



NATIONAL FOODS

HOLDINGS LIMITED

ANNUAL REPORT

2016



VISION

*To be the preferred supplier of branded
FMCG and stockfeed products in
sub-Saharan Africa*



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FINANCIAL HIGHLIGHTS

		2016	2015	2014	2013	2012
Volumes	mt	560,000	494,000	538,000	500,000	414,000
Revenue	US\$'000	330,642	314,407	343,518	309,320	244,063
Profit from operating activities	US\$'000	18,974	17,608	22,621	18,439	11,053
Profit after tax for the year	US\$'000	14,274	12,736	16,783	13,939	7,904
Profit attributable to equity holders of the parent	US\$'000	14,274	12,736	16,783	13,939	7,899
Basic earnings per share	USc's	20.87	18.62	24.54	20.38	11.55
Net asset value per share	USc's	129	118	107	89	73
Market value per share	USc's	210	300	215	245	112
Shares in issue at year end	000's	68,400	68,400	68,400	68,400	68,400

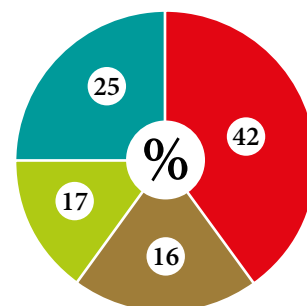
VALUE ADDED STATEMENT

For the year ended 30 June 2016

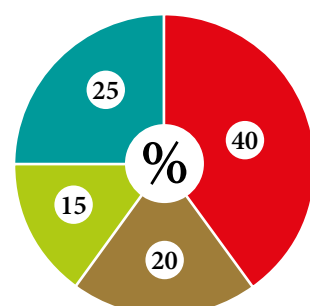
Value added is a measure of the wealth the Group has been able to create in its operations by adding value to the cost of raw materials, products and services purchased. The statement summarises the total wealth created and shows how it was shared by employees and other parties who contributed to the 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.

	2016	2015
	US\$000	US\$000
Value created:		
Revenue	330,642	314,407
Other Income	657	1,371
Equity accounted earnings	454	-
Suppliers for materials and services	(289,873)	(276,741)
Total wealth created	41,880	39,037
Distributed as follows:		
Employees	17,717	15,735
Government	6,742	7,656
Income tax	4,768	4,418
PAYE	1,974	3,139
Other taxes	-	99
Providers of capital	6,871	6,024
Dividends paid to shareholders	6,484	5,670
Net Interest paid on borrowings	387	354
Reinvested in the Group to maintain and develop operations	10,550	9,622
Depreciation	2,761	2,556
Retained income	7,789	7,066
Total wealth distributed and reinvested in the Group	41,880	39,037

FY2016



FY2015



- **Employees**
- **Government**
- **Providers of Capital**
- **Reinvested in the Group to maintain and develop operations**

GROUP STRUCTURE



NATIONAL FOODS HOLDINGS LIMITED

100%

National Foods Limited

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

100%

National Foods Properties Limited

Property owning company

40%

Pure Oil Industries (Private) Limited

Edible Oils

100%

Breathaway Food Caterers (Private) Limited

*Snacks and biscuits
manufacturing company*

100%

Botswana Milling and Produce Company (Proprietary) Limited

Investment company

100%

Red Seal Manufacturers (Proprietary) Limited

Property owning company

100%

Speciality Animal Feed Company Limited

Dormant

100%

NF Transport Bulawayo (Private) Limited

Dormant

100%

Bakery Products (Private) Limited

Dormant

100%

Rice Mills (Private) Limited

Dormant

100%

Harris Maize Milling and Produce Company (Private) Limited

Dormant

100%

Palte-Harris (Private) Limited

Dormant

100%

Natpak Zimbabwe (Private) Limited

Dormant

Sadza/ Isitshwala

in just
5



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DIRECTORATE AND ADMINISTRATION

National Foods Holdings Limited

BOARD OF DIRECTORS

T. Moyo	Chairman
M. Lashbrook*	Managing Director
N. Brimacombe	
N. Doyle	
G. Gwinda	
L. Murimwa*	Finance Director
J. Schonken	

COMPANY SECRETARY

L. Howes

AUDIT COMMITTEE

J. Schonken	Chairman
N. Doyle	
T. Moyo	
N. Brimacombe	Alternate Member
G. Gwinda	Alternate Member

REMUNERATION COMMITTEE

J. Schonken	Chairman
N. Brimacombe	
N. Doyle	Alternate Member

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
Wintertons
Calderwood, Bryce Hendrie and Partners

**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

M. Lashbrook *	Managing Director
L. Murimwa*	Finance Director
J. Schonken	
N. Brimacombe	

GROUP EXECUTIVE COMMITTEE

M. Lashbrook	Managing Director
L. Murimwa	Finance Director
R. Mann	Group Operations Executive
J. Gapu	Group Sales and Distribution Executive
R. Usayi	Group Human Resources Executive
L. Howes	Group Legal Executive
W. Chimweta	Group Marketing Executive
L. Nyandoro	Group Finance Executive

MANAGING EXECUTIVES

M. Chawanda	Managing Executive - Flour Milling
L. Ngwenya	Managing Executive - Stockfeeds
C. Nheta	Managing Executive - Maize Milling
G. Nyakwende	Managing Executive - Depots
N. Weller	Managing Executive - MCG



TODD MOYO (CHAIRMAN)



Introduction

The Group recorded a strong performance for the year under review, posting profit before tax of \$19.04 million which was 10% above the prior year. Given the difficult operating environment volume performance was encouraging, with 560,000 tons sold representing an increase of 13% over prior year. The increase was primarily driven by a strong performance from the maize division and to a lesser extent by beef feed. Revenue increased by 5.2% to \$330 million, while average selling prices declined by 7.3% due to increased maize sales in the mix, lower flour prices on account of lower wheat pricing and general price discounting to hold share in an increasingly competitive market.

The deflationary trend continued in the economy, with the CPI for the food and non-alcoholic beverage category closing the year at -4.0%. This on-going trend as well as further pressure on consumer disposable income made it essential to correctly price our product basket to achieve volume growth and drive market share.

New look, same original taste!



NUMBER 1 mazuva ose! nsuku zonke!

Overview of Financial Performance

Despite the reduced selling prices, gross margin increased by 6% on the back of increased volumes, effective procurement and improved operating efficiencies in our plants. Total operating costs grew by 4.9%, mainly due to increasing go to market costs in a highly competitive and constrained environment. Cost growth was substantially below volume growth as the initiatives to rationalise the Group cost base took effect. The optimisation of the Group's cost base remains a key focus area in the period ahead.

The Statement of Financial Position remains in a healthy position, with net cash at \$1.9 million at year end. Net working capital closed the year at \$44.4 million versus \$42.4 million prior year, with the Group electing to hold stocks of certain key raw materials. The Group remains well positioned to fund its growth ambitions as well as a continued dividend flow to its shareholders.

Capital expenditure for the year amounted to \$7.6 million. The majority of this investment was directed towards the Flour mills as well as a substantial investment into back-up generators for our major manufacturing facilities. Three of our four major manufacturing sites are now able to run on back-up generators.

Flour Milling

The Flour division produced a commendable performance during the period in the face of reduced bread consumption as consumers turned to relatively more affordable starches. Volumes increased by 1% compared to last year, whilst selling prices declined by 6.2% as the benefit of lower

international wheat prices was passed onto the consumer. The volume growth was driven by the bakers category while the prepack category volumes were flat on prior year with consumers trading down from Gloria to Red Seal self-raising flour.

The intensive three-year program to refurbish both the Harare and Bulawayo flour mills to international standards will be completed in the coming financial year. The program has resulted in significantly improved operating efficiencies in our flour mills which in turn drove improved profitability from this division, in spite of the moderate volume growth and reduced selling prices.

Maize Milling

The Maize division saw a substantial increase in volumes which increased by 67% compared to last year. The volume growth was driven by an aggressive pricing strategy, the introduction of Better Buy maize meal in the value segment and increased demand following a reduced 2014/15 local harvest.

The on-going maize harvest is expected to be poor following decreased and erratic rainfall and significant volumes of raw maize will need to be imported into the country over the next 12 months. Our management team continues to work closely with the authorities and our major suppliers to ensure adequate raw material supply over this period.

Stockfeeds

The Stockfeeds division produced a solid performance in the face of declining consumption of protein products. Purchases of meat and eggs have declined along with consumer disposable income and this resulted in a reduced demand for feed. Despite this, total volumes only declined by 3.9% as our team rolled out a number of initiatives to improve service delivery to the farmer. Beef volumes grew by 50% on the previous period as farmers increased supplementary feeding following a poor season.

