



NATIONAL FOODS
HOLDINGS LIMITED

Annual Report For the year ended 30 June

2013



COMPANY VISION

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



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		2013	2012	2011	2010
Volumes	mt'000	489	404	352	300
Revenue	US\$'000	295,926	233,998	201,170	160,818
Profit from operating activities	US\$'000	18,439	11,053	7,032	1,429
Profit for the year	US\$'000	13,939	7,904	5,097	3,148
Profits attributable to equity holders of the parent	US\$'000	13,939	7,899	4,971	2,897
Basic earnings per share	USc's	20.38	11.55	7.27	4.24
Net asset value per share	USc's	89	73	64	57
Market value per share	USc's	245	112	95	90
Shares in issue at year end	000's	68,400	68,400	68,399	68,379

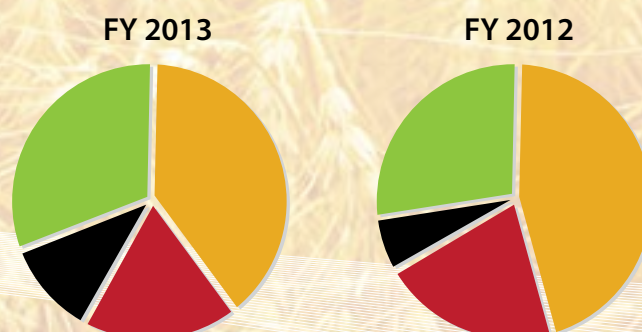
VALUE ADDED STATEMENT

For the year ended 30 June 2013

Value added is a measure of the wealth the Group has been able to create in its operations by adding value to the cost of raw materials, products and services purchased. The statement summarises the total wealth created and shows how it was shared by employees and other parties who contributed to the Group's operations. The calculation takes into account the amount retained and reinvested in the Group for the replacement of assets and further development of operations.

	2013 US\$000	2012 US\$000
Revenue	295,926	233,998
Other Income	4,265	512
Suppliers for materials and services	(259,451)	(203,774)
Total wealth created	40,740	30,736
Distributed as follows:		
Employees	16,275	14,224
Government	7,407	6,377
Income tax	3,254	2,793
PAYE	4,097	3,573
Other taxes	56	11
Providers of capital	4,310	1,757
Dividends paid to shareholders	3,120	1,407
Interest paid on borrowings	1,190	345
Paid out NCI on disposal of subsidiary	-	5
Reinvested in the Group to maintain and develop operations	12,748	8,378
Depreciation	1,929	1,887
Retained income	10,819	6,491
Total wealth distributed and reinvested in the Group	40,740	30,736

Graphical Summary



NATIONAL FOODS
HOLDINGS LIMITED





DIRECTORATE AND ADMINISTRATION

(as at 30 June 2013)

National Foods Holdings Limited

BOARD OF DIRECTORS

T. Moyo	<i>Chairman</i>
J.J. Brooke*	<i>Managing Director</i>
N. Brimacombe	
B.S. Dionisio	<i>Alternate Director</i>
N.P. Doyle	
J. Koumides	
L.T. Murimwa*	<i>Finance Director</i>
J.P. Schonken	

AUDIT COMMITTEE

J. Koumides	<i>Chairman</i>
N. Brimacombe	<i>Alternate Member</i>
N. P. Doyle	
T. Moyo	
J.P. Schonken	<i>Alternate Member</i>

REMUNERATION COMMITTEE

J. Koumides	<i>Chairman</i>
N. Brimacombe	
N.P. Doyle	<i>Alternate Member</i>

COMPANY SECRETARY

L.C. Blakeway

TRANSFER SECRETARIES

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

REGISTERED OFFICE

Gloria House
10 Stirling Road,
Workington
P.O. Box 269, Harare.

PRINCIPAL BANKERS

Barclays Bank Of Zimbabwe Limited
CBZ Limited

AUDITORS

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

LEGAL

Dube, Manikai & Hwacha

* Executive Directors

Principal Operating Company

The principal operating company of National Foods Holdings Limited is National Foods Limited, which is incorporated in and operates throughout Zimbabwe via a system of factories, depots and agencies.

National Foods Limited

DIRECTORS (as at 30 June 2013)

J.J. Brooke	<i>Managing Director</i>
L.T. Murimwa	<i>Finance Director</i>
M.J.R. Lashbrook	<i>Operations Director</i>
N. Brimacombe	
J. Koumides	

GROUP EXECUTIVE COMMITTEE

J.J. Brooke	<i>Managing Director</i>
L.T. Murimwa	<i>Finance Director</i>
M.J.R. Lashbrook	<i>Operations Director</i>
J. Gapu	<i>Sales, Marketing and Distribution Director</i>
L.C. Blakeway	<i>Group Legal Executive</i>
C. Spong	<i>Group IT Executive</i>
R. Usayi	<i>Group Human Resources Executive</i>

MANAGING EXECUTIVES

M. Chawanda	<i>Managing Executive - Flour Milling</i>
C. Nheta	<i>Managing Executive - Maize Milling</i>
D. Maregedze	<i>Managing Executive - FMCG</i>
L. Gunter	<i>Managing Consultant - Stockfeeds</i>
G. Nyakwende	<i>Managing Executive - Depots</i>

Gloria

TRUSTED SINCE 1920.

**BAKING
SO GOOD
NO ONE
CAN RESIST**



Introduction

The Company posted a good set of financial results for the year. This performance was assisted by increased capacity utilisation as its strategy to "fix, optimise and grow" gained traction in all core categories.

The underlying macro-economic trends in this Industry going forward are a cause for concern. Cereal production is at its lowest levels in the last 50 years which will force millers and stockfeed processors to import increasing quantities of raw material, and has the effect of exacerbating an already fragile current account deficit and thereby applying further pressure on a strained liquidity situation. The devaluation in the South African rand during the year has enabled the importation of finished goods as these products can now more easily compete with locally manufactured products. In addition to the ongoing improvements in manufacturing processes, the Zimbabwean food manufacturing industry requires a dramatic increase in domestic cereal production in order to compete fully with the finished imported products.

The wage increases of up to 9% during the year have been far in excess of inflation figures and are beginning to weigh heavily on the production costs of companies in this industry. There will be a need to expedite mechanisation in the industry to contain overhead costs to enable us to compete with imported finished goods.

Most consumers generally traded down the brand triangles in an effort to stretch ever reducing disposable incomes. Consequently most leading food brands reduced margins to maintain market share and shelf space. This affected overall margins especially in the second half of the year.

The Industry met regularly with policy makers resulting in positive changes taking place in various areas except that we still have to come up with a strategy for improving the local production of cereals which are critical inputs in the Industry.

