



# NATIONAL FOODS

HOLDINGS LIMITED





# COMPANY VISION

To be the preferred supplier of branded fast moving consumer goods (FMCG) and stock feed products in Zimbabwe and selected regional markets.



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## FINANCIAL HIGHLIGHTS

		2018	2017	2016	2015	2014
Volumes	mt	543,000	507,000	560,000	494,000	538,000
Revenue	US\$'000	297,929	289,508	330,642	314,407	343,518
Profit from operating activities	US\$'000	19,467	16,497	18,974	17,608	22,621
Profit after tax for the year	US\$'000	17,175	13,705	14,274	12,736	16,783
Profit attributable to equity holders of the parent	US\$'000	17,175	13,705	14,274	12,736	16,783
Basic earnings per share	US cents	25.11	20.04	20.87	18.62	24.54
Net asset value per share	US cents	152	139	129	118	107
Market value per share	US cents	546	380	210	300	215
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 2018

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.

FY2018		2018	2017
		US\$'000	US\$'000
<b>Value created:</b>			
Revenue		297,929	289,508
Other Income / (Expense)		1,041	730
Equity accounted earnings		5,196	1,832
Suppliers for materials and services		(260,297)	(253,536)
<b>Total wealth created</b>		<b>43,869</b>	<b>38,535</b>
<b>Distributed as follows:</b>			
<b>Employees</b>		<b>14,813</b>	<b>15,606</b>
<b>Government</b>		<b>5,714</b>	<b>5,250</b>
Income tax		4,036	3,326
PAYE		1,678	1,924
<b>Providers of capital</b>		<b>11,728</b>	<b>8,229</b>
Dividends paid to shareholders		8,276	7,127
Net Interest on borrowings		3,452	1,102
<b>Reinvested in the Group to maintain and develop operations</b>		<b>11,614</b>	<b>9,450</b>
Depreciation		2,667	2,887
Retained income		8,947	6,563
<b>Total wealth distributed and reinvested in the Group</b>		<b>43,869</b>	<b>38,535</b>

## GROUP STRUCTURE



# NATIONAL FOODS HOLDINGS LIMITED





## DIRECTORATE AND ADMINISTRATION (AS AT 30 JUNE 2018)

### NATIONAL FOODS HOLDINGS LIMITED

#### BOARD OF DIRECTORS

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

#### AUDIT & RISK COMMITTEE

G. Gwinda	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

First Capital Bank Limited (Formerly Barclays Bank Of  
Zimbabwe Limited)  
Stanbic Bank Limited  
Standard Chartered Bank 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

### 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

#### EXECUTIVE COMMITTEE

M. Lashbrook*	Chief Executive Officer
L. Nyandoro*	Finance Director
R. Usayi*	Human Resources Director
R. Mann*	Operations Director
S. Musodza	Sales Executive
L. Kutinyu	Marketing Executive

#### MANAGING EXECUTIVES

M. Chawanda	Flour Milling
C. Nheta	Maize Milling
N. Weller	MCG
W. Bosch	Stockfeeds
G. Rawlins	Snacks & Treats

### ASSOCIATE COMPANIES

#### PURE OIL INDUSTRIES (PRIVATE) LIMITED

V. Agarwal	Managing Director
A. Jyoti	Head of Commercial
R. Musiyiwa	Head of Operations

#### NATIONAL FOODS LOGISTICS (PRIVATE) LIMITED

J. Heath	Managing Director
M. Hall	Finance Director
T. Mandava	Managing Executive
K. Dumba	Human Resources Director

*\*Executive Directors*



## CHAIRMAN'S STATEMENT



**TODD MOYO** (CHAIRMAN)



### INTRODUCTION

The Group recorded a reasonable performance for the period, posting Profit before Tax of \$21.21m which was 23% above the same period last year. EBITDA for the period increased by 14% compared to last year, weighed down by a very disappointing performance from the Flour division. Whilst record Flour volumes were achieved, margins were significantly impacted by the inability to increase prices as a consequence of the price of bread which remained constant for the greater part of the year. The Maize division returned to profitability and, together with improved rice margins, partially compensated for the poor Flour performance. Our associate Pure Oil produced an excellent result, delivering attributable earnings of \$5.2m, an increase of 182% over the prior period.

Volumes for the year increased by 7.1% compared to last year, reaching 543,000 MT. The increase was largely driven by the Flour division where volumes increased by 28%, the highest in the company's history. Maize volumes grew by 11%, while there were volume reductions in stockfeed (13%) on the back of the Avian Influenza outbreak and rice (25%) due to foreign currency constraints. Improved and more robust consumer demand was evident in the second half of the year, with volumes in the final quarter increasing by 33% over the previous year and positive growth being registered across all of the operating units.

The company's position with its foreign creditors deteriorated significantly over the year, with \$37.59m remaining outstanding to foreign wheat suppliers at the end of the period. It is crucial that a solution for this debt is found in the immediate future, failing which there will be disruptions to the supply of imported wheat and consequent flour and bread shortages. Regular and constructive engagements with the Reserve Bank are underway to resolve this matter.



### OVERVIEW OF FINANCIAL PERFORMANCE

Revenue for the period increased by only 3% compared to last year, driven by a reduction in average selling prices by 5%. The key Flour, Maize and Stockfeeds units all saw declining selling prices for a variety of reasons.

In Flour, selling prices declined by 2.5% due to the inability to increase prices against a largely static bread price. Stockfeed prices declined by 5.3%, as a result of an increased proportion of lower priced beef feed, as poultry volumes declined following the Avian Influenza outbreak. In the maize category, selling prices reduced by 15% due to a significant reduction in raw maize prices as the country was self-sufficient in maize for the first time in many years.

Total gross margin dollars increased by 2.7% compared to last year, with a mixed performance across the various categories. Flour margins declined substantially, reducing by 22.2% in absolute dollars per ton in comparison to last year. International wheat prices rose during the year and these increases could not be recovered in flour prices due to the delays in agreeing

the increase in bread pricing with Government. Whilst an increase in bread price was agreed towards the end of the period, the margin impact of this has subsequently been largely eroded by further inflationary pressures. The viability of the mill-bake value chain remains severely challenged and it is imperative that the sector works with Government to find a sustainable solution for both industry and the consumer.

Margins across the remaining categories largely met expectation; in dollar per ton terms stockfeed margins increased moderately, whilst maize margins measured on the same basis were flat. Rice margins improved on the back of relatively well priced raw materials in the first half.

Operational expenditure increased by 2.3% to \$47.95m compared to the same period last year. Excluding costs relating to the discontinued Depots incurred in the early part of last year, costs increased by 7.6% versus the prior period. Towards the end of the financial year inflationary increases were seen particularly in distribution costs (warehousing and delivery costs), driven by increased fuel and vehicle maintenance costs, and to a lesser extent plant repair and maintenance costs.

Working capital reduced from \$79.0m at the start of the year to \$51.2m at year end. Prepayments for key raw materials increased by \$9.8m over the period whilst foreign creditors increased by \$36m, largely due to the imported wheat position. There was a significant amount of cash held at year end (\$33.4m) which was being held to secure key raw materials, as it is becoming increasingly necessary to prepay to procure competitively.

Capital expenditure for the period amounted to \$4.44m, well behind plan due to difficulties in sourcing foreign currency which caused substantial delays in the various capital projects that had been planned. The Group will continue to reinvest in improving its operations in line with the availability of foreign currency.

## FLOUR MILLING

Profitability for the division in the year under review was extremely disappointing, declining by 37.3%. That this occurred with record volumes is a reflection of the severe margin compression in the category, the reasons for which have been outlined elsewhere in this report. Flour is the most significant category in our portfolio, making it imperative that meaningful solutions to both the viability of the mill-bake value chain and the foreign wheat creditor position are found in the near future.

## MAIZE MILLING

The Maize division achieved an improved result, registering a small profit having achieved a loss of \$0.77m in the same period last year. Volumes increased by 10.5%, a positive result given the excellent local harvest. Government has agreed that the national food security and commercial activities of the GMB will be separated into autonomous units. It is hoped that this will result in a more level competitive environment in the category in future.

The company continues to focus intensely on innovation within the maize category portfolio and it was encouraging to note that the new Pearlenta High Fibre products have been well received by health conscious consumers.

## STOCKFEEDS

Volume performance for the Stockfeeds division was disappointing, declining by 13% on prior year due to the Avian Influenza outbreak which severely compromised availability of day old chicks in the market and consequently led to reduced feed volumes. Poultry volumes recovered in the second half of the year as day old chick availability improved. Beef and dairy feed volumes were also softer following the excellent

2016-17 rains which improved pastures and reduced supplementary feeding requirements over the past year.

## MEDIUM-SCALE CONSUMER GOODS (MCG)

This division produced a strong result for the period, driven by rice and to a lesser extent salt which maintained its market leading position. Mahatma and Red Seal rice performed strongly in the market as national rice supplies were constrained by foreign currency availability. The fortunes of this unit will continue to be driven by the ability to secure foreign currency to import raw materials.