Medium-scale Consumer Goods (MCG)

This division is engaged in the down packing of various FMCG goods (rice, salt, sugar beans and popcorn) as well as the trading of pasta, spreads, oil and sugar. This business had an extremely challenging year, as intense competition impacted margins. Whilst volumes increased 8.7% compared to the prior year, turnover decreased by 5% following price discounting to hold volumes. In response to



the difficult environment the category portfolio was rationalised and several smaller categories were discontinued. The rice packing plant was also moved from Mutare to Harare, resulting in reduced distribution costs. By year-end the business had made a solid recovery and we expect a more meaningful contribution from it in the year ahead, driven in the main by pre-packed rice and salt.

Snacks and Biscuits

Following regulatory approval, the acquisition of this operation became effective on April 1st 2016. Whilst the business did not have a meaningful impact on the performance of the Group this year it brings a new dimension to National Foods with entry into the snack and biscuit segments. A number of initiatives have been implemented to improve product quality and volume growth to date has been encouraging. Strategically we will look to broaden our snack and biscuit offering once the current portfolio has been optimised.

Pure Oil

National Foods acquired an effective 40% stake in Pure Oil Industries as from April 1st 2016 for an amount of \$2.4 million plus debt guarantees worth \$7 million. The business performed well in the final quarter driven by firm demand for cooking oil. Pure Oil will continue to produce the Zim Gold, Red Seal and Better Buy brands of cooking oil, while the protein meals which it produces are key raw materials in Stockfeed production. Pure Oil has established a very solid foot print in a short period of time and our team is looking forward to developing this business further in the year ahead.

Contract Farming

The Group continues to support local farming, with 7,800 hectares of maize, wheat and soya beans having been planted through the National Foods' scheme managed by PHI Commodities.

Corporate Social Responsibility (CSR)

The Group operates a number of CSR programs, which are aimed primarily at assisting vulnerable groups, disadvantaged communities as well as assisting various livestock and wildlife initiatives around the country.

Future Prospects

The trading environment is expected to become increasingly challenging for the foreseeable future.

The Group will continue to focus on creating a sustainable and competitive light manufacturing business. Our teams will be a key enabler of this and to this end we will continue to invest heavily in the growth and development of our people. Optimisation of the company's cost base will also remain a key theme.

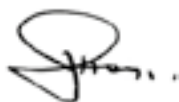
The Group will provide particular focus to the newly acquired businesses to deliver on the opportunities which exist in these categories. Beyond this, further growth remains a key priority and we continue to explore opportunities for both organic and acquisitive growth.

Dividend

The Board is pleased to declare a final dividend of 5.61 US cents per share payable in respect of all ordinary shares of the Company. This dividend is in respect of the financial year ended 30th June 2016 and will be payable in full to all the shareholders of the Company registered at the close of business on 14th October 2016. The payment of this dividend will take place on or about 28th October 2016. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of 7th October 2016 and ex – dividend as from the 11th October 2016. This final dividend brings the total dividend for the year to 10.44 US cents per share.

Acknowledgement and Appreciation

I would like to thank management and staff sincerely for producing a solid set of results under extremely difficult circumstances. I wish to thank my fellow board members for their continued support and counsel. Mr Antonio Fourie resigned from the board with effect from 18 August and was replaced by Mr Godfrey Gwinda as one of the Innscor Africa Limited's representatives. I would like to sincerely thank Antonio for the invaluable role he has played during his tenure.



Todd Moyo
Chairman



CORPORATE GOVERNANCE

The National Foods Group of companies 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 Reports on Corporate Governance and the principles of Corporate Governance in Zimbabwe as laid out in the Manual of Best Practice.

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Introduction

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 of good Corporate Governance and is committed to ensuring that its 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 26.6. The directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, at the company's expense, if they believe that course of action would be in the best interest of the Group.

Directorate and Executive Management

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 of non-executive directors and is chaired by a non-executive director. As at 30 June 2016 the committee comprised J. Schonken (Chairman), T. Moyo, N. Doyle, N. Brimacombe (Alternate) and A. Fourie (Alternate). The external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal controls in the Group with reference to the findings of both the internal and external auditors. Other areas covered include the review of important accounting issues, including specific disclosures in the financial statements and a review of the major audit recommendations.

Risk Management Committee

The directors are accountable for the process of risk management and for establishing appropriate risk and control policies and to ensure that these are communicated throughout the Group. Executive managers are responsible for the identification and evaluation of key risks applicable to their areas of business. The Group 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 key 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 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. At 30 June 2016, the committee comprised of A. Fourie (Chairman), N. Brimacombe and N. Doyle (Alternate).

Remuneration Policy

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

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

Composition of Executive Remuneration

The remuneration packages of executive directors comprise an annual salary, 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

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

Ethics

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

Equal Opportunity

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







REVIEW OF FINANCIALS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 June 2016 US\$000	Year ended 30 June 2015 US\$000	Year ended 30 June 2014 US\$000	Year ended 30 June 2013 US\$000	Year ended 30 June 2012 US\$000
Revenue	330,642	314,407	343,518	309,320	244,063
Profit from operating activities	18,974	17,608	22,621	18,439	11,053
Net financing costs	(387)	(355)	(876)	(1,190)	(345)
- finance expense	(1,042)	(1,154)	(1,505)	(1,479)	(1,158)
- finance income	655	799	629	289	813
Share of associate's profit	454	-	-	-	-
Profit before tax	19,041	17,253	21,745	17,249	10,708
Taxation	(4,768)	(4,517)	(4,962)	(3,310)	(2,804)
Profit for the year	14,273	12,736	16,783	13,939	7,904
Total comprehensive income for the year	14,271	12,734	16,783	13,937	7,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2016 US\$000	As at 30 June 2015 US\$000	As at 30 June 2014 US\$000	As at 30 June 2013 US\$000	As at 30 June 2012 US\$000
Assets					
Property, plant and equipment	45,644	40,267	37,186	37,925	35,851
Intangible asset	1,516				
Investments in associate companies	2,854	-	-	-	-
Other non-current financial assets	116	120	122	120	277
Other current assets	80,540	74,402	68,758	71,993	41,770
Cash & cash equivalents	9,166	8,746	12,672	4,106	10,619
Assets classified as held for sale	157	157	1,351	-	-
Total assets	139,993	123,692	120,089	114,144	88,517
Equity and Liabilities					
Equity	88,358	80,571	73,507	60,828	50,011
Deferred tax	8,181	7,448	7,606	7,450	8,074
Bank overdrafts	-	1,482	7,221	-	2,265
Other current liabilities	43,446	34,183	31,687	45,866	28,167
Liabilities relating to assets held for sale	8	8	68		
Total equity and liabilities	139,993	123,692	120,089	114,144	88,517

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2016 US\$000	Year ended 30 June 2015 US\$000	Year ended 30 June 2014 US\$000	Year ended 30 June 2013 US\$000	Year ended 30 June 2012 US\$000
Net cash inflows / (outflows) from operating activities	16,085	10,552	25,323	(18,408)	12,911
Investing activities					
- purchase of property plant and equipment	(7,593)	(5,688)	(3,640)	(6,086)	(4,764)
- other investing activities	(4,482)	1,893	3,115	2,875	2,011
Net cash (outflows)/inflows from investing activities	(12,075)	(3,795)	(525)	(3,211)	(2,753)
Net cash inflow/(outflow) before financing activities	4,010	6,757	24,798	(21,619)	10,158
Financing activities	(2,107)	(4,944)	(23,454)	17,371	(5,692)
Net increase/(decrease)in cash and cash equivalents	1,903	1,813	1,344	(4,248)	4,466