Overview of financial performance

For the financial year to 30 June 2013, the Group delivered revenue growth of 26% to \$296 million on a volume increase of 21%. Total volumes sold of 489,000 tons represented capacity utilisation of 46%.

The Group's margins are heavily influenced by international commodity price movements, the length and cost of our raw material pipeline, as well as regional competitor activity. Accordingly, National Foods realised margins above expectation in the first half and below expectation in the second half as the world markets moved down and against positions taken. Overall gross profit achieved was 23% which is 0.6% down on previous year.

Non-recurring profits of \$3.4m were realised through property disposals of \$0.8m and once off raw material gains of \$2.6m. Overall profit before tax achieved of \$17.2m was therefore 61% higher than the previous year. Profit after tax increased by 76% to \$13.9m. Headline earnings of \$13.2m achieved was 70% higher than the previous year.

Net working capital increased by \$33.1m to \$46.7m to fund the increase in volumes produced along with more appropriate on-balance sheet funding structures. This change in funding structures had no material impact on earnings per share. Accordingly our net borrowings increased to \$16.5m resulting in a gearing ratio of 27% which is within plan.

In an effort to modernise the operating platform, the Group invested \$6.1m into capital projects and has plans to invest further in key operational areas in the coming year.

Operations Review

We operated eight of our eleven factories which provided us sufficient capacity to fulfill actual demand. Backup generator power was installed at the Bulawayo and Harare flour mills and also at the rice plant in Mutare. Despatch services, weighbridges, and the Information Technology system are now supported with standby power.

At Stockfeeds, we commenced an upgrade of the extruders and pelleters to improve quality and fulfill increased demand for poultry feed. The laboratories at all sites have been upgraded to enable us to quality-test every batch produced. Considerable investment was made into grain intake, bulk storage, weighbridges and security systems to capacitate the business for growth along with improved efficiencies.

Seven new distribution depots were opened in Ruwa, Birchenough Bridge, Aspindale, Guruve, Lupane, Checheche and Hauna bringing the network of distribution depots to 34, further enhancing the service to our customer channels. The depot network also supplies inputs to farmers and purchases raw materials for cash.

The support services of Human Resources, Information Technology (IT), Risk, Procurement, Credit Control and Legal were all significantly enhanced to meet the needs of the business at its current size and provide capability for growth.

Our four main brands namely Red Seal, Gloria, Mahatma and NF Stockfeeds retained category leader status as well as being awarded 1st, 2nd and 3rd in the Basic Foods category at the annual Zimbabwean Superbrands Awards. Valuable consumer insights were gained during the year which enabled us to produce a number of brand variants, new products and a more compelling consumer proposition for launch during 2013.

In order to ensure sustainability, the Group entered into several arrangements with various service providers for the provision of rail transportation, port handling facilities, bulk storage, grain origination, delivery services and technical support.



"Whatever the mind can conceive and believe, it can achieve."

~ Napoleon Hill



MILLING, MANUFACTURING AND DISTRIBUTION

Flour Milling

This division sold 44% more flour in the year under review compared to the prior year due mainly to the introduction of tariffs on imported flour. Users were largely protected from a price increase as we elected to trade gross margin reduction for increased volumes and a resultant higher capacity utilisation at the mill. This in turn necessitated increased expenditure to repair the mills, but also capital expenditure to ensure quality continuity.

We succeeded in meeting the increased demand at the requisite quality and maintained a nationwide single price.

Given that 90% of our wheat is imported from distant locations such as Russia, Australia, Argentina and Ukraine, our wheat pipeline is five months ahead of demand. World price movements allowed us to generate strong gross margins in the first half of the year however, the reciprocal occurred in the latter six months.

The year long evaluation of a greenfield new mill site versus replacing the mills on our existing sites has been completed. We have elected to significantly upgrade our existing mills in Bulawayo and Harare, starting immediately.

The important contribution to Group profit by this division coupled with strong market share through off-take arrangements with our major customers provide the justification needed for a major investment into the mills.

Maize Milling

A noteworthy development during the year was the emergence of the Grain Marketing Board (GMB) as a material competitor at the lower end of this category. Consequently there was no change in volumes sold, year on year, although net sales revenue grew 14% driven by an increased average realisation per ton sold to \$482.

Profitability was down 13% on the prior year due to subdued volumes and increased competition - nevertheless our Pearlenta brand continued to gain market share in the refined maize meal category which is our primary strategic intent. Automated packing machines and investment into the aspiration systems helped maintain an excellent quality product.

The local maize harvest appears to be considerably smaller than projected, however the Group is well positioned with a large stock-holding pipeline to ensure maize meal availability until the end of 2013.

This business remains a significant contributor to Group profits.



“Action is the universal language of success.”

~ Steve Maraboli



No 1 RED SEAL. A PART

LIUGONG

DUBAI
SPECIALS
CELL



CHAIRMAN'S STATEMENT

~continued

Stockfeeds

The Stockfeeds business posted good volume growth of 38% on prior year to 167,000mt driven mainly by improved sales of beef and poultry feeds. Interventions in raw material quality and feed formulations, along with investment in the laboratories, saw an overall uplift in quality of product which was well received by our customers and supported by extensive trials which scored well against regional feed conversion ratios.

Whilst all-in manufacturing costs per ton were 3% up over the prior year, numerous opportunities exist to re-engineer our processes and systems for better efficiency and a lower feed cost to the protein industry.

High soya and maize prices put substantial pressure on protein producers' ability to compete with imported chicken from countries that grow their own raw materials.

Our stockfeeds plants in both Bulawayo and Harare are being upgraded to accommodate higher production levels producing the consistently outstanding feed that our market demands. Additionally we see potential in toll manufacturing feed for the region given our geographical location.

The inextricable link between local agricultural production, local millers, local stockfeed manufacturers and local protein producers needs to be protected at all costs. Long term, sustainable policy changes are urgently needed to support these critical components of the economy, and indeed the country.

The business' profit grew by 55% over the prior year driven almost exclusively by improved capacity utilisation from volume growth.



"Success is...
knowing your purpose in
life, growing to reach your
maximum potential, and
sowing seeds that
benefit others."

~ John C. Maxwell



“Success is a journey, not a destination.”

~ Ben Sweetland



FMCG

Volumes of rice, salt, small grains, pasta, spreads and baked beans sold were 13% higher than the prior year but at the expense of margin which dropped to 21% from 22.5% in an increasingly competitive market. The business contributed marginally to Group profitability with little year on year change which is disappointing given the strength and diversity of the brands in this portfolio. Of significance though, is the \$3.2m contribution to Group overhead.

The market remains largely price driven with little, or no brand premium available. Consequently, we are compelled to re-engineer the processes and systems to become the lowest cost and most efficient producer in each and every category in which we compete. Numerous initiatives have commenced with positive results in the pasta, salt and rice categories. In particular our long-term rice strategy, underpinned by the new downpacking plant in Mutare, will offer products and variants across the category at all price points. By the financial year-end we were experiencing positive market share gains in rice.