## SNACKS AND TREATS

This division manufactures extruded corn snacks and loose biscuits under the Zapnax, Kings and Iris brands. Volumes increased by 31% compared to the previous period, with firm growth from Iris loose biscuits. Whilst the unit is not yet a significant contributor to the Group we believe that the snacks and biscuit categories have growth potential and to this end have recently made further investment in increasing capacity and capability in this unit. The focus is to continue increasing volumes on the back of improved capacity and distribution whilst broadening the portfolio of products. Cream biscuits will be launched under the Iris brand during the first half of next year.

## PURE OIL

Pure Oil produced an excellent result for the period, delivering attributable earnings of \$5.2m which represented a 182% increase over the previous financial year. In a relatively short period of time Pure Oil has become the market leader in the cooking oil category and has successfully kept the product on shelf in spite of the challenges in securing foreign currency for raw material imports.

Pure Oil will be entering the bakers' fats and margarine categories and these products will be introduced in the first half of the next period.

## NATIONAL FOODS LOGISTICS

National Foods Logistics (Nat Log) was created in the second half of the financial year. Nat Log will be responsible for the distribution of National Foods' product to the market and is a partnership with Equity Distribution (Pvt) Ltd, formerly National Foods'

outsource distribution service provider. The rationale behind this investment is that distribution capability has become a critical success factor for National Foods and our objective is to improve customer service and lower costs through investing in specialised truck and warehouse capability. To this end Nat Log has ordered 16 new trucks which will be commissioned early in the new financial year. The results of Nat Log will be equity accounted by National Foods.

## CONTRACT FARMING

The Group continues to support local farming, with 10,800 hectares of a variety of cereal crops having been planted during the year through two substantial contract farming schemes. National Foods directly supported the production of 8,700 hectares of maize, wheat, soya beans and sugar beans through the 2017-2018 summer and 2018 winter seasons. In addition, Pure Oil has supported an additional 2,100 hectares of soya beans during the 2017-2018 summer season.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group's CSR program focuses on improving well-being and enhancing lives in the communities within which the company operates, supporting 41 institutions. This year the Group has again partnered with Kapnek Trust in an initiative to establish further early childhood development (ECD) classroom facilities in line with the new education curriculum. Through this initiative 7 Primary schools, 4 in the Sanyati District and 3 in the Ngezi District were assisted to successfully build or rehabilitate facilities to enable ECD teaching.

## FUTURE PROSPECTS

The period under review witnessed significant political changes in our country. Now that the critical election phase is behind us it is imperative that attention is urgently directed at resolving some of the serious challenges facing the economy. The direct and increasing impact that some of these issues are having on National Foods has been discussed in this statement. Provided that meaningful solutions to these challenges can be found, we believe that there will be significant opportunities to supply a broader range of categories as economic conditions and the position of the consumer improve further.

## DIVIDEND

The Board is pleased to declare a final dividend of 5.64 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 2018 and will be payable in full to all the shareholders of the Company registered at the close of business on the 26th of October 2018.

The payment of this dividend will take place on or about the 2nd of November 2018. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 23 October 2018 and ex-dividend as from the 24th of October 2018. This final dividend brings the total dividend for the year to 12.53 US cents per share.

## ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank management and staff sincerely for their continued commitment in what has been a very challenging year. Finally, I wish to thank my fellow Board members for their continued support and counsel.

**Todd Moyo**  
Chairman

**27 September 2018**



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



## DIRECTORATE AND EXECUTIVE MANAGEMENT

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

The majority of Directors of the Holding Company are non-executive bringing objective judgement to bear on issues of strategy and performance. The Group Chairman is an independent non-executive Director.

Managerial levels of authority have been established for capital expenditure projects and the acquisition and disposal of assets. However, decisions of a material nature are taken by the Board of Directors and senior management, who constitute key management and whose remuneration is disclosed in Note 25.8. The directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, at the company's expense, if they believe that course of action would be in the best interest of the Group.

## FINANCIAL STATEMENTS

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

## AUDIT 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 2018 the committee comprised G. Gwinda (Chairman), N. Doyle,

T Moyo, P. Spies and J. Schonken. The external auditors have unrestricted access to this committee. The audit committee reviews the effectiveness of internal controls in the Group with reference to the findings of both the internal and external auditors. Other areas covered include the review of important accounting issues, including specific disclosures in the financial statements and a review of the major audit recommendations.

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.

## 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, cash flow forecasts, 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.

## SUSTAINABILITY IN OUR BUSINESS

### OUR SUSTAINABILITY APPROACH

In the current year, the Group made a decision to adopt sustainability reporting in order to create and give value to our stakeholders. The strategy follows the Global Reporting Initiative (GRI) Standards which require us to identify measure and disclose to our internal and external stakeholders, our economic, environmental and social impacts and opportunities arising from our business activities. Our strategy will transform the way we have been engaging and communicating with our stakeholders. We expect our next annual report to be fully compliant with GRI Standards.

Our sustainability strategy will enhance sustainable decisions across the Group and transform our business model. It is the Group's intention to create value in the places where we operate and operate in a sustainable manner in response to climate change and Sustainable Development Goals (SDGs) imperatives. Sustainability is a key pillar for strengthening various capitals of the Group and our goal is to ensure value proposition to the business and all stakeholders.

### STAKEHOLDERS AND RELATIONSHIPS

The Group continues to build sustainable relations with stakeholders and business partners to ensure sustainable success and competitiveness in the market. Therefore, the Group will enhance shared values with stakeholders and business partners in a spirit of inclusivity and responsiveness to foster strong relational capital and trust for the Group.

### SUPPLY CHAIN

Supply chain management remains a critical function in the success of our products, brands and image. The Group provides systems which ensure that all suppliers are screened based on track record and consideration of sustainability issues such as environmental, social behavior, corruption, statutory compliance and human rights practices. The Group endeavors to contribute towards the empowerment of societies in places in which we operate by creating economic opportunities in the supply chain. The Group supports local farming in the value chain through contract farming. The Group also promotes local farmers by buying and using locally produced raw materials wherever possible before opting for imported options. This initiative is in line with the Kilometer Zero Initiative that reduces carbon foot prints and minimizes the effect of climate change.

### COMMUNITY INVESTMENT AND DEVELOPMENT

The Group supports and assists vulnerable groups, disadvantaged communities and is involved in various livestock and wildlife initiatives around the country. Our Corporate Social Responsibility (CSR) programme has remained our strategic opportunity for bringing the Group close to the community.

### SUSTAINABILITY DATA ASSURANCE

The data contained in this report was verified through our Group internal audit service process. These are conducted by Instinct Risk Advisory and enable stakeholders to derive reasonable assurance on our performance.

### MATERIAL ISSUES & DISCLOSURE

The Group evaluates economic, environmental and social issues on their impact on the business and stakeholders. This process involves management and staff going through an evaluation of material issues brought to their attention from both internal and external stakeholders. Where material issues are considered to be of high impact, management will devise appropriate remedies and update stakeholders through the annual reports, regular updates and press releases.







## OUR STAKEHOLDERS & RELATIONSHIPS

The Group believes that sustainable relationships are critical for long term value creation and business success. Our stakeholders play a significant role in the value chain of the Group and as such are considered as important

capital in our business model. Our stakeholders and the relationships we have built over decades continue to inform how we manage corporate and enterprise risk management, and business development.

In the current year, the Group engaged with various stakeholders whose issues shaped the contents of this report. Our engagements are presented below:

Stakeholder	Material Issues Raised	Mitigation Measures	Communication Channels
Employees/Staff	<ul style="list-style-type: none"><li>Engagement &amp; inclusion</li><li>Working hours</li><li>Employee benefits</li></ul>	<ul style="list-style-type: none"><li>Development, review, implementation and monitoring of the Human Resources Policy and Procedures</li><li>Training</li></ul>	<ul style="list-style-type: none"><li>Works Council meetings</li><li>Face to face interactions</li><li>Noticeboards/NFL communication via emails</li><li>Line Manager engagements</li><li>CEO monthly lunches with staff</li><li>Executive Committee cascades on employee benefits</li><li>Code of Conduct</li><li>Code of Ethics</li></ul>
Suppliers	<ul style="list-style-type: none"><li>Timely payments</li><li>Ethical business practices</li></ul>	<ul style="list-style-type: none"><li>Suppliers audits</li><li>Suppliers screening</li><li>Supplier contracts</li></ul>	<ul style="list-style-type: none"><li>Face to face meetings</li><li>Tip Offs Anonymous</li></ul>
Industry	<ul style="list-style-type: none"><li>Animal disease control</li><li>Training &amp; Development</li><li>Fair pricing</li><li>Fair competition</li></ul>	<ul style="list-style-type: none"><li>Interaction with the Department of Veterinary Services of Zimbabwe</li><li>Interaction with the Ministry of Health (MoH)</li></ul>	<ul style="list-style-type: none"><li>Zimbabwe Poultry Association (ZPA)</li><li>Grain Millers Association of Zimbabwe (GMAZ)</li><li>Confederation of Zimbabwe Industries (CZI)</li><li>Scaling Up Nutrition Network (SUN) &amp; Food Nutrition Council (FNC)</li></ul>
Government/ Regulators	<ul style="list-style-type: none"><li>Regulatory compliance</li><li>Transparent reporting</li></ul>	<ul style="list-style-type: none"><li>Compliance with regulations</li></ul>	<ul style="list-style-type: none"><li>Direct meetings and updates</li><li>Regulator audits</li></ul>
Shareholders and Potential Investors	<ul style="list-style-type: none"><li>Competitive Returns</li><li>Regulatory Compliances</li></ul>	<ul style="list-style-type: none"><li>Improved Profitability &amp; returns year on year</li><li>Enhanced governance oversight by the Board</li></ul>	<ul style="list-style-type: none"><li>Integrated annual reports</li><li>Annual General Meetings</li><li>Bi-annual results releases</li><li>Website updates</li><li>Face to face meetings</li></ul>
Customers and Consumers	<ul style="list-style-type: none"><li>Safe quality products</li><li>Nutritious options</li><li>Competitive and affordable pricing</li><li>Innovative products</li></ul>	<ul style="list-style-type: none"><li>Rigorous quality checks and balances</li><li>Continuous product development</li><li>Compliance with legislation</li></ul>	<ul style="list-style-type: none"><li>Food safety standards</li><li>Regular meetings with key accounts contacts</li><li>Consumer &amp; Consumers surveys</li><li>Consumer &amp; Customer Immersions</li><li>Websites</li><li>Tip Offs Anonymous</li></ul>
Local Communities	<ul style="list-style-type: none"><li>Economic development</li><li>Environmental protection</li><li>Employment opportunities</li><li>Supply opportunities</li></ul>	<ul style="list-style-type: none"><li>Compliance with legislation</li></ul>	<ul style="list-style-type: none"><li>Regular interaction with Local Authorities</li><li>Corporate social responsibility</li></ul>

