequently no deferred tax had been provided for on the opening property, plant and equipment held at the point of dollarisation. The Directors have now taken the decision to provide for deferred tax on the full balance sheet liability method in respect of the property, plant and equipment, and the relevant prior period figures, in the statement of financial position have been adjusted accordingly.

For the reasons fully outlined in the prior year's financial statements, the comparative figures for the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity were qualified due to complications arising on translation of Zimbabwe dollar transactions prior to the adoption of multi-currencies in February 2009. The Statement of Financial Position however was not qualified as those balances were not affected by the translation complications. Consequently, the Directors advise caution in comparing current financial information contained in the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity with those of prior year, as such comparison could be misleading.

The Group recorded a total revenue of US\$165.9 million (m) for the full year (US\$86.0m for the second half) and year-on-year volumes rose by 58.2% to 300,143 metric tonnes (mt). The growth in top line reflects the rapidness with which the Group embraced the liberalised trading environment and secured the requisite funding for working capital in order to recover sales volumes. The Group recorded a profit before tax of US\$590,517 which includes a non-recurring profit on sales of property, plant and equipment of US\$3.9m.

The statement of financial position reflects a net current asset growth of US\$8.4m or 58.3% (excluding short term loans) which was a result of increases in trade receivables and inventories that were required to drive the sales volume growth that the Group achieved. To fund this increase in net current assets, loans from third parties increased by US\$8.3m, which put the Group in a net borrowed position of US\$11.8m as at 30 June, 2010. The majority of borrowings are represented by term money sourced from local banking institutions.

The financial performance of the Group was hampered by a need to normalise the cost structure based on the US dollar currency trading regime. Operating margins remained undesirably low as a consequence of continuing manufacturing inefficiencies, significantly high overhead costs as well as depressed market price realisation. The Group has embarked on a focused initiative to eliminate manufacturing inefficiencies as well as a re-alignment of overhead costs. However, the absence of any forms of tariff protection on the importation of cheaper competing products remains a risk facing the local manufacturing industry. The imposition of some form of tariff structure on imported food products will most certainly go a long way in enabling a more rapid recovery of the local food manufacturing sector as well as the primary agricultural sector.

Operations

The operational environment was characterized by stability and the need for efficiency and control became clear during the period under review. Overheads are real and management has responded to this during the period by reducing headcount substantially to fit the correct operating levels for the operating units.

Chairman's Statement (continued)

The Group spent US\$3,7m on repairs and maintenance in the period under review to address years of lost maintenance where this was not possible due to the hyperinflationary environment. This maintenance will help to make the plants more efficient, cutting down on processing costs and improving competitiveness. Opportunities for improving manufacturing efficiencies further exist across the entire operating platform and will remain an area of focus in the year ahead.

Flour milling

Flour sales of 102,600mt were up 63% on the prior year. Procurement of imported wheat at the right price is crucial to the success of this business. The business has focused on the improvement of product quality of its flour which was enabled by the installation of new equipment in its Harare mill. The Gloria brand remains the most recognisable brand in pre-packed flour and the provision of technical support to bakers has been an important growth driver for this business.

Maize milling

Maize meal sales volumes of 65,600mt are up 23% on prior year. Pearlenta and Red Seal both remain leading brands and the introduction of new laminated packaging has been a boost to brand and sales.

Oils and meals

The oil seed crushing plant was placed under care and maintenance at the end of May 2010. The short and expensive local crop meant that the necessary throughput needed to run a scalable and profitable oil and meals business could not be achieved. Management has entered into a toll arrangement with a local manufacturer which enables the business to bottle and distribute its branded oils and secure the meals needed by the Stockfeeds division. The Group continues to strategically assess its long term future in oil and meal expressing.

Stockfeeds

Sales volumes at 97,700mt are up 210% year on year. This very pleasing performance is the result of a highly competitive strategy that is aimed at improving value for our customers. Both large commercial and emerging farmers found value in the price and quality mix of our product and the prospects for future growth remain positive.

Fast Moving Consumer Goods

This business doubled its prior year volumes and is led by identified and recognisable brands. Fattis and Monis, Tastic, Mahatma, Red Seal rice and salt, and Koo baked beans continue to lead in their respective categories. Improvements have been identified regarding the way that product is handled and distributed into the market. These improvements will be implemented in the coming year.



Chairman's Statement (continued)

Natpak

Volumes of 20.4 million m² are 41% up on prior year and the plant is operating at very close to capacity. The plant and equipment of this business is outdated and urgently needs to be modernised.

Depot network

The depot network is central to the Group's medium term growth strategies and as a channel for further market penetration and cash generation. Management anticipate a decentralisation of buying power into the rural countryside and the success of the depots remains a key enabler in positioning our business for growth.

Logistics

The Group's vehicle fleet is old and requires replacement at a substantial cost. Methods of handling product require significant investment in automation to improve the efficiency of getting products to customers. A strategic review of the structure of this business has been initiated.

Properties

Of the 181,000 m² of real estate owned by National Foods, approximately 75% is occupied by National Foods operating units and the balance rented to third party tenants. The properties are managed by an independent specialist who is responsible for rationalising and maximising the extraction of value from these properties. During the year there was a strategic review of each of the properties. The Group disposed of the malt plant facility. Rationalisation of non-core properties is likely to continue in the coming year as management seeks to raise the capital necessary to further recapitalise core businesses.

Dividend

The Directors are of the opinion that it is not appropriate to declare a dividend for the year just ended, given the poor financial performance of the Group and the need to recapitalise the business in order to establish a solid platform for future growth and sustainable shareholder return.

Future prospects

The year under review has been exciting, and one in which management's knowledge and understanding of the new operating environment has improved immensely. Significant progress was achieved in improving business processes, internal controls within the operating environment, retaining core skills and re-establishing brands during the last 12 months.

The Board has approved a business strategy that aims to see an accelerated improvement in the productivity of the Group's facilities and a further strengthening of the Group's core capabilities.

The Group will seek to achieve an improved business performance in order to deliver a better return to shareholders.

Management looks forward to the coming year with great anticipation and ready to put the lessons learned over the last year into practice.

Acknowledgement and appreciation

I would like to express thanks to my board colleagues for their support and commitment. I also thank management and staff for all their efforts over the last year in laying the foundation for the business opportunity presented by the new financial year.



Todd Moyo

Chairman

24 August, 2010

Chief Executive's Statement

The Future

We see Zimbabwe working to be self sufficient in food production and taking advantage of the benefits offered by our national resources and the mining sector. If achieved these two macro-economic developments will lead to a substantial increase in consumer demand.

On the back of that belief National Foods Holdings Limited has revised its vision and adopted a four year four point strategic plan to achieve the mission.

- > *We want to compete and dominate in Milling, Stockfeeds and Fast Moving Consumer Goods categories that are profitable and have scale in Africa.*
- > *We want a depot network to support our business by selling goods and buying raw materials.*
- > *We require brands that can differentiate our offering and produce a profit before tax of 10% of revenue.*
- > *We expect 10% cash return and 33% profit before tax on Shareholders equity.*

The strategic pillars are:

1 Increase Productivity

We need to improve efficiencies through mechanisation and modernisation of our processes and facilities. We will improve capacity utilisation through increased market share and expected growth in the market. It's time to exit non-core business and dispose of non-core assets.

Through our relationships with Inncor Africa Limited and Tiger Brands we can benchmark numerous performance indicators against best practices and work to achieve improved efficiency and quality.

