



# NATIONAL FOODS

HOLDINGS LIMITED

## ANNUAL REPORT



2017 |

# VISION

TO BE THE LEADING SUPPLIER  
OF BRANDED FMCG AND  
STOCKFEEDS PRODUCTS IN  
ZIMBABWE AND SELECTED  
REGIONAL MARKETS



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## FINANCIAL HIGHLIGHTS

		2017	2016	2015	2014	2013
Volumes	mt	507,000	560,000	494,000	538,000	500,000
Revenue	US\$'000	289,508	330,642	314,407	343,518	309,320
Profit from operating activities	US\$'000	16,497	18,974	17,608	22,621	18,439
Profit after tax for the year	US\$'000	13,705	14,274	12,736	16,783	13,939
Profit attributable to equity holders of the parent	US\$'000	13,705	14,274	12,736	16,783	13,939
Basic earnings per share	US cents	20.04	20.87	18.62	24.54	20.38
Net asset value per share	US cents	139	129	118	107	89
Market value per share	US cents	380	210	300	215	245
Shares in issue at year end	000's	68,400	68,400	68,400	68,400	68,400

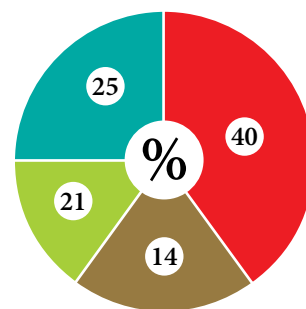
## VALUE ADDED STATEMENT

For the year ended 30 June 2017

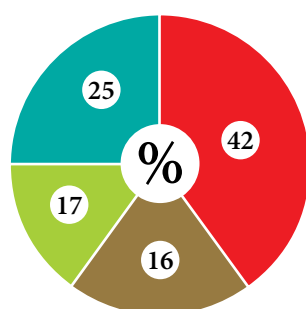
Value added is a measure of the wealth the Group has been able to create in its operations by adding value to the cost of raw materials, products and services purchased. The statement summarises the total wealth created and shows how it was shared by employees and other parties who contributed to the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

	2017	2016
	US\$000	US\$000
<b>Value created:</b>		
Revenue	289,508	330,642
Other Income / (Expense)	730	607
Equity accounted earnings	1,832	454
Suppliers for materials and services	(253,536)	(289,873)
<b>Total wealth created</b>	<b>38,535</b>	<b>41,830</b>
<b>Distributed as follows:</b>		
<b>Employees</b>	<b>15,606</b>	<b>17,717</b>
<b>Government</b>	<b>5,250</b>	<b>6,742</b>
Income tax	3,326	4,768
PAYE	1,924	1,974
Other taxes	-	-
<b>Providers of capital</b>	<b>8,229</b>	<b>6,871</b>
Dividends paid to shareholders	7,127	6,484
Net Interest paid on borrowings	1,102	387
<b>Reinvested in the Group to maintain and develop operations</b>	<b>9,450</b>	<b>10,500</b>
Depreciation	2,887	2,761
Retained income	6,563	7,739
<b>Total wealth distributed and reinvested in the Group</b>	<b>38,535</b>	<b>41,830</b>

FY2017



FY2016



- 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*

100%

**Botswana Milling and Produce Company (Proprietary) Limited**  
*Investment company*

100%

**Red Seal Manufacturers (Proprietary) Limited**  
*Property owning company*

100%

**NF Transport Bulawayo (Private) Limited**  
*Dormant*

100%

**Rice Mills (Private) Limited**  
*Dormant*

100%

**Palte-Harris (Private) Limited**  
*Dormant*

100%

**Speciality Animal Feed Company Limited**  
*Dormant*

100%

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

100%

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

100%

**Natpak Zimbabwe (Private) Limited**  
*Dormant*





DIRECTORATE AND ADMINISTRATION

National Foods Holdings Limited

BOARD OF DIRECTORS

T. Moyo	Chairman
M. Lashbrook*	Chief Executive Officer
L. Nyandoro*	Finance Director
N. Doyle	
G. Gwainda	
J. Schonken	
P. Spies	

AUDIT & RISK COMMITTEE

G. Gwainda	Chairman
N. Doyle	
T. Moyo	
J. Schonken	Alternate Member
P. Spies	Alternate Member

REMUNERATION COMMITTEE

J. Schonken	Chairman
N. Doyle	
P. Spies	Alternate Member

COMPANY SECRETARY & GROUP  
LEGAL ADVISOR

L. Howes

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  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr K. Nkrumah Avenue/  
J. Nyerere Way  
P.O. Box 62, Harare.

LEGAL

Dube, Manikai & Hwacha  
Wintertons

*\*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. National Foods Limited manufactures and sells a broad range of branded consumer goods and animal feed products.

NATIONAL FOODS LIMITED

EXECUTIVE COMMITTEE

M. Lashbrook*	Chief Executive Officer
L. Nyandoro*	Finance Director
W. Chimweta*	Sales and Marketing Director
R. Mann*	Operations Director
R. Usayi	Human Resources Executive

MANAGING EXECUTIVES

M. Chawanda	Managing Executive - Flour Milling
C. Nheta	Managing Executive - Maize Milling
N. Weller	Managing Executive - MCG
W. Bosch	Managing Executive - Stockfeeds (Acting)
G. Rawlins	Managing Executive – Snacks & Treats

ASSOCIATE COMPANY

PURE OIL INDUSTRIES (PRIVATE) LIMITED

S. Mathur	Chief Executive Officer
V. Agarwal	Head of Finance
R. Musiyiwa	Head of Operations







TODD MOYO (CHAIRMAN)



### *Introduction*

The Group recorded a subdued performance for the year under review, posting a profit before tax of \$17.23 million which was 9.5% below the same period last year. Volume performance was disappointing with 506,981 tons sold representing a decrease of 10% over prior year. Profitability was impacted by a very poor result from the Maize division where volumes reduced by 70,000 tons on last year; excluding Maize the remainder of the Group grew volumes by 7.3% compared to the previous period. The Maize unit was significantly impacted by an increase of subsidised maize provided to consumers by Government following the disappointing 2015-16 harvest. In addition, the Grain Marketing Board priced its commercial offering very aggressively, culminating in the Maize division recording a loss for the year.

The ability of the Company to settle its foreign creditors remained a key consideration, although with the support of the Reserve Bank of Zimbabwe as well as some respite in respect of foreign liquidity on the back of tobacco inflows the company's position with its foreign creditors normalised by year end. The increased cost of foreign credit lines placed inflationary pressure on raw material prices. The Group consciously moderated pricing and as a result margins were impacted in some categories which use imported raw materials such as Flour, where gross margins reduced by 1.5% compared to prior year.

Several categories, including flour and rice, saw volume increases on the back of Government's policy to reduce imports of finished goods following the implementation of SI 64 of 2016 as well as the common challenges faced across the food sector in accessing foreign currency for raw materials.





### Overview of Financial Performance

Revenue declined by 12.4% compared to the previous period, translating to a decline in EBITDA of 10.9%. Encouragingly, operational expenditure declined by 12.6% compared to the same period last year as the cost rationalisation interventions began to take effect.

The structure of the statement of financial position changed markedly during the year, as the Group applied its cash resources to securing an extended pipeline of raw materials. The increased raw material position as well as a reduction in foreign credit lines further increased working capital to \$79 million by year end, compared to \$44 million for the previous period. The company will continue to seek further opportunities to invest in its raw material pipeline and remains well positioned to fund its growth ambitions as well as a consistent dividend flow to its shareholders.

Capital expenditure for the period amounted to \$3.8 million, with difficulties in sourcing foreign currency causing some delays in various capital projects that had been planned. The Group will continue to reinvest in improving its operations in the year ahead, prioritising the project pipeline in accordance with currency availability.

### Flour Milling

The Flour division produced a solid result for the period, with volumes increasing by 18% as compared to last year. This growth emanated from the Baker's flour category and in particular strong demand from all of the major plant bakers who are now sourcing

all of their flour requirements locally. It is anticipated that Government support for wheat production will result in a substantially increased local wheat crop, reducing demand for imported wheat.

### Maize Milling

The Maize division had a disappointing year, trading at a loss. The Group continues to engage the authorities through the Grain Millers Association to resolve the structural challenges impacting the Maize milling sector. Operating models have been modified for the company's maize mills to reduce costs and opportunities for innovation within the Maize category are being pursued. Following an excellent maize crop driven by Government support and favourable weather the country is expected to be self-sufficient in maize this year.

### Stockfeeds

Volume performance for the Stockfeeds division was muted, declining by 9.0% on prior year due to reduced protein consumption and the excellent rains which impacted beef feed volumes. Most recent data from the Stockfeed Manufacturers Association (to March 2017) shows that, nationally, total feed volumes manufactured declined by 14% for the year ended 31 March 2017 compared to the same period in 2016. During the same period, the Group's volumes declined by 7%, implying increased market share in a constrained category.

