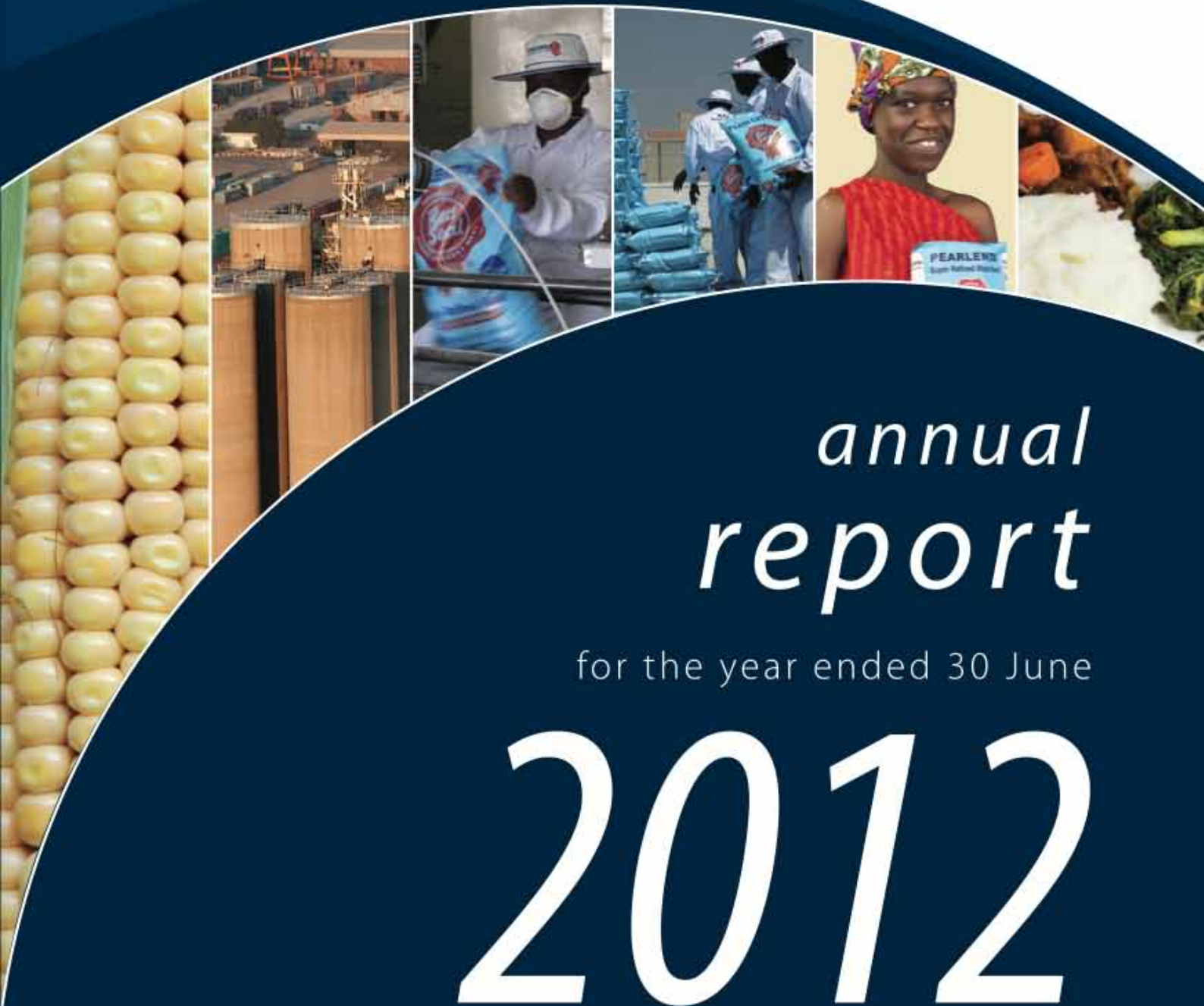




NATIONAL FOODS
HOLDINGS LIMITED



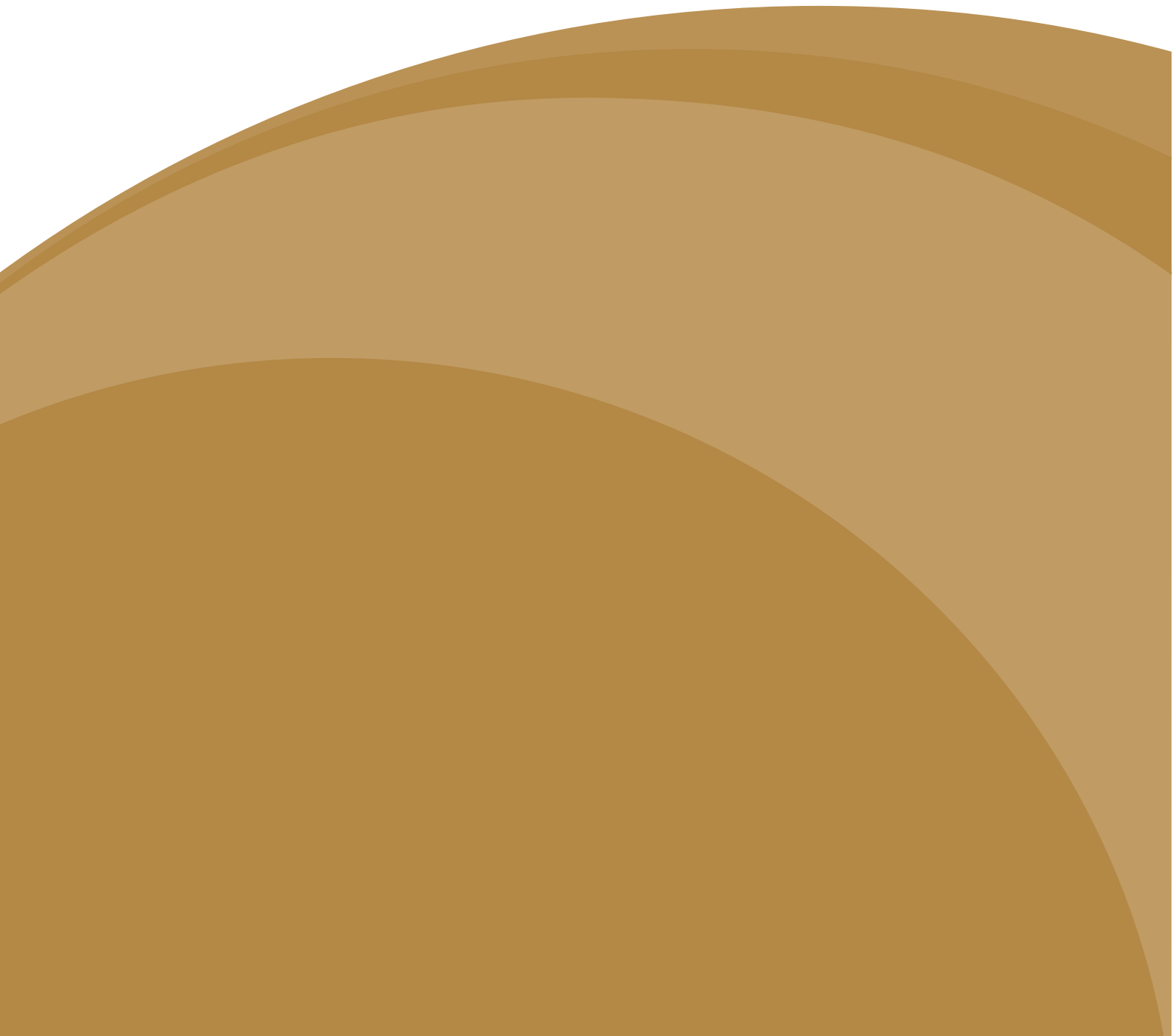
*annual
report*

for the year ended 30 June

2012

COMPANY VISION

*"We want to be the most dominant and
admired branded FMCG company in
Zimbabwe / Southern Africa"*



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FINANCIAL HIGHLIGHTS

		2012	2011	2010
Volumes	mt'000	404	352	300
Revenue	US\$'000	233,998	201,170	160,818
Profit from operating activities	US\$'000	11,053	7,033	1,429
Profit for the year from continuing operations	US\$'000	7,904	5,097	3,148
Attributable profits	US\$'000	7,899	4,971	2,897
Basic earnings per share from continuing operations	USc's	11.55	7.37	4.60
Net asset value per share	USc's	73	64	57
Market value per share	USc's	112	95	90
Shares in issue at year end	000's	68,400	68,399	68,379

GROUP STRUCTURE



NATIONAL FOODS HOLDINGS LIMITED

National Foods Operations Limited (formerly Meadow Milling Company Limited)

Principal operating company
Flour & maize milling
Prepacking and sale of dry groceries
Manufacturing of stockfeeds, vitamin & mineral premixes for stockfeed applications and edible oils.