Interventions into procurement, logistics and product handling should impact positively on this business in the near term.

Properties

During the year under review eight properties were sold as we continue to dispose of non-core or ageing assets in order to apply the balance sheet value more appropriately. At 30 June 2013 the net lettable area of properties we own had reduced from June 2012 by 11% to 150,000m², of which 57% was occupied by National Foods, whilst 10% was leased to third parties and 33% was vacant. There was increased focus during the year on repairing and maintaining the core National Foods properties.

Support Services

In order to both de-risk and capacitate the Group for growth, significant upskilling took place in all the support services.

The Information Technology (IT) outsource was terminated and brought in-house under a newly recruited Group IT Executive with a mandate to deliver a far-reaching and innovative single IT strategy across the enterprise. Similarly an in-house Group Legal executive was recruited to contain rising fraud and mitigate risk in general. The Credit Control and Procurement Committees have full time executive representation to execute these two essential functions more effectively and efficiently.

Corporate Social Responsibility

There are twenty five identified charities and vulnerable institutions across the country to whom we provide regular and on-going support, primarily through the provision of food.

Our three on-site clinics continue to provide free medical services to our full time and contract employees as well as voluntary HIV/AIDS testing plus free ARV treatment.

Future Prospects

The group posted a good financial performance for the year, albeit partly assisted by some non-recurring items. The five year underlying profit before tax compounded annual growth rate stands at 29% bearing testimony to the good strategies adopted over the years. In particular our brands have grown market share which in turn drives volumes and capacity utilisation at the factories enabling better efficiencies off a predominantly fixed cost operating platform.

The current environment is showing signs of a slow down on the back of a liquidity crisis and insufficient local agricultural production. Moreover, further devaluation of the South African rand could negatively impact on Zimbabwe's food manufacturing sector.

Management will continue to develop all aspects of the business to bolster our ability to compete and offer a compelling brand proposition. The increase in volumes sold in the year necessitates further upgrades into the plant and equipment and investment into our people. To this end, we will spend about \$7m on capital expenditure in the forthcoming financial year.

By its very nature, the Group has a large fixed overhead with associated risks in the event of a downturn in volumes sold. Conversely the Group is well positioned for growth into new categories and through the existing facilities that have significant available capacity. Organic growth will be driven by the economic policies adopted by the new Government in September so this remains a largely unknown quantity.

The Group is reviewing the business cases for entry into two new categories that can be easily "clipped on" to the existing manufacturing and distribution footprint. We are confident at least one new product will be in the market in the forthcoming financial year.

Consumers justifiably continue to demand more. The Group will work to gain meaningful insights into consumer needs to drive the innovation in product and brand to meet the needs of the consumer. Particular focus is on pack size and price point to mitigate the absence of coins as change.

National Foods is committed to the training and development of our people as we build capabilities for future prospects. We remain grateful to our partners for assisting with technical training and support in key areas particularly through short term exchange programs which connect and expose our people to world-class best practices.

The continuation of growth at the recent levels will be largely dependent on a revival of the local agricultural sector and the macro-economic policies to be adopted.

Dividend

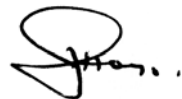
The Board has declared a final dividend of 3.0c per share (bringing the total dividend for the year to 6.0c per share) payable on or about 4th October 2013 to shareholders registered in the books of the Company by noon on 20th September 2013. The transfer books and register of members will be closed on 21st and 22nd September 2013.

Acknowledgement and Appreciation

I wish to thank my fellow Board members for the roles they have played in the sub-committees and on the Board itself. I am very much pleased with the improved profitability of the Group, as well as strategies adopted to build sustainability.

I thank the management and staff for their contribution to this set of results in the full realisation that they were achieved in a period of diminishing liquidity.

The Group has sufficient capacity and capability for growth in both existing and new categories which I am confident will be achieved in the next year to the satisfaction of most stakeholders.



Todd Moyo
Chairman
20 August 2013

Perfect EVERYDAY,
Just like MUM!





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 interests 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 2013 the committee comprised J. Koumides (Chairman), T. Moyo, N.P Doyle, N. Brimacombe and J.P Schonken. 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.



Gloria®

ESTABLISHED SINCE 1920.



NATIONAL FOODS
HOLDINGS LIMITED





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 has established a risk management committee which is responsible for overseeing and reporting on the overall group risk. This provides an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This committee reports to the Board on all areas of risk that have been identified in the Group.

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 J. Koumides (Chairman), N. Brimacombe and N.P. Doyle.

Remuneration policy

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

- Remuneration arrangements will be designed to support National Foods Holdings' 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, benefits and a short term incentive scheme.

Management Reporting

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

Strategic Planning Process

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



"The backbone of success is...
hard work, determination,
good planning and perseverance."

~ Mia Hamm

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. An ethics and standard of business principles policy is in place to ensure good governance. 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2013 US\$000	Year ended 30 June 2012 US\$000	Year ended 30 June 2011 US\$000	Year ended 30 June 2010 US\$000
Revenue	295,926	233,998	201,170	160,818
Profit from operating activities	18,439	11,053	7,032	1,429
Net financing costs	(1,190)	(345)	(551)	(1,198)
-finance expense	(1,479)	(1,158)	(1,300)	(1,497)
-finance income	289	813	749	299
Fair value adjustments	-	-	-	10
Share of associate's profit	-	-	823	628
Profit before tax	17,249	10,708	7,304	869
Taxation	(3,310)	(2,804)	(2,207)	2,279
Profit for the year	13,939	7,904	5,097	3,148
Discontinued operations	-	-	(73)	(251)
Profit for the year	13,939	7,904	5,024	2,897
Total comprehensive income for the year	13,937	7,900	5,022	2,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2013 US\$000	As at 30 June 2012 US\$000	As at 30 June 2011 US\$000	As at 30 June 2010 US\$000
Assets				
Property, plant and equipment	37,925	35,851	33,266	34,288
Investments in associate companies	-	-	813	628
Other non-current financial assets	120	277	64	-
Other current assets	71,993	41,770	41,174	36,264
Cash & cash equivalents	4,106	10,619	5,921	7,458
Assets classified as held for sale	-	-	748	-
Total assets	114,144	88,517	81,986	78,638
Equity and Liabilities				
Equity	60,828	50,011	43,601	39,032
Deferred tax	7,450	8,074	8,190	7,361
Bank overdraft and acceptances	-	2,265	2,033	373
Other current liabilities	45,866	28,167	28,162	31,872
Total equity and liabilities	114,144	88,517	81,986	78,638