RATIOS AND STATISTICS

		Year ended 30 June 2016 US\$000	Year ended 30 June 2015 US\$000	Year ended 30 June 2014 US\$000	Year ended 30 June 2013 US\$000	Year ended 30 June 2012 US\$000
Profitability						
Operating margin	%	6%	6%	7%	6%	5%
Return on total assets	%	14%	14%	19%	18%	13%
Return on equity	%	18%	17%	28%	28%	18%
Effective tax rate	%	25%	26%	23%	19%	26%
Growth						
Increase/(Decrease) in revenue	%	5%	(8%)	11%	26%	16%
Increase/(Decrease) in operating profit	%	8%	(22%)	23%	67%	57%
Productivity						
Asset turnover	times	2.36	2.54	2.86	3.34	2.85
Solvency and liquidity						
Current ratio	times	2.06	2.33	2.09	1.66	1.72
Interest cover	times	49.06	49.74	25.83	15.50	32.03
Net debt to shareholders' funds	%	Nil	Nil	Nil	27%	Nil
Total liabilities to shareholders' funds	%	58%	54%	63%	88%	77%
Employee statistics						
Number of employees	ave	889	996	954	966	918
Revenue per employee	US\$	371,898	315,610	360,082	320,027	265,864
Operating profit per employee	US\$	21,341	17,679	23,712	22,820	12,040
Share performance						
Number of shares issued	000's	68,400	68,400	68,400	68,400	68,400
Weighted average shares in issue	000's	68,400	68,400	68,400	68,400	68,399
Basic earnings per share	US cents	20.87	18.62	24.54	20.38	11.55
Diluted earnings per share	US cents	20.87	18.62	24.54	20.38	11.55
Dividend per share	US cents	10.44	7.76	8.18	6.00	2.75
Dividend cover	times	2.00	2.40	3.00	3.40	4.19
Dividend yield	%	5%	3%	4%	2%	2%
Price earnings ratio	times	10.06	16.11	8.76	12.02	9.70
Net asset value per share	US cents	129.18	117.79	107.47	88.93	73.12
Market capitalisation	\$'000	143,640	205,200	147,060	167,580	76,608
Market price per share						
High	US cents	305	340	250	270	125
Low	US cents	205	195	195	140	80
Price - year end	US cents	210	300	215	245	112

The following definitions relate to terms used in this report.

Asset turnover	Revenue divided by total assets at the end of the financial period.
Average	Opening balance plus closing balance divided by two.
Current ratio	Ratio of current assets to current liabilities.
Dividend cover	Basic 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 before interest and tax, divided by interest expense.
Market capitalisation	Market 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) before interest and tax 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 before interest and tax, 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 consolidated financial statements for the year ended 30 June 2016

GROUP FINANCIAL RESULTS

	2016	2015	2014	2013	2012
	US\$000	US\$000	US\$000	US\$000	US\$000
Profit before tax	19,041	17,253	21,745	17,249	10,708
Tax	(4,768)	(4,517)	(4,962)	(3,310)	(2,804)
Profit after tax	14,273	12,736	16,783	13,939	7,904
Total comprehensive income for the year	14,271	12,734	16,783	13,937	7,900

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 (2015:Nil) and the number of shares in issue was 68 400 108 (2015:68 400 108).

be traded cum – dividend on the Zimbabwe Stock Exchange up to the market day of 7th October 2016 and ex – dividend as from the 11th October 2016. Together with the interim dividend of (US\$) 4.83 cents per share, this final dividend brings the total dividend for the year to (US\$) 10.44 cents per share.

National Foods Workers Trust Directorate

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 Holdings Limited. 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 1-6 of the Textile Industry, being the National Employment Council for which the wide categories of employees fall.

Mr A. Fourie resigned from the board with effect from 18 August 2016. The Board thanks him for the invaluable role he has played during his tenure and wishes him success in his future endeavours.

At a board meeting held on 18 August 2016, Mr G. Gwinda 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. Messrs N. Doyle and M. Lashbrook who retire by rotation and being eligible, offer themselves for re-election.

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.

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.

Reserves

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

Annual General Meeting

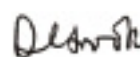
The forty-seventh Annual General Meeting of the Company will be held at 08.30am on Wednesday 9th November 2016 at the registered office of the Company 10 Stirling Road, Workington, Harare.

Dividends

The Board has declared a final dividend of (US\$) 5.61 cents per share payable on or about 28 October 2016 to shareholders registered at the close of business on 14 October 2016. The shares of the Company will



T.Moyo
Chairman
18 October 2016



M.Lashbrook
Managing Director

STATEMENT OF DIRECTORS' RESPONSIBILITY

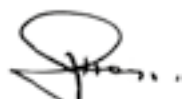
The Directors of the company are required by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit and cash flows for the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

The financial statements have been prepared under the historical cost convention, 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.

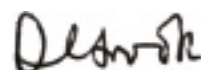
The principal accounting policies of the Group are consistent with those applied in the previous year and conform to International Financial Reporting Standards (IFRS). The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational 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. The Group maintains internal controls and systems that are designed to safeguard its assets, prevent and detect errors and fraud and ensure the completeness and accuracy of the its 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 2016, which appear on pages 23 to 56 have been approved by the Board of Directors and are signed on its behalf by:



T. Moyo
Chairman



M. Lashbrook
Managing Director

Harare
18 October 2016





Ernst & Young
Chartered Accountants (Zimbabwe)
Registered Public Auditors
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INDEPENDENT AUDITOR'S REPORT 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 23 to 56, which comprise the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) 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 the consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Foods Holdings Limited as at 30 June 2016, and its financial performance and its consolidated 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).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
18 October 2016



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 US\$	2015 US\$
Revenue	4	330,642,305	314,406,934
Cost of sales		(255,827,897)	(243,563,395)
Gross profit		74,814,408	70,843,539
Other income	5.1	657,491	1,370,523
Distribution expenses		(13,336,146)	(11,134,375)
Selling and marketing expenses		(4,168,100)	(3,922,904)
Employee benefits expenses		(19,691,274)	(18,872,438)
Administrative expenses		(16,541,605)	(18,120,301)
Depreciation	5.3/8	(2,760,980)	(2,556,218)
Profit from operating activities		18,973,794	17,607,826
Finance income	5.4	655,131	798,642
Finance costs	5.4	(1,041,868)	(1,152,626)
Equity accounted earnings	11	454,400	-
Profit before tax		19,041,457	17,253,842
Income tax expense	6.1	(4,767,884)	(4,517,481)
Profit for the year		14,273,573	12,736,361
Other comprehensive income			
- to be recycled to profit and loss at a future point in time			
Exchange differences on translation of foreign operations		(2,555)	(1,866)
Total comprehensive income for the year		14,271,018	12,734,495
Profit for the year attributable to equity holders of the parent		14,273,573	12,736,361
Non-controlling interests		-	-
Total comprehensive income for the year attributable to equity holders of the parent		14,271,018	12,734,495
Earnings per share			
Basic and diluted earnings per share	7	20.87 cents	18.62 cents
Headline earnings per share	7	20.79 cents	17.82 cents



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	2016 US\$	2015 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	45,644,024	40,266,147
Intangible assets	10	1,516,422	-
Investment in associate	11	2,854,400	-
Other financial assets	12.1	115,925	119,845
		50,130,771	40,385,992
Current assets			
Other financial assets	12.1	-	2,304
Inventories	13	49,041,731	45,077,388
Trade and other receivables	14	31,496,352	29,322,434
Cash & cash equivalents	19.4	9,166,272	8,746,079
		89,704,355	83,148,205
Assets classified as held for sale	9	157,431	157,431
		89,861,786	83,305,636
Total assets		139,992,557	123,691,628
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15.1	684,001	684,001
Non-distributable reserves	15.3	(12,150)	(9,595)
Distributable reserves	15.4	87,685,707	79,896,455
Total equity		88,357,558	80,570,861
Non-current liabilities			
Deferred tax liability	6.4	8,180,624	7,447,903
		8,180,624	7,447,903
Current liabilities			
Trade and other payables	17	35,631,478	30,761,603
Bank overdrafts	12.2	-	1,482,470
Borrowings	12.2	7,244,936	1,942,358
Provisions	18	538,178	1,279,298
Income tax payable	6.3	31,911	199,263
		43,446,503	35,664,992
Liabilities relating to assets held for sale	9	7,872	7,872
		43,454,375	35,672,864
Total equity and liabilities		139,992,557	123,691,628



T. Moyo
Chairman

Harare
18 October 2016



M. Lashbrook
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Issued Share Capital US\$	Non- Distributable Reserves US\$	Distributable Reserves US\$	Total US\$
Notes	15.1	15.3	15.4	
Balance at 30 June 2014	684,001	(7,729)	72,830,463	73,506,735
Profit for the year	-	-	12,736,361	12,736,361
Other comprehensive income	-	(1,866)	-	(1,866)
Total comprehensive income	-	(1,866)	12,736,361	12,734,495
Dividends paid (Note 16)	-	-	(5,670,369)	(5,670,369)
				-
Balance at 30 June 2015	684,001	(9,595)	79,896,455	80,570,861
Profit for the year	-	-	14,273,573	14,273,573
Other comprehensive income	-	(2,555)	-	(2,555)
Total comprehensive income	-	(2,555)	14,273,573	14,271,018
Dividends paid (Note 16)	-	-	(6,484,321)	(6,484,321)
Balance at 30 June 2016	684,001	(12,150)	87,685,707	88,357,558