100%

100% **Speciality Animal Feed Company Limited**
Dormant

100% **Bakery Products (Private) Limited**
Dormant

100% **Harris Maize Milling and Produce Company (Private) Limited**
Dormant

National Foods Properties Limited
(formerly National Foods Limited)
Property owning Company 100%

Botswana Milling and Produce Company (Proprietary) Limited 100%

Red Seal Manufacturers (Proprietary) Limited
Property owning company 100%

N F Transport Bulawayo (Private) Limited
Dormant 100%

Rice Mills (Private) Limited
Dormant 100%

Natpak Zimbabwe (Private) Limited
Dormant 100%

Palte-Harris (Private) Limited
Dormant 100%

DIRECTORATE AND ADMINISTRATION (as at 30 June 2012)

National Foods Holdings Limited

BOARD OF DIRECTORS

T. Moyo Chairman
J.J. Brooke* Managing Director
N. Brimacombe
T.W. Brown
L.T. Murimwa* Executive Director
J.P. Schonken

AUDIT COMMITTEE

T.W. Brown Chairman
T. Moyo

REMUNERATION COMMITTEE

T.W. Brown Chairman
N. Brimacombe

SECRETARY

A.D. Lorimer

TRANSFER SECRETARIES

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

REGISTERED OFFICE

Gloria House
10 Stirling Road,
Workington
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 & Hwacha
Gula Ndebele & Partners

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.

National Foods Operations Limited

DIRECTORS (as at 30 June 2012)

J.J. Brooke	Managing Director
L.T. Murimwa	Financial Director
M.J.R. Lashbrook	Operations Director
I. Magaya	Human Resources Director
T.W. Brown	Non Executive Director

GROUP EXECUTIVES

J. Gapu	Sales, Marketing & Distribution Director
M. Chawanda	Managing Executive - Flour Milling
C. Nheta	Managing Executive - Maize Milling
D. Maregedze	Managing Executive - FMCG
L. Gunter	Managing Consultant - Stockfeeds
G. Nyakwende	Managing Executive - Depots

CHAIRMAN'S STATEMENT

Introduction

The Economy remained stable throughout the year although the second half of the financial year showed signs of slowing down due to liquidity constraints. Towards the end of the financial year, world cereal prices continued to rise and we are likely to see a period of grain shortages in the region which will negatively impact on the consumer. Maize, wheat and soya bean prices are at record highs. The possible grain shortages reinforces the need for our local agriculture to be more productive so that we are not dependent on other countries for agricultural raw materials and related finished goods. The introduction of duty on imported flour soon after year end should see an increase in the milling of volumes in the plant which should reduce overall conversion costs. Grain millers continue to work with all stakeholders to maintain the delicate balance between the viability of the milling sector and impact on the consumer.

At a microeconomic level the Group has generated improved cash flows from trading, good working capital management and disposal of non-core assets. Most of these funds have been invested in capital expenditure (\$4.8m) and on repairs and maintenance (\$3m) into the core activities of milling, stock feed production and packaging of Fast Moving Consumer Goods (FMCG) products.

Overview of Group Financial Performance

The Group posted pleasing results for the year ending 30 June 2012 with profit before tax from continuing operations at \$10.7m showing a growth of 47% driven by a volume growth of 15%, better operational efficiencies and focus on the core areas of the business. The Group benefited hugely from the turnaround in the Maize division. Flour and Stockfeeds showed a pleasing recovery in the last quarter and this recovery is expected to continue into the following year. Turnaround strategies are in place to revamp and improve performance in the FMCG Division and these include streamlining distribution costs, reducing the interest burden and developing category plans which should hopefully spur volumes in the coming financial year.

The focus from 2009 to 2012 was to establish a competent manufacturing base and to compete for market share with nationwide distribution capability and keenly priced products. We believe that the Group has achieved this as evidenced by an improved set of financial results and most importantly overall growth in volumes sold. The strategic initiatives set in place in the early stages of dollarisation are beginning to have a positive effect on the Group. There is still however significant work to be done to right size and re-equip the business to match regional efficiency benchmarks. To this end numerous interventions are ongoing to upgrade our operating platform and up-skill our workforce wherever possible.

Although most of our initial strategic objectives have been achieved, we still need to focus on the Information Technology (IT) platform to enhance operational efficiencies, tighten internal controls and above all ensure an efficient service to our customers.

Nevertheless the Group showed advances in most key areas of measurement over the previous year and sold 404,000mt (2011 - 352,000mt) generating a turnover of \$234m (2011 - \$201m). Gross profit at 23.6% and average selling price at \$579 per ton remained relatively stable reflecting the increased volumes of maize meal sold and the Group's commitment to restrain price increases by channelling efficiency generated savings partially toward price reductions.

Material improvements in working capital management were achieved as a result of CMA funded raw material arrangements, an acceptable debtor day cycle and a good contribution of cash sales by the depot network. The Group generated \$15m of cash from operating activities during the financial year which was principally applied to fund capital expenditure, reduce debt, pay tax and dividends.

Headline Earnings Per Share amounted to (\$US) 11.3 cents for the year; an increase of 67% over the prior year. The compounded average growth rate at earnings level since dollarisation is 19% which should be maintained through the next three year strategic horizon assuming market place stability.



CHAIRMAN'S STATEMENT (continued)

Operations Review

The flour and stock feeds plants in Bulawayo were re-opened to satisfy local demand and potential exports for stock feeds. Consequently we now have seven out of eleven factories operational.

Capital expenditure initiatives have been targeted at improving the core manufacturing processes, automation of packing sections in both flour and maize and improving on the physical security infrastructure of the major manufacturing sites.

A number of non-core or non performing assets and properties were disposed during the year and more should be disposed of in FY2013. The revenues will be channelled to capital expenditure for both maintenance and expansion purposes.

At year end 28 depots were operational with new depots opening during the year at Beitbridge, Binga, Chivhu and Shamva as part of our endeavor to establish a competitive distribution footprint to ensure our products are available throughout the country. The majority of our depots are now linked to the central IT system with dual connectivity to ensure reliability and improved service to customers.

Milling, Manufacturing and Distribution

Flour Milling

Both Bulawayo and Harare flour mills are consistently producing good quality flour in the Bakers' and pre-pack ranges where we are market leaders. Volumes and revenues grew 31% over the prior year and gross profit remained stable. Despite this growth the profitability of the flour business is still below expectations. The import duty on a portion of flour imports should stimulate increased flour volumes and therefore improved profitability.

The Group has sufficient stocks of the correct wheats to produce the desired grist and meet demand. We have committed to purchase local crop at import parity which should hopefully encourage farmers to plant more wheat next season.

Management has been tasked by the Board to produce a feasibility study on a new flour mill to replace the existing mills and provide both capacity and competitive edge into the future. In order to remain competitive and achieve regional benchmarks, we need to continue to invest in the latest plant and technology and improve our offerings to the market.

Maize Milling

The maize milling business contributed significantly to overall Group profitability and served the stockfeeds unit well through the supply of milling offals. We managed to hold the maize meal price post the December 2011 duty announcement as part of our commitment to all stakeholders.

Initiatives to improve quality, consistency, packaging, distribution and procurement all contributed to substantial performance improvement in this business. Annual volumes grew by 50% underpinned by a good raw material procurement strategy and increased demand for refined maize meal under the Pearlenta brand.

Stockfeeds

Whilst volumes produced in financial year 2012 were 6% lower than the prior year, revenue showed marginal growth due to a slightly different mix. Considerable improvements in formulation and processes resulted in National Foods being an entrenched market leader in the poultry feed category. Despite the growth in revenue overall profitability declined by 58% over the prior year as we moderated price increases in the face of inflationary pressure on raw material prices.

Although the new roughage plant and a reverse osmosis water treatment plant were both successfully commissioned during the year, plant downtime was still at unacceptable levels. Considerable focus and investment is earmarked to achieve efficiency benchmarks throughout the production process during the forthcoming financial year.

Notwithstanding the challenges at hand, the quality and consistency of the product we manufacture is now at the desired levels and the market has responded positively to this. During the year we disinvested from Capital Foods but retained the Safco brand to be used for an enhanced range of specialized products. There were comprehensive managerial changes during the year with new management mandated to give focus to the plant efficiency and growth in volumes.

FMCG

Volumes decreased 21% on the previous year, and whilst the business contribution to Group costs is valuable, the FMCG unit did not contribute to overall Group profit.

Categories in this business experienced fierce competition from efficient, low cost wholesalers and a surge of imported low cost product of variable quality. Although the premium brands such as Mahatma and Red Seal rice, Fattis and Monis pasta and Koo baked beans performed to expectation, a number of smaller brands did not hold market share or gross margin. Consequently further evaluation and re-engineering of the category plans, the route to market and the procurement systems is taking place such that we can compete successfully.



Perfect. Every time.

CHAIRMAN'S STATEMENT (continued)

We continue to seek growth opportunities in adjacent consumer packed goods categories in which we can achieve number 1 or 2 market share position. The Group is well positioned to do this through a loyal customer base, a far reaching field merchandising service and a large established depot network. Considerable work on distribution and procurement improvement is needed to ensure we compete in this space into the future.

Depot Network

The product range and service offering along with reliability of stock availability helped this unit to grow revenues over the prior year by 26% to \$71m. This structure remains central to the Group's strategy to sell wider and deeper and to deliver improved service levels to both the retail and wholesale trade.

Improved connectivity to the central IT system will materially enhance the service offering and internal control environment which will allow the Group to offer warehousing and distribution services to third party brand leaders in an effort to reduce the overall costs per unit. The Group will actively originate grain, seed and beans through the depot network into the future. Management are commended for improvements made to internal controls in this unit.