### Medium-scale Consumer Goods (MCG)

This division produced a significantly improved result, driven by rice volumes which increased by 24% and Red Seal salt which maintained its market leading USD '000 position. The MCG unit relies almost entirely on Revenue 330 642 imported raw materials such as rice, salt and pasta which are not produced locally and its performance will to a large extent be driven by foreign currency availability in the year ahead.

### Snacks and Treats

This unit was acquired in April 2016 and manufactures extruded corn snacks and loose biscuits. The unit continued to benefit from the initiatives to improve product quality and distribution, resulting in revenue increasing by 76% over the comparative period. Notwithstanding this, the profitability of the unit did not meet expectation.

With initiatives in play to further increase volumes and optimise the manufacturing platform we expect this unit to make a positive contribution to the Group in the year ahead.

### Pure Oil

The Company holds an effective 40% stake in Pure Oil Industries and its results are equity accounted. The business produced an excellent result for the period with attributable profit increasing by 307% to \$1.83 million over the prior period. ZIMGOLD maintained its market leading position in the cooking oil sector and laundry soap under the ZIMBRITE brand was introduced towards the end of period.

Sales of soya meal were disappointing due to the poor local crop, in this regard the various initiatives to stimulate local soya bean production are encouraging. The oil sector has seen a number of new investments in recent years which will benefit not only consumers through the supply of locally produced oil but also producers of oil seed crops such as soya beans and cotton who will now have a more readily available market for their product.

### Depots

As noted in the mid-year report, Gain Cash and Carry (Gain) took over the operations of the Group's former depot network with effect from November 1st 2016. Gain has been awarded a licence to operate this network and will steadily increase the basket of goods sold to become a fully-fledged wholesaler. The transition of the Depots out of the business allows the Group to focus on, and further grow, its core light manufacturing activities.

### Contract Farming

The Group continues to support local farming, with 6,800 hectares of maize, wheat and soya beans having being planted through the National Foods' contract farming scheme. In addition to this, Pure Oil Industries launched a soya bean contract farming scheme for the 2016-17 season where the production of 1,100 hectares of soya beans has been supported through the provision of inputs to contracted farmers.

### 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 availability of foreign currency to procure key imported raw materials will strongly influence the Group's results in the next period. As ever the Group will support local agricultural production in the first instance but where there are shortfalls must turn to imported products.

Management continues to focus on building a sustainable, competitive light manufacturing business as well as seeking out further organic and acquisitive growth opportunities.

### Dividend

The Board is pleased to declare a final dividend of 5.21 US cents per share payable in respect of all ordinary shares of the Company. This dividend is in respect of the financial year ended 30 June 2017 and will be payable in full to all the shareholders of the Company registered at close of business on 13 October 2017. The payment of this dividend will take place on or about the 27th of October 2017. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 10 October 2017 and ex-dividend as from 11 October 2017. This final dividend brings the total dividend for the year to 10.02 US cents per share.

### Acknowledgement and Appreciation

I would like to thank management and staff sincerely for their on-going efforts in a tremendously challenging operating environment. Finally, I wish to thank my fellow board members for their continued support and counsel.



Todd Moyo  
Chairman

27 September 2017





## CORPORATE GOVERNANCE

*National Foods Holdings Group subscribes to the principles of discipline, independence, accountability, transparency, responsibility, integrity, fairness and social responsibility, identified as the primary characteristics of good governance in the Code of Corporate Practices and Conduct, contained within the King III Report on Corporate Governance and the Combined Code on Corporate Governance.*



### 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 embodied within the King III Report and Combined Code on Corporate Governance and is committed to ensuring that these principles continue to be an integral part of the way in which the Group's business is conducted.

### Directorate and Executive Management

The Boards of Directors of the Holding Company and of the Principal Operating Company retain full and effective control over the Group. The Boards meet regularly, no less than four times a year to review strategy, planning, operational performance, acquisitions and disposals, stakeholder communications and other material matters relating to performance of executive management.

The majority of Directors of the Holding Company are non-executive bringing objective judgement to bear on issues

## CORPORATE GOVERNANCE (CONTINUED)

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

### Financial Statements

The Directors of the National Foods Holdings Group are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the company and the Group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The annual financial statements contained in this report have been prepared in accordance with International Financial Reporting Standards. They are based on appropriate accounting policies and are supported by reasonable and prudent judgements and estimates. The directors have no reason to believe that the Group's operations will not continue as a going concern in the year ahead.

### Audit and Risk Committee

The Group has a risk and audit committee comprising representation by non-executive directors and is chaired by a non-executive director. As at 30 June 2017 the committee comprised G. Gwinda (Chairman), N. Doyle, T Moyo, P. Spies (Alternate) and J. Schonken (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.

The board is 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 conducts an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This committee reports to the Board on all areas of risk that have been identified in the Group.

### Internal Control

The Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties. The internal audit function operates under the direction of the Group Audit Committee, which approves the scope of the work to be performed. Significant findings are reported to both executive management and the audit committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work. Nothing has come to the attention of the Directors that indicates any material breakdown in the functioning of the key internal controls and systems during the period under review. The Group has comprehensive risk and loss control procedures in place, which form an integral part of a sophisticated third party and self-insurance programme.

### Directors' and Executive Remuneration

#### Remuneration committee

The remuneration committee has been delegated by the board with the responsibility of determining the remuneration of the executive directors and other senior management members. The chairman of the committee is obliged to report to the board on its deliberations. The committee is comprised of J. Schonken (Chairman), N. Doyle and P. Spies (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 the executive directors comprise an annual salary, benefits as well as short term and long term incentive scheme.

### *Management Reporting*

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. Individual budgets are approved by the Principal Operating Company board of directors, while the Group budget is reviewed by the directors of the Holding Company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and

cash flow forecasts are updated half yearly, while working capital and borrowing levels are monitored on an on-going basis.

### *Strategic Planning Process*

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

### *Ethics*

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

### *Equal Opportunity*

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







## REVIEW OF FINANCIALS

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 30 June 2017 US\$000	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
<b>Revenue</b>	289,508	330,642	314,407	343,518	309,320
<b>Profit from operating activities</b>	16,497	18,974	17,608	22,621	18,439
Net financing costs	(1,102)	(387)	(355)	(876)	(1,190)
- interest expense	(1,560)	(1,042)	(1,154)	(1,505)	(1,479)
- interest income	458	655	799	629	289
Share of associate's profit	1,831	454	-	-	-
<b>Profit before tax</b>	17,226	19,041	17,253	21,745	17,249
Taxation	(3,522)	(4,768)	(4,517)	(4,962)	(3,310)
<b>Profit for the year</b>	<b>13,704</b>	<b>14,273</b>	<b>12,736</b>	<b>16,783</b>	<b>13,939</b>
<b>Total comprehensive income for the year</b>	<b>13,707</b>	<b>14,271</b>	<b>12,734</b>	<b>16,783</b>	<b>13,937</b>

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2017 US\$000	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
<b>Assets</b>					
Property, plant and equipment	45,682	45,644	40,267	37,186	37,925
Intangible assets	1,516	1,516	-	-	-
Investments in associate companies	4,686	2,854	-	-	-
Other non-current financial assets	1,395	116	120	122	120
Other current assets	96,056	80,540	74,402	68,758	71,993
Cash & cash equivalents	3,683	9,166	8,746	12,672	4,106
Assets classified as held for sale	107	157	157	1,351	-
<b>Total assets</b>	<b>153,125</b>	<b>139,993</b>	<b>123,692</b>	<b>120,089</b>	<b>114,144</b>
<b>Equity and Liabilities</b>					
Equity	94,937	88,358	80,571	73,507	60,828
Deferred tax	7,987	8,181	7,448	7,606	7,450
Interest bearing borrowings	30,666	7,245	3,425	8,437	20,566
Other current liabilities	19,530	36,201	32,240	30,471	25,300
Liabilities relating to assets held for sale	5	8	8	68	-
<b>Total equity and liabilities</b>	<b>153,125</b>	<b>139,993</b>	<b>123,692</b>	<b>120,089</b>	<b>114,144</b>

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2017 US\$000	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
<b>Net cash inflows / (outflows) from operating activities</b>	<b>(20,145)</b>	<b>16,085</b>	<b>10,552</b>	<b>25,323</b>	<b>(18,408)</b>
<b>Investing activities</b>					
- purchase of property plant and equipment	(3,864)	(7,593)	(5,688)	(3,640)	(6,086)
- other investing activities	(293)	(4,482)	1,893	3,115	2,875
Net cash (outflows)/inflows from investing activities	(4,157)	(12,075)	(3,795)	(525)	(3,211)
<b>Net cash inflow/(outflow) before financing activities</b>	<b>(24,302)</b>	<b>4,010</b>	<b>6,757</b>	<b>24,798</b>	<b>(21,619)</b>
<b>Financing activities</b>	<b>18,819</b>	<b>(2,107)</b>	<b>(4,944)</b>	<b>(23,454)</b>	<b>17,371</b>
<b>Net increase/(decrease)in cash and cash equivalents</b>	<b>(5,483)</b>	<b>1,903</b>	<b>1,813</b>	<b>1,344</b>	<b>(4,248)</b>