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 US\$	2015 US\$
OPERATING ACTIVITIES			
Cash generated from operations	19.1	22,676,579	21,717,288
Working capital changes	19.2	(1,972,587)	(6,037,487)
Operating cash flow		20,703,992	15,679,801
Interest received		655,181	798,642
Interest paid		(1,041,868)	(1,152,626)
Income tax paid	19.3	(4,232,502)	(4,773,341)
Net cash flows from operating activities		16,084,803	10,552,476
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to maintain operations		(4,373,364)	(1,114,556)
Purchase of property, plant and equipment to expand operations		(3,220,213)	(4,573,931)
Purchase of investment in associate and other financial instruments	11.2	(2,400,000)	(6,230)
Net cash outflow on acquisition of subsidiary	20.1	(2,138,304)	-
Proceeds on disposal of property, plant and equipment		51,055	105,990
Proceeds on disposal of assets held for sale		-	1,786,959
Proceeds on disposal of financial instruments		6,174	5,993
Net cash flows from investing activities		(12,074,652)	(3,795,775)
FINANCING ACTIVITIES			
Proceeds from borrowings		5,050,720	8,726,618
Repayment of borrowings		(673,887)	(8,000,000)
Dividends paid		(6,484,321)	(5,670,369)
Net cash flows from financing activities		(2,107,488)	(4,943,751)
Increase in cash and cash equivalents		1,902,663	1,812,950
Cash and cash equivalents at beginning of the year		7,263,609	5,450,659
Cash and cash equivalents at the end of the year	19.4	9,166,272	7,263,609



1. Corporate Information

The Company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal Manufacturers (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 stockfeeds 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 2016 were authorised for issue in accordance with a resolution of the Directors on 18 October 2016.

1.1 Statement of compliance

The Group's financial statements 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 in compliance with the Zimbabwe Companies Act (Chapter 24:03).

1.2 Going concern

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 consolidated financial statements.

1.3 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. The consolidated financial statements are presented in United States Dollars. All values are rounded to the nearest dollar (US\$), except when otherwise indicated.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns

through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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. Summary Of Significant Accounting Policies

2.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

2.2 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.

IFRS 9 Financial Instruments – Classification and measurement

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9-Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The classification and measurement requirements address specific application issues arising in IFRS 9 (2009) that were raised by preparers, mainly from the financial services industry. The expected credit loss model addresses concerns expressed following the financial crisis that entities recorded losses too late under IAS 39.

IFRS 9 stipulates that financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Apart from the 'own credit risk' requirements, classification and measurement of financial liabilities is unchanged from existing requirements. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, but early adoption is permitted. The Group is currently assessing the impact of IFRS 9.

IFRS 15- Revenue from Contracts with Customers

The IASB has issued the joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The standard is effective for annual periods beginning on or after 1 January 2018, but early adoption is permitted under IFRS. The Group is still assessing the impact of the standard on its contracts with customers.

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

The standard is effective for annual periods beginning on or after 1 January 2016, but early adoption is permitted under IFRS.

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

IAS 16 and IAS 38 Clarifications of Acceptable Methods of Depreciation and Amortisation

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively. The amendment becomes effective for annual periods beginning on or after 1 January 2016 and will not have any impact on the Group as depreciation is not based on revenue methods.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either, at cost, in accordance with IFRS 9 (or IAS 39) or using the equity method. The entity must apply the same accounting for each category of investment. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The group has opted for the early adoption of the amendments to IAS 27, accounting for the investment in associate acquired in the current year in the separate company financial statements using the equity method.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. This will not have an effect on the Group's financial statements as the Group's investment in associate was acquired in the current year and has adopted the equity method.

Annual Improvements

In the 2012-2015 annual improvements cycle, the IASB issued five amendments to four standards. The changes are effective for the periods beginning on or after 1 January 2016. Below is a summary of the amendments that are applicable to the group. The amendments do not have material impact on the Group's Financials statements.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment does not have material impact on the Group's Financials statements as there has been no change in disposal methods.

IFRS 7 Financial Instruments - Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

IFRS 7 Financial Instruments - Applicability of the offsetting disclosures to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

IAS 19 Employee Benefits - Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(e.g., in the management commentary or risk report).

The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective. These amendments will not have an impact on the Group's financial statements:

Effective for annual periods beginning on or after 1 January 2016:
Amendments to IFRS 10, IFRS 12 and IAS 28
Investment Entities: Applying the consolidation Exception
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2017:
Amendments to IAS 7 Disclosure Initiative
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018:
Amendments to IFRS 2 Share-based Payments
Amendments to IFRS 16 Leases

IFRS 14 Regulatory Deferral Accounts is not applicable to the Group as the Group is not a first-time adopter of IFRSs.

2.3 Summary of significant accounting policies

2.3.1 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.

2.3.2 Foreign currency translation

The Group's financial statements are presented in United States Dollars (US\$) (see 1.2), which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 translated using the exchange rates at the dates of the initial transaction and are not subsequently retranslated.

Exchange differences arising from translation or settlement of monetary items 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.

2.3.3 Taxes

2.3.3.1 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.

2.3.3.2 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

2.3.3.3 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.

2.3.4 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.

2.3.5 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.

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.

2.3.6 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 fulfilment 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.

2.3.6.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

2.3.6.2 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 assets 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.

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.

2.3.7 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.

2.3.8 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.

2.3.9 Property, plant and equipment

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

Land is carried at cost whereas buildings are carried at cost less accumulated depreciation and accumulated impairment losses. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

No depreciation is provided on land or capital work-in-progress. Depreciation commences when the asset is available for use. Other fixed assets are depreciated on a straight line basis, at such rates as are considered appropriate to reduce their book values to residual values over their estimated useful lives, as follows:

Buildings 40 years

Productive plant and machinery 8 - 20 years

Ancillary machinery, equipment and furniture 5 - 10 years

Motor vehicles 5 - 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate. The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in full.

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

2.3.10 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

met before revenue is recognised:

2.3.10.1 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.

2.3.10.2 Rental income

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

2.3.10.3 Dividend and interest income

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 income 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 income 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.

2.3.11 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.

2.3.12 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 of disposal 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.

2.3.13 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 loans and receivables or financial assets held to maturity. When financial assets are recognised initially, they are measured at fair value. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3.13.1 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.

2.3.13.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at fair value on initial recognition, and are subsequently carried at amortised cost using the effective interest rate method, less any impairment losses if any. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.3.13.3 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.

2.3.13.4 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.

2.3.13.5 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.

2.3.13.6 Investment in associate

The Groups' Investments in Associates are accounted for using the equity method of accounting. Associates are entities in which the Group exercises significant influence and which are neither subsidiaries nor jointly controlled operations. Under the equity method investments in associates are initially carried in the statement of financial position at cost. Subsequently, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

investments in associates are carried at cost plus post acquisition changes in the Group's share of reserves of the associates less dividends received from the associates. Goodwill relating to an associate is included in the carrying amount of the investment. The statement of profit or loss and other comprehensive income reflects the share of the results of operations of the associates attributable to the Group.

Where there have been changes 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 financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its 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 profit or loss.

In the separate company financial statements, investments in associates are also accounted for using the equity method of accounting as the company opted for the early adoption of Amendments to IAS 27 - Equity Method in Separate Financial Statements issued on 12 August 2014. 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 the loss of significant influence, and the fair value of the retaining investment and the proceeds from the disposal is recognised in profit or loss.

2.3.14 Financial liabilities

2.3.14.1 Classification of financial liabilities

The Group's financial liabilities include trade and other accounts payable, bank overdraft and interest bearing loans (which are all classified as loans and borrowings), 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.

2.3.14.2 Derecognition of financial liabilities

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

2.3.14.3 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 estimates 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 2.3.9 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\$45,644,024 (June 2015: US\$40,266,147)

3.2 Provision for impairment of receivables

Provision for impairment of receivables is a specific provision made for trade and other 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 2016 was US\$3,723,298 (June 2015: US\$ 2,286,624).