Focus will be to optimize manning levels and develop line automation plans.

2 Market Involvement

National Foods Operations Limited is migrating to an integrated sales forecast and operations planning platform originated from customer demand. Traditionally our factories produced and only then attempted to sell product.

In most cases our brands are best in category however they need revamping and require comprehensive brand plans to be created. We intend to be the "supplier of choice" and earn a brand premium in the market in the categories in which we choose to compete.

Our transport division will be merged with an outsourced 3rd party operator in order to develop more efficient routes to market with improved load factors on a correctly configured new fleet of trucks.

Brand and scale are two substantial competitive edges.

Chief Executive's Statement (continued)

3 People Plan

During the hyper inflationary Zim dollar era millions of educated skilled people left Zimbabwe to relocate elsewhere. It is essential that the current staff undergo training at all levels in order to catch up with regional skill levels and productivity.

Environment, health and safety guidelines have been reintroduced and will require further enforcing into the future. Our clinics will continue to supply free HIV and AIDS ARV's.

4 Systems and Controls

A comprehensive IT plan and roadmap has been created to be implemented within the next two years. Our commitment to an integrated sales forecast/operations platform necessitates world class IT capabilities and improved connectivity between business units which is increasingly achievable as local IT service providers ramp up their capabilities.

Once the IT system is fully functional we will introduce a consolidated order placing and processing centre to assist our national customer base with a one-stop ordering facility.

Systems of internal control remain of paramount importance along with a comprehensive group wide risk management framework to de-risk the company.

Zimbabwe has endured a roller coaster ride of political, economic and social fortunes since 1997. The people, the country and our neighbors seem determined to rebuild. National Foods Holdings Limited shares that belief deeply. We are genuinely committed to the well being of our employees, stakeholders, customers, brands and country. We view ourselves as the primary producer of basic quality foodstuffs and are an integral part of Zimbabwe.

We will make "Red Seal a part of every meal"!



Jeremy Brooke
 Chief Executive
 10 October 2010



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 Note 21.8. 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. Except as mentioned in note 21, 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.W. Brown (chairman), M.J. Conway and T. Moyo. The external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal controls 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

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.

Corporate Governance

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.W. Brown (Chairman) and M.J. 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 half yearly, 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.

Review of Financials

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2010 US\$	Year ended 30 June 2009 US\$
Revenue	165,886,700	79,313,927
Profit from operating activities	1,524,449	7,550,604
Net financing costs	(1,572,003)	(317,416)
- finance expense	(1,895,891)	(336,220)
- finance income	323,888	18,804
Fair value adjustment	10,116	(102,166)
Monetary loss	-	(1,015,137)
Share of associate's profit	627,955	-
Profit before tax	590,517	6,115,885
Taxation	2,306,341	437,101
Profit for the year	2,896,858	6,552,986
Comprehensive income for the year	2,896,858	6,552,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets		
Property, plant and equipment	34,288,277	34,495,612
Investments in associate companies	627,955	-
Current assets	43,722,388	30,382,341
Total assets	78,638,620	64,877,953
Equity and Liabilities		
Equity	39,032,351	36,135,493
Deferred tax	7,360,844	9,796,605
Bank overdraft and acceptances	373,523	402,561
Current liabilities	31,871,902	18,543,294
Total equity and liabilities	78,638,620	64,877,953

Ratios and Statistics

		Year ended 30 June 2010	Year Ended 30 June 2009
Profitability			
Operating margin		1%	10%
Return on total assets		2%	14%
Return on equity		8%	20%
Effective tax rate		(391%)	(7%)
Productivity			
Asset turnover	times	4.25	2.19
Solvency and liquidity			
Current ratio	times	1.36	1.60
Interest cover	times	1.38	20.27
Total interest bearing debt to shareholders' funds		29%	9.2%
Total liabilities to shareholders' funds		101%	80%
Employee statistics			
Number of employees (including seasonal contract workers)	average	1,601	2,035
Revenue per employee	\$	103,614	38,975
Operating profit per employee	\$	952	3,710
Share performance			
Number of shares issued		68,378,808	68,378,808
Weighted average shares in issue		68,378,808	68,378,808
Basic earnings per share	US cents	4.24	9.58
Diluted earnings per share	US cents	4.24	9.58
Price earnings ratio	times	21.23	11.48
Net asset value per share	US cents	57.08	52.85
Market capitalisation	\$'000	61,541	75,217
Market price per share			
High	US cents	135	110
Low	US cents	85	5
Price - year end	US cents	90	110

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.

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 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 2010.

GROUP FINANCIAL RESULTS

	2010 \$	2009 \$
Profit before tax	590,517	6,115,885
Tax	2,306,341	437,101
Profit after tax	2,896,858	6,552,986
Comprehensive income for the year	2,896,858	6,552,986

SHARE CAPITAL

During the year the authorised share capital remained at 73 000 000 ordinary shares. Following a special resolution of the shareholders at the last annual general meeting the nominal value of shares has been re-denominated from ZWD 0.08 (revalued) per share to US\$ 0.01 per share. No new shares were issued during the year and the number of shares in issue remained at 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

The Directors are of the opinion that it is not appropriate to declare a dividend for the year just ended, given the poor financial performance of the Group and the need to recapitalise the business in order to establish a solid platform for future growth and sustainable shareholder return.

DIRECTORATE

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

Mr N. Segoale was appointed as a Director of the Company with effect from 17 November 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
24 August 2010



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 financial statements have been prepared under the historical cost convention unless otherwise stated and are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2 of the financial statements, and comply with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant regulations made thereunder.

The financial statements comply with the requirements of the International Financial Reporting Standards except in prior year due to non compliance with the following:

- IAS 1 - Presentation of Financial Statements;
- IAS 21 - The Effects of Changes in Foreign Exchange Rates;
- IAS 29 - Financial Reporting in Hyperinflationary Economies

The effects of these departures were not quantified but, having regard to their nature, are considered to be material and pervasive to the financial statements. The exceptions arise from the circumstances which gave rise to a change in the Group's functional currency from the Zimbabwe Dollar to the United States Dollar.

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 2010, which appear on pages 16 to 46 have been approved by the Board of Directors and are signed on its behalf by:



T Moyo
Chairman
HARARE
24 August 2010



JJ Brooke
Managing Director

Independent Auditors' Report



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

To the Shareholders of National Foods Holdings Limited

We have audited the accompanying financial statements of National Foods Holdings Limited as set out on pages 16 to 46, which comprise the statement of financial position at 30 June 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows 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 (IFRS) and in the manner required by the Companies Act (Chapter 24:03). This responsibility also includes: designing, implementing and maintaining internal controls 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.

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

Independent Auditors' Report

Basis for qualified opinion

Prior year non-compliance with International Accounting Standard (IAS') 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard (IAS') 21 (The Effects of Changes in Foreign Exchange Rates)

The company operated under a hyperinflationary economy during the first 7 months of the prior year. The entity changed its functional currency to United States Dollars with effect from 1 February 2009. All comparative information in the statement of comprehensive income; and the statement of cash flows 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 in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons:

- 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 27.1; and
- the inability to adjust items that were recorded in Zimbabwe dollar into United States Dollars at the date of change of functional currency as more fully explained in note 27.2.

Consequently the prior year statement of comprehensive income and statement of cash flows carried an adverse opinion.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements, in all material respects, gives a true and fair view of the financial position and results of operations of National Foods Holdings Limited at 30 June 2010 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and Statutory Instruments (SI 33/99 and SI 62/96).