Properties

During the year four properties were sold as the Group continues to dispose of non-core properties. At June 2012 the net lettable area was 169,000m² of which 47% was let to National Foods, 19% to third parties and 34% remains unoccupied. A further 31,000m² is currently on the market of which 26,000m² was under offer at year end. The strategy of disposing non-core properties remains in place with the intention of directing proceeds from sales to strengthening core business capabilities, funding strategic raw material positions and growth opportunities.

Future Prospects

The Group has made good progress in achieving its central strategic intents of gaining market share, stabilising the operating platform and improving capacity utilisation. Strategies are in place to address sustainability, capability and efficiency into the future. We are satisfied with the improvement in the return on shareholders' equity that the Group delivered during the financial year to June 2012 and are encouraged that financiers are inclined to provide working capital funding arrangements that serve to extend our raw material pipeline at reasonable rates. Numerous challenges face the Group from availability of electricity to skills deficiencies; from liquidity constraints to IT connectivity, and from raw material shortages to staff cost increases. Management will therefore

focus on becoming the lowest cost, most efficient producer with a competitive distribution network in every category in which we compete. Opportunities have been identified across the value chain to realize savings along with growth opportunities in existing and new categories. Financial discipline, volume growth and an unabated thrust to right size the cost base are central to maintaining the Group's growth in earnings.

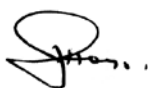
Dividend

The Board has declared a final dividend of (US\$)1.55 cents per share payable on or about 5th October 2012 to shareholders registered in the books of the Company by noon on 21st September 2012. The transfer books and register of members will be closed from 22nd September 2012 to 30th September 2012, both days inclusive.

Acknowledgement and Appreciation

I wish to thank my Board colleagues for the roles they have played in completing our three year strategy from "Survival to Revival", which has delivered the expected performance. Mr Segoale resigned from our Board on 8 June 2012 as he has taken up a new role representing the Tiger Brands' interests in Nigeria. I therefore wish to thank Mr Segoale for his enthusiasm and commitment to National Foods as a Board member and as head of the Tiger Brands Technical Team. Mr Noel Doyle from Tiger Brands joined the Board effective 22nd August 2012 and we welcome him to National Foods.

Finally I wish to express my sincere gratitude to fellow Board members, management and staff for their efforts in delivering a pleasing performance for the period under review. We look forward to embracing the new three year strategy that maintains growth, achieves operational excellence, delights our customers and provides the desired returns to our shareholders.



Todd Moyo
 Chairman
 15 October 2012



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 III 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 III 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 an independent 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 20.8. 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 Standards on Auditing and reporting their findings thereon. The annual financial statements contained in this report have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates. The directors have no reason to believe that the Group's operations will not continue as a going concern in the year ahead.

Audit Committee

The Group has an audit committee comprising representation by non-executive directors and is chaired by a non-executive director. As at 30 June 2012 the committee comprised T.W. Brown (Chairman) 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 Committee

The directors are accountable for the process of risk management and for establishing appropriate risk and control policies and to ensure that these are communicated throughout the Group. Executive managers are responsible for the identification and evaluation of key risks applicable to their areas of business. The Group is in the process of establishing a risk management committee which will be responsible for overseeing and reporting on the overall group risk. This will provide an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This committee will report to the Board on all areas of risk that have been identified in the Group.

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. 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 N. Brimacombe. Mr N. Brimacombe took over from Mr Conway with effect from 23 August 2011.

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 and an incentive bonus plan.

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 on-going basis.

CORPORATE GOVERNANCE (continued)

Strategic Planning Process

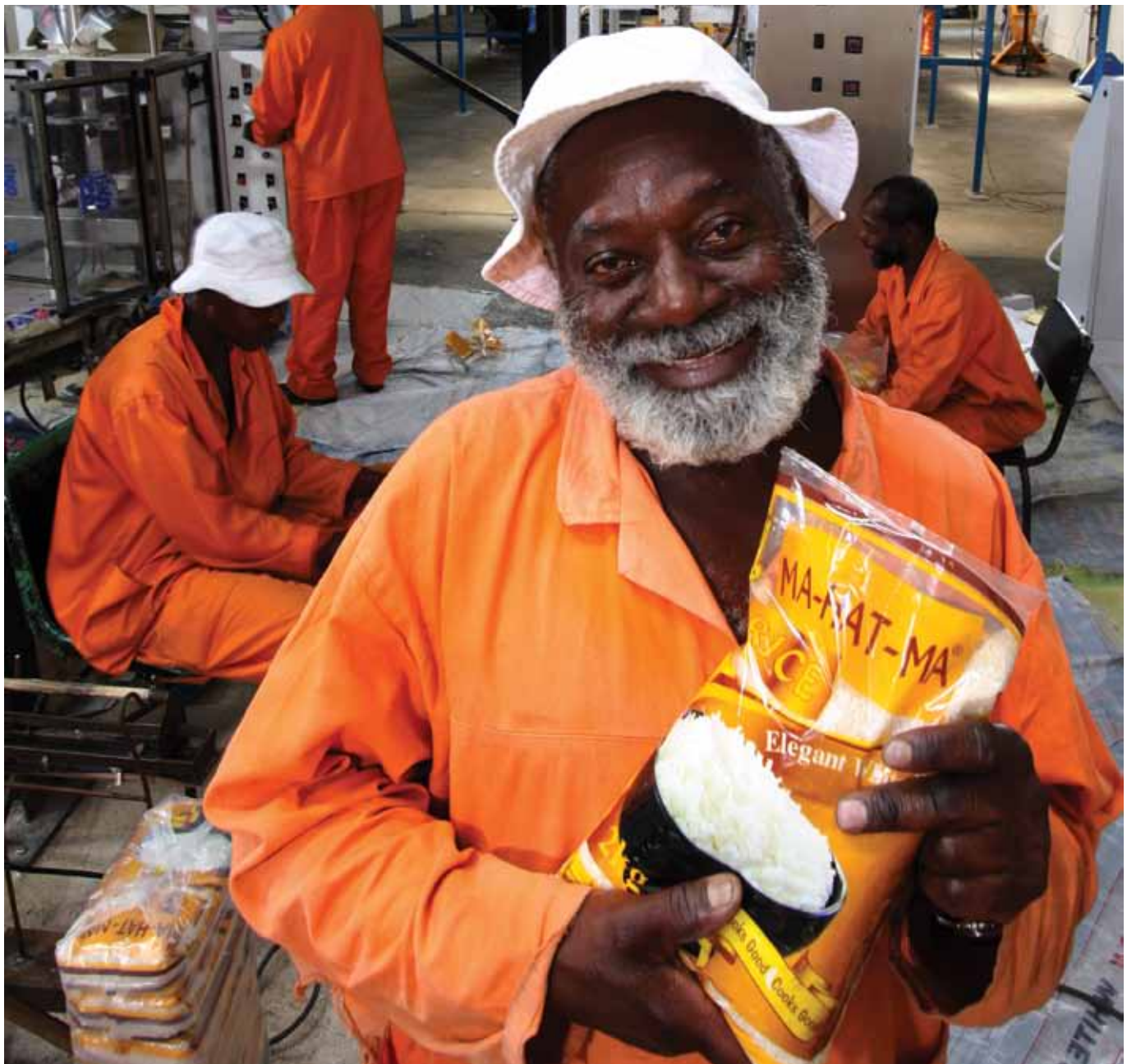
In line with its mission to build a world-class business, the overall strategy for National Foods Holdings is clearly focused. Annual strategic plans are compiled at both Group and business unit level, with detailed plans for action and allocated responsibilities. Progress is reviewed regularly.

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

	2012 US\$'000	2011 US\$'000	2010 US\$'000
Revenue	233,998	201,170	160,818
Profit from operating activities	11,053	7,032	1,429
Net financing costs	(345)	(551)	(1,198)
- finance expense	(1,158)	(1,300)	(1,497)
- finance income	813	749	299
Fair value adjustments	-	-	10
Share of associate's profit	-	823	628
Profit before tax from continuing operations	10,708	7,304	869
Taxation	(2,804)	(2,207)	2,279
Profit for the year from continuing operations	7,904	5,097	3,148
Discontinued operations	-	(73)	(251)
Profit for the year	7,904	5,024	2,897
Total comprehensive income for the year	7,900	5,022	2,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2012 US\$'000	2011 US\$'000	2010 US\$'000
Assets			
Property, plant and equipment	35,851	33,266	34,288
Investments in associate companies	-	813	628
Other non-current financial assets	277	64	-
Current assets	41,770	41,174	36,264
Cash and cash equivalents	10,619	5,921	7,458
Assets classified as held for sale	-	748	-
Total assets	88,517	81,986	78,638
Equity and Liabilities			
Equity	50,011	43,601	39,032
Deferred tax	8,074	8,190	7,361
Bank overdraft and acceptances	2,265	2,033	373
Current liabilities	28,167	28,162	31,872
Total equity and liabilities	88,517	81,986	78,638

CONSOLIDATED STATEMENT OF CASHFLOWS

	2012 US\$'000	2011 US\$'000	2010 US\$'000
Net cash flows from operating activities	12,911	4,109	(6,110)
Investing activities			
- purchase of property plant and equipment	(4,764)	(2,217)	(1,959)
- other investing activities	2,011	1,245	4,611
Net cash flows from investing activities	(2,753)	(972)	2,652
Net cash inflow before financing activities	10,158	3,137	(3,458)
Financing activities	(5,692)	(6,333)	8,259
Net increase/(decrease) in cash and cash equivalents	4,466	(3,196)	4,801