3.3 Impairment of goodwill

Refer to note 10.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2016 US\$	2015 US\$
4. REVENUE		
The following is an analysis of the Group's revenue for the year		
Revenue from the sale of goods	330,429,482	314,157,976
Revenue from rental income	212,823	248,958
	330,642,305	314,406,934
5. PROFIT BEFORE TAX		
Profit before tax is arrived at after taking into account the following:		
5.1 Other income		
Profit on disposal of property, plant and equipment	50,332	56,313
Profit on disposal of assets held for sale	-	592,933
Lease of assets, toll, handling and other services rendered	456,418	276,236
Sale of scrap	10,019	148,532
Insurance and bad debt recoveries	140,722	296,509
	657,491	1,370,523
5.2 After charging/(crediting) the following		
Employee benefits expenses		
- Salaries and wages	10,563,605	10,040,381
- Post Employment benefits: Defined contribution plan	1,032,890	1,042,619
- Retrenchment gratuities	78,809	62,611
Administrative expenses		
- Repairs and maintenance	3,153,603	3,458,690
- Electricity and water	3,246,713	2,860,203
- Technical fees (management fees)	496,000	456,000
- Technical fees (other)	312,965	725,484
- Audit fees and expenses	238,618	203,277
- Net foreign exchange gains	(32,128)	(38,191)
- Provision for credit losses	1,469,341	399,183
- Operating lease charges	744,187	894,303
- Provision for onerous contracts	(640,000)	640,000
5.3 Depreciation		
- Buildings	536,439	650,755
- Plant, machinery and equipment	2,063,329	1,753,526
- Motor vehicles	161,212	151,937
	2,760,980	2,556,218
5.4 Net finance costs		
Finance income	655,131	798,642
<i>Interest income from short term investments</i>	597,052	442,453
<i>Interest income from trade and other receivables</i>	58,079	356,189
Interest expense on bank overdrafts and other short term borrowings	(1,041,868)	(1,152,626)
	(386,737)	(353,984)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2016 US\$	2015 US\$
6. TAXATION		
6.1 Income tax recognised in profit or loss		
Income tax		
- On current profits at normal rates	4,092,367	4,637,004
- Capital gains tax	-	98,500
Deferred tax relating to current temporary differences	675,517	(158,322)
Deferred tax relating to disposed assets held for sale	-	(59,701)
	4,767,884	4,517,481
6.2 Reconciliation of income tax charge:		
Profit before tax	19,041,457	17,253,842
Income tax computed at 25.75%	4,903,175	4,442,864
Non-deductible expenses for tax purposes	233,142	102,236
Equity accounted earnings	(117,008)	-
Effects of different tax rates of subsidiaries	(2,757)	(5,575)
Effect of income taxed at different tax rates	(486)	38,799
Effects of changes in classification of assets	-	(60,843)
Other reconciling items	(248,182)	-
	4,767,884	4,517,481
Non-deductible expenses are mainly motor vehicle lease premiums and capital legal fees. Other reconciling items include bank interest received and profit on disposal of property, plant and equipment.		
6.3 Current tax liabilities		
Opening Balance	199,263	237,100
Charge to profit or loss	4,092,367	4,735,504
Paid	(4,232,502)	(4,773,341)
Acquisition of subsidiary (Note 20)	(27,217)	-
Closing Balance	31,911	199,263
6.4 Deferred tax liability		
At beginning of the year	7,447,903	7,606,225
Deferred tax relating to current temporary differences	675,517	(158,322)
Acquisition of subsidiary (Note 20)	57,204	-
At end of the year	8,180,624	7,447,903
Analysis of deferred tax liability		
Property, plant and equipment	8,877,574	8,140,365
Prepayments	112,561	199,313
Unrealised exchange (losses)/gains	(4,857)	2,912
Allowance for credit losses	(958,749)	(508,672)
Onerous contracts provision and other	154,095	(386,015)
	8,180,624	7,447,903

Onerous contracts provision and other is made up mainly of deferred revenue and contract farming advances (the 2015 amount included an onerous contract provision (Note 18) which was reversed in the current year).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. EARNINGS PER SHARE

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

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

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

	2016 US\$	2015 US\$
7.1 Weighted average number of shares in issue		
Weighted average shares in issue for basic, diluted and headline earnings per share	68,400,108	68,400,108
7.2 Profit for the year		
Net profit attributable to equity holders of the parent	14,273,573	12,736,361
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.		
7.3 Headline earnings		
Reconciliation between profit for the year and headline earnings		
Net profit attributable to ordinary equity holders of the parent	14,273,573	12,736,361
Adjusted for capital items (gross of tax):		
Profit on disposal of property, plant and equipment	(50,332)	(56,313)
Profit on disposal of assets held for sale	-	(592,933)
Tax effect of adjustment	-	98,500
Headline earnings	14,223,241	12,185,615
Basic and diluted earnings per share (cents)	20.87	18.62
Headline earnings per share (cents)	20.79	17.82



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. PROPERTY, PLANT AND EQUIPMENT	Land & buildings US\$	Plant, machinery & equipment US\$	Motor vehicles US\$	Capital work in progress US\$	Total US\$
At 30 June 2016					
Cost					
At the beginning of the year	26,508,472	21,613,370	1,973,168	2,236,927	52,331,937
Additions	1,530,859	2,750,282	472,175	2,840,261	7,593,577
Disposals	-	-	(37,634)	-	(37,634)
Exchange differences	(2,555)	-	-	-	(2,555)
Acquired through purchase of subsidiary	-	536,256	12,303	-	548,558
Transfers	-	3,531,802	(37,663)	(3,494,139)	-
At end of the year	28,036,776	28,431,710	2,382,349	1,583,049	60,433,883
Depreciation					
At beginning of year	(3,674,320)	(6,918,936)	(1,472,534)	-	(12,065,790)
Charge for the year	(536,439)	(2,063,329)	(161,212)	-	(2,760,980)
Disposals	-	-	36,911	-	36,911
At end of the year	(4,210,759)	(8,982,265)	(1,596,835)	-	(14,789,859)
Carrying amount	23,826,017	19,449,445	785,514	1,583,049	45,644,024
At 30 June 2015					
Cost					
At the beginning of the year	25,771,198	18,725,523	1,807,632	499,038	46,803,391
Additions	784,140	2,874,888	291,570	1,737,889	5,688,487
Disposals	(45,000)	-	(113,075)	-	(158,075)
Exchange differences	(1,866)	-	-	-	(1,866)
Transfers	-	12,959	(12,959)	-	-
At end of the year	26,508,472	21,613,370	1,973,168	2,236,927	52,331,937
Depreciation					
At beginning of year	(3,026,936)	(5,165,410)	(1,425,624)	-	(9,617,970)
Charge for the year	(650,755)	(1,753,526)	(151,937)	-	(2,556,218)
Disposals	3,371	-	105,027	-	108,398
At end of the year	(3,674,320)	(6,918,936)	(1,472,534)	-	(12,065,790)
Carrying amount	22,834,152	14,694,434	500,634	2,236,927	40,266,147

8.1 None of the asset categories above had been pledged to secure borrowings of the Group in the current year (2015: Nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. ASSETS HELD FOR SALE

The Group continues to dispose of non-core or ageing assets in order to apply the value of the statement of financial position more appropriately. As such the properties (noted below) have been categorised as held for sale and are due to be disposed of in the next twelve months.

	2016 US\$	2015 US\$
Land & Buildings	157,431	157,431
Deferred tax relating to assets held for sale	(7,872)	(7,872)

	Goodwill US\$	Goodwill US\$
10. INTANGIBLE ASSETS		
Net carrying amount 1 July 2015	-	-
Acquisition of Subsidiary	1,516,422	-
Net Carrying amount 30 June 2016	1,516,422	-
Gross carrying amount	1,516,422	-
Accumulated amortisation and impairment losses	-	-

10.1 IMPAIRMENT OF GOODWILL

The Group performed its annual impairment test as at 30 June 2016. Goodwill acquired through business combinations has been allocated to a cash generating unit. The recoverable amount of the cash generating units has been determined using value in use. The Group considers the relationship between the investment in subsidiary and its net book value, among other factors, when reviewing for indicators of impairment. The pre-tax discount rate applied to cash flow projections is 13.04%. As a result of this analysis, no impairment of goodwill was recorded.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS AND SENSITIVITY TO CHANGES IN ASSUMPTIONS

The calculation of value in use is most sensitive to the discount rates.

DISCOUNT RATES

Discount rates represent the current market assessment of the risk specific to the Group, taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre tax discount rate.

Future cash flows have been projected for 5 years, with a growth rate of 0% used to project cash flows beyond the 5 year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN ASSOCIATE

THE GROUP HAS THE FOLLOWING INVESTMENTS IN ASSOCIATES:

11.1 PURE OIL INDUSTRIES (PRIVATE) LIMITED

The Group acquired a 40% interest in Pure Oil Industries (Private) Limited on 1 April 2016. The company is involved in the manufacturing of cooking oil.