CONSOLIDATED STATEMENT OF CASHFLOWS

	Year ended 30 June 2013 US\$000	Year ended 30 June 2012 US\$000	Year ended 30 June 2011 US\$000	Year ended 30 June 2010 US\$000
Net cash (outflows)/inflows from operating activities	(18,408)	12,911	4,109	(6,110)
Investing activities				
-purchase of property plant and equipment	(6,086)	(4,764)	(2,217)	(1,959)
-other investing activities	2,875	2,011	1,245	4,611
Net cash (outflows)/inflows from investing activities	(3,211)	(2,753)	(972)	2,652
Net cash (outflow)/inflow before financing activities	(21,619)	10,158	3,137	(3,458)
Financing activities	17,371	(5,692)	(6,333)	8,259
Net (decrease)/increase in cash and cash equivalents	(4,248)	4,466	(3,196)	4,801

		Year ended 30 June 2013	Year ended 30 June 2012	Year ended 30 June 2011	Year Ended 30 June 2010
Profitability					
Operating margin	%	6%	5%	3%	1%
Return on total assets	%	18%	13%	9%	2%
Return on equity	%	28%	18%	13%	8%
Effective tax rate	%	19%	26%	30%	(262%)
Growth					
Increase in revenue	%	26%	16%	25%	103%
Increase/(Decrease) in operating profit	%	67%	57%	392%	(81%)
Productivity					
Asset turnover	times	3	3	3	2
Solvency and liquidity					
Current ratio	times	1.66	1.72	1.56	1.36
Interest cover	times	15.50	32.03	12.76	1.19
Net debt to shareholders' funds	%	27%	0%	3%	11%
Total liabilities to shareholders' funds	%	88%	77%	88%	101%
Employee statistics					
Number of employees	ave	966	918	924	1,601
Revenue per employee	US\$	366,245	254,900	217,716	100,449
Operating profit per employee	US\$	22,820	12,040	7,611	893
Share performance					
Number of shares issued	000's	68,400	68,400	68,399	68,379
Weighted average shares in issue	000's	68,400	68,399	68,399	68,379
Basic earnings per share	US cents	20.38	11.55	7.27	4.24
Diluted earnings per share	US cents	20.38	11.55	7.27	4.24
Dividend per share	US cents	6.00	2.75	0.7	-
Dividend cover	times	3.40	4.19	4.74	-
Dividend yield	%	2%	2%	1%	-
Price earnings ratio	times	12.02	9.70	13.07	21.23
Net asset value per share	US cents	88.93	73.12	63.75	57.08
Market capitalisation	\$'000	167,580	76,608	64,979	61,541
Market price per share					
High	US cents	270	125	101	135
Low	US cents	140	80	81	85
Price-year end	US cents	245	112	95	90

The following definitions relate to terms used in this report:

- Asset turnover - Revenue divided by net assets at the end of the financial period.
- Average - Opening balance plus closing balance divided by two.
- Current ratio - Ratio of current assets to current liabilities.
- Dividend cover - Earnings per share divided by 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.
- 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) after tax 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.

The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2013.

GROUP FINANCIAL RESULTS

	2013 US\$	2012 US\$	2011 US\$	2010 US\$
Profit before tax	17,249,091	10,707,499	7,304,056	869,142
Tax	(3,309,971)	(2,803,839)	(2,207,267)	2,278,801
Profit after tax	13,939,120	7,903,660	5,096,789	3,147,943
Total comprehensive income for the year	13,936,690	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. No new shares were issued during the year (2012:1 300) and the number of shares in issue was 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% shareholding 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 Milling and Commercial Industries and grades 1-16 of the Textile Industry, being the National Employment Councils for which the wide categories of employees fall.

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

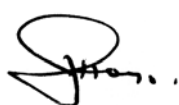
The Board has declared a final dividend of (US\$) 3,0 cents per share payable on or about 4 October 2013 to shareholders registered in the books of the company by noon 20 September 2013. The transfer books and register of members will be closed on 21st and 22nd September 2013. Together with the interim dividend of (US\$) 3,0 cents per share, this final dividend brings the total dividend for the year to (\$US) 6,0 cents per share.

DIRECTORATE

Messrs J.J. Brooke and N. Brimacombe who retire by rotation in terms of the Articles of Association of the Company, and being eligible, offer themselves for re-election. At a board meeting held on 19 February 2013, Mr J. Koumides 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 T.W. Brown resigned from the board on 19 February 2013.

AUDITORS

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



T. Moyo
Chairman



J.J. Brooke
Managing Director

HARARE
30 September 2013

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 2013, which appear on pages 25 to 50 have been approved by the Board of Directors and are signed on its behalf by:



T. Moyo
Chairman



J.J. Brooke
Managing Director

HARARE
30 September 2013

**Ernst & Young**

Chartered Accountants (Zimbabwe)
Registered Public Auditors
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Harare
Zimbabwe

Tel: +263 4 750905 - 14 or 750979 - 83
Fax: +263 4 750707 or 773842
Email: admin@zw.ey.com
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To The Members of National Foods Holdings Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Foods Holdings Limited as set out on pages 25 to 50, which comprise the Group Statement of Financial Position at 30 June 2013, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity and the Group 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 information.

Directors' responsibility for the financial statements

The Company's Directors are responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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.

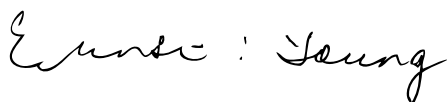
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of National Foods Holdings Limited as at 30 June 2013, 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 (SI 33/99 and SI62/96).



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

2 October 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Notes	2013 US\$	2012 US\$
Revenue	5	295,925,743	233,998,200
Cost of sales		(228,009,907)	(178,712,537)
Gross profit		67,915,836	55,285,663
Other income	6.1	4,265,044	511,687
Selling and distribution expenses		(11,629,102)	(9,495,932)
Employee benefits expenses	6.2	(20,371,670)	(17,796,534)
Administrative expenses	6.2	(19,812,279)	(15,565,338)
Depreciation	6.3	(1,928,962)	(1,887,014)
Profit from operating activities	6	18,438,867	11,052,532
Finance income	6.4	289,452	813,412
Finance costs	6.4	(1,479,228)	(1,158,445)
Profit before tax		17,249,091	10,707,499
Income tax expense	7.1	(3,309,971)	(2,803,839)
Profit for the year		13,939,120	7,903,660
Other comprehensive income			
to be recycled to profit and loss at a future point in time			
Exchange differences on translation of foreign operations - net of tax		(2,430)	(3,559)
Total comprehensive income for the year		13,936,690	7,900,101
Profit for the year attributable to:			
Equity holders of the parent		13,939,120	7,898,543
Non-controlling interests		-	5,117
		13,939,120	7,903,660
Total comprehensive income for the year attributable to:			
Equity holders of the parent		13,936,690	7,894,984
Non-controlling interests		-	5,117
		13,936,690	7,900,101
Earnings per share			
Basic and diluted	8	20.38 cents	11.55 cents
Headline	8	19.27 cents	11.32 cents

as at 30 June 2013

ASSETS

Non-current assets

Property, plant and equipment
 Investment in associate
 Other financial assets
 Finance lease receivables