RATIOS AND STATISTICS

		2012	2011	2010
Profitability				
Operating margin	%	5%	3%	1%
Return on total assets	%	13%	9%	2%
Return on equity	%	18%	13%	8%
Effective tax rate	%	26%	30%	(262%)
Growth				
Increase in revenue	%	16%	25%	103%
Increase/(Decrease) in operating profit	%	57%	392%	(81%)
Productivity				
Asset turnover	times	3	3	2
Solvency and liquidity				
Current ratio	times	1.7	1.6	1.4
Interest cover	times	32	12.8	1.2
Net debt to shareholders' funds	%	0%	3%	11%
Total liabilities to shareholders' funds	%	77%	88%	101%
Employee statistics				
Number of employees	ave	918	924	1,601
Revenue per employee	US\$	254,900	217,716	100,449
Operating profit per employee	US\$	12,040	7,611	893
Share performance				
Number of shares issued	000's	68,400	68,399	68,379
Weighted average shares in issue	000's	68,399	68,399	68,379
Basic earnings per share	US cents	11.55	7.27	4.24
Diluted earnings per share	US cents	11.55	7.27	4.24
Dividend declared per share	US cents	2.75	0.7	-
Dividend cover	times	4.19	4.74	-
Dividend yield	%	2%	1%	-
Price earnings ratio	times	9.70	13.07	21.23
Net asset value per share	US cents	73.12	63.75	57.08
Market capitalisation	\$'000	76,608	64,979	61,541
Market price per share				
High US cents	US cents	125	101	135
Low US cents	US cents	80	81	85
Price - year end	US cents	112	95	90

The following definitions relate to terms used in this report.

Asset turnover - Revenue divided by total assets at the end of the financial period.

Average - Opening balance plus closing balance divided by two.

Current ratio - Ratio of current assets to current liabilities.

Dividend cover - Earnings per share divided by declared dividend per share.

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

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

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

Net asset value per share - Shareholders' funds at end of period divided by number of shares in issue at that date.

Net debt - Interest bearing debt less cash and cash equivalents

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 year as a percentage of opening shareholders' funds.

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

Shareholders' funds - Issued 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 2012.

GROUP FINANCIAL RESULTS (Continuing Operations)

	2012 US\$	2011 US\$	2010 US\$
Profit before tax	10,707,499	7,304,056	869,142
Tax	(2,803,839)	(2,207,267)	2,278,801
Profit after tax	7,903,660	5,096,789	3,147,943
Comprehensive income for the year	7,900,101	5,022,488	2,896,858

SHARE CAPITAL

During the year the authorised share capital remained at 73 000 000 ordinary shares of (US\$) 1 cent each. 1,300 new shares were issued during the year and the number of shares in issue rose to 68 400 108.

NATIONAL FOODS WORKERS TRUST

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 acquired a 10% shareholder in National Foods. 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

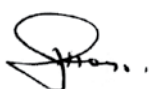
The Board has declared a final dividend of (\$US) 1.55 cents per share payable on or about 5 October 2012 to shareholders registered in the books of the company by noon 21 September 2012. The transfer books and register of members will be closed from 22 September 2012 to 30 September 2012, both dates inclusive. Together with the interim dividend of (\$US) 1.20 cents per share, this final dividend brings the total dividend for the year to (\$US) 2.75 cents per share.

DIRECTORATE

Messrs T.W. Brown and T. Moyo retire by rotation in terms of the Articles of Association of the Company and, being eligible, offer themselves for re-election. At a board meeting held on 22 August 2012, Mr N.P. Doyle was appointed as a Director of the Company with effect from that date. 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. Mr N. Segoale resigned from the board on 8 June 2012.

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



J.J. Brooke
Managing Director

HARARE
15 October 2012

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.

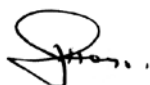
The financial statements have been prepared under the historical cost convention, are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in note 2 of the financial statements, and comply with International Financial Reporting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

The principal accounting policies of the Group are consistent with those applied in the previous year and conform to International Financial Reporting Standards (IFRS).

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 2012, which appear on pages 15 to 42 have been approved by the Board of Directors and are signed on its behalf by:



T. Moyo
Chairman



J.J. Brooke
Managing Director

HARARE
15 October 2012

REPORT OF THE INDEPENDENT AUDITORS



Chartered Accountants (Zimbabwe)
Angwa City
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Kwame Nkrumah Avenue
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Harare

Tel: +263 04 750905 / 750979
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To The Members of National Foods Holdings Limited

We have audited the accompanying consolidated financial statements of National Foods Holdings Limited as set out on pages 15 to 42, which comprise the Consolidated Statement of Financial Position at 30 June 2012, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated 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 and in the manner required by the Companies Act (Chapter 24:03), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 the directors, 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Foods Holdings Limited and its subsidiaries as at 30 June 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the consolidated financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant Statutory Instruments.

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
Registered Public Auditors
Harare

17 October 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

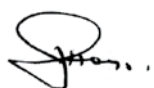
for the year ended 30 June 2012

	Notes	2012 US\$	2011 US\$
Continuing Operations			
Revenue	5	233,998,200	201,169,576
Cost of sales		(178,712,537)	(155,063,021)
Gross profit		55,285,663	46,106,555
Other income	6.1	511,687	755,959
Selling and distribution expenses		(9,495,932)	(9,093,966)
Employee benefits expenses	6.2	(17,796,534)	(16,700,030)
Administrative expenses	6.2	(15,565,338)	(12,441,358)
Depreciation	6.3	(1,887,014)	(1,594,616)
Profit from operating activities	6	11,052,532	7,032,544
Finance income	6.4	813,412	748,879
Finance costs	6.4	(1,158,445)	(1,300,212)
Share of profit of an associate	10	-	822,845
Profit before tax from continuing operations		10,707,499	7,304,056
Income tax expense	7.1	(2,803,839)	(2,207,267)
Profit for the year from continuing operations		7,903,660	5,096,789
Discontinued operations			
Profit after tax for the year from discontinued operations		-	(72,911)
Profit for the year		7,903,660	5,023,878
Other comprehensive income			
Exchange differences on translation of foreign operations		(3,559)	(1,390)
Total comprehensive income for the year		7,900,101	5,022,488
Profit for the year from continuing and discontinuing operations attributable to:			
Equity holders of the parent		7,898,543	4,970,886
Non-controlling interests		5,117	52,992
		7,903,660	5,023,878
Total comprehensive income for the year attributable to:			
Equity holders of the parent		7,894,984	4,969,496
Non-controlling interests		5,117	52,992
		7,900,101	5,022,488
Earnings per share			
Basic, earnings for the year attributable to equity holders of the parent	8	11.55 cents	7.27 cents
Diluted, earnings for the year attributable to equity holders of the parent	8	11.55 cents	7.27 cents
Earnings per share for continuing operations			
Basic, earnings for the year from continuing operations attributable to equity holders of the parent	8	11.55 cents	7.37 cents
Diluted, earnings for the year from continuing operations attributable to equity holders of the parent	8	11.55 cents	7.37 cents
Headline Earnings per share			
Headline earnings per ordinary share	8	11.32 cents	6.78 cents
Diluted headline earnings per ordinary share	8	11.32 cents	6.78 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Notes	2012 US\$	2011 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	9	35,851,195	33,266,170
Investment in associate	10	-	812,585
Other non-current financial assets	11.1	-	64,627
Finance lease receivables	12	277,093	-
		36,128,288	34,143,382
Current assets			
Finance lease receivables	12	286,636	-
Other financial assets	11.1	396,163	1,068,654
Inventories	13	23,069,768	20,573,923
Trade and other receivables	14	18,017,180	19,531,360
Cash & cash equivalents	19.4	10,618,986	5,920,654
		52,388,733	47,094,591
Assets classified as held for sale		-	748,045
		88,517,021	81,986,018
Total assets			
EQUITY AND LIABILITIES			
Equity			
Issued capital	15.1	684,001	683,988
Non distributable reserve	15.2	24,678,859	24,682,418
Distributable reserves	15.3	24,648,429	18,156,989
Equity attributable to owners of the parent		50,011,289	43,523,395
Non controlling interests		-	77,817
Total equity		50,011,289	43,601,212
Non-current liabilities			
Deferred tax liability	7.4	8,073,580	8,190,198
		8,073,580	8,190,198
Current liabilities			
Trade and other payables	17	26,408,001	22,194,291
Bank overdrafts and acceptances	19.4	2,265,085	2,032,856
Interest bearing borrowings	11.2	75,128	5,000,000
Provisions	18	713,201	805,928
Income tax payable	7.3	970,737	161,533
		30,432,152	30,194,608
Total equity and liabilities		88,517,021	81,986,018