RATIOS AND STATISTICS

		Year ended 30 June 2017 US\$000	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
Profitability						
Operating margin	%	6%	6%	6%	7%	6%
Return on total assets	%	11%	14%	14%	19%	18%
Return on equity	%	15%	18%	17%	28%	28%
Effective tax rate	%	20%	25%	26%	23%	19%
Growth						
Increase/(Decrease) in revenue	%	(12%)	5%	(8%)	11%	26%
Increase/(Decrease) in operating profit	%	(13%)	8%	(22%)	23%	67%
Productivity						
Asset turnover	times	1.89	2.36	2.54	2.86	3.34
Solvency and liquidity						
Current ratio	times	1.99	2.06	2.33	2.09	1.66
Interest cover	times	14.97	49.06	49.74	25.83	15.50
Gearing	%	24%	8%	4%	10%	25%
Total liabilities to shareholders' funds	%	61%	58%	54%	63%	88%
Employee statistics						
Number of employees	ave	629	889	996	954	966
Revenue per employee	US\$	460,267	371,898	315,610	360,082	320,027
Operating profit per employee	US\$	26,227	21,341	17,679	23,712	22,820
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	68,400
Basic earnings per share	US cents	20.04	20.87	18.62	24.54	20.38
Diluted earnings per share	US cents	20.04	20.87	18.62	24.54	20.38
Dividend per share	US cents	10.02	10.44	7.76	8.18	6.00
Dividend cover	times	1.92	2.00	2.40	3.00	3.40
Dividend yield	%	3%	5%	3%	4%	2%
Price earnings ratio	times	18.97	10.06	16.11	8.76	12.02
Net asset value per share	US cents	138.80	129.18	117.79	107.47	88.93
Market capitalisation	\$'000	259,920	143,640	205,200	147,060	167,580
Market price per share						
High	US cents	380	305	340	250	270
Low	US cents	350	205	195	195	140
Price - year end	US cents	380	210	300	215	245

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 net 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.
Gearing	Total interest bearing borrowings as a percentage of shareholder's funds and interest bearing borrowings.
Total liabilities	Long term liabilities, current liabilities, bank overdrafts and acceptances.

DIRECTORS' REPORT

*The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2017*

GROUP FINANCIAL RESULTS

	2017 US\$000	2016 US\$000	2015 US\$000	2014 US\$000	2013 US\$000
Profit before tax	17,226	19,041	17,253	21,745	17,249
Tax	(3,522)	(4,768)	(4,517)	(4,962)	(3,310)
Profit after tax	13,704	14,273	12,736	16,783	13,939
Total comprehensive income for the year	13,707	14,271	12,734	16,783	13,937

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 (2016:Nil) and the number of shares in issue was 68 400 108 (2016:68 400 108).

National Foods Workers Trust

National Foods Workers Trust (Private) Limited was established to provide a scheme for worker participation in both the equity and profits of the company. Through donations by the Company to the Trust, the Trust acquired a 10% shareholding in National Foods 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.

Borrowing Powers

In terms of the Articles of Association, the borrowing powers of the company and its subsidiaries (excluding inter-company borrowings) are limited in aggregate to the nominal amount of the share capital of the company plus the total free reserves of the company and its subsidiaries. The level of borrowings throughout the year was adequately covered in this respect.

Reserves

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

Dividends

The Board has declared a final dividend of (US\$) 5.21 cents per share payable on or about 27 October 2017 to shareholders registered at the close of business on 13 October 2017. The shares of the Company will be traded cum – dividend on the Zimbabwe Stock

Exchange up to the market day of 10th October 2017 and ex – dividend as from the 11th October 2017. Together with the interim dividend of (US\$) 4.81 cents per share, this final dividend brings the total dividend for the year to (US\$) 10.02 cents per share.

Directorate

Neil Brimacombe resigned from the Board with effect from January 25th 2017. I would like to thank Neil sincerely for his valuable and extensive input as a Board member over many years and I wish him everything of the best in his future endeavours. Pieter Spies was appointed to replace Neil on March 20th 2017, as a representative of Tiger Brands. We welcome Pieter to the Board.

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.

Annual General Meeting

The forty eighth Annual General Meeting of the Company will be held at 09:00am on Wednesday 8 November 2017 at the registered office of the Company 10 Stirling Road, Workington, Harare.

T.Moyo  
Chairman  
27 September 2017

M.Lashbrook  
Chief Executive Officer



## STATEMENT OF DIRECTORS' RESPONSIBILITY

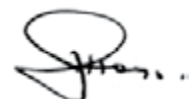
The Directors of the company are required by the Companies Act to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit and cash flows for the 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 that 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 except when stated 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 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 2017, which appear on pages 27 to 60 have been approved by the Board of Directors and are signed on its behalf by:



T. Moyo  
Chairman



M. Lashbrook  
Chief Executive Officer

Harare  
27 September 2017



**Ernst & Young**  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way /  
Kwame Nkrumah Avenue  
P O Box 62 or 702  
Harare  
Zimbabwe

Tel: +263 4 750905-14 or 750979-83  
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www.ey.com

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED

#### Report on the Audit of the Consolidated Financial Statements

##### Opinion

We have audited the consolidated financial statements of National Foods Holdings Limited set out on pages 27 to 60, which comprise the group statement of financial position as at 30 June 2017, and the group statement of profit or loss and other comprehensive income, the group statement of changes in equity and the group statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Foods Holdings Limited as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key Audit Matter	How our audit addressed the matter
<b>Allowance for credit losses</b>	
<p>A significant part of the Group's revenue from sales of goods is derived from credit sales to varied customers including large wholesalers and retailers. Accordingly, the Group is exposed to credit risk which is currently high in view of the adverse economic environment.</p> <p>This risk is managed at an operational level through credit evaluations, collateral security arrangements, monitoring of the debtors book and stratification thereof into defined grading categories from which decisions on the allowance for credit losses are derived. The process of both managing the debtors' book and determining allowance for credit losses involves considerable management time and decisions including judgements on accounts and amounts to be booked as doubtful from time to time.</p> <p>The Group's net trade receivables at 30 June 2017 amounted to \$34 959 297 (23% of total assets and 35% of current assets) after accounting for an allowance for credit losses of \$3 976 132 (or 10% of gross trade receivables). Related disclosures are included in Note 14 to the consolidated financial statements.</p> <p>The determination of the adequacy of the allowance for credit losses on trade receivables was significant to our audit due to the significant amount of effort devoted in evaluating management's processes, estimates and judgements and reviewing supporting evidence from different sources.</p>	<p>Our audit procedures included among others:</p> <ul style="list-style-type: none"> <li>Updated our understanding of the estimation and risk management processes relating to management of receivables and related allowance for credit losses.</li> <li>Evaluated evidence supporting trade receivables which were past due but not impaired such as collateral security arrangements in place, payments plans and post year end movements.</li> <li>Recalculated the allowance for credit losses based on the group wide model and taking account of specific circumstances unique to some of the customers.</li> <li>Reviewed external lawyers' confirmations and internal legal correspondence for matters handled during the year in relation to customer accounts for consideration in the allowance for credit losses.</li> <li>Obtained management representations on the allowance for credit losses booked as at 30 June 2017.</li> <li>Assessed the Group's disclosures by comparing it to the accounting policies and the requirements of International Financial Reporting Standards.</li> </ul>
<b>Inventory existence</b>	
<p>A dominant part of the Group business involves milling of flour and maize as well as manufacture of stockfeed which processes require procurement and storage of large quantities of raw materials and finished goods.</p> <p>The Group uses its own and leased silos for storage of bulk inventory and which typically need to be calibrated for the specific types of products stored. In determining quantities in stock on a periodic basis, management performs validation checks through silo dipping from which quantity measurement estimations are computed and corroborated through checks with the detailed records maintained including throughput reconciliations. Variances arising are benchmarked to expectations set as part of the business model.</p> <p>The estimation process used to determine the existence of flour and stockfeed inventory was considered significant to our audit of the existence of inventories as</p>	<p>Our procedures included among others:</p> <ul style="list-style-type: none"> <li>Updated our understanding of the relevant system of internal control for inventory storage, management and measurement.</li> <li>Attended the year end physical inventory counts, observing the counting and quantity estimation processes and compared the inventory count results to underlying stock records.</li> <li>Tested management's controls in place including a key process whereby periodically they empty silos and reconcile to the perpetual inventory records.</li> <li>Assessed the estimated inventory quantities by reviewing the models and</li> </ul>