## MANAGING OUR SUSTAINABILITY FOOTPRINT

### OUR APPROACH

The Group's approach to managing our sustainability footprint rests upon minimizing the negative impacts on the business and our stakeholders, particularly those relating to the environment and society. We do this by setting targets, implementing remedial systems

and continuously monitoring processes. In line with commitments made for compliance with regulators, laws and best practices, the Group has systems for managing environmental and social impacts on the business environment and stakeholders.

For FY2018, the Group placed significant effort in managing the sustainability footprint and the performance as presented below:

## ENVIRONMENTAL RESPONSIBILITY

### RAW MATERIALS

The Group tries by all means to minimize wastage in the production of our primary products. For the current year, we used the following raw materials:

Materials	Unit	2018	2017
Maize	Tons	161,710	145,925
Soya	Tons	19,956	19,889
Wheat	Tons	277,186	224,954
Maize Gem Meal	Tons	14,260	22,931
Wheat feed	Tons	40,655	35,003
Rice	Tons	24,786	32,808
Salt	Tons	21,743	19,057
		<b>560,296</b>	<b>500,561</b>

### PRODUCTION WASTE RECYCLING

As a result of minimize wastage in the production process, material available for recycling is minimal. For the current year, our recycling was as follows:

Recycling	Unit	2018	2017
Average waste material recycled into other products	%	0.09	0.005

### ENERGY CONSUMPTION

The Group takes measures to manage energy consumption within our operations. Our the current year consumption was as follows:

Energy Type	Unit	2018	2017
Electricity	KWh	27,855	28,141
Coal (Heating)	Tons	443	333
Fuel for Generators	Litres	244,849	170,509

### CARBON FOOTPRINT

The Group monitors impacts on climate change by tracking its carbon footprint from various emission sources in our manufacturing processes. For the the current year, our carbon footprint calculations based on fossil fuel consumption were as follows:

Emission Source	Unit	2018	2017
Electricity	Kg CO2e/ KWh	9,792,861	9,893,473
Coal	Kg CO2e/ Kg	1,079,758	811,927
Fuel for Generators (Diesel)	Kg CO2e/ Litre	636,648	443,352
		<b>11,509,267</b>	<b>11,148,752</b>

### WATER MANAGEMENT

The Group draws water from various sources which it monitors to ensure sustainable consumption. For the the current year, our consumption was as follows:

Source	Unit	2018	2017
Ground Water (Borehole)	m <sup>3</sup>	161,929	168,144
Surface Water (Municipal Water Supply)	m <sup>3</sup>	51,214	53,848
		<b>213,143</b>	<b>221,992</b>

### WASTE MANAGEMENT

Our approach to production waste disposal includes final disposal and alternative use. During the current year, waste material was managed through the following disposals:

Waste by Type	Disposal Method	Unit	2018	2017
Solid Waste	Landfill	Tons	274	393
Primary Production Waste	Sale to farmers	Tons	308	436
Paper Cut Offs	Recycling	Tons	33	29
			<b>615</b>	<b>858</b>

## SOCIAL COHESION

### HUMAN CAPITAL

Our staff are a critical capital that drives how we create and sustain value for our stakeholders. The Group continues to provide economic opportunities to society through various employment opportunities that include short term contracts, fixed term contracts and permanent positions. During the year, our employment performance is presented below:

#### NEW STAFF ENGAGEMENT

Gender	Unit	2018	2017
Male	Count	26	4
Female	Count	24	4
		<b>50</b>	<b>8</b>

#### STAFF TURNOVER

Gender	Unit	2018	2017
Male	Count	66	18
Female	Count	11	2
		<b>77</b>	<b>20</b>

#### NET STAFF COMPLIMENT

Gender	Unit	2018	2017
Male	Count	1,178	1,203
Female	Count	189	170
		<b>1,367</b>	<b>1,373</b>

### HEALTH AND SAFETY IN THE WORK PLACE

The health and safety of our employees is a priority in our workplace. The Group has embarked on a Vision Zero Initiative (a drive towards eradicating all work related injuries and illnesses). The Group thus continues to take measures to minimize injuries through training activities. During the year, safety incidents and training were as follows:

Incidence	Unit	2018	2017
Total number of work related injuries	Counts	11	18
Lost days due to injuries	Counts	291	154
Safety training (days)	Days	138	121

### STAFF DEVELOPMENT

The Group strives to keep employees skills and knowledge consistent with the latest developments in their related areas of responsibility. During the current year, our average employee training and education hours were as follows:

Gender	Unit	2018	2017
Male	Hours	41	26
Female	Hours	44	33

### PRODUCT RESPONSIBILITY

The Group pays great attention to product quality and safety for the consumers. During the year, the Group conducted a customer satisfaction survey which showed brands like Gloria, Red Seal Roller Meal, King Kurls, and National Foods Stockfeed maintaining a superior performance in the market. The Group managed to maintain its ISO9001:2015 Certification on Quality Management during the year for its Stockfeeds division. The maize unit is currently implementing an integrated ISO 9001:2015 and ISO 22000:2008 with the aim of getting certification by June 2019.



### COMMUNITY INVESTMENT & DEVELOPMENT SUPPORT

The Group supports the disadvantaged and vulnerable among our stakeholders and the greater community through its Corporate Social Responsibility (CSR) Programme. Our CSR objective is to plough back into

the communities where we operate by enhancing lives, improving wellbeing, and building lasting emotional capital. NFL engages in proactive initiatives which have a positive impact to the socio-economic well-being of communities and through activities geared towards the preservation and long term sustainability of the environment. During the year under review, our support through materials and finance was as follows:

Beneficiaries	Products/Support	Support Category
Kapnek Trust, Ngezi and Sanyati Schools	Renovation of School Facilities	Education
23 Orphanages (including Mola Hostels, Kambuzuma, Mother of Peace)	Roller meal, beans and salt	Orphanages
Ekuphumeleni Nursing home and Shingirai Trust	Roller meal, beans and salt	Community empowerment and development
6 Centres (including Zimcare Trust, Homefield & Emerald Hill)	Roller meal, beans and salt	Disability support
Mucheke old People, Malvern House and Place of Safety	Roller meal, beans and salt	Old People Homes
Harare Vocational Training Centre (1)	Roller meal	Art, Social and Regional Support
Zambezi Society, Homefield, SPCA and Healing with Horses	Provisions and animal feed	Animal Welfare

### ECONOMIC CONTRIBUTIONS

#### PAYMENT TO GOVERNMENT

The Group makes payments to government through its corporate taxes, value added tax, duty and levies. For FY2018, we made the following payment to government:

	Unit	2018 (000)	2017 (000)
Corporate Tax – Associates	US\$	4,472	1,588
Value Added Tax (VAT)	US\$	5,846	4,627
Import Duty	US\$	915	1,200
Withholding Tax	US\$	152	147
Levies	US\$	49	52
		<b>11,434</b>	<b>7,614</b>

#### PENSION COVERAGE & CONTRIBUTIONS

The Group contributes to various pension funds managed internally and externally. 84% of the employees are on the National Foods Pension Fund. For FY2018, the Group contributed to the following pensions:

Pension	Unit	2018 (000)	2017 (000)
National Foods Pension	US\$	744	833
National Social Security	US\$	225	239
Group Life Cover	US\$	74	79
		<b>1,043</b>	<b>1,151</b>



## BUSINESS ASSOCIATION MEMBERSHIP

The Group participates in various business and industry associations below:

- Confederation of Zimbabwe Industries (CZI)
- Zimbabwe National Chamber of Commerce (ZNCC)
- Zimbabwe Poultry Producers Associations (ZPA)
- Business Council for Sustainable Development Zimbabwe (BCSDZ)
- Stockfeeds Manufacturers Association (SMA)
- Grain Millers Association of Zimbabwe (GMAZ)
- Food Nutrition Council (FNC)
- Scaling Up Nutrition Network (SUN)

## CERTIFICATIONS & STANDARDS

The Group ascribes to the following standards and certifications:

- ISO9001:2015 - Standards Association of Zimbabwe (SAZ)
- Health Professions Association of Zimbabwe (HPAZ)
- KOSHER (Jewish Community)
- HALAAL (National Halaal Association of Zimbabwe (NHAZ))

## RECOGNITION & AWARDS

- Product of the Year (1st Runner up) - Buy Zimbabwe Awards
- Company of the Year (1st Runner up) - Buy Zimbabwe Awards
- Highest Earnings per Share (2nd Runner up) - Zimbabwe Quoted Companies Survey
- Product of the Year (1st Runner up) - National Quality Awards
- Company of the Year (1st Runner up) - National Quality Awards







## STATEMENT OF DIRECTOR'S RESPONSIBILITY

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

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

The principal accounting policies of the Group are consistent with those applied in the previous year 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 the its records. The Group's Audit Committee has met the external auditors to discuss their reports on the results of their work, which include assessments of relative strengths and weaknesses of key control areas. Whilst in a growing group of the size, complexity and diversity of National Foods it may be expected that occasional breakdowns in established control processes may occur, no breakdowns involving material loss have been reported to the Directors in respect of the period under review.

The financial statements for the year ended 30 June 2018, which appear on pages 32 to 67 have been approved by the Board of Directors and are signed on its behalf by:

T.Moyo  
**Chairman**  
**27 September 2018**

M.Lashbrook  
**Chief Executive Officer**





The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2018

## GROUP FINANCIAL RESULTS

	2018	2017	2016	2015	2014
	US\$000	US\$000	US\$000	US\$000	US\$000
Profit before tax	21,211	17,226	19,041	17,253	21,745
Income tax expense	(4,036)	(3,522)	(4,768)	(4,517)	(4,962)
Profit for the year	17,175	13,704	14,273	12,736	16,783
<b>Total comprehensive income for the year</b>	<b>17,175</b>	<b>13,707</b>	<b>14,271</b>	<b>12,734</b>	<b>16,783</b>

### 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 (2017:Nil) and the number of shares in issue was 68 400 108 (2017:68 400 108).

### 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 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\$) 5.64 cents per share payable on or about 2 November 2018 to shareholders registered at the close of business on 26 October 2018. The shares of the Company will be traded cum - dividend on the Zimbabwe Stock Exchange up to the market day of 23 October 2018 and ex - dividend as from 24 October 2018. Together with the interim dividend of (US\$) 6.89 cents per share, this final dividend brings the total dividend for the year to (US\$) 12.53 cents per share.

### DIRECTORATE

No changes to the directorate in the current year.

### 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 ninth Annual General Meeting of the Company will be held at 10:30am on Monday 19th November 2018 at the registered office of the Company 10 Stirling Road, Workington, Harare.

T.Moyo  
Chairman  
27 September 2018

M.Lashbrook  
Chief Executive Officer



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Accountants  
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## 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 and its subsidiaries (the group) set out on pages 32 to 67, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### 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 Consolidated Financial Statements* section of our report. We are independent of the group 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 these requirements and 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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 financial statements.

Key Audit Matter	How the matter was addressed in the audit
<b>Recoverability of trade receivables balances</b>	
<p>In the current year the economic environment has been characterised by an acute shortage of foreign currency and most customers have had to strike a balance between settling local and foreign commitments. This has led to a general slippage in the collectability of outstanding debts. Accordingly, the Group is exposed to credit risk which is emanating from these market dynamics in view of the ongoing adverse economic environment.</p> <p>The 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 judgments and amounts to be recorded as doubtful are made from time to time.</p> <p>The group's net trade receivables as at 30 June 2018 amounted to \$33,925,368 (2017: \$34,959,297) 17% (2017: 23%) of total assets and 25% (2017: 35%) of current assets after accounting for an allowance for credit losses of \$4,272,673 (2017: \$3,976,132). The relevant disclosures are in note 14 to the consolidated financial statements.</p>	<p>As in the prior year, 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, payment 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</li> </ul>

<p>The determination of the adequacy of the allowance for credit losses on trade receivables remains significant to our audit due to the significant amount of effort devoted in evaluating management's assumptions that change from time to time and the relevant processes as well as the review of the supporting documentation.</p>	<p>for credit losses booked as at 30 June 2018.</p> <ul style="list-style-type: none"> <li>• Assessed the Group's disclosures by comparing it to the accounting policies and the requirements of International Financial Reporting Standards.</li> </ul>
<b>Valuation of inventories</b>	
<p>Some of the Group's keys inputs are imported therefore requiring significant amounts of foreign currency which has been in short supply. The shortage of foreign currency resulted in additional stock acquisition costs. The valuation of inventories therefore becomes key as the 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 capacity, historical trends and unique production models. This required extensive validation of inputs and re-computations as management's estimation processes are continuously changing and reviewed in line with market dynamics.</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>Our key procedures involved, amongst others;</p> <ul style="list-style-type: none"> <li>• Updating our understanding of valuation models and key inputs including conversion costs.</li> <li>• Evaluating the models and formulas in use and based on applicable accounting conventions and the Group's production processes.</li> <li>• Tracing a sample of the costing to the external and internal documentation</li> <li>• Evaluating re-computations on selected product lines and assessed the Group's application of the valuation policy based on the lower of cost and net realizable value.</li> <li>• Considering the consistency of the application of the valuation method to prior year processes.</li> </ul>



Existence of Inventories	
<p>The Group's activities are predominantly the milling of flour and maize as well as the manufacture of stock feed. Due to the level of production these processes require the procurement and storage of large quantities of raw materials and finished goods mainly in the form of wheat and maize.</p> <p>The acquired bulk inventory is stored in the Group's own and rented storage facilities such as silos. Typically, the storage facilities such as silos are calibrated for the specific types of products that are stored. The determination of quantities on hand at any one point in time involves silo dipping after which management perform validation checks through quantity measurement estimations that are then computed and corroborated through checks with the detailed records maintained. Through put reconciliations are an essential part of this reconciliation and estimation process. Variances arising from these processes are benchmarked to expectations set as part of the business operating model.</p> <p>The estimation, reconciliation and benchmarking process used to determine the existence of flour and stock feed inventory were considered significant to our audit of the existence of the inventory balance at year end.</p> <p>As disclosed in Note 13 to the consolidated financial statements, raw materials and finished goods amounted to \$36,685,901 which makes up 18% and 27% of total and non-current assets respectively.</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 the 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 the 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 appropriateness of models used by management.</li> <li>• Compared estimated inventory quantities to the throughput reconciliations and other inventory records.</li> <li>• Enquired of the management on inventory movements, quantities, measurement and obtained representation thereon.</li> </ul>

## Other Information

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors report thereon. The directors are responsible for the other information.

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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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.

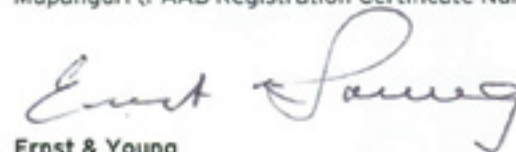
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 and company 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 Walter Mupanguri (PAAB Registration Certificate Number 220)



Ernst & Young

Chartered Accountants (Zimbabwe)

Registered Public Auditors

Harare

27 September 2018





## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US\$	2017 US\$
<b>Revenue</b>	4	<b>297,929,498</b>	<b>289,508,168</b>
Cost of sales		(228,041,802)	(221,488,438)
<b>Gross profit</b>		<b>69,887,696</b>	<b>68,019,730</b>
<b>Other income</b>	5.1	<b>993,052</b>	<b>745,234</b>
Distribution expenses		(10,722,756)	(9,847,356)
Selling and marketing expenses		(4,133,040)	(3,629,085)
Employee benefits expenses		(16,490,935)	(17,530,188)
Administrative expenses		(17,399,672)	(18,374,792)
Depreciation	5.3/8	(2,666,931)	(2,886,852)
<b>Profit from operating activities</b>	5	<b>19,467,414</b>	<b>16,496,691</b>
Interest income	5.4	149,512	458,011
Interest expense	5.4	(3,601,787)	(1,559,706)
Equity accounted earnings	11.3	5,195,938	1,831,471
<b>Profit before tax</b>		<b>21,211,077</b>	<b>17,226,467</b>
Income tax expense	6.1	(4,035,873)	(3,521,844)
<b>Profit for the year</b>	5	<b>17,175,204</b>	<b>13,704,623</b>
<b>Other comprehensive income</b>			
<b>- to be recycled to profit and loss at a future point in time</b>			
Exchange differences on translation of foreign operation		(690)	2,212
<b>Total comprehensive income for the year</b>		<b>17,174,514</b>	<b>13,706,835</b>
Profit for the year attributable to equity holders of the parent		17,175,204	13,704,623
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>17,174,514</b>	<b>13,706,835</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	7	25.11 cents	20.04 cents
Headline earnings per share	7	25.05 cents	20.06 cents