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



Ernst & Young

Chartered Accountants (Zimbabwe)

Harare

25 October 2010

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 US\$	RESTATED* 2009 US\$
Revenue	4	165,886,700	79,313,927
Cost of sales		(126,646,519)	(51,722,599)
Gross profit		39,240,181	27,591,328
Other income	5.1	4,628,102	208,996
Selling and distribution expenses		(3,895,866)	(4,181,892)
Employee benefits expenses	5.2	(17,940,471)	(7,518,387)
Administrative expenses	5.2	(18,792,166)	(6,954,551)
Depreciation	5.3	(1,715,331)	(1,594,890)
Profit from operating activities	5	1,524,449	7,550,604
Finance income	6	323,888	18,804
Finance expense	6	(1,895,891)	(336,220)
Fair value adjustments		10,116	(102,166)
Share of profits from associate	10	627,955	-
Monetary loss arising from change in functional currency		-	(1,015,137)
Profit before tax		590,517	6,115,885
Income tax expense	7	2,306,341	437,101
Profit for the year		2,896,858	6,552,986
Other comprehensive income		-	-
Total comprehensive income for the year		2,896,858	6,552,986
Profit attributable to:			
Equity holders of the parent		2,896,858	6,552,986
Non controlling interests		-	-
		2,896,858	6,552,986
Basic earnings per share (US cents)	8	4.24	9.58
Diluted earnings per share (US cents)	8	4.24	9.58

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in note 26.

Consolidated Statement of Financial Position

as at 30 June 2010

	Notes	2010 US\$	RESTATED* 2009 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	9	34,288,277	34,495,612
Investments in associates	10	627,955	-
		34,916,232	34,495,612
Current assets			
Other financial assets	11	10,116	158,286
Inventories	12	17,774,075	12,805,231
Trade and other receivables	13	18,480,260	14,733,224
Cash & cash equivalents	20.4	7,457,937	2,685,600
		43,722,388	30,382,341
Total assets		78,638,620	64,877,953
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	683,788	-
Non-distributable reserve	15	24,683,808	25,367,596
Distributable reserve	16	13,664,755	10,767,897
Total equity		39,032,351	36,135,493
Non-current liabilities			
Deferred tax liability	7	7,360,844	9,796,605
		7,360,844	9,796,605
Current liabilities			
Trade and other payables	17	19,869,636	14,607,019
Bank overdrafts and acceptances	20.4	373,523	402,561
Interest bearing borrowings	18	11,394,844	3,135,425
Provisions	19	607,422	520,370
Income tax payable	7	-	280,480
		32,245,425	18,945,855
Total equity and liabilities		78,638,620	64,877,953

*Certain numbers shown here do not correspond to the 2009 financial statements and reflect adjustments made as detailed in note 26.

Directors

T. Moyo



J.J. Brooke



Harare

24 August 2010

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

	Attributable to equity holders of the parent			
	Share capital	Non-distributable reserves	Distributable reserves	Total
	Note 14 US\$	Note 15 US\$	Note 16 US\$	US\$
Balance 30 June 2008 (As previously reported)	-	35,094,364	4,214,911	39,309,275
Deferred tax prior period balance (note 26)		(9,726,768)	-	(9,726,768)
Balance 30 June 2009 Restated	-	25,367,596	4,214,911	29,582,507
Total comprehensive income	-	-	6,552,986	6,552,986
Balance 1 July 2009	-	25,367,596	10,767,897	36,135,493
Total comprehensive income	-	-	2,896,858	2,896,858
Redenomination of share capital (note 14)	683,788	(683,788)	-	-
Balance 30 June 2010	683,788	24,683,808	13,664,755	39,032,351

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Notes	2010 US\$	RESTATED 2009 US\$
OPERATING ACTIVITIES			
Cash generated from operations	20.1	(761,506)	8,082,355
Working capital changes	20.2	(3,366,211)	(8,511,999)
Operating cash flow		(4,127,717)	(429,644)
Finance income		323,888	18,804
Finance expense		(1,895,891)	(336,220)
Income tax paid	20.3	(409,899)	(553,763)
Net cash flows used in operating activities		(6,109,620)	(1,300,823)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to expand operations		(657,022)	-
Purchase of property, plant and equipment to maintain operations		(1,302,125)	(1,309,201)
Proceeds on disposal of property, plant and equipment		4,425,193	22,741
Proceeds on disposal of Investments		185,530	1,247,818
Net cash flows from investing activities		2,651,576	(38,642)
FINANCING ACTIVITIES			
Proceeds from borrowings		8,259,418	3,079,609
Net cash flows from financing activities		8,259,418	3,079,609
Increase in cash and cash equivalents		4,801,375	1,740,144
Cash and cash equivalents at beginning of the year		2,283,039	542,895
Cash and cash equivalents at the end of the year	20.4	7,084,414	2,283,039

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 of the milling of flour and maize, manufacture of stockfeeds, edible oils, 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 2010 were authorised for issue in accordance with a resolution of the Directors on 24 August 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are based on statutory records maintained under the historical cost convention, with the exception of financial assets at fair value through profit and loss which are measured at fair value.

2.1 Basis of preparation

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB as well as International Financial Reporting Interpretations Committee (IFRIC) interpretations issued under previous constitutions IFRS's, except in the prior year due to non compliance with the following:

- IAS 1 – Presentation of Financial Statements;
- IAS 21 – The Effects of Changes in Foreign Exchange Rates;
- IAS 29 – Financial Reporting in Hyperinflationary Economies

The effects of these departures were not quantified but, having regard to their nature, are considered to be material and pervasive to the financial statements. The exceptions arise from the circumstances which gave rise to a change in the company's functional currency from the Zimbabwe dollar to the United States dollar, as more fully explained in note 27.

As a result of the inability of most entities reporting in Zimbabwe to report fully in terms of IFRS in the prior year, the Public Accountants and Auditors Board (PAAB), the Zimbabwe Accounting Practices Board (ZAPB) and the Zimbabwe Stock Exchange (ZSE) issued recommendations that assisted preparers of financial statements in converting their financial statements from Zimbabwe dollars into their new 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 functional currency. These recommendations were also made in order to achieve a fair measure of market comparability and consistency for regulatory oversight and in the interest of various stakeholders, such as investors and who have an interest in high quality financial information. The PAAB, the ZAPB and the ZSE recommended that all entities reporting in Zimbabwe adopt this Financial Reporting Guidance for converting their financial statements into the entity's new functional currency at the date of change over. Although it is not a legal requirement to apply the Financial Reporting Guidance, the directors, in line with their fiduciary responsibilities to prepare financial statements that fairly present the state of affairs and performance of the Group have adopted these recommendations as it is the best possible manner in which they can present financial statements that are as fair as is practical under the circumstances prevailing.

As suggested in the Financial Reporting Guidance, assets and liabilities carried at fair value were valued at the date of change of the functional currency and carried at their fair values in the new functional currency. Non-monetary assets and liabilities were valued at their deemed cost. Equity was recognised as the residual of the Group's net assets and will be treated as a non-distributable reserve.

2.2 Basis of consolidation

The consolidated financial statements comprise those of National Foods holdings Limited and companies controlled by National Foods holdings limited. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements for the subsidiaries are

Notes to the Consolidated Financial Statements

2.2 Basis of consolidation (continued)

prepared for the same financial reporting period as the parent company, using consistent accounting policies. All intra Group account balances, income and expenses, unrealized gains and losses and dividends resulting from intra group transactions are eliminated in full.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent.