Current assets

Finance lease receivables
 Other financial assets
 Inventories
 Trade and other receivables
 Cash & cash equivalents

Total assets

EQUITY AND LIABILITIES

Equity

Issued capital
 Non-distributable reserves
 Distributable reserves

Total equity

Non-current liabilities

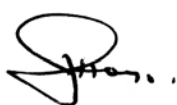
Deferred tax liability

Current liabilities

Trade and other payables
 Bank overdrafts and acceptances
 Interest bearing borrowings
 Provisions
 Income tax payable

Total equity and liabilities

Notes	2013 US\$	2012 US\$
9	37,925,146	35,851,195
10	-	-
11.1	119,845	-
12	-	277,093
	38,044,991	36,128,288
12	388,133	286,636
11.1	470,329	396,163
13	46,923,613	23,069,768
14	24,211,255	18,017,180
19.4	4,106,296	10,618,986
	76,099,626	52,388,733
	114,144,617	88,517,021
15.1	684,001	684,001
15.2	24,676,429	24,678,859
15.3	35,467,199	24,648,429
	60,827,629	50,011,289
7.4	7,449,678	8,073,580
	7,449,678	8,073,580
17	23,956,721	26,408,001
19.4	-	2,265,085
11.2	20,566,233	75,128
18	726,069	713,201
7.3	618,287	970,737
	45,867,310	30,432,152
	114,144,617	88,517,021



T. Moyo
 Chairman



J.J. Brooke
 Managing Director

HARARE
30 September 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2013

Notes	Attributable to Equity Holders of the parent					
	Issued Share 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 2011	683,988	24,682,418	18,156,989	43,523,395	77,817	43,601,212
Profit for the year	-	-	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
Profit for the year	-	-	13,939,120	13,939,120	-	13,939,120
Other comprehensive income	-	(2,430)	-	(2,430)	-	(2,430)
Total comprehensive income	-	(2,430)	13,939,120	13,936,690	-	13,936,690
Dividends paid	-	-	(3,120,350)	(3,120,350)	-	(3,120,350)
Balance at 30 June 2013	684,001	24,676,429	35,467,199	60,827,629	-	60,827,629

for the year ended 30 June 2013

	Notes	2013 US\$	2012 US\$
OPERATING ACTIVITIES			
Cash generated from operations	19.1	21,369,803	15,140,568
Working capital changes	19.2	(34,301,761)	200,731
Operating cash flow		(12,931,958)	15,341,299
Interest received		289,452	813,412
Interest paid		(1,479,228)	(1,158,445)
Income tax paid	19.3	(4,286,323)	(2,084,872)
Net cash flows from operating activities		(18,408,057)	12,911,394
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to expand operations		(3,778,715)	(2,796,071)
Purchase of property, plant and equipment to maintain operations		(2,306,883)	(1,968,414)
Purchase of financial instruments and other investments		(478,227)	(895,265)
Proceeds on disposal of property, plant and equipment		2,893,710	393,975
Proceeds on disposal of assets held for sale		-	748,045
Proceeds on disposal of financial instruments		459,810	1,068,655
Proceeds on disposal of associate		-	3,000
Dividends received from associate		-	809,585
Net cash flow on disposal of subsidiary	4	-	(117,170)
Net cash flows from investing activities		(3,210,305)	(2,753,660)
FINANCING ACTIVITIES			
Proceeds from issue of shares		-	13
Proceeds from borrowings		20,491,107	5,000,000
Repayment of borrowings		-	(9,284,541)
Dividends paid		(3,120,350)	(1,407,103)
Net cash flows from financing activities		17,370,757	(5,691,631)
(Decrease)/increase in cash and cash equivalents		(4,247,605)	4,466,103
Cash and cash equivalents at beginning of the year		8,353,901	3,887,798
Cash and cash equivalents at the end of the year	19.4	4,106,296	8,353,901

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 2013 were authorised for issue in accordance with a resolution of the Directors on 30 September 2013.

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, if any, 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 2013. 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 New and revised standards with no material effect on current year reporting

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:

IAS 1 Financial Statement Presentation-Presentation of Items of Other Comprehensive Income

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of underlying assets

The adoption of the standards or interpretation is described below:

IAS 1 Financial Statement Presentation (Amendment)

The amendment became effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 changed 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.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment became effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduced 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 introduced 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.

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 19 (Revised) - Employee Benefits.
- IAS 28 (Revised) - Investments in associates and joint ventures
- IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- IAS 36 - Impairment of Assets (Amendment) - Disclosure requirements for the recoverable amount of impaired assets
- IFRS 7 - Disclosures - offsetting financial assets and financial liabilities
- IFRS 9 - Financial Instruments: Classification and Measurement
- IFRS 10 - Consolidated financial statements.
- IFRS 11 - Joint arrangements.
- IFRS 12 - Disclosure of interests in other entities.
- IFRS 13 - Fair value measurement.
- IFRIC 21 - Levies

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.
- The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

The Group is currently assessing the full impact of the remaining amendments (termination benefits and definitions of short-term and long-term employee benefits).

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revisions are not expected to have an impact on the Group's performance or financial position. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets (Amendment) - Disclosure requirements for the recoverable amount of impaired assets

The amendments clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. These improvements are effective for annual periods beginning on or after 1 January 2014 and have no impact on the financial statements of the Group.

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

These amendments require an entity to disclose information about rights to 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. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments - Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's 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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The group is currently assessing the full impact of the remaining amendments.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint arrangements.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of interests in other entities.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair value measurement.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. This standard becomes effective for annual periods beginning on or after 1 January 2014 and has no impact on the financial statements of the Group.

Annual Improvements

These improvements will not have an impact on the Group, but include:

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are 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.

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.

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.

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 asset 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.

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	5b- 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.

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 other financial instruments.

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

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

2.5.14.1 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. 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.

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.

2.5.15.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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\$37 925 146 (June 2012: US\$35 851 195).

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 2013 was US\$ 1 932 694 (June 2012: US\$ 2 597 465).

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.