As disclosed in Note 13 to the consolidated financial statements, raw materials and finished goods amounted to \$39 980 409 representing 26% and 40% of total assets and current assets respectively.	<ul style="list-style-type: none"> <li>Compared estimated inventory quantities to throughput reconciliations and other inventory records.</li> <li>Enquired of management on inventory movements, quantities, measurement and obtained representations thereon.</li> </ul>
<b>Inventory valuation</b>	
<p>As the Group's main business is production and manufacturing, the inventory valuation of manufactured finished goods involves the use standard and absorption costing valuation models. These models are complex, involve large pieces of data derived from operating and accounting computer systems and allocation of costs based on management consideration of operating capacities, historical trends and unique production models.</p> <p>As a result, the valuation of finished goods was considered a key audit matter due to the magnitude of the account balance and the complex costing model which required extensive validation of inputs and re-computations.</p> <p>Inventory details are disclosed in Note 13 to the consolidated financial statements</p>	<p>For our audit, the key procedures involved:</p> <ul style="list-style-type: none"> <li>Updated our understanding of the costing models and key inputs including conversions costs.</li> <li>Evaluated the models in use based on applicable accounting conventions and the Group's production processes.</li> <li>Tested the costing of a sample of the inputs to internal and external documentation and records.</li> <li>Evaluated re-computations on selected product lines and assessed the Group's application of the valuation policy based on the lower of cost and net realisable value.</li> <li>Considered the consistency of the application of the valuation method to prior year processes.</li> </ul>

#### Other Information

The Directors are responsible for the other information. The other information comprises the Financial Highlights, Review of Financials, Chairman's Statement, Directors' Report and the Statement of Directors' Responsibilities which we obtained prior to the date of this report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

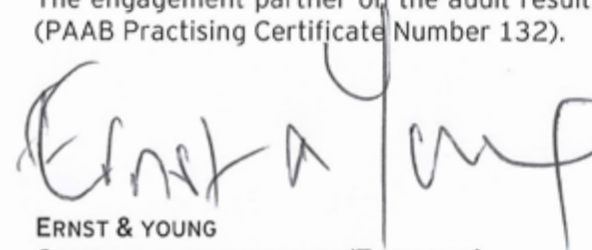
We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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 and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Mr David Gwande, (PAAB Practising Certificate Number 132).



ERNST & YOUNG  
CHARTERED ACCOUNTANTS (ZIMBABWE)  
REGISTERED PUBLIC AUDITORS  
HARARE

28 September 2017





## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 US\$	2016 US\$
<b>Revenue</b>	4	<b>289,508,168</b>	<b>330,642,305</b>
Cost of sales		(221,488,438)	(255,827,897)
<b>Gross profit</b>		<b>68,019,730</b>	<b>74,814,408</b>
<b>Other income</b>	5.1	<b>745,234</b>	<b>657,491</b>
Distribution expenses		(9,847,356)	(13,336,146)
Selling and marketing expenses		(3,629,085)	(4,168,100)
Employee benefits expenses		(17,530,188)	(19,691,274)
Administrative expenses		(18,374,792)	(16,541,605)
Depreciation	5.3/8	(2,886,852)	(2,760,980)
<b>Profit from operating activities</b>		<b>16,496,691</b>	<b>18,973,794</b>
Interest income	5.4	458,011	655,131
Interest expense	5.4	(1,559,706)	(1,041,868)
Equity accounted earnings	11	1,831,471	454,400
<b>Profit before tax</b>		<b>17,226,467</b>	<b>19,041,457</b>
Income tax expense	6.1	(3,521,844)	(4,767,884)
<b>Profit for the year</b>	5	<b>13,704,623</b>	<b>14,273,573</b>
<b>Other comprehensive income</b>			
- to be recycled to profit and loss at a future point in time			
Exchange differences on translation of foreign operation		2,212	(2,555)
<b>Total comprehensive income for the year</b>		<b>13,706,835</b>	<b>14,271,018</b>
Profit for the year attributable to equity holders of the parent		13,704,623	14,273,573
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>13,706,835</b>	<b>14,271,018</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	7	20.04 cents	20.87 cents
Headline earnings per share	7	20.06 cents	20.79 cents





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 US\$	2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	45,682,101	45,644,024
Intangible assets	10	1,516,422	1,516,422
Investment in associate	11	4,685,871	2,854,400
Other financial assets	12.1	1,395,088	115,925
		<b>53,279,482</b>	<b>50,130,771</b>
<b>Current assets</b>			
Inventories	13	44,469,365	49,041,731
Trade and other receivables	14	51,497,325	31,496,352
Cash & cash equivalents	19.4	3,682,942	9,166,272
Current tax receivable	6.3	89,629	-
		99,739,261	89,704,355
Assets classified as held for sale	9	107,313	157,431
		99,846,574	89,861,786
<b>Total assets</b>		<b>153,126,056</b>	<b>139,992,557</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	15.1	684,001	684,001
Non-distributable reserves	15.3	(9,938)	(12,150)
Distributable reserves	15.4	94,263,037	87,685,707
<b>Total equity</b>		<b>94,937,100</b>	<b>88,357,558</b>
<b>Non-current liabilities</b>			
Deferred tax liability	6.4	7,987,464	8,180,624
		7,987,464	8,180,624
<b>Current liabilities</b>			
Trade and other payables	17	16,603,855	35,631,478
Bank overdrafts	12.2	19,829,174	-
Borrowings	12.2	10,836,474	7,244,936
Provisions	18	400,898	538,178
Current tax payable	6.3	-	31,911
Shareholders for dividends	16	2,525,725	-
		50,196,126	43,446,503
Liabilities relating to assets held for sale	9	5,366	7,872
		50,201,492	43,454,375
<b>Total equity and liabilities</b>		<b>153,126,056</b>	<b>139,992,557</b>

T. Moyo  
Chairman

M. Lashbrook  
Managing Director

Harare  
27 September 2017

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Issued Share Capital US\$	Non- Distributable Reserves US\$	Distributable Reserves US\$	Total US\$
<b>Note</b>	15.1	15.3	15.4	
<b>Balance at 30 June 2015</b>	<b>684,001</b>	<b>(9,595)</b>	<b>79,896,455</b>	<b>80,570,861</b>
Profit for the year	-	-	14,273,573	<b>14,273,573</b>
Exchange differences on translation of foreign operation	-	(2,555)	-	<b>(2,555)</b>
Total comprehensive income	-	(2,555)	14,273,573	<b>14,271,018</b>
Dividends declared (Note 16)	-	-	(6,484,321)	<b>(6,484,321)</b>
<b>Balance at 30 June 2016</b>	<b>684,001</b>	<b>(12,150)</b>	<b>87,685,707</b>	<b>88,357,558</b>
Profit for the year	-	-	13,704,623	<b>13,704,623</b>
Exchange differences on translation of foreign operation	-	2,212	-	<b>2,212</b>
Total comprehensive income	-	2,212	13,704,623	<b>13,706,835</b>
Dividends declared (Note 16)	-	-	(7,127,293)	<b>(7,127,293)</b>
<b>Balance at 30 June 2017</b>	<b>684,001</b>	<b>(9,938)</b>	<b>94,263,037</b>	<b>94,937,100</b>





## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 US\$	2016 US\$
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	19.1	20,194,935	22,676,579
Working capital changes	19.2	(35,352,258)	(1,972,587)
Operating cash flow		(15,157,323)	20,703,992
Interest received		410,643	655,181
Interest paid		(1,559,706)	(1,041,868)
Income tax paid	19.3	(3,839,050)	(4,232,502)
<b>Net cash flows from operating activities</b>		<b>(20,145,436)</b>	<b>16,084,803</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment to maintain operations		(2,630,301)	(4,373,364)
Purchase of property, plant and equipment to expand operations		(1,234,199)	(3,220,213)
Cash outflow from investment in associate	11.2	-	(2,400,000)
Purchase of other financial instruments	12.1	(382,140)	-
Net cash outflow on acquisition of subsidiary	20.1	-	(2,138,304)
Proceeds on disposal of property, plant and equipment		89,602	51,055
Proceeds on disposal of financial instruments		-	6,174
<b>Net cash flows from investing activities</b>		<b>(4,157,038)</b>	<b>(12,074,652)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings and overdrafts		24,616,961	5,050,720
Repayment of borrowings		(1,196,249)	(673,887)
Dividends paid		(4,601,568)	(6,484,321)
<b>Net cash flows from financing activities</b>		<b>18,819,144</b>	<b>(2,107,488)</b>
<b>(Decrease) / Increase in cash and cash equivalents</b>		<b>(5,483,330)</b>	<b>1,902,663</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>9,166,272</b>	<b>7,263,609</b>
<b>Cash and cash equivalents at the end of the year</b>	19.4	<b>3,682,942</b>	<b>9,166,272</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

The Company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal 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, snacks 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 2017 were authorised for issue in accordance with a resolution of the Directors on 27 September 2017.

#### 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 Company 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 comprises of the financial statements of the Company and its subsidiaries as at 30 June 2017.