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 US\$	2017 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	44,122,607	45,682,101
Intangible assets	10	1,516,422	1,516,422
Investment in associate	11.3	10,631,809	4,685,871
Other financial assets	12.1	988,933	1,395,088
		57,259,771	53,279,482
<b>Current assets</b>			
Cash & cash equivalents	19.4	33,403,229	3,682,942
Inventories	13	41,746,879	44,469,365
Trade and other receivables	14	62,515,892	51,497,325
Current portion of other financial assets	12.1	1,998,767	-
Current tax receivable	6.3	750,895	89,629
		140,415,662	99,739,261
Assets classified as held for sale	9	3,402,447	107,313
		143,818,109	99,846,574
<b>Total assets</b>		<b>201,077,880</b>	<b>153,126,056</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	15.1	684,001	684,001
Non-distributable reserves	15.3	(10,628)	(9,938)
Distributable reserves	15.4	103,161,825	94,263,037
<b>Total equity</b>		<b>103,835,198</b>	<b>94,937,100</b>
<b>Non-current liabilities</b>			
Deferred tax liability	6.4	8,201,539	7,987,464
		8,201,539	7,987,464
<b>Current liabilities</b>			
Trade and other payables	17	52,786,808	16,603,855
Bank overdrafts	12.2	159,728	19,829,174
Borrowings	12.2	30,261,638	10,836,474
Provisions	18	347,241	400,898
Shareholders for dividends	16	5,315,577	2,525,725
		88,870,992	50,196,126
Liabilities relating to assets held for sale	9	170,151	5,366
		89,041,143	50,201,492
<b>Total equity and liabilities</b>		<b>201,077,880</b>	<b>153,126,056</b>

T. Moyo  
Chairman

M. Lashbrook  
Chief Executive Officer

Harare  
27 September 2018

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Issued Share Capital US\$	Non- Distributable Reserves US\$	Distributable Reserves US\$	Total US\$
Note	15.1	15.3	15.4	
<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>
Profit for the year	-	-	17,175,204	<b>17,175,204</b>
Exchange differences on translation of foreign operation	-	(690)	-	<b>(690)</b>
Total comprehensive income	-	(690)	17,175,204	<b>17,174,514</b>
Dividends declared (Note 16)	-	-	(8,276,416)	<b>(8,276,416)</b>
<b>Balance at 30 June 2018</b>	<b>684,001</b>	<b>(10,628)</b>	<b>103,161,825</b>	<b>103,835,198</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 US\$	2017 US\$
<b>OPERATING ACTIVITIES</b>			
Cash generated from operations	19.1	22,240,522	20,194,935
Working capital changes	19.2	27,091,919	(35,352,258)
Operating cash flow		49,332,441	(15,157,323)
Interest received	5.4	48,069	410,643
Interest paid	5.4	(3,601,787)	(1,559,706)
Income tax paid	19.3	(4,318,279)	(3,839,050)
<b>Net cash flows from operating activities</b>		41,460,444	(20,145,436)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment to maintain operations		(3,926,321)	(2,630,301)
Purchase of property, plant and equipment to expand operations		(518,251)	(1,234,199)
Investment in associate	11.3	(750,000)	-
Loan to associate	12	(1,956,382)	-
Purchase of other financial instruments	12.1	-	(382,140)
Proceeds on disposal of property, plant and equipment		89,795	89,602
Debenture repayment		121,936	-
Proceeds on disposal of financial instruments		929,908	-
<b>Net cash flows from investing activities</b>		(6,009,315)	(4,157,038)
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings and overdrafts		13,789,526	24,616,961
Repayment of borrowings		(14,033,804)	(1,196,249)
Dividends paid	16	(5,486,564)	(4,601,568)
<b>Net cash flows from financing activities</b>		(5,730,842)	18,819,144
<b>Increase / (Decrease) in cash and cash equivalents</b>		29,720,287	(5,483,330)
<b>Cash and cash equivalents at beginning of the year</b>		3,682,942	9,166,272
<b>Cash and cash equivalents at the end of the year</b>	19.4	33,403,229	3,682,942

## 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 2018 were authorised for issue in accordance with a resolution of the Directors on 27 September 2018.

#### 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 comprise the financial statements of the Company and its subsidiaries as at 30 June 2018.

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 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

Certain new accounting standards and interpretations have been issued but are not yet effective and have not been early adopted by the group. The group intends to adopt these standards, when they become effective. The group's assessment of the impact of these new standards and interpretations is set out below.

#### 2.2.1 IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on 1 July 2018 and will not restate comparative information. The Group is performing an impact assessment of the classification and measurement principles of IFRS 9 as well as the assessment on the impact of impairment.

#### Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39.

#### Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required

for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

The group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required by IFRS 9. In general, the directors anticipate that the application of the expected loss model for IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

#### Transitional impact

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 July 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening Statement of Financial Position at the date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives. The group is still assessing the quantitative impact for which estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalises its financial statements for the year ending 30 June 2019.

#### 2.2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange

for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:  
Step 1: Identify the contract(s) with a customer  
Step 2: Identify the performance obligations in the contract  
Step 3: Determine the transaction price  
Step 4: Allocate the transaction price to the performance obligations in the contract  
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or service underlying the performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, IFRS 15 requires extensive disclosures. In April 2016, the IASB issued Clarification to IFRS 15 in relation to the identification of performance obligations, principal vs agent considerations, as well as licensing application guidance.

The group recognises revenue from the sale of merchandise. Apart from providing more extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group.

#### 2.2.3 IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and shortterm leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). 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 also required to re measure 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. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16.

#### 2.2.4. IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- The beginning of the reporting period in which the entity first applies the interpretation or
- The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, the Group does not expect any effect on its consolidated financial statements.

#### 2.2.5 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately



- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The group is currently assessing the impact of this change on its consolidated financial statements.

### 2.3 Summary of Significant Accounting Policies

#### 2.3.1 Foreign currency translation

The Group's financial statements are presented in United States Dollars (US\$) (see 2.1), which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Exchange differences arising from translation or settlement of monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Upon disinvestment of a foreign entity, translation

differences related to that entity are recycled into profit or loss.

### 2.3.2 Taxes

#### 2.3.2.1 Current income tax

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

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

#### 2.3.2.2 Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax base of assets or liabilities and their carrying amounts in the statement of financial position for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences

associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxation is recognised in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside of profit or loss.

Deferred taxation relating to tax losses carried forward is recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred income tax liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### 2.3.2.3 Value Added Tax (VAT)

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

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

### 2.3.3 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.

### 2.3.4 Intangible assets

#### Goodwill

The Group recognises Goodwill acquired through business combinations at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. The relationship between the investment in subsidiary and its net book value is considered in reviewing impairment indicators. After initial recognition, the intangible assets is carried at cost less any impairment losses.

### 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.

### Consumable stores

- Purchase cost of consumables (machinery spares, stationery and other sundry items)

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 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

Plant, machinery and equipment 5 - 20 years

Motor vehicles 5 - 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of 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 necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 2.3.12 Cost of sales

Cost of sales comprises of raw materials, packaging and consumables used and any other direct handling costs incurred.

### 2.3.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual

impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

### 2.3.14 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.

#### 2.3.14.1 Effective Interest Method

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

#### 2.3.14.2 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.

#### 2.3.14.3 Held to Maturity Assets

Held to maturity assets are non refundable financial assets with fixed or determinable payments and fixed maturity dates that's 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.

#### 2.3.14.4 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.

#### 2.3.14.5 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 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.

#### 2.3.14.6 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.

#### 2.3.14.7 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.

#### 2.3.14.8 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), are 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.

#### 2.3.14.9 Derecognition of financial liabilities

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

#### 2.3.14.10 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.

#### 2.3.14.11 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 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.

#### 2.3.15 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. In the separate company financial statements, investments in associates are also accounted for using the equity method of accounting as the company opted for the early adoption of Amendments to IAS 27 - Equity Method in Separate Financial Statements issued on 12 August 2014. Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon the loss of significant influence, and the fair value of the retaining investment and the proceeds from the disposal is recognised in profit or loss.

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. KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS

#### 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\$44,122,607 (June 2017: US\$45,682,101)

#### 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 2018 was US\$4,272,673 (June 2017: US\$3,976,132).

#### 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.

#### 3.4 Inventory

##### 3.4.1 Inventory Management Process

The Group's main operations are milling of flour and maize and the manufacture of stockfeed. This processes involves procurement and storage of large quantities of raw materials and finished goods mainly in the form of wheat and maize stored in silos in various locations across Zimbabwe. The determination of quantities in silos is subject to an estimation process and involves silo bleeding and calibration of silo scales. Management constantly evaluates and improves the inventory management process to ensure that there are adequate controls that safeguard the existence, measurement and accuracy of raw materials and finished goods.

##### 3.4.2 Inventory valuation

The group's determination of certain inventories on hand relating to raw materials is based on extensive validation and review of inputs and estimation processes in line with the continuous change in market dynamics. The group has in place models from which large pieces of data are derived including operating and accounting computer systems. The allocation of costs is based on operating capacity, historical trends and unique production models.