	2013 US\$	2012 US\$
4.1 Consideration received		
Deferred sales proceeds	-	90,774
4.2 Analysis of assets and liabilities over which control was lost		
<u>Non current assets</u>		
Property, plant and equipment	-	62,719
<u>Current assets</u>		
Inventories	-	312,541
Trade and other receivables	-	820,267
Cash and cash equivalents	-	117,170
<u>Non current liabilities</u>		
Deferred tax	-	(5,615)
<u>Current liabilities</u>		
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)

		2013 US\$	2012 US\$
5 REVENUE			
The following is an analysis of the Group's revenue for the year			
Revenue from the sale of goods		295,441,813	233,267,885
Revenue from rental income		483,930	730,315
		295,925,743	233,998,200
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		813,455	167,538
Commissions and rebates		668,551	244,319
Lease of assets, toll, handling and other services rendered		-	65,774
Sale of scrap		155,390	34,056
Insurance and bad debt recoveries		2,627,648	-
		4,265,044	511,687
6.2 After charging the following			
Employee benefits expenses			
Salaries and wages		9,122,649	8,711,413
Post employment benefits: Defined contribution plans		851,349	871,458
Retrenchment gratuities		147,456	544,406
Administrative expenses			
Audit fees and expenses		227,797	182,446
Foreign exchange gains		(420,562)	(200,232)
Provision for impairment on receivables		(294,021)	1,152,923
6.3 Depreciation			
- buildings		502,198	481,950
- plant, machinery and equipment		1,230,592	962,203
- motor vehicles		196,172	442,861
		1,928,962	1,887,014
6.4 Net finance costs			
Interest received		289,452	813,412
Interest received from short term investments		289,452	463,412
Interest received from trade and other receivables		-	350,000
Interest paid on bank overdrafts and other short term borrowings		(1,479,228)	(1,158,445)
		(1,189,776)	(345,033)

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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 2013					
Cost					
At the beginning of the year	26,246,032	12,759,779	2,167,186	1,710,475	42,883,472
Additions	1,133,833	4,279,470	105,799	566,496	6,085,598
Disposals	(2,134,119)	(666,592)	(347,344)	-	(3,148,055)
Exchange differences	(2,430)	-	-	-	(2,430)
Transfers	1,596,506	111,539	-	(1,708,045)	-
At end of the year	26,839,822	16,484,196	1,925,641	568,926	45,818,585
Depreciation					
At beginning of year	2,380,083	3,079,783	1,572,411	-	7,032,277
Charge for the year	502,198	1,230,592	196,172	-	1,928,962
Disposals	(148,712)	(634,507)	(284,581)	-	(1,067,800)
At end of the year	2,733,569	3,675,868	1,484,002	-	7,893,439
Carrying amount	24,106,253	12,808,328	441,639	568,926	37,925,146
At 30 June 2012					
Cost					
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

9.1 No land and buildings have been pledged to secure borrowings of the Group in the current year (2012: US\$5,216,839).

10 INVESTMENTS IN ASSOCIATES

In the prior year, 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:

	2013 US\$	2012 US\$
Balance at the beginning of the year	-	812,585
Share of associate's profits	-	-
Dividends received from associate	-	(809,585)
Proceeds on disposal of associate	-	(3,000)
Balance at the end of the year	-	-

11 OTHER FINANCIAL ASSETS AND LIABILITIES

	Rate of interest	Year Due	2013 US\$	2012 US\$
11.1 Other financial assets at amortised costs				
Other non-current financial assets	5.0%	2018	119,845	-
Loans receivable - current portion	12.0%	2013	470,329	396,163
Total other financial assets			590,174	396,163
11.2 Other financial liabilities				
	Rate of interest	Year Repayable	2013 US\$	2012 US\$
11.2.1 Short term financing				
Secured				
Bank loans	8.4%	2013	9,127,708	-
Unsecured				
Banks	7.7%	2013	10,946,197	-
Other financial institutions	10.0%	On demand	492,328	75,128
Total interest bearing borrowings			20,566,233	75,128
Bank overdrafts and acceptances	9.8%	On demand	-	2,265,085
Total other financial liabilities			20,566,233	2,340,213
11.2.2 Banking facilities				
Total facilities available to the Group			62,000,000	21,575,128
Facilities utilised at year end			(20,566,233)	(2,340,213)
Unutilised borrowing capacity			41,433,767	19,234,915

Short term borrowings form part of the borrowings of the Group and are renewed on maturity in terms of on-going 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. Secured facilities are secured by a cession of receivables and inventory worth US\$9,127,708. 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.

		2013 US\$	2012 US\$
12	FINANCE LEASE RECEIVABLES		
	Current finance lease receivable	388,133	286,636
	Non-current finance lease receivable	-	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 2013 are as follows:

12.2 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Not later than one year	388,133	295,586	388,133	277,093
Later than one year and not later than five years	-	322,834	-	286,636
	388,133	618,420	388,133	563,729
Less unearned finance income	-	(54,691)	n/a	n/a
Present value of minimum lease payments receivable	388,133	563,729	388,133	563,729
Allowance for uncollectable lease payments	-	-	-	-
	388,133	563,729	388,133	563,729

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at US\$ 29,710 (2012: US\$ 29,710).

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% (2012: 12%) per annum.

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

13 INVENTORIES

Raw materials
 Finished goods
 Consumable stores

	2013 US\$	2012 US\$
Raw materials	31,684,428	9,464,527
Finished goods	13,067,609	11,631,160
Consumable stores	2,171,576	1,974,081
	46,923,613	23,069,768

The amount of inventory recognised as an expense is US\$226,648,652 (2012: US\$177,789,786)

The amount of inventory write down recognised as an expense is US\$1,361,255 (2012: US\$922,701)

Inventory has been pledged to secure borrowings of the Group. Refer to note 11.2.2.

14 TRADE AND OTHER RECEIVABLES

Trade receivables
Allowance for credit losses
Net trade receivables
Prepayments
Other receivables

2013 US\$	2012 US\$
18,265,734	18,346,006
(1,932,694)	(2,597,465)
16,333,040	15,748,541
2,638,867	675,414
5,239,348	1,593,225
24,211,255	18,017,180

Trade receivables have been pledged to secure borrowings of the Group. refer to 11.2.2.

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. 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 on going basis. Of the trade receivables balance at the end of the year US\$ 11,291,608 (2012: US\$ 11,833,896) is due from the Group's top ten customers, representing 62% of the total balance of trade receivables.

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

2013 US\$	2012 US\$
849,558	725,493
793,639	385,290
37,140	560,337
1,680,337	1,671,120

Average age (days)

61	89
----	----

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

(2,597,465)	(1,795,150)
(320,974)	(1,152,923)
985,745	350,608
(1,932,694)	(2,597,465)

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

-	-
-	-
1,932,694	2,597,465
1,932,694	2,597,465

Average age (days)

182	151
-----	-----

15 ISSUED CAPITAL AND RESERVES
15.1 Issued capital
Authorised

73 000 000 shares of US 0.01 cents each

Issued and fully paid
At 30 June 2012

68 400 108 shares (2012: 68 398 808) of US0.01 cents each

Share options exercised

Shares issued

At 30 June 2013

68 400 108 shares of US0.01 cents each

Unissued shares

4 599 892 (2012: 4 599 892) shares of US0.01 cents each

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

Directors' shareholdings

At 30 June 2013, 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.