	2016 US\$
11.2 NET ASSETS ACQUIRED AT ACQUISITION DATE	
Non-current assets	20,112,547
Current assets	15,902,748
Non-current liabilities	(16,993,223)
Current liabilities	(13,022,072)
Net assets	6,000,000
40% Share of net assets	2,400,000
Cash consideration paid	2,400,000

	2016 US\$
11.3 RECONCILIATION OF MOVEMENTS IN ASSOCIATES	
Balance at the beginning of the year	-
Purchase at cost	2,400,000
Equity accounted earnings	454,400
Balance at the end of the year	2,854,400

11.4 Summarised financial information of associate company	Revenue US\$	Profit after tax US\$	Non- current assets US\$	Current assets US\$	Non- current Liabilities US\$	Current liabilities US\$
1 April 2016 to 30 June 2016	24,359,068	1,136,000	-	-	-	-
30 June 2016	-	-	19,815,552	16,116,614	10,220,299	18,575,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	Rate of interest	Year Repayable	2016 US\$	2015 US\$
12. OTHER FINANCIAL ASSETS AND LIABILITIES				
12.1 Other financial assets				
Other non - current financial assets	5%	2018	115,925	119,845
Other financial assets - current portion			-	2,304
Total other financial assets			115,925	122,149
Other non-current financial assets comprise of an investment in a debenture.				
12.2 Other financial liabilities				
12.2.1 Short term financing				
Unsecured borrowings	7.00%	On demand	7,244,936	1,942,358
Total borrowings			7,244,936	1,942,358
Bank overdrafts	8.50%	On demand	-	1,482,470
Total other financial liabilities			7,244,936	3,424,828
12.2.2 Banking facilities				
Total facilities available to the Group			26,264,370	33,942,358
Facilities utilised at year end			(7,244,936)	(3,424,828)
Unutilised borrowing capacity			19,019,434	30,517,530

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 movable assets, receivables and inventory worth \$13,500,000. The facilities can only be used for working capital purposes.

12.2.3 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2016 US\$	2015 US\$
13. INVENTORIES		
Raw materials	31,441,258	28,604,595
Finished goods	14,236,673	13,519,758
Consumable stores	3,363,800	2,953,035
	49,041,731	45,077,388
The amount of inventory recognised as an expense is US\$255,771,711 (2015: US\$243,000,565) The amount of inventory write down recognised as an expense is US\$56,186 (2015: US\$562,830) Inventories have been pledged to secure borrowing facilities of the Group. Refer to note 12.2.2		
14. TRADE AND OTHER RECEIVABLES		
Trade receivables	31,879,236	22,781,641
Allowance for credit losses	(3,297,097)	(2,122,622)
Net trade receivables	28,582,139	20,659,019
Prepayments	1,453,405	2,101,244
Other receivables	1,887,009	6,726,173
Allowance for credit losses	(426,201)	(164,002)
	31,496,352	29,322,434
Trade and other receivables have been pledged to secure borrowing facilities of the Group. Refer to note 12.2.2		
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\$ 19,097,450 (2015: US\$ 13,051,138) is due from the Group's top ten customers, representing 60% 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 thus the amounts are still considered recoverable.		
Ageing of past due but not impaired		
31 - 60 days	5,575,330	4,179,493
61 - 90 days	1,731,654	1,128,866
Over 90 days	5,457,991	3,400,929
Total	12,764,975	8,709,288
Average age (days)	101	78

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2016 US\$	2015 US\$
14.3 Movement in the provision for credit losses		
Balance at the beginning of the year	(2,286,624)	(2,274,494)
Current year provisions	(1,469,341)	(399,183)
Utilised during the year	32,667	387,053
Balance at year end	(3,723,298)	(2,286,624)
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 and other receivables		
0-30 days	374,846	44,994
31 - 60 days	47,442	10,882
61 - 90 days	102,160	14,300
Over 90 days	3,198,850	2,216,448
Total	3,723,298	2,286,624
Average age (days)	440	247
14.5 Amounts due from Related Parties		
Included in trade and other receivables are amounts due from related parties as disclosed under Note 26.4		
14.6 Amounts due from Related Parties		
Included in trade and other receivables are amounts due from related parties as disclosed under Note 26.4		
15. ISSUED CAPITAL AND RESERVES		
15.1 Issued capital		
Authorised		
73 000 000 ordinary shares of US 0.01 cents each	730,000	730,000
Issued and fully paid		
68 400 108 ordinary shares (2015: 68 400 108) of US0.01 cents each	684,001	684,001
Unissued shares		
4 599 892 (2015: 4 599 892) ordinary shares of US0.01 cents each	45,999	45,999
The unissued shares are under the control of the Directors for an indefinite period and are subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange regulations.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15.2 Directors' shareholdings

At 30 June 2016, the Directors held directly or indirectly the following shares in the Company:

	2016	2015
	No. of Shares	No. of Shares
M. Lashbrook	101,995	101,995
L. Murimwa	140,320	140,320

	2016	2015
	US\$	US\$
15.3 Non-distributable reserves		
Opening balance	(9,595)	(7,729)
Exchange differences on translation of foreign operations	(2,555)	(1,866)
Closing balance	(12,150)	(9,595)

Non-distributable reserves are as a result exchange differences on the translation of the financial results of subsidiaries with a different functional currency.

15.4 Distributable reserves		
Opening balance	79,896,455	72,830,463
Profit for the year	14,273,573	12,736,361
Dividend paid (Note 16)	(6,484,321)	(5,670,369)
Closing balance	87,685,707	79,896,455
Retained in:		
Holding company	24,683,808	24,683,808
Subsidiary companies	63,001,899	55,212,647
	87,685,707	79,896,455

16. DIVIDEND

Declared and paid during the year:

Final dividend for 2015: US 4.65 cents per share (2014: US 5.18 cents per share)	3,180,605	3,543,126
Interim dividend for 2016: US 4.83 cents per share (2015: US 3.11 cents per share)	3,303,716	2,127,243
Total dividends declared and paid	6,484,321	5,670,369
Proposed and approved (not recognised as a liability at 30 June 2016)		
Final dividend for 2016: US 5.61 cents per share (2015: US 4.65 cents per share)	3,837,246	3,180,605





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2016	2015
	US\$	US\$
17. TRADE AND OTHER PAYABLES		
Trade payables	30,983,363	26,581,157
Other payables	4,648,115	4,180,446
	35,631,478	30,761,603

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.

	Leave Pay	Onerous Contract	Total
	US\$	US\$	US\$
18. PROVISIONS			
At 30 June 2016			
At beginning of the year	639,298	640,000	1,279,298
Created during the year	29,975	-	29,975
Acquired through subsidiary	32,507	-	32,507
Utilised during the year	(163,602)	(640,000)	(803,602)
At end of the year	538,178	-	538,178
At 30 June 2015			
At beginning of the year	758,330	-	758,330
Created during the year	99,191	640,000	739,191
Utilised during the year	(218,223)	-	(218,223)
At end of the year	639,298	640,000	1,279,298

Leave pay

This is calculated on the basis of leave days accumulated at an expected rate of payment.

Onerous Contracts

In 2015, the group entered into contracts to safeguard its maize pipeline at strategic silos within the region. A provision was raised after management had assessed that the unavoidable costs of meeting the obligation under the contract exceed the expected economic benefits. In 2016 the contracts were fulfilled and the provision reversed.

	2016	2015
	US\$	US\$
19. CASH FLOW INFORMATION		
19.1 Cash generated from operations		
Profit before tax	19,041,457	17,253,842
Finance income	(655,131)	(798,642)
Finance costs	1,041,868	1,152,626
Depreciation (Note 8)	2,760,980	2,556,218
Inventory write-down	56,186	562,830
Allowance for credit losses	1,469,341	399,183
Provision for onerous contracts & other provisions	(640,000)	1,152,594
Unrealised foreign exchange (losses)/ gain	76,635	(11,308)
Provision for leave pay	29,975	99,191
Profit on disposal of property, plant and equipment	(50,332)	(56,313)
Profit on disposal of assets held for sale	-	(592,933)
Equity accounted earnings	(454,400)	-
	22,676,579	21,717,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19.2 Working capital changes	2016 US\$	2015 US\$
Increase in inventories	(2,941,792)	(3,258,961)
Increase in accounts receivable	(2,912,656)	(3,333,528)
Increase in accounts payable	3,881,861	555,002
	(1,972,587)	(6,037,487)
19.3 Income tax paid		
Charge to profit or loss	(4,767,884)	(4,517,481)
Movement in tax liability	(167,352)	(37,837)
Movement in deferred tax liability	732,721	(218,023)
Acquisition of subsidiary (Note 20.1)	(29,987)	-
	(4,232,502)	(4,773,341)
19.4 Cash and cash equivalents at end of year		
Cash at bank	7,382,105	8,281,072
Cash on hand	271,161	465,007
Short term placements with related parties	1,513,006	-
	9,166,272	8,746,079
Cash and cash equivalents consist of cash on hand, balances with banks and short term highly liquid investments. Cash at bank accrues interest at floating rates based on daily bank deposit rates.		