If the Group loses control over a subsidiary it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of consideration received
- Recognises the fair value of an investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss

2.3 Changes In Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 July 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- FRS 7 Financial Instruments: Disclosures effective 1 January 2009
- FRS 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 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- Improvements to IFRSs (April 2009)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 2 Share-based Payment (Amended)

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 July 2009. It did not have an impact on the financial position or performance of the Group. The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group adopted the revised standard from 1 July 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the

Notes to the Consolidated Financial Statements

2.3 Changes In Accounting Policy and Disclosures (continued)

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 24.3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 24.4.4.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group has redefined its operating segments into two categories which are different from the segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 25, including the related revised comparative information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

IAS 23 Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009.

2.4 Improvements to IFRSs and Standards and Interpretations in issue not yet effective

2.4.1 Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in Note 25 Operating segment information.
- **IFRS 8 Operating Segment Information:** clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 25.

Notes to the Consolidated Financial Statements

2.4.1 Improvements to IFRSs and Standards and Interpretations in issue not yet effective (continued)

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The Group amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
 - Has primary responsibility for providing the goods or service
 - Has inventory risk
 - Has discretion in establishing prices
 - Bears the credit risk

The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the consolidated financial statements of the Group because the recoverable amount of its cash generating units is currently estimated using ‘value in use’. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:
 - IFRS 2 Share-based Payment
 - IFRS 7 Financial Instruments: Disclosures
 - IAS 8 Accounting Policies, Change in Accounting Estimates and Error
 - IAS 10 Events after the Reporting Period
 - IAS 19 Employee Benefits
 - IAS 20 Accounting for government grants
 - IAS 27 Consolidated and Separate Financial Statements
 - IAS 28 Investments in Associates
 - IAS 31 Interest in Joint Ventures
 - IAS 34 Interim Financial Reporting
 - IAS 38 Intangible Assets
 - IAS 40 Investment Properties
 - IAS 39 Financial Instruments: Recognition and Measurement
 - IFRIC 9 Reassessment of Embedded Derivatives
 - IFRIC 16 Hedge of a Net Investment in a Foreign Operation

2.4.2 Standards and interpretations in issue not yet effective

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

- IFRS 9 Financial Instruments effective 1 January 2013
- IAS 24 Related Party Disclosure (Revised) effective 2010

Notes to the Consolidated Financial Statements

2.4.2 Standards and interpretations in issue not yet effective (continued)

- IAS 32 Classification of Rights Issues (Amendment) effective 1 January 2010
- IFRIC 14 Prepayments of Minimum Funding Requirement (Amendment) 1 January 2010
- IFRIC 17 Distributions of Non-Cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 January 2010

2.5 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

2.6 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired, if this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognise the amount in the income statement.

2.7 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.7.1 Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Notes to the Consolidated Financial Statements

Current income tax (continued)

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 end of the reporting period.

2.7.2 Deferred income tax

Deferred income tax is provided on all temporary differences between the tax base of assets or liabilities and their carrying amounts in the statement of financial position 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 the end of each reporting period 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 the end of each reporting period 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 profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside of profit or loss.

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 end of the reporting period.

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.

Notes to the Consolidated Financial Statements

2.7.3 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 statement of financial position.

2.8 Foreign currency translation

The Group's financial statements are presented in United States Dollars (see 2.1), which is the Group'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.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.9 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.

2.10 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependant on the use of a specific asset or assets or the arrangement conveying the right to use the asset.

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.

2.10.1 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.

2.10.2 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.

Notes to the Consolidated Financial Statements

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.12 Retirement benefits

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

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

2.13 Property, plant and equipment

All items of property, plant and equipment are shown at deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Deemed cost arose as a result of the change in functional currency where management assigned values to the assets that had been purchased prior to the change in functional currency for reasons explained in note 27.

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

No depreciation is provided on land or capital work-in-progress. Depreciation commences when the asset is available for use. 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

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

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 profit or loss in the year the asset is derecognised.

Notes to the Consolidated Financial Statements

2.14 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/receivable net of discounts, rebates, VAT and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

2.14.1 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 delivery of the goods.

2.14.2 Rental income

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

2.14.3 Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.15 Borrowing costs

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.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

2.16 Impairment of non financial 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 profit or loss 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 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

Notes to the Consolidated Financial Statements

2.16 Impairment of non financial assets (continued)

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 profit or loss. 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.

2.17 Financial assets

The Group's financial assets include trade and other accounts receivable, cash and cash equivalent, quoted investments and derivative financial instruments.

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 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 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.

2.17.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss.

2.17.2 Financial assets at fair value through profit or loss [FVTPL]

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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- 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
- 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 last day of the reporting period. 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.

Notes to the Consolidated Financial Statements

2.17.2 Financial assets at fair value through profit or loss [FVTPL] (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 24.

2.17.3 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.

2.17.4 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.

2.17.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.17.6 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2.18 Financial liabilities

2.18.1 Financial liabilities are classified as other financial liabilities

The Group's financial liabilities include trade and other accounts payable, bank overdraft and interest bearing loans, and these are initially measured at fair value including transaction costs and subsequently amortised cost. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process

Notes to the Consolidated Financial Statements

2.18.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.19 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign market risks and interest risks respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

3 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.

3.1 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 2.13 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. The carrying amount of the Group's property, plant and equipment is US\$ 34,288,277 (June 2009: US\$ 34,495,612)

3.2 Allowance for credit losses

Allowance for credit losses is a specific provision made for trade receivables which is reviewed on a monthly basis. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period as well as the value of security held over that receivable. The carrying amount of the Group's allowance for credit losses as at 30 June 2010 was US\$ 638,630 (June 2009: US\$ 265,578)

Notes to the Consolidated Financial Statements

	2010 US\$	2009 US\$
4 REVENUE		
The following is an analysis of the Group's revenue for the year		
Revenue from the sale of goods	163,689,567	77,306,224
Revenue from transportation of goods	1,914,720	1,408,642
Revenue from rental income	282,413	599,061
	165,886,700	79,313,927
5 PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account the following:		
5.1 Other income		
Profit/(loss) on disposal of property, plant and equipment	3,972,042	(10,063)
Commissions and rebates	405,629	31,650
Toll milling income	60,738	6,227
Sale of scrap	91,905	97,511
Income from recreational assets	67,179	66,574
Handling, Bakery and other services rendered	30,609	17,097
	4,628,102	208,996
5.2 After charging the following		
Employee benefits expenses	10,571,109	5,437,000
Post employment benefits: Defined contribution plans	680,942	189,846
Retrenchment gratuities	706,759	143,907
Administrative expenses		
Audit fees	58,167	45,000
Foreign exchange losses	57,424	519,747
Profit on disposal of listed investments	27,244	58,065
5.3 Depreciation		
- buildings	483,149	484,808
- plant, machinery and equipment	596,473	782,903
- motor vehicles	635,709	327,179
	1,715,331	1,594,890
6 NET FINANCE COSTS		
Interest paid		
- bank overdrafts and other short term borrowings	1,895,891	336,220
Interest received from short term deposits	(323,888)	(18,804)
	1,572,003	317,416
7 TAX		
7.1 Income tax recognised in profit or loss		
Income tax		
- on current profits at normal rates	(745,099)	883,550
- capital gains tax	-	(65,793)
- prior year overprovision	-	(154,750)
Deferred tax relating to current temporary differences	59,886	(1,100,108)
Effect on deferred tax of change in statutory tax rate	(1,621,128)	-
	(2,306,341)	(437,101)

Notes to the Consolidated Financial Statements

7 TAX (continued)

7.2 Reconciliation of income tax charge:

Profit before tax

Income tax computed at 25.75% (2009: 30.9%)

Adjustment resulting from permanent differences

Effects of different tax rates of subsidiaries

Effects on deferred tax balances due to the change in income tax rate from 30.9% to 25.75% effective 31 December 2009

The statutory tax rate was amended by the Minister of Finance to an effective 25.75% of taxable income from 30.9% of taxable income, effective 31 December 2009

7.3 Current tax assets

Income tax payable

7.4 Deferred tax liability

At beginning of the year

Deferred tax relating to current temporary differences

Effect of change in the statutory tax rate

Deferred tax relating to current year assessed loss

At end of the year

Analysis of deferred tax liability

Property, plant and equipment

Prepayments

Foreign currency denominated debtors and creditors

Doubtful debts

Assessed loss

Deferred tax assets that have been recorded are expected to be recovered from future profits

8 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.