	2018 US\$	2017 US\$
<b>4. REVENUE</b>		
The following is an analysis of the Group's revenue for the year		
Revenue from the sale of goods	297,231,216	288,969,124
Revenue from rental income	698,282	539,044
	297,929,498	289,508,168
<b>5. PROFIT BEFORE TAX</b>		
Profit before tax is arrived at after taking into account the following:		
<b>5.1 Other income</b>		
Profit / (loss) on disposal of property, plant and equipment	48,478	(39,485)
Profit on disposal of assets held for sale	-	25,617
Export incentives	82,449	-
Toll, handling and other services rendered	169,396	744,675
Re-measurement gain on disposal of listed investments	586,640	-
Fair value adjustments	-	(38,872)
Sale of scrap	62,238	14,345
Insurance and bad debt recoveries	43,851	38,859
	993,052	745,234
<b>5.2 After charging/(crediting) the following</b>		
Employee benefits expenses		
-Salaries and wages	15,250,764	16,697,034
-Post Employment benefits: Defined contribution plan	743,843	833,154
-Voluntary retrenchment packages	479,034	-
Administrative expenses		
-Repairs and maintenance	2,168,134	2,056,815
-Electricity and water	2,918,847	2,946,733
-Technical fees (management fees)	780,000	646,665
-Technical fees (other)	150,677	186,551
-Audit fees and expenses	252,365	454,810
-Net foreign exchange losses	800,319	2,476,879
-Credit losses expense	479,383	471,606
-Operating lease charges	367,568	309,257
<b>5.3 Depreciation</b>		
Buildings	591,026	566,747
Plant, machinery and equipment	1,821,001	2,133,353
Motor vehicles	254,904	186,752
	2,666,931	2,886,852
<b>5.4 Net interest expense</b>		
Interest income	149,512	458,011
Interest income from banks	12,001	245,230
Interest from financial assets	101,443	47,368
Interest income from trade and other receivables	36,068	165,413
Interest expense on bank overdrafts and other short term borrowings	(3,601,787)	(1,559,706)
	(3,452,275)	(1,101,695)

	2018 US\$	2017 US\$
<b>6. TAXATION</b>		
<b>6.1 Income tax recognised in profit or loss</b>		
Income tax		
- On current profits at normal rates	3,657,013	3,713,958
- Capital gains tax	-	3,552
Deferred tax relating to current temporary differences (note 6.4)	378,860	(193,160)
Deferred tax relating to disposed assets held for sale	-	(2,506)
	4,035,873	3,521,844
<b>6.2 Reconciliation of income tax charge:</b>		
Profit before tax	21,211,077	17,226,467
Income tax computed at 25.75%	5,461,852	4,435,815
Non-deductible expenses for tax purposes	75,735	163,939
Equity accounted earnings	(1,337,954)	(471,604)
Effects of different tax rates of subsidiaries	966	(6,659)
Effect of income taxed at different tax rates	(387)	(264)
Effects of profit on disposed listed investments	(151,060)	-
Other reconciling items	(13,279)	(599,383)
	4,035,873	3,521,844
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	(89,629)	31,911
Charge to profit or loss	3,657,013	3,717,510
Paid	(4,318,279)	(3,839,050)
Closing Balance	(750,895)	(89,629)
<b>6.4 Deferred tax liability</b>		
At beginning of the year	7,987,464	8,180,624
Deferred tax relating to current temporary differences (note 6.1)	378,860	(193,160)
Reclassification of deferred tax relating to assets held for sale	(164,785)	-
At end of the year	8,201,539	7,987,464
<b>Analysis of deferred tax liability</b>		
Property, plant and equipment	9,272,220	8,997,639
Prepayments	-	26,932
Unrealised exchange (losses)/gains	(21,354)	2,192
Allowance for credit losses	(1,100,213)	(1,001,498)
Other	50,886	(37,801)
	8,201,539	7,987,464
<b>7. EARNINGS PER SHARE</b>		
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:		

	2018 US\$	2017 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	17,175,204	13,704,623
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	17,175,204	13,704,623
(Profit) / loss on disposal of property, plant and equipment	(48,478)	39,390
Tax effect of adjustment	4,796	-
(Profit) / loss on disposal of assets held for sale	-	(25,617)
Headline earnings	<b>17,131,522</b>	<b>13,718,396</b>
Basic and diluted earnings per share (cents)	25.11	20.04
Headline earnings per share (cents)	25.05	20.06

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 2018</b>					
<b>Cost</b>					
At the beginning of the year	29,256,116	29,056,917	2,313,789	2,531,871	63,158,693
Additions	781,541	1,688,154	473,320	1,470,684	4,413,699
Disposals	-	(6,611)	(87,866)	-	(94,477)
Re-classified to Assets-Held for sale	(3,932,303)	-	-	-	(3,932,303)
Exchange differences	(689)	-	-	-	(689)
Capital WIP	-	-	-	30,873	30,873
At end of the year	26,104,665	30,738,460	2,699,243	4,033,428	63,575,796
<b>Depreciation</b>					
At beginning of year	(4,777,506)	(10,986,165)	(1,712,921)	-	(17,476,592)
Charge for the year	(591,026)	(1,821,001)	(254,904)	-	(2,666,931)
Disposals	-	6,611	46,549	-	53,160
Re-classified to Assets-Held for sale	637,174	-	-	-	637,174
At end of the year	(4,731,358)	(12,800,555)	(1,921,276)	-	(19,453,189)
<b>Carrying amount</b>	<b>21,373,307</b>	<b>17,937,905</b>	<b>777,967</b>	<b>4,033,428</b>	<b>44,122,607</b>

	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>

NFL currently has an idle plant in the form of the Mutare maize mill. However it has been demonstrated in prior years that the total NBV of this plant is negligible and should the need arise, this plant can be successfully resuscitated.

8.1 None of the asset categories above had been pledged to secure borrowings of the Group in the current year (2017: Nil).

#### 9. ASSETS HELD FOR SALE

The Group intends to dispose of properties which are non-core to the business within the next six months. These properties will be disposed to a new company in which National Foods Holdings Limited will retain a non-controlling interest through its wholly owned subsidiary, National Foods Properties Limited for a consideration of \$3,705,000. As such the relevant properties have been reclassified as assets held for sale.

	2018 US\$	2017 US\$
<b>Land &amp; Buildings</b>		
At beginning of year	107,313	157,431
Re-classified from Property, plant and equipment	3,295,134	-
Disposals	-	(50,118)
At end of year	3,402,447	107,313
<b>Deferred tax relating to assets held for sale</b>		
At beginning of year	(5,366)	(7,872)
Re-classified from Property, plant and equipment	(164,785)	-
Disposals	-	2,506
At end of year	(170,151)	(5,366)
<b>Total</b>	<b>3,232,296</b>	<b>101,947</b>



10. Intangible Assets	2018 US\$	2017 US\$
Net carrying amount at the beginning of the year	1,516,422	1,516,422
Arising from acquisition of Breathaway Food Caterers	-	-
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 2018. 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. 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 period the 5 year period.

#### 11. Investment in associate

The Group has the following investments:

##### 11.1 National Foods Logistics

The Group acquired a 50% interest in National Foods Logistics as a partnership with Equity Distribution (Pvt) Ltd, formerly National Foods' outsource distribution service provider on 1 April 2018. National Foods Logistics is a private entity that is not listed on any public exchange and will be responsible for the distribution of National Foods' product to the market. The Group's interest is accounted for using the equity method in the consolidated financial statements.

##### 11.1.1 Net assets acquired at acquisition date.

National Foods Logistics had nil assets as at the acquisition date. A cash consideration of US\$750,000 was paid by the Group for a 50% stake in the associate.

##### 11.1.2 Summarised financial information of associate

The following table illustrates the summarised financial information of National Foods Logistic's financial statements :

	Year Ended 30 June 2018 US\$	Year Ended 30 June 2017 US\$
<b>Income Statement</b>		
Revenue	2,213,729	-
Profit after tax	75,000	-
Group's share of profit - 50%	37,500	-

Statement of Financial Position	2018 US\$	2017 US\$
Non current assets	791,806	-
Current assets	4,244,457	-
Non Current Liabilities	(2,001,701)	-
Current liabilities	(1,459,562)	-
Equity	1,575,000	-
Group's share of equity - 50%	787,500	-
Group's carrying amount of investment	787,500	-

#### 11.2 Pure Oil Industries

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 and has a 31 March year end. The Group's interest in Pure Oil is accounted for using the equiy method in the consolidated financial statements. Pure Oil is incorporated in Zimbabwe and its principal place of business is in Harare, Zimbabwe.