T. Moyo
Chairman

HARARE
15 October 2012



J.J. Brooke
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

Notes	Issued Capital US\$ 15.1	Non- Distributable Reserves US\$ 15.2	Distributable Reserves US\$ 15.3	Total US\$	Non- controlling Interests US\$	Total US\$
Balance at 30 June 2010	683,788	24,683,808	13,664,755	39,032,351	-	39,032,351
Profit for the period	-	-	4,970,886	4,970,886	52,992	5,023,878
Other comprehensive income	-	(1,390)	-	(1,390)	-	(1,390)
Total comprehensive income	-	(1,390)	4,970,886	4,969,496	52,992	5,022,488
Dividends paid	-	-	(478,652)	(478,652)	-	(478,652)
Acquisition of subsidiary	-	-	-	-	24,825	24,825
Share options exercised	200	-	-	200	-	200
Balance at 30 June 2011	683,988	24,682,418	18,156,989	43,523,395	77,817	43,601,212
Profit for the period	-	-	7,898,543	7,898,543	5,117	7,903,660
Other comprehensive income	-	(3,559)	-	(3,559)	-	(3,559)
Total comprehensive income	-	(3,559)	7,898,543	7,894,984	5,117	7,900,101
Issue of shares	13	-	-	13	-	13
Dividends paid	-	-	(1,407,103)	(1,407,103)	-	(1,407,103)
Disposal of subsidiary	-	-	-	-	(82,934)	(82,934)
Balance at 30 June 2012	684,001	24,678,859	24,648,429	50,011,289	-	50,011,289

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Notes	2012 US\$	2011 US\$
OPERATING ACTIVITIES			
Cash generated from operations	19.1	13,064,944	8,684,303
Working capital changes	19.2	2,276,355	(2,881,500)
Operating cash flow		15,341,299	5,802,803
Interest received		813,412	751,434
Interest paid		(1,158,445)	(1,401,443)
Income tax paid	19.3	(2,084,872)	(1,044,255)
Net cash flows from operating activities		12,911,394	4,108,539
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to expand operations		(2,796,071)	(321,425)
Purchase of property, plant and equipment to maintain operations		(1,968,414)	(1,895,756)
Purchase of financial instruments and other investments		(895,265)	(1,133,283)
Proceeds on disposal of property, plant and equipment		393,975	936,827
Proceeds on disposal of assets held for sale		748,045	-
Proceeds on disposal of financial instruments		1,068,655	-
Proceeds on disposal of associate		3,000	-
Dividends received from associate		809,585	638,215
Net cash flow on disposal of subsidiary	4	(117,170)	802,838
Net cash flows used in investing activities		(2,753,660)	(972,584)
FINANCING ACTIVITIES			
Proceeds from issue of shares		13	-
Proceeds from borrowings		5,000,000	14,004,000
Repayment of borrowings		(9,284,541)	(19,882,744)
Cash received from non controlling interests		-	24,825
Dividends paid		(1,407,103)	(478,652)
Net cash flows used in financing activities		(5,691,631)	(6,332,571)
Increase/(decrease) in cash and cash equivalents		4,466,103	(3,196,616)
Cash and cash equivalents at beginning of the year		3,887,798	7,084,414
Cash and cash equivalents at the end of the year	19.4	8,353,901	3,887,798

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. Refer to Directorate and Administration Section for additional corporate information.

The Group's main activities comprise of the milling of flour and maize, manufacture of stock feeds 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 2012 were authorised for issue in accordance with a resolution of the Directors on 15 October 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis, except for financial investments assets that have been measured at fair value. The consolidated financial statements are presented in United States Dollars. All values are rounded to the nearest dollar (US\$), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2012. 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 when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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 interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any 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 or retained earnings, as appropriate.

2.3 Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year. 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 1 First-time Adoption of international Financial Reporting Standards (Amendment) – 1 July 2011
- IAS 24 Related party disclosures (Amendment) – 1 January 2011
- IFRS 7 Financial Instruments: Disclosures (Amendment) – 1 July 2011
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The adoption of the standards or interpretations is described below:

IFRS 1 First-time Adoption of international Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified and simplifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets) - to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets
- Financial assets are not derecognised in their entirety - to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities.

The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

2.4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The amendments to IAS 19 will improve the recognition and disclosure requirements for defined benefit plans. The Group is currently assessing the full impact of the remaining amendments. The application of this new standard will not impact the financial position of the Group as there are no defined benefit schemes. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

IFRS 11 Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13—Jointly Controlled Entities—Non-monetary Contributions by Venturers. The standard focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation). The application of this new standard will not impact the financial position of the Group as there are no joint arrangements. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are required. An entity is now required to disclose the judgements made to determine whether it controls another entity. The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures

As a consequence of the new IFRS 10, 11 and 12, the IASB issued an amended and retitled IAS 27 Separate Financial Statements and an amended and retitled IAS 28 Investments in Associates and Joint Ventures.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements.

It does not introduce any new requirements to measure an asset or a liability at fair value, or change what is measured at fair value in IFRSs or address how to present changes in fair value. The Group will need to consider the new requirements to determine fair values going forward. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.5 Summary of significant accounting policies

2.5.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5.2 Investments in associates

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. 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 associate. The Group determines at each reporting 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 recognises the amount in the 'share of profit of an associate' in profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

2.5.3 Foreign currency translation

The Group's financial statements are presented in United States Dollars (US\$) (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). Upon disinvestment of a foreign entity, translation differences related to that entity are recycled into profit or loss.

2.5.4 Taxes

2.5.4.1 Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period in countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss for the period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5.4.2 Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date 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 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 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.

2.5.4.3 Value Added Tax (VAT)

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5.5 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period and the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5.6 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials:

- Purchase cost on a first in, first out basis

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials.

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.

2.5.7 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 dependent 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.

2.5.7.1 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.

2.5.7.2 The Group as lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A capitalised leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

2.5.8 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.

2.5.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5.10 Property, plant and equipment

All items of property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Land is carried at cost whereas buildings are carried at 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.

2.5.11 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. Intra-group revenue, which arises in the normal course of business is excluded from revenue. The following specific recognition criteria must also be met before revenue is recognised:

2.5.11.1 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.

2.5.11.2 Rental income

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

2.5.11.3 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.

2.5.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised 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.

2.5.13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in 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.

2.5.14 Financial assets

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

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

All regular 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.

2.5.14.1 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.

2.5.14.2 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.

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.

2.5.14.3 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 measured at fair value on initial recognition, and are subsequently carried at amortised cost using the effective interest rate method, less any impairment losses if any. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.5.14.4 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 and are measured at amortised cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks, net of bank overdrafts and short term borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5.14.5 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.

2.5.14.6 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.

2.5.15 Financial liabilities

2.5.15.1 Classification of 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.

2.5.15.2 Derecognition of financial liabilities

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

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS

The following are the critical judgments 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 the consolidated 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 2.5.10 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\$35 851 195 (June 2011: US\$33 266 170).

3.2 Provision for impairment of receivables

Provision for impairment of receivables 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 provision as at 30 June 2012 was US\$ 2 597 465 (June 2011: US\$ 1 795 150).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2012 US\$	2011 US\$
4. DISPOSAL OF SUBSIDIARY		
Powerful Grand Industries (Pvt) Ltd		
On 31 March 2012 the Group disposed of its 50.1% interest in Powerful Grand Industries (Pvt) Limited (t/a Capital Foods), in order to focus more on the main Stockfeeds product line items. The business was part of the Milling, Manufacturing and Distribution segment.		
4.1 Consideration received		
Deferred sales proceeds	90,774	-
4.2 Analysis of assets and liabilities over which control was lost		
Non current assets		
Property, plant and equipment	62,719	-
Current assets		
Inventories	312,541	-
Trade and other receivables	820,267	-
Cash and cash equivalents	117,170	-
Non current liabilities		
Deferred tax	(5,615)	-
Current liabilities		
Interest bearing borrowings	(550,353)	-
Trade and other payables	(539,255)	-
Provisions	(23,000)	-
Income tax payable	(20,766)	-
Net assets disposed of	173,708	-
4.3 Gain on disposal of subsidiary		
Purchase consideration	90,774	-
Net assets attributable to equity holders of the parent	(90,774)	-
Net assets disposed of	(173,708)	-
Net assets attributable to non-controlling interests	82,934	-
Gain on disposal	-	-
4.4 Net cash outflow on disposal of subsidiary		
Consideration received in cash and cash equivalents	-	-
Less: cash and cash equivalent balances disposed of	(117,170)	-
	(117,170)	-
5. REVENUE		
The following is an analysis of the Group's revenue for the year		
Revenue from the sale of goods	233,267,885	200,607,392
Revenue from rental income	730,315	562,184
	233,998,200	201,169,576
6. PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account the following:		
6.1. Other income		
Profit on disposal of property, plant and equipment	167,538	358,047
Commissions and rebates	244,319	190,240
Lease of assets, toll, handling and other services rendered	65,774	67,369
Sale of scrap	34,056	48,125
Insurance and recoveries	-	92,178
	511,687	755,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2012 US\$	2011 US\$
6.2. After charging the following		
Employee benefits expenses		
Salaries and wages	8,711,413	8,274,094
Post employment benefits: Defined contribution plans	871,458	820,913
Retrenchment gratuities	544,406	1,020,000
Administrative expenses		
Audit fees and expenses	182,446	89,896
Foreign exchange (gains)	(200,232)	(32,578)
Provision for impairment on receivables	1,152,923	698,792
6.3. Depreciation		
- buildings	481,950	479,452
- plant, machinery and equipment	962,203	728,016
- motor vehicles	442,861	387,148
	<u>1,887,014</u>	<u>1,594,616</u>
6.4. Net finance costs		
Interest paid		
- bank overdrafts and other short term borrowings	(1,158,445)	(1,300,212)
Interest received from short term investments	463,412	748,879
Interest received from trade and other receivables	350,000	-
	<u>(345,033)</u>	<u>(551,333)</u>
7. TAXATION		
7.1. Income tax recognised in profit or loss		
Income tax		
- on current profits at normal rates	2,909,957	1,208,669
- capital gains tax	10,500	169,244
Deferred tax relating to current temporary differences	(111,003)	829,354
Deferred tax relating to disposed subsidiary	(5,615)	-
	<u>2,803,839</u>	<u>2,207,267</u>
7.2. Reconciliation of income tax charge:		
Profit before tax	10,707,499	7,304,056
Income tax computed at 25.75%	2,757,181	1,880,794
Non-deductible expenses for tax purposes	75,526	219,710
Effects of different tax rates of subsidiaries	(1,105)	7,060
Effects of associates profit shown net of tax	-	(88,546)
Effect of income taxed at different tax rates	(27,763)	188,249
	<u>2,803,839</u>	<u>2,207,267</u>
7.3. Current tax liabilities		
Income tax payable	970,737	161,533
7.4. Deferred tax liability		
At beginning of the year	8,190,198	7,360,844
Deferred tax relating to current temporary differences	(111,003)	816,907
Deferred tax relating to disposed subsidiary	(5,615)	12,447
At end of the year	<u>8,073,580</u>	<u>8,190,198</u>
<u>Analysis of deferred tax liability</u>		
Property, plant and equipment	8,240,006	8,282,898
Prepayments	26,512	30,277
Foreign currency denominated debtors and creditors	-	(849)
Allowance for credit losses	(331,009)	(247,599)
Other financial assets	138,071	125,471
	<u>8,073,580</u>	<u>8,190,198</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