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 :

	2010 US\$	2009 US\$
Profit before tax	590,517	6,115,885
Income tax computed at 25.75% (2009: 30.9%)	(152,058)	(1,889,808)
Adjustment resulting from permanent differences	(544,803)	1,452,707
Effects of different tax rates of subsidiaries	11,648	-
Effects on deferred tax balances due to the change in income tax rate from 30.9% to 25.75% effective 31 December 2009	(1,621,128)	-
	(2,306,341)	(437,101)
Income tax payable	-	280,480
At beginning of the year	9,796,604	10,896,712
Deferred tax relating to current temporary differences	59,886	(1,100,107)
Effect of change in the statutory tax rate	(1,621,128)	-
Deferred tax relating to current year assessed loss	(874,518)	-
At end of the year	7,360,844	9,796,605
Property, plant and equipment	8,414,890	9,837,140
Prepayments	81,763	-
Foreign currency denominated debtors and creditors	1,705	(40,535)
Doubtful debts	(262,996)	-
Assessed loss	(874,518)	-
	7,360,844	9,796,605
Weighted average shares in issue	68,378,808	68,378,808
Profit for the year	2,896,858	6,552,986

Notes to the Consolidated Financial Statements

	Land and buildings US\$	Plant, machinery and equipment US\$	Motor vehicles US\$	Total US\$
9 PROPERTY, PLANT AND EQUIPMENT				
At 30 June 2009				
Cost or valuation				
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
Accumulated depreciation				
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
Carrying amount	24,552,795	7,557,692	2,385,125	34,495,612
At 30 June 2010				
Cost or valuation				
At beginning of year	25,522,411	8,653,781	2,882,118	37,058,310
Additions	77,202	1,322,871	559,074	1,959,147
Disposals	(360,342)	(142,291)	-	(502,633)
At end of the year	25,239,271	9,834,361	3,441,192	38,514,824
Accumulated depreciation				
At beginning of year	969,616	1,096,089	496,993	2,562,698
Charge for the year	483,149	596,473	635,709	1,715,331
Depreciation on disposals	(5,864)	(45,618)	-	(51,482)
At end of the year	1,446,901	1,646,944	1,132,702	4,226,547
Carrying amount	23,792,370	8,187,417	2,308,490	34,288,277

9.1 Assets pledged as security

Land and buildings with carrying amount of US\$ 5,087,934 (30 June 2010: nil) have been pledged to secure borrowings of the Group (see note 18).

10 INVESTMENTS IN ASSOCIATES

The Group acquired a 30% shareholding in one associate company, Afrigrain Trading Limited, whose principal activity is the purchase of grain. Afrigrain Trading Limited is a private entity that is not listed on any exchange.

Summarised financial information in respect of the associate is set out below

	2010 US\$	2009 US\$
Total assets	14,135,630	-
Total liabilities	(12,042,447)	-
Net assets	2,093,183	-
Group's share of the net assets of the associate	627,955	-
Total revenue	48,893,252	-
Total profit for the period	2,093,183	-
Group's share of profit of associate	627,955	-
Afrigrain Trading Limited has no contingent liabilities		

Notes to the Consolidated Financial Statements

	2010 US\$	2009 US\$
11 OTHER FINANCIAL ASSETS		
Listed investments	-	158,286
Derivative financial instruments:		
Forward exchange forward contracts	see note 24.4.5 10,116	-
	10,116	158,286
11.1 Listed investments		
Reconciliation of opening and closing carrying amount		
Fair value at the beginning of the year	158,286	1,450,205
Purchase of listed equities	-	64,397
Proceeds on disposal	(185,530)	(1,312,215)
Fair value adjustments	-	(102,166)
Profit on disposal of listed investments	27,244	58,065
Fair value at the end of the year	-	158,286
12 INVENTORIES		
Raw materials	9,433,861	6,671,825
Finished goods	6,438,178	5,475,000
Consumable stores	1,902,036	658,406
	17,774,075	12,805,231
The amount of inventory write down recognised as an expense is US\$318,273 (2009 US\$202,672)		
13 TRADE AND OTHER RECEIVABLES		
Trade receivables	14,699,930	11,037,496
Provision for doubtful debts	(1,096,358)	(265,578)
	13,603,572	10,771,918
Prepayments	1,565,695	958,384
Other receivables	3,310,993	3,002,922
	18,480,260	14,733,224

13.1 Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The Group has recognised an allowance for credit losses on specific debtors where indications are that these will not be recoverable. No general provision is recognised.

Before accepting a new customer the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring are revised on an ongoing basis. Of the trade receivables balance at the end of the year US\$ 7,011,091 (30 June 2009: US\$1,088,702) is due from the Group's top ten customers, representing 52% of the total balance of trade receivables.

13.2 Past due but not impaired

Trade receivables disclosed above include amounts that were past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change of the credit quality and the amounts are still considered recoverable.

13.2 Past due but not impaired

	2010 US\$	2009 US\$
Ageing of past due but not impaired		
31 - 60 days	3,809,609	1,821,366
61 - 90 days	1,330,194	474,394
Over 90 days	595,396	188,166
Total	5,735,199	2,483,926
Average age (days)	61	56

Notes to the Consolidated Financial Statements

13 TRADE AND OTHER RECEIVABLES (continued)

13.3 Movement in the allowance for doubtful debts

	2010 US\$	2009 US\$
Balance at the beginning of the year	(265,578)	-
Impairment losses recognised on receivables	(830,780)	(265,578)
Balance at year end	(1,096,358)	(265,578)

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period as well as the value of security held over the receivable. The risk of concentration of credit is limited as the Group constantly monitors the credit quality of top customers and maintains adequate security to cover the exposure.

13.4 Ageing of impaired trade receivables

	2010 US\$	2009 US\$
31 - 60 days	260,813	-
61 - 90 days	16,220	25,053
Over 90 days	879,324	240,525
Total	1,096,358	265,578
Average age (days)	103	116

14 SHARE CAPITAL

The authorised share capital of the company was redenominated, following a special resolution by shareholders at the AGM held on 17 November 2009 from seventy three million shares of ZW\$0.08 each to seventy three million shares of US\$ 0.01 cents each. An amount equivalent to the nominal share capital was subsequently transferred out of Non Distributable Reserves into share capital.