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
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### 2. Accounting Policies

#### 2.1 Changes in accounting policy and disclosures

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

#### 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 2015, 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.

#### IFRS 16-Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees :

- leases of low-value assets
- short-term leases

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset

#### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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. These amendments do not have any impact on the Group.

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 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.

#### 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 (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 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:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amendments to IFRS 2 Share-based Payments  
Amendments to IFRIC 22 Foreign Currency  
Transaction and Advance Consideration

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 1.3), which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 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 recognised 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 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 when the entity retains neither continual managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

#### 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 Interest income

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 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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, loans receivable, cash and cash equivalents 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.

### 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 Held to Maturity Assets

Held to maturity assets are non refundable financial assets with fixed or determinable payments and fixed maturity dates that the entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition held to maturity assets are measured at amortised cost using effective interest method less any impairment.

### 2.3.13.4 Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near-term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss.

### 2.3.13.5 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. Cash

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

and cash equivalents are classified as loans and receivables and are initially measured at fair value, and subsequently 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.

### 2.3.13.6 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.

### 2.3.13.7 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.

### 2.3.13.8 Financial Liabilities

#### 2.3.13.8 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), initially measured at fair value including transaction costs and subsequently amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective interest rate. The Effective interest rate amortisation is included as finance costs in the statement of comprehensive income. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### 2.3.13.9 Derecognition of financial liabilities

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

### 2.3.13.10 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.

### 2.3.13.11 Financial Guarantees

Financial guarantee contracts are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

### 2.3.14 Investment in associate

The Group's 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 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.

### 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\$45,682,101 (June 2016: US\$45,644,024).

#### 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 for credit losses as at 30 June 2017 was US\$3,976,132 (June 2016: US\$ 3,723,298).

#### 3.3 Provision for Obsolete stock

The provision is mainly recognized for obsolete or unsellable goods and is reviewed on a regular basis. In determining the provision, the Group evaluates criteria such as inventory in excess of forecasted demand, product introductions, as well as changes in manufacturing strategies. Appropriate provisions are then made to reflect the risk of obsolescence.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2017 US\$	2016 US\$
<b>4. REVENUE</b>		
The following is an analysis of the Group's revenue for the year		
Revenue from the sale of goods	288,969,124	330,429,482
Revenue from rental income	539,044	212,823
	<b>289,508,168</b>	<b>330,642,305</b>
<b>5. PROFIT BEFORE TAX</b>		
Profit before tax is arrived at after taking into account the following:		
<b>5.1 Other income</b>		
(Loss) / Profit on disposal of property, plant and equipment	(39,485)	50,332
Profit on disposal of assets held for sale	25,617	-
Toll, handling and other services rendered	705,803	456,418
Fair value adjustments	(38,872)	-
Sale of scrap	14,345	10,019
Insurance and bad debt recoveries	38,859	140,722
	<b>745,234</b>	<b>657,491</b>
<b>5.2 After charging/(crediting) the following</b>		
Employee benefits expenses		
- Salaries and wages	16,697,033	18,579,576
- Post Employment benefits: Defined contribution plan	833,154	1,032,890
- Retrenchment gratuities	-	78,809
Administrative expenses		
- Repairs and maintenance	2,056,815	3,153,603
- Electricity and water	2,946,733	3,246,713
- Technical fees (management fees)	646,665	496,000
- Technical fees (other)	186,551	312,965
- Audit fees and expenses	454,810	238,618
- Net foreign exchange losses	2,476,879	(32,128)
- Credit losses expense	471,606	1,469,341
- Operating lease charges	309,257	744,187
- Onerous contract expense	-	(640,000)
<b>5.3 Depreciation</b>		
- Buildings	566,747	536,439
- Plant, machinery and equipment	2,133,353	2,063,329
- Motor vehicles	186,752	161,212
	<b>2,886,852</b>	<b>2,760,980</b>
<b>5.4 Net finance costs</b>		
Interest income	458,011	655,131
Interest income from loan receivables and bank	292,598	597,052
Interest income from trade and other receivables	165,413	58,079
Interest expense on bank overdrafts and other short term borrowings	(1,559,706)	(1,041,868)
	<b>(1,101,695)</b>	<b>(386,737)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2017 US\$	2016 US\$
<b>6. TAXATION</b>		
<b>6.1 Income tax recognised in profit or loss</b>		
Income tax		
- On current profits at normal rates	3,713,958	4,092,367
- Capital gains tax	3,552	-
Deferred tax relating to current temporary differences (Note 6.4)	(193,160)	675,517
Deferred tax relating to disposed assets held for sale	(2,506)	-
	<b>3,521,844</b>	<b>4,767,884</b>
<b>6.2 Reconciliation of income tax charge:</b>		
Profit before tax	17,226,467	19,041,457
Income tax computed at 25.75%	4,435,815	4,903,175
Non-deductible expenses for tax purposes	163,939	233,142
Equity accounted earnings	(471,604)	(117,008)
Effects of different tax rates of subsidiaries	(6,659)	(2,757)
Effect of income taxed at different tax rates	(264)	(486)
Other reconciling items	(599,383)	(248,182)
	<b>3,521,844</b>	<b>4,767,884</b>
Non-deductible expenses are mainly motor vehicle lease premiums and capital legal fees.		
Other reconciling items include local and foreign bank interest received.		
<b>6.3 Current tax liabilities</b>		
Opening Balance	31,911	199,263
Charge to profit or loss	3,717,510	4,092,367
Paid	(3,839,050)	(4,232,502)
Acquisition of subsidiary	-	(27,217)
Closing Balance	<b>(89,629)</b>	<b>31,911</b>
<b>6.4 Deferred tax liability</b>		
At beginning of the year	8,180,624	7,447,903
Deferred tax relating to current temporary differences	(193,160)	675,517
Acquisition of subsidiary	-	57,204
At end of the year	<b>7,987,464</b>	<b>8,180,624</b>
<b>Analysis of deferred tax liability</b>		
Property, plant and equipment	8,997,639	8,877,574
Prepayments	26,932	112,561
Unrealised exchange (losses)/gains	2,192	(4,857)
Allowance for credit losses	(1,001,498)	(958,749)
Onerous contracts provision and other	(37,801)	154,095
	<b>7,987,464</b>	<b>8,180,624</b>
Onerous contracts provision and other is made up mainly of deferred revenue and contract farming advances.		

## 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:

	2017 US\$	2016 US\$
<b>7.1 Weighted average number of shares in issue</b>		
Weighted average shares in issue for basic, diluted and headline earnings per share	68,400,108	68,400,108
<b>7.2 Profit for the year</b>		
Net profit attributable to equity holders of the parent	13,704,623	14,273,573
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.		
<b>7.3 Headline earnings</b>		
Reconciliation between profit for the year and headline earnings		
Net profit attributable to ordinary equity holders of the parent	13,704,623	14,273,573
(Profit) / Loss on disposal of property, plant and equipment	39,390	(50,332)
(Profit) / Loss on disposal of assets held for sale	(25,617)	-
Headline earnings	<b>13,718,396</b>	<b>14,223,241</b>
Basic and diluted earnings per share (cents)	20.04	20.87
Headline earnings per share (cents)	20.06	20.79





## 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\$
<b>At 30 June 2017</b>					
<b>Cost</b>					
At the beginning of the year	28,036,776	28,431,710	2,382,348	1,583,049	60,433,883
Additions	1,217,128	1,681,911	16,639	948,822	3,864,500
Disposals	-	(1,056,704)	(85,198)	-	(1,141,902)
Exchange differences	2,212	-	-	-	2,212
At end of the year	29,256,116	29,056,917	2,313,789	2,531,871	63,158,693
<b>Depreciation</b>					
At beginning of year	(4,210,759)	(8,982,265)	(1,596,834)	-	(14,789,858)
Charge for the year	(566,747)	(2,133,353)	(186,752)	-	(2,886,852)
Disposals	-	129,453	70,665	-	200,118
At end of the year	(4,777,506)	(10,986,165)	(1,712,921)	-	(17,476,592)
<b>Carrying amount</b>	<b>24,478,610</b>	<b>18,070,752</b>	<b>600,868</b>	<b>2,531,871</b>	<b>45,682,101</b>
<b>At 30 June 2016</b>					
<b>Cost</b>					
At the beginning of the year	26,508,472	21,613,370	1,973,167	2,236,927	52,331,936
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	-	548,559
Transfers	-	3,531,802	(37,663)	(3,494,139)	-
At end of the year	28,036,776	28,431,710	2,382,348	1,583,049	60,433,883
<b>Depreciation</b>					
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	-	-	36,912	-	36,912
At end of the year	(4,210,759)	(8,982,265)	(1,596,834)	-	(14,789,858)
<b>Carrying amount</b>	<b>23,826,017</b>	<b>19,449,445</b>	<b>785,514</b>	<b>1,583,049</b>	<b>45,644,025</b>

8.1 None of the asset categories above had been pledged to secure borrowings of the Group in the current year (2016: 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. The assets held are held at a value that approximates fair value.