Headline earnings per share amounts are calculated by dividing the headline profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations

8.1 Weighted average number of shares in issue

Weighted average shares in issue for basic and diluted earnings per share

8.2 Profit for the year

Net profit attributable to equity holders of the parent from continuing operations
 Loss attributable to ordinary equity holders of the parent from a discontinued operation
 Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings

There have been no other transactions involving ordinary shared or potential ordinary shares between the reporting date and the date of completion of these financial statements.

8.3 Headline earnings

Reconciliation between profit for the year and headline earnings
 Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings
 Adjusted for:
 Profit on disposal of property, plant and equipment
 Headline earnings

2012 US\$	2011 US\$
68,398,808	68,398,808
7,898,543	5,043,797
-	(72,911)
7,898,543	4,970,886
7,898,543	4,970,886
(167,538)	(358,047)
7,731,005	4,612,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings US\$	Plant, machinery & equipment US\$	Motor vehicles US\$	Capital Work in progress US\$	Total US\$
At 30 June 2012					
Cost or valuation					
At the beginning of the year	25,403,044	10,639,307	2,220,165	246,089	38,508,605
Additions	827,680	2,186,330	40,000	1,710,475	4,764,485
Disposals	(209,655)	(24,351)	(51,719)	-	(285,725)
Disposal of a subsidiary	(17,836)	(41,507)	(41,260)	-	(100,603)
Exchange differences	(3,290)	-	-	-	(3,290)
Transfers	246,089	-	-	(246,089)	-
At end of the year	26,246,032	12,759,779	2,167,186	1,710,475	42,883,472
Depreciation					
At beginning of year	1,926,353	2,125,462	1,190,620	-	5,242,435
Charge for the year	481,950	962,203	442,861	-	1,887,014
Disposals	(18,560)	(16)	(40,712)	-	(59,288)
Disposal of a subsidiary	(9,660)	(7,866)	(20,358)	-	(37,884)
At end of the year	2,380,083	3,079,783	1,572,411	-	7,032,277
Carrying amount	23,865,949	9,679,996	594,775	1,710,475	35,851,195
At 30 June 2011					
Cost or valuation					
At the beginning of the year	25,239,271	9,834,361	3,441,192	-	38,514,824
Additions	229,642	1,285,289	110,329	591,921	2,217,181
Disposals	(410,311)	(389,072)	(461,032)	-	(1,260,415)
Discontinued operations	-	(91,271)	(870,324)	-	(961,595)
Exchange differences	(1,390)	-	-	-	(1,390)
Transfers	345,832	-	-	(345,832)	-
At end of the year	25,403,044	10,639,307	2,220,165	246,089	38,508,605
Depreciation					
At beginning of year	1,446,901	1,646,944	1,132,702	-	4,226,547
Charge for the year	479,452	753,445	561,192	-	1,794,089
Disposals	-	(241,301)	(249,472)	-	(490,773)
Discontinued operations	-	(33,626)	(253,802)	-	(287,428)
At end of the year	1,926,353	2,125,462	1,190,620	-	5,242,435
Carrying amount	23,476,691	8,513,845	1,029,545	246,089	33,266,170

9.1 Land and buildings with carrying amounts of US\$ 5,216,839 (30 June 2011: US\$ 5,033,216) have been pledged to secure borrowings of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVESTMENTS IN ASSOCIATES

The Group disposed of its 30% stake in Afrigrain Trading Limited. Afrigrain Trading Limited is a private entity, whose principal activity is the purchase and sale of grain.

The reconciliation of movements in the investment is as follows:

	2012 US\$	2011 US\$
Balance at the beginning of the year	812,585	627,955
Share of associate's profits	-	822,845
Dividends received from associate	(809,585)	(638,215)
Proceeds on disposal of associate	(3,000)	-
Balance at the end of the year	-	812,585

11. OTHER FINANCIAL ASSETS AND LIABILITIES

11.1 Other financial assets

Loans receivable – non current portion
 Other non - current financial assets

	2012 US\$	2011 US\$
Loans receivable – non current portion	-	64,627
Other non - current financial assets	-	64,627
Loan to an associate	-	710,151
Loans receivable	396,163	358,503
Total other financial assets	396,163	1,068,654

11.2 Other financial liabilities

11.2.1 Short term financing

Secured

Bank loans

Unsecured

Banks

Other financial institutions

Total interest bearing borrowings

Bank overdrafts and acceptances

Total other financial liabilities

11.2.2 Banking facilities

Total facilities available to the Group
 Facilities utilised at year end

Unutilised borrowing capacity

	Rate of interest	Year Repayable	2012 US\$	2011 US\$
Secured				
Bank loans	-		-	2,000,000
Unsecured				
Banks	-		-	2,000,000
Other financial institutions	10%	2012	75,128	1,000,000
Total interest bearing borrowings			75,128	5,000,000
Bank overdrafts and acceptances	9.8%	On Demand	2,265,085	2,032,856
Total other financial liabilities			2,340,213	7,032,856
Banking facilities				
Total facilities available to the Group			21,575,128	27,000,000
Facilities utilised at year end			(2,340,213)	(7,032,856)
Unutilised borrowing capacity			19,234,915	19,967,144

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. All facilities established are secured by an unlimited guarantee from the parent company. The facilities can only be used for working capital purposes.

11.2.3 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.

11.3 The carrying amount of 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. The Group held no financial instruments carried at fair value as at 30 June 2012 (2011: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. FINANCE LEASE RECEIVABLE

Current finance lease receivable
 Non current finance lease receivable

2012 US\$	2011 US\$
286,636	-
277,093	-

12.1 Leasing arrangements

The Group has leased out various commercial vehicles under a finance lease to a transportation partner of the Group. The lease has no terms of renewal. At the end of the lease period all title to the assets will be transferred to the lessee. The lease is denominated in US\$. The term of the finance lease entered into is 2.5 years. Future minimum lease payments receivable under the finance lease, together with the present value of net minimum lease payments receivable as at 30 June 2012 are as follows:

12.2 Amounts receivable under finance leases

	Minimum Lease payments		Present value of minimum lease payments	
	2012 US\$	2011 US\$	2012 US\$	2011 US\$
Not later than one year	295,586	-	277,093	-
Later than one year and not later than five years	322,834	-	286,636	-
	618,420	-	563,729	-
Less unearned finance income	(54,691)	-	n/a	n/a
Present value of minimum lease payments receivable	563,729	-	563,729	-
Allowance for uncollectable lease payments	-	-	-	-
	563,729	-	563,729	-

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at US\$ 29,710 (2011: nil).

The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 12% (2011: 12%) per annum.

The finance lease receivable at the end of the reporting period are neither past due nor impaired.

13. INVENTORIES

Raw materials
 Finished goods
 Consumable stores

2012 US\$	2011 US\$
9,464,527	11,462,096
11,631,160	7,272,979
1,974,081	1,838,848
23,069,768	20,573,923

The amount of inventory write down recognised as an expense is US\$922 701 (2011: US\$287,556)

14. TRADE AND OTHER RECEIVABLES

Trade receivables
 Provision for impairment
 Net trade receivables
 Prepayments
 Other receivables

18,346,006	17,471,720
(2,597,465)	(1,795,150)
15,748,541	15,676,570
675,414	1,821,709
1,593,225	2,033,081
18,017,180	19,531,360

14.1 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 a 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\$ 11,833,896 (2011: US\$ 10,999,329) is due from the Group's top ten customers, representing 65% of the total balance of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14.2 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.