14.1 Authorised

73 000 000 shares of US\$ 0.01 cents each (2009: ZW\$ 0.08 each)

14.2 Issued and fully paid

At 30 June 2010

68 378 808 shares of US\$0.01 cents each (2009: ZW\$ 0.08 each)

14.3 Unissued shares

4 621 192 shares of US\$0.01 each (2009: ZW\$0.08 each)

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 regulations.

14.4. Share Options

The directors are empowered to grant share options to certain employees of the Group 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 preceeding the day on which such options are granted. Options remain valid for a maximum of ten years.

Shares available in the scheme

Options outstanding

Granted 21 October 1998

Granted 4 April 2001

Movements for the year

At beginning of the year

Options granted

Options exercised

Lapsed during the period

At end of the year

	2010 US\$	2009 US\$
	730,000	-
	683,788	-
	46,212	-

	2010 Number of shares	2009 Number of shares
Shares available in the scheme	3,000,300	3,000,300
Options outstanding		
Granted 21 October 1998	-	23,700
Granted 4 April 2001	20,000	168,202
	20,000	191,902
Movements for the year		
At beginning of the year	191,902	191,902
Options granted	-	800,000
Options exercised	-	(800,000)
Lapsed during the period	(171,902)	-
At end of the year	20,000	191,902

Notes to the Consolidated Financial Statements

14.5 Directors' shareholdings

At 30 June 2010, the Directors held directly or indirectly the following shares in the Company:

J.J. Brooke

L.T. Murimwa

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

Number of shares 2010	Number of shares 2009
461,633	500,000
156,250	150,000

15 NON-DISTRIBUTABLE RESERVES

Arising on conversion of Zimbabwe Dollar balances

Transferred to share capital (Note 14)

Closing balance

2010 US\$	2009 US\$
25,367,596	25,367,596
(683,788)	-
24,683,808	25,367,596

Non-distributable reserves arose as a result of the change in functional currency from Zimbabwe dollar to United States dollar.

16 DISTRIBUTABLE RESERVES

General reserve

Attributable Profit

4,214,911	4,214,911
9,449,844	6,552,986
13,664,755	10,767,897

General reserves arose as a result of the change in functional currency from Zimbabwe Dollar to United States Dollar.

17 TRADE AND OTHER PAYABLES

Trade

Accruals

Other

16,562,715	9,540,322
793,212	2,664,033
2,513,709	2,402,664
19,869,636	14,607,019

Trade payables are non-interest bearing and are normally settled within a 30 day term

Other payables are non-interest bearing and terms range between 1 and 3 months

18 INTEREST BEARING BORROWINGS

18.1 Short term financing

Secured

Bank loans

Unsecured

Bank loans

Other financial institutions

Total short term loans

Rate of
interest

Year
Repayable

9-11% 2010

9-9.5% 2010

9-9.5% 2010

12% On Demand

6,778,000	3,034,625
2,996,000	-
1,620,844	100,800
11,394,844	3,135,425

373,523	402,561
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Total interest bearing borrowings

11,768,367	3,537,986
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18.2 Banking facilities

Total facilities available to the Group

Facilities utilised at year end

Unutilised borrowing capacity

22,500,000	6,500,000
(11,768,367)	(3,537,986)
10,731,633	2,962,014

Notes to the Consolidated Financial Statements

18 INTEREST BEARING BORROWINGS (continued)

Short term borrowings form part of the borrowings of the Group and are renewed on maturity in terms of ongoing facilities negotiated with the relevant financial institutions. The facilities expire at different dates during the year and will be reviewed and renewed when they mature. The facilities can only be used for working capital purposes.

18.3 Borrowing powers

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.

19 PROVISIONS

Leave pay provision

At beginning of the year
Created during the year
Utilised during the year
At end of the year

Leave pay for employees is calculated on the basis of leave days accumulated at an expected rate of payment

20 CASH FLOW INFORMATION

20.1 Cash generated from operations

Profit before tax
Finance income
Finance expense
Depreciation
(Profit)/loss on disposal of plant and equipment
Fair value adjustment
Profit on disposal of listed investments
Share of associates profit

20.2 Working capital changes

Increase in inventories
Increase in accounts receivable
Increase in accounts payable

20.3 Income tax paid

Charge per income statement
Movement in tax liability
Movement in deferred tax liability

20.4 Cash and cash equivalents at end of year

Cash & cash equivalents
Bank overdraft and acceptances

	2010 US\$	2009 US\$
	520,370	4,590
	198,603	554,910
	(111,551)	(39,130)
	607,422	520,370
	590,517	6,115,885
	(323,888)	(18,804)
	1,895,891	336,220
	1,715,331	1,594,890
	(3,974,042)	10,063
	(10,116)	102,166
	(27,244)	(58,065)
	(627,955)	-
	(761,506)	8,082,355
	(4,968,844)	(10,828,645)
	(3,747,036)	(12,285,291)
	5,349,669	14,601,937
	(3,366,211)	(8,511,999)
	2,306,341	437,101
	(280,480)	109,244
	(2,435,761)	(1,100,108)
	(409,899)	(553,763)
	7,457,937	2,685,600
	(373,523)	(402,561)
	7,084,414	2,283,039

Cash and cash equivalents consist of cash on hand or bank current and call account balances. Cash at bank accrues interest at floating rates based on daily bank deposit rates.

21 RELATED PARTY TRANSACTIONS

21.1 The ultimate parent

The ultimate holding company for the Group is National Foods Holdings Limited (NFHL). The major shareholders of NFHL are Innscor Africa Limited (49.9%) and Tiger Brands Limited of South Africa (25.7%).

Notes to the Consolidated Financial Statements

21.2 The financial statements include the final statements of National Foods Holdings Limited and the subsidiaries and associates listed in the following table

		2010 \$	2009 \$
Name	Country of incorporation	Equity interest	
Subsidiaries			
National Foods Operations Limited			
(Formally Meadow Milling Company Limited)	Zimbabwe	100%	100%
National Foods Properties Limited			
(Formally National Foods Limited)	Zimbabwe	100%	100%
Bakery Products (Private) Limited	Zimbabwe	100%	100%
Harris Maize Milling and Produce Company (Private) Limited	Zimbabwe	100%	100%
Rice Mills (Private) Limited	Zimbabwe	100%	100%
Natpak (Private) Limited	Zimbabwe	100%	100%
Natpak Zimbabwe (Private) Limited	Zimbabwe	100%	100%
NF Transport Bulawayo (Private) Limited	Zimbabwe	100%	100%
Palte-Harris (Private) Limited	Zimbabwe	100%	100%
Speciality Animal Feed Company Limited	Zimbabwe	100%	100%
Botswana Milling and Produce Company (Proprietary) Limited	Botswana	100%	100%
Red Seal Manufacturers (Proprietary) Limited	Botswana	100%	100%
Associates			
Afrigrain Trading Limited	Isle of Man	30%	0%
21.3 Transactions entered into with related parties			
<i>Purchase of raw materials and trading stocks</i>			
Afrigrain Trading Limited		49,579,826	-
Tiger Brands Limited (Significant shareholder)		1,631,199	1,064,944
<i>Sale of goods and Services</i>			
Innscor Africa Limited and subsidiaries		16,398,476	8,373,997
<i>Interest and Management Fees</i>			
Innscor Africa Limited and subsidiaries			
- Management fees		720,000	284,153
- Net interest received on call accounts		25,681	-
Tiger Brands Limited			
- Technical fees		76,800	-
21.4 Balances (due to) or due from related parties			
Afrigrain Trading Limited		(5,777,096)	-
Innscor Africa Limited and subsidiaries		3,363,475	1,372,449
Tiger Brands Limited		(74,513)	(215,793)

Notes to the Consolidated Financial Statements

	2010 \$	2009 \$
21 RELATED PARTY TRANSACTIONS (continued)		
21.5 Loans (to)/from related parties		
Innsco Africa Limited		
- Loan balances	-	502,467
- Call account balances	2,872,360	(402,561)

21.6 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms length transactions. Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2010 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: US\$ nil). This assessment is undertaken each financial year through examining the financial position of each related party and the market in which the related party operates.