##### 11.2.1 Summarised financial information of associate company

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

Income Statement	Year ended 30 June 2018 US\$	Year ended 30 June 2017 US\$
Revenue	107,345,175	110,821,220
Profit after tax	12,896,095	4,578,678
Group's share of profit - 40%	5,158,438	1,831,471

Statement of Financial Position	2018 US\$	2017 US\$
Non current assets	20,666,787	19,070,729
Current assets	31,808,036	18,607,782
Non Current Liabilities	(3,611,249)	(11,585,535)
Current liabilities	(24,252,802)	(14,378,298)
Equity	24,610,772	11,714,678
Group's share of equity - 40%	9,844,309	4,685,871
Group's carrying amount of investment	9,844,309	4,685,871

#### 11.3 Reconciliation of movements in associates

Balance at the beginning of the year	4,685,871	2,854,400
Purchase at cost	750,000	-
Equity accounted earnings - Pure Oil	5,158,438	1,831,471
Equity accounted earnings - National Foods Logistics	37,500	-
Balance at the end of the year	10,631,809	4,685,871

#### 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:

<b>Listed Investments</b>	<b>2018 US\$</b>	<b>2017 US\$</b>
Opening Balance	343,268	-
Purchase of listed investments	-	382,140
Fair value adjustments on listed investments	-	(38,872)
Re-measurement gain on disposal	586,640	-
Disposal of listed shares	(929,908)	-
Closing balance	-	<b>343,268</b>
	<b>2018 US\$</b>	<b>2017 US\$</b>
<b>Debenture and Loan Receivable</b>		
Opening Balance	1,051,820	115,921
Loan receivable	1,956,382	888,531
Interest income	101,444	47,368
Debenture repayment	(121,946)	-
Closing balance	<b>2,987,700</b>	<b>1,051,820</b>
<b>Grand Total</b>	<b>2,987,700</b>	<b>1,395,088</b>

The opening balance comprises of a 5% Debenture redeemable in 2018 and Depot Loan Receivable  
Increase in loan receivable relates to loan issued to National Foods Logistics (2017: 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 loan given to Gain was for the purchase of immovable properties.

The interest rates attached to the debenture, Gain and National Logistics loan receivables are disclosed below:

		<b>Rate of Interest</b>	<b>Year Repayable</b>
Gain loan receivable	988,933	6.98%	2021
National Foods Logistics loan receivable	1,985,575	8.00%	2019
Debenture	13,192	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.

			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
			<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>30 June 2018</b>						
Debenture			-	13,192	-	13,192
Loan Receivable			-	2,974,508	-	2,974,508
			-	2,987,700	-	2,987,700
<b>30 June 2017</b>						
Listed investments			343,268	-		343,268
Debenture			-	163,289	-	163,289
Loan Receivable			-	888,531	-	888,531
			343,268	1,051,820	-	1,395,088

There were no transfers between levels.

#### Valuation Technique- Loans and Receivables

##### Valuation Technique

Projection of cash flows discounted at a market related interest rate.

##### Observable 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	6.00% (2017:7.00%)	On demand	30,261,638	10,836,474
<b>Total borrowings</b>			<b>30,261,638</b>	<b>10,836,474</b>
Bank overdrafts	6.50% (2017:7.00%)	On demand	159,728	19,829,174
<b>Total other financial liabilities</b>			<b>30,421,366</b>	<b>30,665,648</b>

##### 12.2.2 Interest bearing borrowings movement

Opening balance		30,665,648	7,244,936
Drawdowns - continuing and discontinuing operations		13,789,526	24,616,961
Repayments - continuing and discontinuing operations		(14,033,808)	(1,196,249)
Closing balance		30,421,366	30,665,648

##### 12.2.3 Banking facilities

Total facilities available to the Group		85,010,983	34,336,474
Facilities utilised at year end		(30,421,366)	(30,665,648)
Unutilised borrowing capacity		54,589,617	3,670,826

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. Bank Overdrafts are secured by a cession of movable assets, receivables and inventory worth \$6,500,000 (2017: US\$13,500,00). The facilities can only be used for working capital purposes.

##### 12.2.4 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.



<b>13. INVENTORIES</b>	<b>2018</b>	<b>2017</b>
	<i>US\$</i>	<i>US\$</i>
Raw materials	28,578,371	28,992,245
Finished goods	8,107,530	10,988,164
Consumable stores	5,060,978	4,488,956
	41,746,879	44,469,365

The amount of inventory recognised as an expense is US\$227,796,351 (2016: US\$221,386,955)  
The amount of inventory write down recognised as an expense is US\$9,511 (2017: US\$101,483)  
The increase in the allowance for credit losses is US\$235,940 (2017: US\$0)

Inventories have been pledged to secure borrowing facilities of the Group. Refer to note 12.2.3.		
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<b>14. TRADE AND OTHER RECEIVABLES</b>	<b>2018</b>	<b>2017</b>
Trade receivables	38,198,041	38,878,630
Allowance for credit losses	(4,272,673)	(3,919,333)
Net trade receivables	33,925,368	34,959,297
Prepayments	23,547,427	15,111,526
Other receivables	5,043,097	1,483,301
Allowance for credit losses	-	(56,799)
	62,515,892	51,497,325

Trade and other receivables have been pledged to secure borrowing facilities of the Group. Refer to note 12.2.3.

#### 14.1 Trade receivables

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

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

Before accepting a new customer the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring are revised on an on going basis. Of the trade receivables balance at the end of the year US\$ 29,366,175 (2017: US\$ 27,649,894) is due from the Group's top ten customers, representing 87% (2017 : 71%) of the total balance of trade receivables.

#### 14.2 Past due but not impaired

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

	<b>2018</b>	<b>2017</b>
	<i>US\$</i>	<i>US\$</i>
Ageing of past due but not impaired		
31 - 60 days	7,449,088	9,028,287
61 - 90 days	1,736,313	716,316
Over 90 days	3,161,409	7,666,482
Total	12,346,810	17,411,085

Average age (days)	76	92
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#### 14.3 Movement in the provision for impairment of receivables

Balance at the beginning of the year	(3,976,132)	(3,723,298)
Current year provisions	(479,383)	(471,606)
Utilised during the year	182,842	218,772
Balance at year end	(4,272,673)	(3,976,132)

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

#### 14.4 Ageing of impaired trade and other receivables

	<b>2018</b>	<b>2017</b>
	<i>US\$</i>	<i>US\$</i>
0-30 days	48,449	-
31 - 60 days	49,507	36,850
61 - 90 days	27,977	50,020
Over 90 days	4,146,740	3,889,262
Total	4,272,673	3,976,132

Average age on impaired trade and other receivables (days)	523	501
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#### 14.5 Amounts due from Related Parties

Included in trade and other receivables are amounts due from related parties as disclosed under Note 26.4

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#### 15. ISSUED CAPITAL AND RESERVES

##### 15.1 Issued capital

Authorised		
73 000 000 ordinary shares of US 1 cent each	730,000	730,000

Issued and fully paid		
68 400 108 ordinary shares (2017: 68 400 108) of US 1 cent each	684,001	684,001

Unissued shares		
4 599 892 (2017: 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.

##### 15.2 Directors' shareholdings

At 30 June 2018, the Directors held directly or indirectly the following shares in the Company:

	<b>2018</b>	<b>2017</b>
	<b>Number of shares</b>	<b>Number of shares</b>
M. Lashbrook	13,231	56,231

##### 15.3 Non-distributable reserves

Opening balance	(9,938)	(12,150)
Exchange differences on translation of foreign operation	(690)	2,212
Closing balance	(10,628)	(9,938)

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

	2018 US\$	2017 US\$
<b>15.4 Distributable reserves</b>		
Opening balance	94,263,037	87,685,707
Profit for the year	17,175,204	13,704,623
Dividend declared	(8,276,416)	(7,127,293)
Closing balance	103,161,825	94,263,037
Retained in:		
Holding company	24,683,808	24,683,808
Subsidiary companies	70,996,208	67,293,358
Associate companies	7,481,809	2,285,871
	103,161,825	94,263,037
<b>16. DIVIDEND</b>		
Declared and paid during the year:		
Final dividend for 2017: US 5.21 cents per share (2016: US 5.61 cents per share)	3,563,649	3,837,246
Interim dividend for 2018: US 6.89 cents per share (2017: US 4.81 cents per share)	4,712,767	3,290,047
Total dividends declared and or paid	8,276,416	7,127,293
Increase in shareholders for dividends included in current liabilities	(2,789,852)	(2,525,725)
Total dividends paid	5,486,564	4,601,568
Proposed and approved (not recognised as a liability at 30 June 2018)		
Final dividend for 2018: US 5.66 cents per share (2017: US 5.61 cents per share)	3,871,446	3,837,248

The shareholders' for dividends' balance relates to the dividends payable to foreign shareholders which were outstanding at reporting date.  
Shareholders for dividends as at 30 June 2018: US\$5,315,577 (2017: US\$2,525,725)

#### 17. TRADE AND OTHER PAYABLES

Trade payables	47,281,593	12,198,814
Other payables	5,505,215	4,405,041
	52,786,808	16,603,855

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.