Ageing of past due but not impaired

31 - 60 days
 61 - 90 days
 Over 90 days
 Total

Average age (days)

2012 US\$	2011 US\$
725,493	452,792
385,290	219,865
560,337	1,308,633
1,671,120	1,981,290

14.3 Movement in the provision for impairment of receivables

Balance at the beginning of the year
 Current year provisions
 Utilised during the year
 Balance at year end

89	118
(1,795,150)	(1,096,358)
(1,152,923)	(698,792)
350,608	-
(2,597,465)	(1,795,150)

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.

14.4 Ageing of impaired trade receivables

31 - 60 days
 61 - 90 days
 Over 90 days
 Total

Average age (days)

-	24,401
-	2,692
2,597,465	1,768,057
2,597,465	1,795,150
151	148

15 ISSUED CAPITAL AND RESERVES

15.1 Share capital

Authorised

73 000 000 shares of US 0.01 cents each

Issued and fully paid

At 30 June 2011

68 398 808 shares (2011: 68 378 808) of US0.01 cents each

Share options exercised

Shares issued

At 30 June 2012

68 400 108 shares of US0.01 cents each

Unissued shares

4 599 892 (2011: 4 601 192) shares of US0.01 cents each

2012 US\$	2011 US\$
730,000	730,000
683,988	683,788
-	200
13	-
684,001	683,988
45,999	46,012

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15.1 Share capital (cont.)

Share options

The Directors were empowered to grant share options to certain employees of the company through a share option scheme. As at June 2011, this scheme had since lapsed and all outstanding options had been exercised.

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 exercised

At end of the year

Directors' shareholdings

At 30 June 2012, 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.

	2012	2011
	Number of shares	Number of shares
Shares available in the scheme	3,000,300	3,000,300
Options outstanding		
Granted 21 October 1998	-	-
Granted 4 April 2001	-	-
Movements for the year		
At beginning of the year	-	20,000
Options exercised	-	(20,000)
At end of the year	-	-
Directors' shareholdings		
At 30 June 2012	Number of shares	Number of shares
J.J. Brooke	313,078	364,834
L.T. Murimwa	156,250	156,250

15.2 Non-distributable reserves

Arising on conversion of Zimbabwe dollar balances

Exchange differences on translation of foreign operations

Closing balance

Non distributable reserves arose as a result of the change in functional currency from Zimbabwe dollar to United States dollar and also include exchange differences on the translation of the financial results of subsidiaries that report in a foreign currency since 2009.

15.3 Distributable reserves

Opening balance

Retained for the year

Dividend paid (Note:16)

Closing balance

Retained in:

Holding company

Subsidiary companies

Associate companies

	2012	2011
	US\$	US\$
Non-distributable reserves		
Arising on conversion of Zimbabwe dollar balances	24,683,808	24,683,808
Exchange differences on translation of foreign operations	(4,949)	(1,390)
Closing balance	24,678,859	24,682,418
Distributable reserves		
Opening balance	18,156,989	13,664,755
Retained for the year	7,898,543	4,970,886
Dividend paid (Note:16)	(1,407,103)	(478,652)
Closing balance	24,648,429	18,156,989
Retained in:		
Holding company	-	-
Subsidiary companies	24,648,429	17,344,404
Associate companies	-	812,585
	24,648,429	18,156,989
DIVIDEND		
Declared and paid during the year:		
Interim dividend for 2012: US 1.2cents per share (2011: US 0.7cents per share)	825,713	478,652
Proposed and approved (not recognised as a liability at 30 June 2012)		
Final dividend for 2012: US 1.55 cents per share (2011: US 0.85 cents per share)	1,060,182	581,390
TRADE AND OTHER PAYABLES		
Trade payables	21,600,601	17,444,572
Other payables	4,807,400	4,749,719
	26,408,001	22,194,291

Terms and conditions of the above financial liabilities

Trade payables are non - interest bearing and are normally settled within a 30 - 60 day term.

Other payables are non interest bearing and terms range between 30 and 90 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PROVISIONS	2012 US\$	2011 US\$
Leave pay provision		
At beginning of the year	805,928	607,422
Created during the year	292,936	331,661
Utilised during the year	(385,663)	(133,155)
At end of the year	713,201	805,928
Leave pay for employees is calculated on the basis of leave days accumulated at an expected rate of payment.		
19 CASH FLOW INFORMATION		
19.1 Cash generated from operations		
Profit before tax from continuing operations	10,707,499	7,304,056
Profit before tax from discontinuing operations	-	(214,617)
Profit before tax	10,707,499	7,089,439
Finance income	(813,412)	(751,434)
Finance costs	1,158,445	1,401,443
Depreciation	1,887,014	1,794,086
Provision for leave pay	292,936	331,661
Profit on disposal of property, plant and equipment	(167,538)	(358,047)
Share of associates profit	-	(822,845)
	13,064,944	8,684,303
19.2 Working capital changes		
Increase in inventories	(2,807,860)	(3,628,836)
Decrease / (Increase) in accounts receivable	693,913	(2,130,863)
Increase in accounts payable	4,390,302	2,878,199
	2,276,355	(2,881,500)
19.3 Income tax paid		
Charge to profit or loss	(2,803,839)	(2,065,561)
Movement in tax liability	809,204	161,533
Movement in deferred tax liability	(116,618)	829,354
Tax liability disposed of on disposal of subsidiary	26,381	30,419
	(2,084,872)	(1,044,255)
19.4 Cash and cash equivalents at end of year		
Cash & cash equivalents	10,618,986	5,920,654
Bank overdrafts and acceptances	(2,265,085)	(2,032,856)
	8,353,901	3,887,798

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in the money market instruments. Cash at bank accrues interest at floating rates based on daily bank deposits rates.

20 RELATED PARTY TRANSACTIONS

20.1. The ultimate parent

The Group does not have an ultimate holding company. However, as disclosed on page 43, the major shareholders of NFHL are Innscor Africa Limited (37.82%) and Tiger Brands Limited of South Africa (37.45%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Name	Country of incorporation	2012 Equity interest	2011 Equity interest
Subsidiaries			
"National Foods Operations Limited (Formerly Meadow Milling Company Limited)"	Zimbabwe	100%	100%
"National Foods Properties Limited (Formerly 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 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%
Powerful Grand Industries (Private) Limited	Zimbabwe	0.0%	50.1%
Botswana Milling and Produce Company (Proprietary) Limited	Botswana	100%	100%
Red Seal Manufacturers (Proprietary) Limited	Botswana	100%	100%

20.3. Transactions entered into with related parties

	2012 US\$	2011 US\$
<u>Purchase of trading stocks and raw materials</u>		
Tiger Brands Limited	3,522,384	342,189
Innsco Africa Limited Group companies	3,197,836	3,829,443
Surface Investments	-	3,257,219
<u>Sale of goods and Services</u>		
Innsco Africa Limited Group companies	30,153,252	24,481,383
<u>Interest and Management Fees</u>		
Innsco Africa Limited Group companies		
- Management fees	480,000	600,000
- Net interest received on call accounts	241,345	352,863
Tiger Brands Limited		
- Technical fees	231,175	213,333
Surface Investments		
- Interest received	-	63,991

20.4. Balances due to or (due from) related parties

Innsco Africa Limited Group companies	5,417,450	4,645,751
Tiger Brands Limited	(452,716)	(101,465)

20.5. Loans to related parties

Innsco Africa Limited		
- Loan balances	-	-
- Call account balances	10,062	2,641,485

20.6. 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 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 2012 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011 and 2010: 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.

20.7. Directors Emoluments

	2012 US\$	2011 US\$
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	20,500	32,474
- otherwise in connection with management	916,589	262,500
	937,089	294,974

20.8. Other Key Management Remuneration

Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company	2,856,494	3,714,840
Pension Contributions	168,559	3,816

Key management include executive directors and divisional management.
This includes those individuals set out on page 4 of this annual report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 COMMITMENTS AND CONTINGENCIES

21.1 Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain motor vehicles. The leases have a life of 5 years. There are no restrictions placed upon the Group by entering into these leases. Future minimum rentals payable under non cancellable operating leases as at 30 June 2012 are as follows:

Within one year
 After one year but no more than 5 years
 More than five years

2012 US\$	2011 US\$
208,848	-
574,332	-
-	-
783,180	-

21.2 Capital expenditure commitments

Authorised and contracted for
 Authorised but not contracted for

2012 US\$	2011 US\$
275,000	723,217
8,673,000	1,858,416
8,948,000	2,581,633

The Capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.

21.3 Legal claim contingency

As at the end of June 2012 there were a number of pending labour cases, with claims of varying amounts, which were at various stages in the labour courts. The Group has been advised by its legal counsel that only a few of these cases have any possibility of succeeding. It is not clear whether there will be a liability arising out of these cases, neither is it possible to reliably estimate the amount of any potential liability. No provision for any liability has been made in these financial statements for these cases.

21.4 Guarantees

The Group has provided a guarantee to a bank for an overdraft facility of an unrelated raw material supplier to a maximum amount of \$10,000,000 (2011: Nil).

22 PENSION SCHEMES

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

22.1 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.