21.7 Directors Emoluments

Aggregate amounts paid by the Company and its subsidiaries to directors of the Company

- for services as directors
- otherwise in connection with management

	2010 \$	2009 \$
	15,347	60,320
	262,500	335,997
	277,847	396,317

21.8 Other Key Management Remuneration

Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company

Pension Contributions

	3,956,581	72,500
	72,874	2,900

Key management include executive directors and divisional management. These include those individuals that are set out on page 1 of the annual report

22 CAPITAL COMMITMENTS

Capital expenditure

Authorised and contracted for

Authorised but not contracted for

	-	70,000
	1,599,469	2,515,173
	1,599,469	2,585,173

Expenditure will be funded by internal resources.

23 PENSION SCHEMES

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

23.1 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.

23.2 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.

23.3 Pension costs recognised as an expense

Defined contribution fund

National Social Security Authority Scheme

	2010 \$	2009 \$
	301,274	112,641
	379,668	77,205
	680,942	189,846

Notes to the Consolidated Financial Statements

24 FINANCIAL INSTRUMENTS

24.1 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 2010 and 30 June 2009.

	2010 US\$	2009 US\$
Trade and other payables	19,869,636	14,607,019
Bank overdrafts on acceptance	373,523	402,561
Interest bearing borrowings	11,394,844	3,135,425
Provisions	607,422	520,370
Income tax payable	-	280,480
Total Liabilities	32,243,425	18,945,855
Total Equity	39,032,351	36,135,493
Gearing ratio	83%	52%

24.2 Categories of financial instruments

Financial assets

Fair value through profit and loss

- Listed equities	-	158,286
- Forward exchange contracts	10,116	-
Loans and receivables		
- Trade and other receivables	18,480,260	14,733,224
- Cash and bank balances	7,084,414	2,283,039

Financial liabilities

Other financial liabilities	31,264,480	17,742,444
-----------------------------	------------	------------

24.3 Fair values of financial instruments

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. Fair values of listed equities and forward exchange contracts are determined by reference to quoted (unadjusted) prices in active markets for identical assets or liabilities.

24.4 Financial risk management

24.4.1 Treasury risk

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

24.4.2 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. Maximum exposure is equal to the carrying amount of these financial assets.

24.4.3 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 varying interest rates and mature within one year. The Group manages its interest rate risk by using fixed rate debts.

Notes to the Consolidated Financial Statements

24 FINANCIAL INSTRUMENTS (Continued)

24.4.4 Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Note 18 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 3 months US\$	3-12 Months US\$	1 - 5 years US\$	Total US\$
Year ended 30 June 2010				
Interest bearing borrowings	3,000,000	8,394,844	-	11,394,844
Trade and other payables	19,869,636	-	-	19,869,636
Bank overdrafts and acceptances	373,523	-	-	373,523
	23,243,159	8,394,844	-	31,638,003
	Less than 3 months US\$	3-12 Months US\$	1 - 5 years US\$	Total US\$
Year ended 30 June 2009				
Interest bearing borrowings	3,135,425	-	-	3,135,425
Trade and other payables	14,607,019	-	-	14,607,019
Bank overdrafts and acceptances	402,561	-	-	402,561
	18,145,005	-	-	18,145,005

24.4.5 Foreign currency risk

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

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period is as follows:

	2010 US\$	2009 US\$
Assets		
South African Rand	219,724	29,727
Botswana Pula	14,355	13,732
Euro	28,376	-
Liabilities		
South African Rand	217,780	9,818
Botswana Pula	14,129	13,732
Euro	21,860	-

The Group is mainly exposed to the South African Rand. The following table details the Group's sensitivity to a 10% strengthening in the US\$ against the relevant currencies. The sensitivity analysis includes any outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10% strengthening of the US\$. A positive number below indicates an increase in profit where the US\$ strengthens against the relevant currency. For a 10% weakening of the US\$ against the relevant currencies there would be a comparable impact on the profit in the opposite direction.

Notes to the Consolidated Financial Statements

24 FINANCIAL INSTRUMENTS (Continued)

24.4.5 Foreign currency risk

Effect on profit and loss

South African Rand

Botswana Pula

Euro

2010	2009
US\$	US\$
9,301	2,860
(10,184)	(4,682)
4,567	-

The sensitivity is mainly attributable to receivables, payables and cash balances denominated in these currencies

Forward exchange contracts

The Group enters into forward exchange contracts, when these are available, to manage the risk associated with anticipated purchases and sales transactions. At year end one contract was outstanding. The details of the outstanding contract are as below:

	2010	2009
Currency	Rand	
Forward rate	8	
Notional value	2,000,000	-
Fair value	10,116	-
Maturity	3 months	

25 SEGMENTAL ANALYSIS

25.1 Adoption of IFRS Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 July 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

25.2 Operating segment information

For management purposes the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

Milling; Manufacturing and Distribution

This segment is involved in the milling of flour and maize, manufacture of stockfeeds, edible oils, manufacture of polywoven bags and packaging and sale of other general household goods. It also involves the distribution and warehousing of those goods.

Properties

This segment includes all properties owned by the Group. Properties are leased out to business units in the Milling, Manufacturing and Distribution segment as well as to third parties.

Operating profit is used to measure segment performance.

Notes to the Consolidated Financial Statements

25 SEGMENTAL ANALYSIS (Continued)

Segment revenues and results Period ended 30 June 2010	Milling, Manufacturing and Distribution US\$	Properties US\$	Eliminations US\$	Group US\$
Revenue	165,604,286	1,502,271	(1,219,857)	164,886,700
Operating profit	2,125,682	618,624	(1,219,857)	1,524,449
Share of profits of associates				627,955
Net interest expense				(1,572,003)
Fair value adjustments				10,116
Profit before tax				590,517
Segment assets	39,715,058	38,923,562		78,638,620
Segment liabilities	(38,757,380)	(848,889)		(39,606,269)
Net segment assets	957,678	38,074,673		39,032,351
Depreciation charge for the year	1,230,523	484,808		1,715,331
Capital expenditure	1,881,945	77,202		1,959,147
Number of employees	1,601	-		1,601
Period ended 30 June 2009	Milling, Manufacturing and Distribution US\$	Properties US\$	Eliminations US\$	Group US\$
Segment revenue	78,714,865	1,673,836	(1,074,774)	79,313,927
Operating profit	7,526,764	1,098,614	(1,074,774)	7,550,604
Net interest expense				(317,416)
Fair value adjustments				(102,166)
Monetary loss				(1,015,137)
Profit before tax				6,115,885
Segment assets	26,609,025	38,268,928		64,877,953
Segment liabilities	(28,518,740)	(223,720)		(28,742,460)
Net segment assets	(1,909,715)	38,045,208		36,135,493
Depreciation charge for the year	1,110,082	484,808		1,594,890
Capital expenditure	1,309,201	-		1,309,201
Number of employees	2,032	3		2,035

26 PRIOR YEAR ADJUSTMENT ON DEFERRED TAX

At the time of finalisation of the Group's financial statements for the period ended 30 June 2009, guidance for deferred tax had not been issued and consequently no deferred tax was provided on the opening fixed assets held at the time of dollarisation. The Directors have now taken the decision to provide for the deferred tax on the full balance sheet liability method in respect of these fixed assets and the relevant prior period balance sheet figures have been adjusted accordingly.