20. BUSINESS COMBINATIONS

As part of the Company's growth initiatives, the Group entered into an agreement to acquire 100% of the share capital of Breathaway Food Caterers (Private) Limited, a snacks and biscuits manufacturing company which received the necessary regulatory approval and became effective on 1 April 2016.

20.1 Assets acquired and liabilities recognised at acquisition date (1 April 2016)	2016 US\$
Property, plant and equipment	548,558
Inventories	1,078,737
Trade and other receivables	807,238
Cash & cash equivalents	36,696
Trade and other payables	(824,412)
Provisions	(32,507)
Borrowings	(925,745)
Deferred tax liability	(57,204)
Income tax receivable	27,217
Gross assets of subsidiary at date of acquisition	658,578
Minority share therein	-
Net assets acquired	658,578
Goodwill recorded on acquisition	1,516,422
Gross consideration	2,175,000
Cash consideration paid	2,175,000
Cash & cash equivalents acquired	36,696
Net cash outflow on acquisition	2,138,304

Entry into the Snacks and Biscuits business is aligned to the group's strategic intent to invest in categories which will enable growth, and mitigate concentration risk. The goodwill recognised is made up largely of the brand premium commanded by BFC brands.

Trade and other receivables acquired are measured at a fair value of US\$807,238 being the gross amount receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The amounts of revenue and loss of the acquiree since the acquisition date included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the reporting period are as follows:

	2016 US\$
Revenue	1,756,224
Loss after tax	(24,782)
The revenue and profit of the combined entity for the current reporting period as though the acquisition date for the business combinations that occurred during the year had been as of the beginning of the annual reporting period are as follows:	
Revenue	330,642,305
Profit after tax	14,281,291

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 2016 are as follows:

	US\$	US\$
Within one year	340,462	702,276
After one year but no more than 5 years	-	264,804
	340,462	967,080
21.2 Capital expenditure commitments		
Authorised and contracted for	2,029,000	2,982,000
Authorised but not contracted for	9,811,000	4,429,000
	11,840,000	7,411,000
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 2016 there were a number of pending labour related cases against National Foods Limited. Due to the sensitivities related to these cases - no further disclosure can be made with regards to their financial effects.

21.4 Guarantees

No guarantees have been provided in the current year (2015: Nil).

22. PENSION SCHEMES

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

22.1 Defined contribution plan

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

22.2 National Social Security Authority Scheme

This is a defined contribution scheme established under the National Social Security Authority Act (1989). Contributions by employees are 3.5% per month of pensionable monthly emoluments, up to a maximum of \$700 per month.

	2016 US\$	2015 US\$
22.3 Pension costs recognised as an expense		
Defined contribution fund	823,656	795,020
National Social Security Authority Scheme	209,233	247,599
	1,032,889	1,042,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

23.1 Capital Management

The objective of the group is to ensure that the Group companies maintain healthy capital ratios in order to support the business and maximise shareholder value. The group is not subject to any externally imposed capital requirements. 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 2016 and 30 June 2015.

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%.

	2016 US\$	2015 US\$
Interest bearing borrowings net of cash and cash equivalents	7,244,936	1,942,358
Less cash and cash equivalents	(9,166,272)	(7,263,609)
Net Debt	(1,921,336)	(5,321,251)
Total Equity	88,357,558	80,570,861
Gearing ratio	Nil	Nil

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 are 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 2015 and 2016 is the carrying amount as outlined in note 19.4.

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 and collateral secured where necessary. Collateral is in the form of bank guarantees and title deeds, with a value of US\$13,761,610 (2015: US\$11,697,368).

With regards to the credit quality of financial assets that are neither past due nor impaired, the credit quality of a customer is assessed based on an extensive credit rating and individual credit limits are defined in accordance with this assessment.

The Group's maximum exposure to credit risk on trade and other receivables as at 30 June 2016 and 2015 is the carrying amount as outlined 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.

The following table demonstrates the profit before tax sensitivity to a reasonable possible change in interest rates on bank borrowings.

	2016 US\$	2015 US\$
Effect on profit before tax		
Increase of 3%	(142,931)	(102,745)
Decrease of 3%	142,931	102,745

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 12.2.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	< 3 months US\$	3-12 Months US\$	1 - 5 years US\$	Total US\$
Year ended 30 June 2016				
Interest bearing borrowings	2,264,579	5,043,750	-	7,308,329
Trade and other payables	35,631,478	-	-	35,631,478
Bank overdrafts	-	-	-	-
	37,896,057	5,043,750	-	42,939,807
Year ended 30 June 2015				
Interest bearing borrowings	1,966,637	-	-	1,966,637
Trade and other payables	30,761,603	-	-	30,761,603
Bank overdrafts	1,498,221	-	-	1,498,221
	34,226,461	-	-	34,226,461

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:

	2016 US\$	2015 US\$
Assets		
South African Rand	-	61,904
GBP	-	-
Euro	-	-
Botswana Pula	-	6,120
Liabilities		
South African Rand	11,250	122,990
Botswana Pula	33,982	128,529
Euro	-	26,195

The Group is mainly exposed to the South African Rand and Botswana Pula. 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) 2016 US\$	Profit or (Loss) 2015 US\$
South African Rand	1,023	(11,062)
Botswana Pula	3,089	(12,241)
GBP	-	-
Euro	-	(2,619)

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

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 resulted in three reportable operating segments as follows:

Milling, Manufacturing and Distribution

This segment comprises of the flour, maize and stock feeds operating segments. Management has applied the following judgements in aggregating these operating segments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- The operating segments exhibit similar long term average gross margins
- The products constitute fast moving consumer goods
- They are involved in the conversion of one form of raw material to a saleable purchased state
- They involve the warehousing of products and distribution to the wholesale and retail market

Down packing

This segment includes the down packing and sale of FMCG products. It also involves the warehousing of these goods and their distribution to the wholesale and retail market.

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

Year ended 30 June 2016	Milling & Manufacturing US\$	Down Packing US\$	Properties US\$	Intersegment adjustments US\$	Group US\$
Segment revenue					
External customers	266,276,595	64,152,887	212,823	-	330,642,305
Inter-segment	-	-	1,900,260	(1,900,260)	-
Total revenue	266,276,595	64,152,887	2,113,083	(1,900,260)	330,642,305
Operating profit	17,424,467	713,992	835,335	-	18,973,794
Net interest expense	(355,403)	(502,692)	471,358	-	(386,737)
Equity accounted earnings	454,400	-	-	-	454,400
Profit before tax	17,523,464	211,300	1,306,693	-	19,041,457
Segment assets	84,886,445	14,771,730	42,799,004	(2,464,622)	139,992,557
Segment liabilities	(38,586,797)	(10,139,902)	(5,372,922)	2,464,622	(51,634,999)
Net segment assets	46,299,648	4,631,828	37,426,082	-	88,357,558
Depreciation charge for the year	2,094,874	141,502	524,604	-	2,760,980
Capital expenditure	5,394,019	668,907	1,530,651	-	7,593,577
Number of employees	848	41	-	-	889
Year ended 30 June 2015					
Segment revenue					
External customers	282,636,635	31,521,339	248,960	-	314,406,934
Inter-segment	-	-	1,926,760	(1,926,760)	-
Total revenue	282,636,635	31,521,339	2,175,720	(1,926,760)	314,406,934
Operating profit	15,165,594	1,270,113	1,172,119	-	17,607,826
Net interest expense	(448,267)	(429,627)	523,910	-	(353,984)
Profit before tax	14,717,327	840,486	1,696,029	-	17,253,842
Segment assets	71,811,871	16,320,889	41,868,908	(6,310,040)	123,691,628
Segment liabilities	(32,013,811)	(11,817,444)	(5,599,552)	6,310,040	(43,120,767)
Net segment assets	39,798,060	4,503,445	36,269,356	-	80,570,861
Depreciation charge for the year	1,869,671	137,804	548,743	-	2,556,218
Capital expenditure	5,119,543	17,979	550,965	-	5,688,487
Number of employees	942	54	-	-	996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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\$ 13,110 (2015:US15,665). As such no further geographical information has been presented.