	2017 US\$	2016 US\$
Land & Buildings	107,313	157,431
Deferred tax relating to assets held for sale	(5,366)	(7,872)

	US\$	US\$
<b>10. INTANGIBLE ASSETS</b>		
Net carrying amount at the beginning of the year	1,516,422	-
Arising from acquisition of Breathaway Food Caterers	-	1,516,422
Net Carrying amount at the end of the year	1,516,422	1,516,422
Gross carrying amount	1,516,422	1,516,422
Accumulated amortisation and impairment losses	-	-

### 10.1 IMPAIRMENT OF GOODWILL

The Group performed its annual impairment test as at 30 June 2017. Goodwill acquired through business combinations has been allocated to a Snacks & treats 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 risks specific to the asset/cash generating units, 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.

### 11. INVESTMENT IN ASSOCIATE AND OTHER FINANCIAL ASSETS

The Group has the following investments:

#### 11.1 PURE OIL INDUSTRIES (PRIVATE) LIMITED

The Group has a 40% interest in Pure Oil Industries which is involved in the manufacturing of cooking oil and soap. Pure Oil is a private entity that is not listed on any public exchange. The Group's interest in Pure Oil is accounted for using the equi method in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2017 US\$	2016 US\$
<b>11.2 NET ASSETS ACQUIRED AT ACQUISITION DATE</b>		
Non-current assets	-	20,112,547
Current assets	-	15,902,748
Non-current Liabilities	-	(16,993,223)
Current Liabilities	-	(13,022,072)
<b>Net assets</b>	-	<b>6,000,000</b>
Dividend declared	-	-
Fair value of net assets	-	6,000,000
40% Share of net assets	-	2,400,000
<b>Cash consideration paid</b>	-	<b>2,400,000</b>

	2017 US\$	2016 US\$
<b>11.3 RECONCILIATION OF MOVEMENTS IN ASSOCIATES</b>		
Balance at the beginning of the year	2,854,400	-
Purchase at cost	-	2,400,000
Equity accounted earnings	1,831,471	454,400
Balance at the end of the year	4,685,871	2,854,400

### 11.4 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATE COMPANY

The following table illustrates the summarised financial information of Pure Oil's financial statements:

	Year ended June 2017 US\$	3 months 1 April-30 June 2016 US\$
<b>Income Statement</b>		
Revenue	110,821,220	24,359,068
Profit after tax	4,578,678	1,136,000
	2017 US\$	2016 US\$
<b>Statement of Financial Position</b>		
Non current assets	19,070,729	19,815,552
Current assets	18,607,782	16,116,614
Non Current Liabilities	11,585,535	10,220,299
Current liabilities	14,378,298	18,575,867



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. OTHER FINANCIAL ASSETS AND LIABILITIES

#### 12.1 Other financial assets

Other non-current financial assets comprise of an investment in shares, debenture and loans receivable. The movement for the year is as follows:

			2017 US\$	2016 US\$
<b>Listed Investments</b>				
Opening Balance			-	-
Purchase of listed investments			382,140	-
Fair value adjustments on listed investments			(38,872)	-
Closing balance			<b>343,268</b>	-
<b>Debenture and Loan Receivable</b>				
Opening Balance			115,921	122,150
Loan receivable			888,531	-
Interest income			47,368	6,098
Repayment			-	(12,327)
Closing balance			<b>1,051,820</b>	<b>115,921</b>
<b>Grand Total</b>			<b>1,395,088</b>	<b>115,921</b>

The opening balance comprises of a 5% Debenture redeemable in 2018.

Loan receivable relates to proceeds arising from the disposal of Depot assets to Gain Cash and Carry.

The Carrying amount of the financial assets approximates fair value.

Listed investments are classified at Fair Value through Profit and Loss

The debenture is classified as a Held to Maturity investment and the loan as Loans and Receivables.

The interest rates attached to the debenture and loan receivable are disclosed below:

	Rate of interest	Year Repayable
Loan receivable	6.98%	2021
Debenture	5.00%	2018

#### 12.1.1 Fair Value of Financial Instruments

The carrying amounts of financial instruments as disclosed in the statement of financial position approximate their fair values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>30 June 2017</b>				
Listed investments	343,268	-	-	343,268
Debenture	-	163,289	-	163,289
Loan Receivable	-	888,531	-	888,531
	<b>343,268</b>	<b>1,051,820</b>	<b>-</b>	<b>1,395,088</b>
<b>30 June 2016</b>				
Listed investments	-	-	-	-
Debenture	-	115,921	-	115,921
Loan Receivable	-	-	-	-
	<b>-</b>	<b>115,921</b>	<b>-</b>	<b>115,921</b>

There were no transfers between levels.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Valuation Technique- Loans and Receivables

#### Valuation Technique

Projection of cash flows discounted at a market related interest rate

#### Significant unobservable inputs

i. Quoted prices for similar assets in an active market

ii. Interest rates for similar assets in an active market

### 12.2 Other financial liabilities

#### 12.2.1 Short term financing

Unsecured borrowings	7.00% (2016:7.00%)	On demand	10,836,474	7,244,936
<b>Total borrowings</b>			<b>10,836,474</b>	<b>7,244,936</b>
Bank overdrafts	7.00% (2016:8.50%)	On demand	19,829,174	-
<b>Total other financial liabilities</b>			<b>30,665,648</b>	<b>7,244,936</b>
<b>12.2.2 Banking facilities</b>				
Total facilities available to the Group			34,336,474	26,264,370
Facilities utilised at year end			(30,665,648)	(7,244,936)
Unutilised borrowing capacity			<b>3,670,826</b>	<b>19,019,434</b>

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.

	2017 US\$	2016 US\$
<b>13. INVENTORIES</b>		
Raw materials	28,992,245	31,441,258
Finished goods	10,988,164	14,236,673
Consumable stores	4,488,956	3,363,800
	<b>44,469,365</b>	<b>49,041,731</b>

The amount of inventory recognised as an expense is US\$221,386,955 (2016: US\$255,771,711)

The amount of inventory write down recognised as an expense is US\$101,483 (2016: US\$56,186)

Inventories have been pledged to secure borrowing facilities of the Group. Refer to note 12.2.2

### 14. TRADE AND OTHER RECEIVABLES

Trade receivables	38,878,630	31,879,236
Allowance for credit losses	(3,919,333)	(3,297,097)
<b>Net trade receivables</b>	<b>34,959,297</b>	<b>28,582,139</b>
Prepayments	15,111,526	1,453,405
Other receivables	1,483,301	1,887,009
Allowance for credit losses	(56,799)	(426,201)
	<b>51,497,325</b>	<b>31,496,352</b>

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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\$ 27,649,894 (2016: US\$ 19,097,450) is due from the Group's top ten customers, representing 71% (2016 : 60%) of the total balance of trade receivables.		
<b>14.2 Past due but not impaired</b>		
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.		
	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Ageing of past due but not impaired		
31 - 60 days	9,028,287	5,575,330
61 - 90 days	716,316	1,731,654
Over 90 days	7,666,482	5,457,991
Total	<b>17,411,085</b>	<b>12,764,975</b>
Average age (days)	92	101
<b>14.3 Movement in the provision for credit losses</b>		
Balance at the beginning of the year	(3,723,298)	(2,286,624)
Current year provisions	(471,606)	(1,469,341)
Utilised during the year	218,772	32,667
Balance at year end	<b>(3,976,132)</b>	<b>(3,723,298)</b>
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.		
<b>14.4 Ageing of impaired trade and other receivables</b>		
0-30 days	-	374,846
31 - 60 days	36,850	47,442
61 - 90 days	50,020	102,160
Over 90 days	3,889,262	3,198,850
<b>Total</b>	<b>3,976,132</b>	<b>3,723,298</b>
Average age (days)	501	440
<b>14.5 Amounts due from Related Parties</b>		
Included in trade and other receivables are amounts due from related parties as disclosed under Note 26.4		
<b>15. ISSUED CAPITAL AND RESERVES</b>		
<b>15.1 Issued capital</b>		
Authorised		
73 000 000 ordinary shares of US 1 cent each	730,000	730,000
Issued and fully paid		
68 400 108 ordinary shares (2016: 68 400 108) of US 1 cent each	684,001	684,001

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
Unissued shares		
4 599 892 (2016: 4 599 892) ordinary shares of US 1 cent 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.		
<b>15.2 Directors' shareholdings</b>		
<b>At 30 June 2017, the Directors held directly or indirectly the following shares in the Company:</b>		
	<b>2017</b>	<b>2016</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
M. Lashbrook	56,231	101,995
<b>15.3 Non-distributable reserves</b>		
Opening balance	(12,150)	(9,595)
Exchange differences on translation of foreign operation	2,212	(2,555)
Closing balance	<b>(9,938)</b>	<b>(12,150)</b>
Non-distributable reserves are as a result exchange differences on the translation of the financial results of subsidiaries with a different functional currency.		
<b>15.4 Distributable reserves</b>		
Opening balance	87,685,707	79,896,455
Profit for the year	13,704,623	14,273,573
Dividend declared	(7,127,293)	(6,484,321)
Closing balance	<b>94,263,037</b>	<b>87,685,707</b>
Retained in:		
Holding company	24,683,808	24,683,808
Subsidiary companies	67,293,358	62,547,499
Associate companies	2,285,871	454,400
	<b>94,263,037</b>	<b>87,685,707</b>
<b>16. DIVIDEND</b>		
Declared and paid during the year		
Final dividend for 2016: US 5.61 cents per share (2015: US 4.65 cents per share)	3,837,246	3,180,605
Interim dividend for 2017: US 4.81 cents per share (2016: US 4.83 cents per share)	3,290,047	3,303,716
Total dividends paid and declared	7,127,293	6,484,321
Shareholders for dividends included in current liabilities	(2,525,725)	-
Total dividends paid	<b>4,601,568</b>	<b>6,484,321</b>
Proposed and approved (not recognised as a liability at 30 June 2017)		
Final dividend for 2017: US 5.21 cents per share (2016: US 5.61 cents per share)	3,837,248	3,837,246
The shareholders for dividends balance relates to the dividends payable to foreign shareholders which were outstanding at reporting date.		