The effect of the restatement on the financial statements is summarised below. There is no effect on the current year financial statements.

	Effects on 2009 US\$
Increase in deferred tax liability	(9,726,768)
Decrease in Non Distributable Reserves	9,726,768

Notes to the Consolidated Financial Statements

27 LIMITATIONS OF FINANCIAL REPORTING IN THE GENERAL PREVAILING ENVIRONMENT

27.1 Adverse Zimbabwean Economic Environment

The uncertainties in the adverse Zimbabwean economic environment prior to introduction of trading in multiple currencies resulted in limitations in financial reporting.

The inflation indices applicable to the Zimbabwe Dollar during the period prior to formalisation of multi-currency trading 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 exchange rates, the use of foreign currency for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement.

However, on 29 January 2009 the Monetary and Fiscal authorities authorised the use of multiple foreign currencies for trading in Zimbabwe. This resulted in a change in the functional currency for most entities reporting in Zimbabwe. In accordance with the requirements of International Financial Reporting Standards, entities were required to convert their financial statements into the new functional currency at the date of changeover. The Company was not able to convert its Zimbabwe Dollar transactions incurred prior to the formalisation of multi-currency trading into the new functional currency for reasons explained in Note 27.2.

As a result of these uncertainties and inherent limitations, the directors advise caution on the use of comparative information in the statement of comprehensive income, and the statement of cash flows for decision making purposes. The Directors, however, believe that the statement of financial position fairly presents the assets and liabilities of the Group and therefore fairly presents the shareholder's equity.

27.2 Non-compliance with IAS 29 (Financial Reporting in Hyperinflationary Economies) & IAS 21 (The Effects of Foreign Exchange Rates) in respect of the measurement of all comparative information, the statement of comprehensive income, and the statement of cash flows

The Group's functional currency changed during the course of the prior financial period from Zimbabwe Dollars to US Dollars. The Group has chosen to report all its transactions in US Dollars because it is the new functional currency applicable to all current transactions.

The Group was not been able to comply with the requirements of IAS 21 because this standard requires that 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 Group was not able to adjust its Zimbabwe Dollar transactions to comply with IAS 29 as more fully explained in note 27.1.

Transactions that were previously reported in Zimbabwe Dollars in prior periods needed to be converted into US Dollars in order to present the prior year financial information in a similar currency of presentation to the current financial year. Due to the macroeconomic environment prevailing in the previous year, as explained in note 27.1 above, the comparative information disclosed in the statement of comprehensive income and statement of cash flows may be misleading. The Directors advise caution in using the comparative information presented in the statement of comprehensive income and statement of cash flows.

27.3 Going concern assumption

The directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these financial statements on the going concern basis is still appropriate.

28 SUBSEQUENT EVENTS

Subsequent to year end the Board approved a plan to dispose of the Packaging SBU (Natpak), as a going concern. The business unit is part of the Milling, Manufacturing and Distribution segment. The packaging unit has been working with outdated machinery and requires significant investment in order to modernise its operations to make it more competitive. Natpak has been sold in October 2010 at its Net Asset Value to a South African partner whose core business is packaging, and to a number of local investors, some of whom are related parties. The related local partners include a director of National Foods Holdings Limited and significant shareholders of Innscor Africa Limited.

29 CONTINGENT LIABILITIES

In 2002 judgement was awarded against National Foods Holdings Limited by the labour court in a labour dispute case. Between 2002 and 2010 the case has been in varying stages of appeal with the labour courts, with dispute on the amount of the award. The case relates to the period of trading in Zimbabwe dollars, however the award amount is to be determined in US dollars. At this stage the liability to National Foods Holdings Limited cannot be reliably estimated, hence no provision has been raised for the amount.

Company Statement of Financial Position

At 30 June 2010	Notes	2010 US\$	RESTATED 2009 US\$
ASSETS			
Non-current assets			
Investments	A	25,367,596	25,367,596
Total assets		25,367,596	25,367,596
EQUITY AND LIABILITIES			
Equity			
Share capital	14	683,788	-
Non-distributable reserve	B	24,683,808	25,367,596
Total Equity		25,367,596	25,367,596
NOTES TO THE COMPANY FINANCIAL STATEMENTS			
A. INVESTMENTS			
Subsidiaries equity at US\$ converted value		25,367,596	25,367,596
B. NON-DISTRIBUTABLE RESERVE			
Arising on conversion of Zimbabwe dollar balances		25,367,596	3,135,425
Transferred to share capital		(683,788)	-
Closing balance		24,683,808	3,135,425

Directors

T. Moyo



J.J. Brooke



24 August 2010

Shareholders' Analysis

At 30 June 2010

Shareholding	No. of shareholders	%	Issued shares	%
1 - 1000	627	55.7	232 402	0.2
1001 - 10000	369	32.8	1 186 350	1.7
10001 - 50000	86	7.6	1 914 498	2.8
50001 and over	44	3.9	65 046 858	95.1
	1,126	100.0	68 380 108	100.00

Shareholders

Banks and nominees	67	5.95	2 569 990	3.76
Deceased estates	6	0.53	8 010	0.01
External company	2	0.18	17 596 695	25.73
Insurance companies/societies	19	1.69	418 665	0.61
Government	2	0.17	2 130	-
Employee	3	0.27	6 736 478	9.85
Pension funds	65	5.77	1 298 586	1.90
Resident individuals	704	62.52	2 258 173	3.30
Non-residents	69	6.27	312 648	0.46
Investment and trust companies	43	3.82	1 518 080	2.22
Other corporate holdings	146	12.97	35 659 355	52.15
	1,126	100.00	68 378 808	100.00

At 30 June 2009

Shareholding	No. of shareholders	%	Issued shares	%
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
	1,080	100.0	68 378 808	100.00

Shareholders

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
	1,080	100.00	68 378 808	100.00

Major shareholders

The top ten shareholders of the Company
at 30 June 2010 and 30 June 2009:

	2010		2009	
	No. of shares	%	No. of shares	%
Innsco Africa Limited	33,779,998	49.40	33 747 166	49.35
Tiger Brands Limited	17,596,695	25.73	17 596 695	25.73
National Foods Workers Trust (Private) Limited	6,734,978	9.85	6 734 978	9.85
Amaval Investments	854,311	1.25	854 311	1.25
Stanbic Nominees	670,450	0.98	419 473	0.61
Bard Nominees (Private) Limited	561,191	0.82	293,888	0.43
Brooke, Joseph Jeremy	461,653	0.68	500 000	0.73
Gozzan Investments	398,888	0.58	465 340	0.68
Gezmark Investments	296,204	0.43	298,232	0.44
Local Authorities Pension Fund	276,645	0.40	276 645	0.40

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the forty-first 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 16 November 2010 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 2010.
2. To elect the following Directors, Messrs T. W. Brown and M.J. Conway 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 N. Segoale who was appointed as a Director of the Company with effect from 17 November 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 2010.
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. 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; 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.

Notice of Annual General Meeting (continued)

7. 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

8. 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

12 October 2010

Shareholders' Diary

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



annual
report
2010