25. EVENTS AFTER THE REPORTING DATE

There were no events after reporting date that warranted disclosure.

26. RELATED PARTY TRANSACTIONS

26.1 The ultimate parent

The Group's ultimate holding company is Innscor Africa Limited with a 37.82% interest in the Group.

26.2 The financial statements include the financial statements of National Foods Holdings Limited, subsidiaries and associates listed in the following table:

	Country of incorporation	2016 Equity Interest	2015 Equity Interest
Name			
Subsidiaries			
National Foods Limited	Zimbabwe	100%	100%
- Breathaway Food Caterers (Private) Limited	Zimbabwe	100%	-
- Pure Oil Industries (Private) Limited	Zimbabwe	40%	-
National Foods Properties Limited	Zimbabwe	100%	100%
Bakery Products (Private) Limited	Zimbabwe	100%	100%
Harris Maize Milling and Produce Company (Private) Limited	Zimbabwe	100%	100%
Rice Mills (Private) Limited	Zimbabwe	100%	100%
Natpak Zimbabwe (Private) Limited	Zimbabwe	100%	100%
NF Transport Bulawayo (Private) Limited	Zimbabwe	100%	100%
Palte-Harris (Private) Limited	Zimbabwe	100%	100%
Speciality Animal Feed Company Limited	Zimbabwe	100%	100%
Botswana Milling and Produce Company (Proprietary) Limited	Botswana	100%	100%
- Red Seal Manufacturers (Proprietary) Limited	Botswana	100%	100%

	2016 US\$	2015 US\$
26.3 Transactions entered into with related parties		
Parent and its subsidiaries		
Purchase of trading stocks and raw materials		
- Innscor Africa Limited Group companies	15,264,500	7,726,945
- Pure Oil Industries (Private) Limited	3,634,381	-
Sale of goods and services		
- Innscor Africa Limited Group companies	47,725,203	49,910,925
Interest and Management Fees		
- Innscor Africa Limited Group companies		
- Management fees	220,000	180,000
- Net interest received on call accounts	12,228	60,523
- Net interest received from IAL Group companies	169,864	55,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

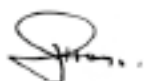
	2016 US\$	2015 US\$
Entities with significant influence		
Purchase of trading stocks and raw materials		
- Tiger Brands Limited	336,336	857,078
Interest and Management Fees		
- Tiger Brands Limited		
- Technical fees	276,000	276,000
26.4 Balances (due to) or due from related parties		
- Innsco Africa Limited Group companies	7,267,257	5,610,909
- Tiger Brands Limited	(28,260)	(91,482)
- Pure Oil Industries (Private) Limited	194,563	-
26.5 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 2016 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: 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.		
26.6 Directors emoluments		
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	60,060	58,440
- otherwise in connection with management	527,010	477,817
	587,070	536,257
26.7 Other key management remuneration		
Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company	2,570,690	2,151,303
	222,674	216,503
	2,793,364	2,367,806



COMPANY STATEMENT OF FINANCIAL POSITION

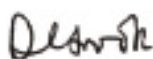
AS AT 30 JUNE 2016

	Notes	2016 US\$	2015 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
Distributable reserves		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



T. Moyo
Chairman

Harare
18 October 2016



M. Lashbrook
Managing Director

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SHAREHOLDERS' ANALYSIS

AT 30 JUNE 2016

Shareholding	No. of shareholders	%	Issued shares	%
1 - 1000	499	57.75	177,382	0.26
1001 - 10000	270	31.25	829,244	1.21
10001 - 50000	57	6.60	1,214,570	1.78
50001 and over	38	4.40	66,178,912	96.75
	864	100	68,400,108	100
Shareholders				
Banks and nominees	25	2.89	55,191	0.08
Deceased estates	7	0.81	8,407	0.01
External companies	10	1.16	29,082,508	42.52
Insurance companies/societies	11	1.27	1,713,492	2.51
Pension funds	99	11.46	3,164,275	4.63
Resident individuals	491	56.83	893,087	1.31
Non-residents	70	8.10	105,876	0.15
Investment and trust companies	150	17.36	33,375,529	48.79
Other corporate holdings	1	0.12	1,743	0
Total	864	100	68,400,468	100

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AT 30 JUNE 2015

Shareholding	No. of shareholders	%	Issued shares	%
1 - 1000	503	57.68	179,863	0.26
1001 - 10000	273	31.31	803,658	1.17
10001 - 50000	57	6.54	1,265,542	1.85
50001 and over	36	4.47	66,151,045	96.71
	869	100	68,400,108	100
Shareholders				
Banks and nominees	66	7.57	1,405,176	2.05
Deceased estates	7	0.80	8,492	0.01
External companies	2	0.23	25,622,013	37.46
Insurance companies/societies	7	0.80	73,643	0.11
Pension funds	60	6.88	3,003,768	4.39
Resident individuals	503	57.68	948,079	1.39
Non-residents	84	9.63	3,390,756	4.96
Investment and trust companies	140	16.06	33,940,957	49.62
Other corporate holdings	3	0.34	7,584	0.01
	872	100	68,400,468	100

SHAREHOLDERS' ANALYSIS

MAJOR SHAREHOLDERS

The top ten shareholders of the Company
at 30 June 2016

Shareholding	2016 No. of shares	%	2015 No. of share	%
Innsco Africa Limited	25,806,354	37.73	25,870,271	37.82
Tiger Brands Limited	25,618,474	37.45	25,618,474	37.45
National Foods Workers' Trust (Private) Limited	6,734,978	9.85	6,734,978	9.85
Stanbic Nominees (Private) Limited NNR	3,249,341	4.75	3,283,834	4.80
Old Mutual Life Ass Co Zim Ltd	1,242,972	1.82	28,382	0.04
National Social Security Authority	1,106,292	1.62	1,106,292	1.62
Stanbic Nominees (Private) Limited	1,049,355	1.53	181,899	0.27
Local Authorities Pension Fund	300,000	0.44	300,000	0.44
Standard Chartered Nominees (Private) Limited	289,144	0.42	852,600	1.25
Standard Chartered Nominees (Private) Limited NNR	215,584	0.32	-	-
Communications And Allied Industries Pension Fund	-	0.00	503,194	0.74
First Mutual Life	-	0.00	334,481	0.49
Tonly Investments (Private) Limited	-	0.00	262,000	0.38



NOTICE OF ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN that the forty- seventh Annual General Meeting of National Foods Holdings Limited is to be held at the registered office, Gloria House, 10 Stirling Road, Workington, Harare on 9th November 2016 at 08.30 am, to conduct the following business:

ORDINARY BUSINESS

1. To receive and consider the Financial Statements and Reports of the Directors and Auditors for the financial year ended 30 June 2016.
2. To re-elect the following retiring Directors, Messrs Michael Lashbrook and Noel Doyle who retire by rotation and being eligible, offer themselves for re-election.
3. To approve the appointment of Mr Godfrey Gwainda who was appointed as a Director of the Company with effect from 18th August 2016, 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 2016.
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 shall be not more than 5% (five percent) above and 5% (five percent) below the weighted average of the market price at which such ordinary shares are traded on the Zimbabwe Stock Exchange, as determined over the 5 (five) business days immediately 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 ownshares 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 any 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. HOWES
Group Company Secretary
Gloria House
10 Stirling Road
Workington
P.O Box 269
Harare

18 October 2016

PROXY FORM

PROXY FORM - AGM Wednesday 9th NOVEMBER 2016

I / We _____ of _____

Being the registered owner (s) of
ordinary shares in the above names 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 Wednesday 9th November 2016, at
08.30 hours, and any adjournment thereof.

SIGNED this _____ day of _____ 2016

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.

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CHANGE OF ADDRESS

CHANGE OF NAME / AND OR ADDRESS

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

Shareholder's name in full
(Block Capitals Please)

New Address
(Block Capitals Please)

Shareholder's signature _____

PROXY FORM

COMPANY SECRETARY

**GLORIA HOUSE
10 STIRLING ROAD
WORKINGTON
P.O. BOX 269
HARARE**



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CHANGE OF ADDRESS

COMPANY SECRETARY

**GLORIA HOUSE
10 STIRLING ROAD
WORKINGTON
P.O. BOX 269
HARARE**







NATIONAL FOODS
HOLDINGS LIMITED

Harare: 10 Stirling Road, Workington

Tel: (04) 753751/8, 753741/9

Bulawayo: Stand No. 13747 Basch Street

Tel: (09) 889201

Contact: customerservice@natfood.co.zw

www.nationalfoods.co.zw