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2017 US\$	2016 US\$
<b>17. TRADE AND OTHER PAYABLES</b>		
Trade payables	12,198,814	30,983,363
Other payables	4,405,041	4,648,115
	16,603,855	35,631,478

Other payables comprises of accruals and income received in advance.

### 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 US\$	Onerous Contract US\$	Total US\$
<b>18. PROVISIONS</b>			
<b>At 30 June 2017</b>			
At beginning of the year	538,178	-	538,178
Created during the year	107,278	-	107,278
Utilised during the year	(244,558)	-	(244,558)
<b>At end of the year</b>	<b>400,898</b>	<b>-</b>	<b>400,898</b>
<b>At 30 June 2016</b>			
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)
<b>At end of the year</b>	<b>538,178</b>	<b>-</b>	<b>538,178</b>

### Leave pay

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

	2017 US\$	2016 US\$
<b>19. CASH FLOW INFORMATION</b>		
<b>19.1 Cash generated from operations</b>		
Profit before tax	17,226,467	19,041,457
Interest income	(458,011)	(655,131)
Interest expense	1,559,706	1,041,868
Depreciation (Note 8)	2,886,852	2,760,980
Inventory write-down (Note 13)	101,483	56,186
Allowance for credit losses (Note 14)	471,606	1,469,341
Provision for onerous contracts & other provisions	-	(640,000)
Unrealised foreign exchange losses/(gain)	78,380	76,635
Provision for leave pay (Note 18)	107,278	29,975
(Profit) / loss on disposal of property, plant and equipment	39,390	(50,332)
Fair value adjustment on investments	38,872	-
Profit on disposal of assets held for sale	(25,617)	-
Equity accounted earnings	(1,831,471)	(454,000)
	<b>20,194,935</b>	<b>22,676,979</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19.2 Working capital changes	2017 US\$	2016 US\$
Decrease / (Increase) in inventories	4,470,883	(2,941,792)
Increase in accounts receivable	(20,550,960)	(2,912,656)
(Decrease) / Increase in accounts payable	(19,272,181)	3,881,861
	<b>(35,352,258)</b>	<b>(1,972,587)</b>
<b>19.3 Income tax paid</b>		
Charge to profit or loss	(3,521,844)	(4,767,884)
Movement in tax liability	(121,540)	(167,352)
Movement in deferred tax liability	(195,666)	732,721
Acquisition of subsidiary	-	(29,987)
	<b>(3,839,050)</b>	<b>(4,232,502)</b>
<b>19.4 Cash and cash equivalents at end of year</b>		
Cash at bank	3,582,611	7,382,105
Cash on hand	100,331	271,161
Short term placements with related parties	-	1,513,006
	<b>3,682,942</b>	<b>9,166,272</b>
Cash and cash equivalents consist of cash on hand and balances with banks. 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.

	2017 US\$	2016 US\$
<b>20.1 Assets acquired and liabilities recognised at acquisition date (1 April 2016)</b>		
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	-	<b>658,578</b>
Minority share therein	-	-
Net assets acquired	-	<b>658,578</b>
Goodwill recorded on acquisition	-	<b>1,516,422</b>
Gross consideration	-	<b>2,175,000</b>
Cash consideration paid	-	<b>2,175,000</b>
Cash & cash equivalents acquired	-	36,696
Net cash outflow on acquisition	-	<b>2,138,304</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 was made up largely of the brand premium commanded by BFC brands.

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

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 were as follows:

	2017 US\$	2016 US\$
Revenue	-	1,756,224
Loss after tax	-	(24,782)

The following revenue and profit of the combined entity for 2016 is as though the acquisition date for the business combination had occurred on 1 July 2015:

Revenue	-	289,508,168
Profit after tax	-	14,281,291

### 21. COMMITMENTS AND CONTINGENCIES

#### 21.1 Operating lease commitments - Group as lessee

The Group entered into commercial leases on certain motor vehicles in 2016. The leases had a life of 5 years. There were no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 were as follows:

	2017 US\$	2016 US\$
Within one year	-	340,462
	-	<b>340,462</b>
<b>21.2 Capital expenditure commitments</b>		
Authorised and contracted for	-	2,029,000
Authorised but not contracted for	7,234,000	9,811,000
	<b>7,234,000</b>	<b>11,840,000</b>

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 2017 there were a number of pending cases against National Foods Limited of varying amounts, which were at various stages in the courts. Due to the sensitivities related to these cases - no further disclosure can be made with regards to their financial effects.

### 22. PENSION SCHEMES

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

#### 22.1 National Foods Pension Fund

This is a defined contribution fund, administered by an insurance company which covers eligible employees. Contributions are at the rate of 17.5% of pensionable emoluments of which members pay 7%.

#### 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.

	2017 US\$	2016 US\$
<b>22.3 Pension costs recognised as an expense</b>		
Defined contribution fund	664,623	823,656
National Social Security Authority Scheme	168,531	209,233
	<b>833,154</b>	<b>1,032,889</b>

## 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 adjustments 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 2017 and 30 June 2016

The Group monitors capital using a gearing ratio, which is debt divided by the sum of total equity and debt. The target ratio is a debt equity ratio that is no higher than 30%.

	US\$	US\$
Interest bearing borrowings	30,665,648	7,244,936
Less cash and cash equivalents	(3,682,942)	(9,166,272)
Net Debt	26,982,706	(1,921,336)
Total Equity	94,937,100	88,357,558
Gearing ratio	24.4%	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 2016 and 2017 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 receivables 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\$13,500,000 (2016: US\$13,761,610).

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 2017 and 2016 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. 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.

	2017 US\$	2016 US\$
Effect on profit before tax		
Increase of 3%	(130,094)	(142,931)
Decrease of 3%	130,094	142,931

**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. The ability of the company to settle its foreign creditors remained a key consideration, although with the support of the Reserve Bank of Zimbabwe, as well as some respite in respect of foreign liquidity on the back of tobacco inflows, the company's position with its foreign creditors normalised by year end. 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\$
<b>Year ended 30 June 2017</b>				
Borrowings	1,851,394	8,985,080	-	10,836,474
Trade and other payables	16,603,855	-	-	16,603,855
Bank overdrafts	19,829,174	-	-	19,829,174
	<b>38,284,423</b>	<b>8,985,080</b>	<b>-</b>	<b>47,269,503</b>
<b>Year ended 30 June 2016</b>				
Borrowings	2,264,579	4,980,357	-	7,244,936
Trade and other payables	35,631,478	-	-	35,631,478
	<b>37,896,057</b>	<b>4,980,357</b>	<b>-</b>	<b>42,876,414</b>

**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:

	2017 US\$	2016 US\$
<b>Liabilities</b>		
South African Rand	111,086	11,250
Botswana Pula	48,424	33,982

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) 2017 US\$	Profit or (Loss) 2016 US\$
South African Rand	10,099	1,023
Botswana Pula	4,402	3,089

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:

- 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 2017	Milling & Manufacturing US\$	Down Packing US\$	Properties US\$	Intersegment adjustments US\$	Group US\$
Segment revenue					
External customers	250,717,488	38,251,636	539,044	-	289,508,168
Inter-segment	-	-	1,559,453	(1,559,453)	-
<b>Total revenue</b>	<b>250,717,488</b>	<b>38,251,636</b>	<b>2,098,497</b>	<b>(1,559,453)</b>	<b>289,508,168</b>
Operating profit	13,070,443	2,670,500	755,748	-	16,496,691
Net interest expense	(1,044,209)	(453,705)	396,219	-	(1,101,695)
<b>Equity accounted earnings</b>	<b>1,831,471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,831,471</b>
<b>Profit before tax</b>	<b>13,857,705</b>	<b>2,216,795</b>	<b>1,151,967</b>	<b>-</b>	<b>17,226,467</b>
Segment assets	92,993,258	15,107,881	44,351,375	673,542	153,126,056
Segment liabilities	(42,548,738)	(8,714,822)	(6,251,854)	(673,542)	(58,188,956)
<b>Net segment assets</b>	<b>50,444,520</b>	<b>6,393,059</b>	<b>38,099,521</b>	<b>-</b>	<b>94,937,100</b>
Depreciation charge for the year	2,172,993	150,709	563,150	-	2,886,852
Capital expenditure	2,896,300	110,718	857,482	-	3,864,500
Number of employees	566	63	-	-	629
<b>Year ended 30 June 2016</b>					
Segment revenue					
External customers	266,276,595	64,152,887	212,823	-	330,642,305
Inter-segment	-	-	1,900,260	(1,900,260)	-
<b>Total revenue</b>	<b>266,276,595</b>	<b>64,152,887</b>	<b>2,113,083</b>	<b>(1,900,260)</b>	<b>330,642,305</b>
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
<b>Profit before tax</b>	<b>17,523,464</b>	<b>211,300</b>	<b>1,306,693</b>	<b>-</b>	<b>19,041,457</b>
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)
<b>Net segment assets</b>	<b>46,299,648</b>	<b>4,631,828</b>	<b>37,426,082</b>	<b>-</b>	<b>88,357,558</b>
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

## 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\$ 15,322 (2016:US13,110). As such no further geographical information has been presented. Red Seal Manufacturers has no trading activities.

Revenue information above is based on the location of the customers. Revenue from major customers amounted to \$81,144,339 (2016:40,237,744) arising from sale of various goods.

### 25. EVENTS AFTER THE REPORTING DATE

There were no events after the 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 37.73% 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	2017 Equity Interest	2016 Equity Interest
<b>Name</b>			
<b>Subsidiaries</b>			
National Foods Limited (Formerly National Foods Operations Limited)	Zimbabwe	100%	100%
- Pure Oil Industries (Private) Limited	Zimbabwe	40%	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%

	2017 US\$	2016 US\$
<b>26.3 Transactions entered into with related parties</b>		
Purchase of trading stocks and raw materials		
- Innscor Africa Limited Group companies	9,694,836	15,264,500
- Pure Oil Industries (Private) Limited	8,656,755	3,634,381
Sale of goods and services		
- Innscor Africa Limited Group companies	39,146,611	47,725,203
Interest and Management Fees		
- Innscor Africa Limited Group companies		
- Management fees	406,665	220,000
- Net interest received on call accounts	8,422	12,228
- Net interest received from IAL Group companies	-	169,864

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2017 US\$	2016 US\$
<b>Entities with significant influence</b>		
Purchase of trading stocks and raw materials		
- Tiger Brands Limited	834,071	336,336
Interest and Management Fees		
- Tiger Brands Limited		
- Technical fees	240,000	276,000
<b>26.4 Balances (due to) or due from related parties</b>		
- Innsco Africa Limited Group companies	6,823,117	7,267,257
- Tiger Brands Limited	(3,733)	(28,260)
- Pure Oil Industries (Private) Limited	(866,282)	194,563
<b>26.5 Terms and conditions of transactions with related parties</b>		
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 2017 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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.		
<b>26.6 Guarantees</b>		
The company acted as a guarantor to Pure Oil. The guarantee was issued by National Foods Holdings Limited in favour of Stanbic Bank Zimbabwe Limited in respect of any and all financial obligations and the indebtedness of Pure Oil Industries (Private) Limited subject a maximum limit of US\$7 million.		
<b>26.7 Directors emoluments</b>		
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	52,416	60,060
- otherwise in connection with management	510,605	527,010
	<b>563,021</b>	<b>587,070</b>
<b>26.8 Other key management remuneration</b>		
Key management consists of all business executives (excluding the Chief Executive Officer and Finance Director) and business units' managing executives.		
Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company	2,213,202	2,570,690
Pension Contributions	199,909	222,674
	<b>2,413,111</b>	<b>2,793,364</b>



## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 US\$	2016 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments	A	25,367,809	25,367,809
<b>Total assets</b>		25,367,809	25,367,809
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	15	684,001	684,001
Distributable reserves		24,683,808	24,683,808
<b>Total equity</b>		25,367,809	25,367,809
<b>NOTES TO THE COMPANY FINANCIAL STATEMENTS</b>			
<b>A. INVESTMENTS</b>			
Subsidiaries equity at US\$ converted value		25,367,809	25,367,809

T. Moyo  
Chairman

M. Lashbrook  
Managing Director

Harare  
27 September 2017





## SHAREHOLDERS' ANALYSIS

AT 30 JUNE 2017

Shareholding	No. of shareholders	%	Issued shares	%
1 - 1000	494	57.31	174,041	0.25
1001 - 10000	263	30.51	793,406	1.16
10001 - 50000	69	8.00	1,457,948	2.13
50001 and over	36	4.18	65,974,713	96.45
	862	100	68,400,108	100
<b>Shareholders</b>				
Banks and nominees	38	4.41	280,734	0.41
Deceased estates	7	0.81	8,407	0.01
External companies	2	0.23	25,661,682	37.52
Insurance companies/societies	12	1.39	1,734,145	2.54
Pension funds	104	12.06	3,352,309	4.90
Resident individuals	480	55.68	822,829	1.20
Non-residents	78	9.05	3,343,933	4.89
Investment and trust companies	140	16.24	33,194,326	48.53
Other corporate holdings	1	0.12	1,743	0
<b>Total</b>	<b>862</b>	<b>100</b>	<b>68,400,108</b>	<b>100</b>

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
<b>Shareholders</b>				
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
<b>Total</b>	<b>864</b>	<b>100</b>	<b>68,400,108</b>	<b>100</b>

## SHAREHOLDERS' ANALYSIS

### MAJOR SHAREHOLDERS

The top ten shareholders of the Company at 30 June 2017 and 2016

Shareholding	2017 No. of shares	%	2016 No. of share	%
Innskor Africa Limited	25,806,354	37.73	25,806,354	37.73
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	3,239,087	4.74	3,249,341	4.75
Stanbic Nominees (Private) Limited	1,408,052	2.06	1,049,355	1.53
Old Mutual Life Ass Co Zim Ltd	1,269,411	1.86	1,242,972	1.82
National Social Security Authority	1,106,292	1.62	1,106,292	1.62
Standard Chartered Nominees (Private) Limited	334,733	0.49	289,144	0.42
Local Authorities Pension Fund	300,000	0.44	300,000	0.44
Liberty Murimwa	140,320	0.21	140,320	0.21



# NOTICE OF ANNUAL GENERAL MEETING (AGM)

**NOTICE IS HEREBY GIVEN** that the forty-eighth Annual General Meeting of National Foods Holdings Limited is to be held at the registered office, Gloria House, 10 Stirling Road, Workington, Harare on 8th November 2017 at 09.00 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 2017.
2.

To re-elect the following retiring Directors, Messrs Todd Moyo and Godfrey Gwainda who retire by rotation and being eligible, offer themselves for re-election.
3.

To approve the Appointment of Mr Pieter Spies who was appointed as a Director of the Company with effect from 20th March 2017, 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 appoint Mr Lovejoy Nyandoro as a director of the Company with effect from 9th November 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.
5.

To approve Directors' fees for the financial year ended 30 June 2017.
6.

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

7.

**Approval of 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

- iv)

(five) business days immediately preceeding the date of purchase of such ordinary shares by the Company; A press announcement will be published as soon as the Company has acquired ordinary shares constituting on an accumulative basis in the period between annual general meetings, 3% (three per cent) of the number of ordinary shares in issue prior to the acquisition; and
- v)

If during the subsistence of this resolution the Company is unable to declare and pay a cash dividend then this resolution shall be of no force and effect.

## Note:-

In terms of this resolution, the Directors are seeking authority to allow use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the Zimbabwe Stock Exchange. 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 and the Group, the adequacy of ordinary capital and reserves as well as working capital.

## Loans to Executive Directors

To resolve as an ordinary resolution, with or without amendment:- "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

To transact any other business competent to be dealt with at an Annual General Meeting.

## Proxies

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 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  
27 September 2017

# PROXY FORM

## PROXY FORM - AGM Wednesday 8th NOVEMBER 2017

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 8th November 2017, at 09.00 hours, and any adjournment thereof.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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.

# 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**



CHANGE OF ADDRESS

**COMPANY SECRETARY**

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





# NATIONAL FOODS

HOLDINGS LIMITED

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**Tel:** (024) 2 753751/8, 753741/9

**Bulawayo:** Stand No. 13747 Basch Street

**Tel:** (029) 2 889201

**Contact:** [customerservice@natfood.co.zw](mailto:customerservice@natfood.co.zw)

[www.nationalfoods.co.zw](http://www.nationalfoods.co.zw)