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 with a different functional currency.

15.3 Distributable reserves

Opening balance

Retained for the year

Dividend paid (Note:16)

Closing balance

Retained in:

Holding company

Subsidiary companies

Associate companies

16 DIVIDEND

Paid during the year:

Final dividend for 2012 :US 1.55 cents per share (2011: US 0.85 cents per share)

Interim dividend for 2013: US 3.0 cents per share (2012: US 1.2 cents per share)

Transfer fee

Total dividends declared and paid

Proposed and approved (not recognised as a liability at 30 June 2013)

Final dividend for 2013: US 3.0 cents per share (2012: US 1.55 cents per share)

17 TRADE AND OTHER PAYABLES

Trade payables

Other payables

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.

	2013 US\$	2012 US\$
	730,000	730,000
	684,001	683,988
	-	-
	-	13
	684,001	684,001
	45,999	45,999

	Number of shares	Number of shares
	287,997	313,078
	156,250	156,250
	2013 US\$	2012 US\$
	24,683,808	24,683,808
	(7,379)	(4,949)
	24,676,429	24,678,859

	2013 US\$	2012 US\$
	24,648,429	18,156,989
	13,939,120	7,898,543
	(3,120,350)	(1,407,103)
	35,467,199	24,648,429
	-	-
	35,467,199	24,648,429
	-	-
	35,467,199	24,648,429
	1,060,182	581,390
	2,052,003	825,713
	8,165	-
	3,120,350	1,407,103
	2,052,003	1,060,182
	17,608,362	21,600,601
	6,348,359	4,807,400
	23,956,721	26,408,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 PROVISIONS

Leave pay provision

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

2013 US\$	2012 US\$
713,201	805,928
132,132	292,936
(119,264)	(385,663)
726,069	713,201

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	
Finance income	
Finance costs	
Depreciation	
Inventory write down	
Provision for bad debts expense	
Unrealised exchange losses	
Provision for leave pay	
Profit on disposal of property, plant and equipment	

2013 US\$	2012 US\$
17,249,091	10,707,499
(289,452)	(813,412)
1,479,228	1,158,445
1,928,962	1,887,014
1,361,255	922,701
320,974	1,152,923
1,068	-
132,132	292,936
(813,455)	(167,538)
21,369,803	15,140,568

19.2 Working capital changes

Increase in inventories	
(Increase) in accounts receivable	
(Decrease) / Increase in accounts payable	

(25,215,100)	(3,730,561)
(6,515,049)	(459,010)
(2,571,612)	4,390,302
(34,301,761)	200,731

19.3 Income tax paid

Charge to profit or loss	
Movement in tax liability	
Movement in deferred tax liability	
Tax liability disposed of on disposal of subsidiary	

(3,309,971)	(2,803,839)
(352,450)	809,204
(623,902)	(116,618)
-	26,381
(4,286,323)	(2,084,872)

19.4 Cash and cash equivalents at end of year

Cash & cash equivalents	
Bank overdraft and acceptances	

4,106,296	10,618,986
-	(2,265,085)
4,106,296	8,353,901

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 deposit rates.

20 RELATED PARTY TRANSACTIONS
20.1 The ultimate parent

The Group does not have an ultimate holding company. However, as disclosed on Page 52, the major shareholders of NFHL are Innscor Africa Limited (37.82%) and Tiger Brands Limited of South Africa (37.45%).

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

Name	Country of incorporation	2013 Equity interest	2012 Equity interest
Subsidiaries			
National Foods Limited			
(Formerly National Foods Operations Limited and 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%
NF Transport Bulawayo (Private) Limited	Zimbabwe	100%	100%
Palte-Harris (Private) Limited	Zimbabwe	100%	100%
Speciality Animal Feed Company Limited	Zimbabwe	100%	100%
Botswana Milling and Produce Company (Proprietary) Limited	Botswana	100%	100%
Red Seal Manufacturers (Proprietary) Limited	Botswana	100%	100%
Kestrib Investments (Private) Limited	Zimbabwe	100%	-
ZUR Properties (Private) Limited	Zimbabwe	100%	-

	2013 US\$	2012 US\$
20.3 Transactions entered into with related parties		
<u>Purchase of trading stocks and raw materials</u>		
Tiger Brands Limited	1,821,013	3,522,384
Innscor Africa Limited Group companies	5,227,514	3,197,836
<u>Sale of goods and Services</u>		
Innscor Africa Limited Group companies	45,040,067	30,153,252
<u>Interest and Management Fees</u>		
Innscor Africa Limited Group companies		
- Management fees	280,000	480,000
- Net interest received on call accounts	66	241,345
Tiger Brands Limited		
- Technical fees	213,320	231,175
20.4 Balances due to or (due from) related parties		
Innscor Africa Limited Group companies	2,767,314	5,417,450
Tiger Brands Limited	(142,963)	(452,716)
20.5 Loans to related parties		
Innscor Africa Limited		
- Call account balances	1,070	10,062

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 2013 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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.

	2013 US\$	2012 US\$
20.7 Directors emoluments		
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	20,544	20,500
- otherwise in connection with management	1,141,813	916,589
	1,162,357	937,089
20.8 Other key management remuneration		
Aggregate short term employee benefits paid by the Company and its subsidiaries to key management	3,881,674	2,856,494
Pension Contributions	287,310	168,559

Key management include executive directors and divisional management. This includes those individuals set out on page 5 of this annual report.

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 2013 are as follows:

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

2013 US\$	2012 US\$
879,652	208,848
1,846,732	574,332
-	-
2,726,384	783,180

21.2 Capital expenditure commitments

Authorised and contracted for
 Authorised but not contracted for

2013 US\$	2012 US\$
1,101,000	275,000
6,582,000	8,673,000
7,683,000	8,948,000

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 2013 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 very 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

No guarantees have been provided in the current year (2012: US\$10,000,000).

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 were 3% per month of pensionable monthly emoluments, up to a maximum of \$200 per month, until May 2013. As from 1 June 2013 contributions by employees are 3.5% per month up to a maximum of \$700 per month.

22.3 Pension costs recognised as an expense

Defined contribution fund
 National Social Security Authority Scheme

2013 US\$	2012 US\$
773,472	793,863
77,877	77,595
851,349	871,458

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 2013 and 30 June 2012.

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%

	2013 US\$	2012 US\$
Interest bearing borrowings net of cash and cash equivalents	16,459,937	(8,278,773)
Total Equity	60,827,629	50,011,276
Gearing ratio	27%	-

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 2013 and 2012 is the carrying amount as illustrated in note 19.