22.2 National Social Security Authority Scheme

This is a defined contribution 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 \$200 per month.

22.3 Pension costs recognised as an expense

Defined contribution fund
 National Social Security Authority Scheme

2012 US\$	2011 US\$
793,863	640,307
77,595	180,606
871,458	820,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 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 2012 and 30 June 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. The target ratio is a debt equity ratio that is no higher than 30%

	2012 US\$	2011 US\$
Interest bearing borrowings net of cash and cash equivalents	(8,278,773)	1,112,202
Total Equity	50,011,276	43,523,395
Gearing ratio	-	3%

23.2 Financial risk management

23.2.1 Treasury risk

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

23.2.2 Credit risk

"Financial assets of the Group which are subject to credit risk consist mainly of cash resources and trade and other receivables.

Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are of a high standing. The Group's maximum exposure to credit risk on cash resources as at 30 June 2012 and 2011 is the carrying amount as illustrated in note 19."

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

The Group's maximum exposure to credit risk on trade and other receivables as at 30 June 2012 and 2011 is the carrying amount as illustrated in note 14.

23.2.3 Interest risk

Group policy is to adopt a non-speculative approach to manage interest rate risk whilst maximising profit. All of the Group's borrowings are at fixed interest rates, and the Group has no exposure to interest rate fluctuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23.2.4. 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 11.2.2 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 2012				
Interest bearing borrowings	75,128	-	-	75,128
Trade and other payables	26,408,001	-	-	26,408,001
Bank overdrafts and acceptances	2,265,085	-	-	2,265,085
	28,748,214	-	-	28,748,214
Year ended 30 June 2011				
Interest bearing borrowings	3,000,000	2,000,000	-	5,000,000
Trade and other payables	22,194,291	-	-	22,194,291
Bank overdrafts and acceptances	2,032,856	-	-	2,032,856
	27,227,147	2,000,000	-	29,227,147

23.2.5. Foreign currency risk

Foreign currency risk is managed at an operational level by the relevant head of department and monitored by Group Treasury. Exposure to losses on foreign currency denominated 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:

	2012 US\$	2011 US\$
Assets		
South African Rand	182,492	475,957
Botswana Pula	13,876	17,689
Euro	-	1,418
Liabilities		
South African Rand	718,505	324,556
Botswana Pula	142,683	105,244

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 and equity 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 and equity in the opposite direction. The Group's exposure to foreign currency changes for all other currencies is not material.

	Profit or Loss 2012 US\$	2011 US\$
South African Rand	59,557	16,822
Botswana Pula	14,312	(9,728)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24 SEGMENTAL ANALYSIS

24.1 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 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.

Profit before tax is used to measure segment performance.

Segment revenues and results

Period ended 30 June 2012

	Milling, Manufacturing and Distribution US\$	Properties US\$	Intersegment adjustments	Group US\$
Segment revenue				
External customers	233,267,885	730,315	-	233,998,200
Inter-segment	-	1,442,677	(1,442,677)	-
Total revenue	233,267,885	2,172,992	(1,442,677)	233,998,200
Operating profit	10,756,115	296,417	-	11,052,532
Net interest expense	(531,060)	186,027	(345,033)	
Profit before tax (from continuing operations)	10,225,055	482,444	-	10,707,499
Segment assets	50,532,853	39,021,427	(1,037,272)	88,517,008
Segment liabilities	(33,342,097)	(6,200,907)	1,037,272	(38,505,732)
Net segment assets	17,190,756	32,820,520	-	50,011,276
Depreciation charge for the year	1,405,060	481,954	-	1,887,014
Capital expenditure	3,226,512	1,537,973	-	4,764,485
Number of employees	918	-	-	918

Period ended 30 June 2011

	Milling, Manufacturing and Distribution US\$	Properties US\$	Intersegment adjustments	Group US\$
Segment revenue				
External customers	200,607,392	562,184	-	201,169,576
Inter-segment	-	1,032,153	(1,032,153)	-
Total revenue	200,607,392	1,594,337	(1,032,153)	201,169,576
Operating profit	6,750,138	282,406	-	7,032,544
Share of profits of associates	822,845	-	-	822,845
Net interest expense	(714,329)	162,996	-	(551,333)
Profit before tax (from continuing operations)	6,858,654	445,402	-	7,304,056
Segment assets	44,925,895	37,060,123	-	81,986,018
Segment liabilities	(32,100,659)	(6,284,147)	-	(38,384,806)
Net segment assets	12,825,236	30,775,976	-	43,601,212
Depreciation charge for the year	1,116,069	478,547	-	1,594,616
Capital expenditure	1,708,176	509,005	-	2,217,181
Number of employees	924	-	-	924

24.2 Geographical Information

The Group's operations are entirely housed in Zimbabwe, hence no geographical information has been presented.

25 EVENTS AFTER THE REPORTING DATE

No material events have occurred after the reporting date that have had a material effect on the Group's assets, liabilities net income or cash flows reported in these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

At 30 June 2012

ASSETS

Non-current assets
Investments

Total assets

EQUITY AND LIABILITIES

Capital and reserves

Share capital
Non-distributable reserve

Total Equity

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A. INVESTMENTS

Subsidiaries equity at US\$ converted value

B. NON-DISTRIBUTABLE RESERVE

Arising on conversion of Zimbabwe dollar balances
Transferred to share capital
Closing balance

Notes	2012 US\$	2011 US\$
A	25,367,809	25,367,796
	25,367,809	25,367,796
14	684,001	683,988
B	24,683,808	24,683,808
	25,367,809	25,367,796
	25,367,809	25,367,796
	25,367,596	25,367,596
	(683,788)	(683,788)
	24,683,808	24,683,808

SHAREHOLDERS' ANALYSIS

At 30 June 2012

Shareholding

1	-	1000
1001	-	10000
10001	-	50000
50001	and	over

Shareholders

Banks and nominees
Deceased estates
External company
Insurance companies/societies
Employee
Pension funds
Resident individuals
Non-residents
Investment and trust companies
Other corporate holdings

No. of shareholders	%	Issued shares	%
526	58.3	192,676	0.3
289	32.0	875,658	1.3
51	5.6	1,129,419	1.6
37	4.1	66,202,355	96.8
903	100	68,400,108	100
48	5.32	1 195 477	1.75
7	0.78	8 577	0.01
2	0.22	25 620 062	37.46
12	1.33	416 959	0.61
3	0.33	1 397	-
50	5.54	2 568 681	3.76
565	62.57	1 633 602	2.39
74	8.19	1 818 202	2.66
140	15.50	35 130 287	51.35
2	0.22	6 864	0.01
903	100	68,400,108	100

At 30 June 2011

Shareholding

1	-	1000
1001	-	10000
10001	-	50000
50001	and	over

Shareholders

Banks and nominees
Deceased estates
External company
Insurance companies/societies
Employee
Pension funds
Resident individuals
Individual non-residents
Investment and trust companies
Other corporate holdings

No. of shareholders	%	Issued shares	%
559	55.7	204,405	0.3
336	33.5	1,037,713	1.5
66	6.6	1,518,754	2.2
43	4.2	65,637,936	96.0
1,004	100	68,398,808	100
75	7.48	2 868 133	4.19
7	0.70	8 577	0.01
2	0.20	17 596 695	25.73
21	2.09	543 710	0.79
3	0.30	6 736 478	9.85
43	4.28	1 846 275	2.70
603	60.06	1 777 778	2.60
68	6.78	102 311	0.15
31	3.09	534 294	0.78
151	15.02	36 384 557	53.20
1,004	100	68,398,808	100

Major shareholders

The top ten shareholders of the Company
at 30 June 2012

	2012		2011	
	No. of shares	%	No. of shares	%
Innscore Africa Limited	25,870,271	37.82	33,955,968	49.63
Tiger Foods Brands	25,618,474	37.45	17,596,695	25.73
National Foods Workers' Trust (Pvt) Ltd	6,734,978	9.85	6,734,978	9.85
Stanbic Nominees (Pvt) Ltd	1,677,129	2.46	662,309	0.97
National Social Security Authority	818,902	1.21	167,716	0.25
Amaval Investments	870,544	1.27	870,544	1.27
Communications and Allied Industry Pension Fund	503,194	0.74	503,194	0.74
TFS Nominees (Private) Limited	375,949	0.55	226,628	0.33
Brooke, Joseph Jeremy	313,078	0.46	364,834	0.53
Local Authorities Pension Fund	305,823	0.45	305,823	0.44

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the forty-third 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 12 November 2012 at 8.45 am, 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 2012.
2. To elect the following Directors, Messrs T.W. Brown and T. Moyo who retire by rotation in terms of the Articles of Association of the Company and, being eligible, offer themselves for re-election.
3. To approve the appointment of Mr N.P. Doyle who was appointed as a Director of the Company with effect from 22 August 2012, 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 2012.
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 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 proceeding 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.

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

15 October 2012

SHAREHOLDERS' DIARY

Financial Year End	30 June 2012
Forty-Third Annual General Meeting	12 November 2012
Interim Reports	
6 Months to December 2012	March 2013
12 Months to June 2013	September 2013
Final Dividend Declaration	September 2013
Payment of Final Dividend	October 2013
Annual Report Published	October 2013
Forty-Fourth Annual General Meeting	November 2013



*annual
report*

for the year ended 30 June

2012