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 2013 and 2012 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. Approved short term investments and funding instruments are at variable interest rates and mature within one year.

Given the above policy, interest rate fluctuations have no direct impact on equity. The following table demonstrates the profit before tax sensitivity to a reasonably possible change in interest rates on bank borrowings.

	2013 US\$	2012 US\$
Effect on profit before tax		
Increase of 3%	(616,987)	(70,206)
Decrease of 3%	616,987	70,206

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 2013				
Interest bearing borrowings	529,252	21,084,910	-	21,614,162
Trade and other payables	23,956,721	-	-	23,956,721
	24,485,973	21,084,910	-	45,570,883
	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

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:

	2013 US\$	2012 US\$
Assets		
South African Rand	46,644	182,492
Botswana Pula	7	13,876
Liabilities		
South African Rand	419,027	718,505
Botswana Pula	217,597	142,683

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 2013 US\$	2012 US\$
South African Rand	57,238	59,557
Botswana Pula	21,759	14,312

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

23.2.6 Financial Assets

The fair value of financial assets approximates the carrying amounts as disclosed in the statement of financial position.

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 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 2013

	Milling, Manufacturing Distribution US\$	Properties US\$	Intersegment adjustments	Group US\$
Segment revenue				
External customers	295,441,813	483,930	-	295,925,743
Inter-segment	-	1,770,901	(1,770,901)	-
Total revenue	295,441,813	2,254,831	(1,770,901)	295,925,743
Operating profit	18,776,040	(337,173)	-	18,438,867
Net interest expense	(1,276,738)	86,962	-	(1,189,776)
Profit before tax	17,499,302	(250,211)	-	17,249,091
Segment assets	76,908,776	38,630,902	(1,395,061)	114,144,617
Segment liabilities	(48,880,072)	(5,831,977)	1,395,061	(53,316,988)
Net segment assets	28,028,704	32,798,925	-	60,827,629
Depreciation charge for the year	1,427,432	501,530	-	1,928,962
Capital expenditure	4,808,017	1,277,581	-	6,085,598
Number of employees	966	-	-	966

Period ended 30 June 2012

	Milling, Manufacturing 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)
	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

24.2 Geographical Information

The Group's trading operations are entirely housed in Zimbabwe. The Botswana Milling and Produce Company has no trading activities and holds non-current assets worth US\$17,881 (2012:US\$20,311).

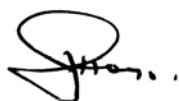
25 EVENTS AFTER THE REPORTING DATE

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 2013

	Notes	2013 US\$	2012 US\$
ASSETS			
Non-current assets			
Investments	A	25,367,809	25,367,809
Total assets		25,367,809	25,367,809
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	684,001	684,001
Non-distributable reserve	B	24,683,808	24,683,808
Total Equity		25,367,809	25,367,809
NOTES TO THE COMPANY FINANCIAL STATEMENTS			
A. INVESTMENTS			
Subsidiaries equity at US\$ converted value		25,367,809	25,367,809
B. NON-DISTRIBUTABLE RESERVE			
Arising on conversion of Zimbabwe dollar balances		25,367,596	25,367,596
Transferred to share capital		(683,788)	(683,788)
Closing balance		24,683,808	24,683,808



T. Moyo
Chairman



J.J. Brooke
Managing Director

HARARE
30 September 2013

At 30 June 2013
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	%
524	57.9	188,473	0.3
284	31.4	852,308	1.2
59	6.5	1,289,193	1.9
38	4.2	66,070,134	96.6
905	100	68,400,108	100
54	5.97	718,069	1.05
7	0.77	8,577	0.01
2	0.22	25,620,062	37.46
12	1.33	380,020	0.56
3	0.33	1,397	-
57	6.30	2,861,484	4.18
550	60.77	1,506,295	2.20
80	8.84	2,588,972	3.79
137	15.14	34,707,368	50.74
3	0.33	7,864	0.01
905	100.00	68,400,108	100.00

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	100.00	68,400,108	100.00

Major shareholders

The top ten shareholders of the Company
 at 30 June 2013

Innsco Africa Limited
Tiger Foods Brands
National Foods Workers' Trust (Pvt) Ltd
Stanbic Nominees (Pvt) Ltd
National Social Security Authority
Communications and Allied Industry Pension Fund
Amaval Investments
NRZ Contributory Pension Fund
Local Authorities pension Fund
Brooke, Joseph Jeremy

2013		2012	
No. of shares	%	No. of shares	%
25,870,271	37.82	25,870,271	37.82
25,618,474	37.45	25,618,474	37.45
6,734,978	9.85	6,734,978	9.85
2,465,860	3.62	1,677,129	2.46
936,836	1.38	818,902	1.21
503,194	0.74	503,194	0.74
428,767	0.63	870,544	1.27
367,633	0.53	217,322	0.33
305,823	0.45	305,823	0.45
287,997	0.42	313,078	0.46

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the forty- fourth 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 2013 at 08.30 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 2013.
2. To elect the following Directors, Messrs J.J. Brooke and N. Brimacombe who retire by rotation in terms of the Articles of Association of the Company, and being eligible, offer themselves for re-election.
3. To approve the appointment of Mr J. Koumides who was appointed as a Director of the Company with effect from 19th February 2013, 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 2013.
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 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 the following 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

L.C. Blakeway
Group Company Secretary
Gloria House
10 Stirling Road
Heavy Industrial Sites
P.O. Box 269
Harare

30 September 2013

Financial year end	30 June 2013
Forty-fourth Annual General Meeting	12 November 2013
Interim Reports	
6 months to December 2013	March 2014
12 months to June 2014	September 2014
Final dividend declaration	September 2014
Payment of final dividend	October 2014
Annual report published	October 2014
Forty-fifth Annual General Meeting	November 2014

AGM – 12 November 2013

I / We _____
of _____
being the registered owner(s) of _____ ordinary shares in the above named Company hereby appoint
of _____
or failing him / her _____
of _____

or failing him / her, THE CHAIRMAN OF THE MEETING as my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on Tuesday 12 November 2013, at 08.30 hours, and at any adjournment thereof.

SIGNED this _____ day of _____ 2013

Signature of Member _____

NOTE: -

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

The attention of shareholders is drawn to the necessity of keeping the transfer secretaries advised of any change in name and/or address.

Shareholder's name in full
(Block Letters)

New address
(Block Letters)

Shareholder's signature _____

COMPANY SECRETARY

Gloria House
10 Stirling Road,
Workington
P.O. Box 269, Harare.

COMPANY SECRETARY

Gloria House
10 Stirling Road,
Workington
P.O. Box 269, Harare.





NATIONAL FOODS
HOLDINGS LIMITED

Annual Report For the year ended 30 June

2013