#### 18. PROVISIONS

<b>Leave pay provision</b>		
At beginning of the year	400,898	538,178
Created during the year	98,991	107,278
Utilised during the year	(152,648)	(244,558)
At end of the year	347,241	400,898

#### Leave pay

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


	2018 US\$	2017 US\$
<b>19. CASH FLOW INFORMATION</b>		
<b>19.1 Cash generated from operations</b>		
Profit before tax	21,211,077	17,226,467
Interest income	(149,512)	(458,011)
Interest expense	3,601,787	1,559,706
Depreciation (Note 8)	2,666,931	2,886,852
Inventory write-down (Note 13)	9,511	101,483
Allowance for obsolete inventory	235,940	-
Allowance for credit losses (Note 14.3)	479,383	471,606
Unrealised foreign exchange (gain) / loss	(82,530)	78,380
Provision for leave pay (Note 18)	98,991	107,278
(Profit) / loss on disposal of property, plant and equipment	(48,478)	39,390
Fair value adjustment on listed investments	-	38,872
Re-measurement gain on disposal of listed investments	(586,640)	-
Profit on disposal of assets held for sale	-	(25,617)
Equity accounted earnings	(5,195,938)	(1,831,471)
	22,240,522	20,194,935
<b>19.2 Working capital changes</b>		
Decrease in inventories	2,477,035	4,470,883
(Increase) in accounts receivable	(11,497,951)	(20,550,960)
Increase / (Decrease) in accounts payable	36,112,835	(19,272,181)
	27,091,919	(35,352,258)
<b>19.3 Income tax paid</b>		
Charge to profit or loss	(4,035,873)	(3,521,844)
Movement in tax liability	(661,266)	(121,540)
Movement in deferred tax liability	378,860	(195,666)
	(4,318,279)	(3,839,050)
<b>19.4 Cash and cash equivalents at end of year</b>		
Cash at bank	33,208,848	3,582,611
Cash on hand	194,381	100,331
	33,403,229	3,682,942
Cash and cash equivalents consist of cash on hand, balances with banks and loans receivable. Cash at bank accrues interest at floating rates based on daily bank deposit rates.		



NEW


# Introducing Red Seal Multi Grain Roller Meal

Blended with:




MAIZE

+



WHEAT

+



SORGHUM


Contains Sorghum and Wheat:

✓ Better digestive health

✓ Fuller feeling for longer

✓ Slower release of blood sugars

✓ Improved bone formation



Barkers Ogilvy4557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. COMMITMENTS AND CONTINGENCIES

20.1 Operating lease commitments - Group as lessee

The Group entered into commercial leases on certain motor vehicles in 2018. The leases had a life of 3 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 2018 were as follows:

	2018 US\$	2017 US\$
Within one year	282,550	-
After one year but no more than 5 years	447,371	-
	729,921	-

20.2 Operating lease commitments - Group as lessor

The Group receives monthly rental income from cancellable operating leases (note 23.1)

20.3 Capital expenditure commitments

Authorised and contracted for	9,898,000	-
Authorised but not contracted for	4,822,000	7,234,000
	14,720,000	7,234,000

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

21. PENSION SCHEMES

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

21.1 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%.

21.2 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.

	2018 US\$	2017 US\$
Defined contribution fund	596,079	664,623
National Social Security Authority Scheme	147,764	168,531
	743,843	833,154

21.3 Pension costs recognised as an expense

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## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 22.1 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 2018 and 30 June 2017.

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%

	2018 US\$	2017 US\$
Interest bearing borrowings	30,421,366	30,665,648
Less cash and cash equivalents	(33,403,229)	(3,682,942)
Net Debt	(2,981,863)	26,982,706
Total Equity	103,835,198	94,937,100
Gearing ratio	22.7%	24.4%

### 22.2 Financial risk management

**22.2.1 Treasury risk:** A treasury management policy is in place to maximise returns on available surplus funds which are controlled by management.

**22.2.2 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 2018 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\$6,500,000 (2017: US\$13,500,000).

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 2018 and 2017 is the carrying amount as outlined in note 14.

**22.2.3 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.

	2018 US\$	2017 US\$
Effect on profit before tax		
Increase of 3%	(546,911)	(130,094)
Decrease of 3%	546,911	130,094

**22.2.4 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 22.2.2 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

	Less than 3 months US\$	3-12 Months US\$	1 - 5 years US\$	Total US\$
<b>Year ended 30 June 2018</b>				
Borrowings	12,910,983	17,350,655	-	30,261,638
Trade and other payables	52,786,808	-	-	52,786,808
Bank overdrafts	159,728	-	-	159,728
	65,857,519	17,350,655	-	83,208,174
<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
	38,284,423	8,985,080	-	47,269,503

### 22.2.5 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:

	2018 US\$	2017 US\$
<b>Liabilities</b>		
South African Rand	1,068,429	111,086
Botswana Pula	92,227	48,424
Euro	19,231	-

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) 2018 US\$	Profit or (Loss) 2017 US\$
South African Rand	97,130	10,099
Botswana Pula	8,384	4,402
Euro	1,748	-

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



## 23. SEGMENTAL ANALYSIS

### 23.1 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

#### 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 2018

	Milling, Manufacturing & Distribution US\$	Properties US\$	Intersegment adjustments US\$	Group US\$
Segment revenue				
External customers	297,231,216	698,282	-	297,929,498
Inter-segment	-	1,388,129	(1,388,129)	-
Total revenue	297,231,216	2,086,411	(1,388,129)	297,929,498
Operating profit	18,742,348	725,066	-	19,467,414
Net interest expense	(3,863,023)	410,748	-	(3,452,275)
Equity accounted earnings	5,195,938	-	-	5,195,938
Profit before tax	20,075,263	1,135,814	-	21,211,077
Segment assets	162,843,352	45,069,814	(6,835,286)	201,077,880
Segment liabilities	(97,932,883)	(6,145,085)	6,835,286	(97,242,682)
Net segment assets	64,910,469	38,924,729	-	103,835,198
Depreciation charge for the year	2,078,885	588,046	-	2,666,931
Capital expenditure	4,119,497	325,075	-	4,444,572
Number of employees	618	-	-	618

#### Year ended 30 June 2017

Segment revenue				
External customers	288,969,124	539,044	-	289,508,168
Inter-segment	-	1,559,453	(1,559,453)	-
Total revenue	288,969,124	2,098,497	(1,559,453)	289,508,168

	Milling, Manufacturing & Distribution US\$	Properties US\$	Intersegment adjustments US\$	Group US\$
Operating profit	15,740,943	755,748	-	16,496,691
Net interest expense	(1,497,914)	396,219	-	(1,101,695)
Equity accounted earnings	1,831,471	-		1,831,471
Profit before tax	16,074,500	1,151,967	-	17,226,467
Segment assets	108,101,139	44,351,375	673,542	153,126,056
Segment liabilities	(51,263,560)	(6,251,854)	(673,542)	(58,188,956)
Net segment assets	56,837,579	38,099,521	-	94,937,100
Depreciation charge for the year	2,323,702	563,150	-	2,886,852
Capital expenditure	3,007,018	857,482	-	3,864,500
Number of employees	629	-	-	629

### 23.2 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\$ 14,632 (2017: US\$ 15,322). As such no further geographical information has been presented. Red Seal Manufacturers has no trading activities.

### 23.3 Major customers

Revenue information above is based on the location of the customers. Major customers are customers that each contribute at least 10% of the Group's revenues as follows; Customer A - 22%, Customer B - 15% and Customer C - 13% . Revenue from major customers amounted to \$145,684,325 (2017 : \$81,144,339) arising from sale of various goods.

## 24. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date that warranted disclosure.

## 25. RELATED PARTY TRANSACTIONS

### 25.1 The ultimate parent

The Group's ultimate holding company is Inncor Africa Limited with a 37.73% interest in the Group.

**25.2** The financial statements include the financial statements of National Foods Holdings Limited, subsidiaries, associates and joint ventures listed in the following table:

Name	Country of incorporation	2018 Equity Interest	2017 Equity interest
<b>Subsidiaries, associates and joint ventures</b>			
National Foods Limited (Formerly National Foods Operations Limited)	Zimbabwe	100%	100%
- National Foods Logistics	Zimbabwe	50%	0%
- Pure Oil Industries (Private) Limited	Zimbabwe	40%	40%
National Foods Properties Limited (Formerly National Foods Limited)	Zimbabwe	100%	100%
Bakery Products (Private) Limited	Zimbabwe	100%	100%
Harris Maize Milling and Produce Company (Private) Limited	Zimbabwe	100%	100%
Rice Mills (Private) Limited	Zimbabwe	100%	100%
Natpak Zimbabwe (Private) Limited	Zimbabwe	100%	100%
NF Transport Bulawayo (Private) Limited	Zimbabwe	100%	100%
Palte-Harris (Private) Limited	Zimbabwe	100%	100%
Speciality Animal Feed Company Limited	Zimbabwe	100%	100%
Botswana Milling and Produce Company (Proprietary) Limited	Botswana	100%	100%
- Red Seal Manufacturers (Proprietary) Limited	Botswana	100%	100%

	2018 US\$	2017 US\$
<b>25.3 Transactions entered into with related parties</b>		
Purchase of trading stocks, raw materials and services		
Innscor Africa Limited Group companies	12,944,959	9,694,836
Pure Oil Industries (Private) Limited	3,682,109	8,656,755
National Foods Logistics	2,722,671	
Sale of goods and Services		
Innscor Africa Limited Group companies	44,971,447	39,146,611
Interest and Management Fees		
Innscor Africa Limited Group companies		
- Management fees	540,000	406,665
- Net interest received on call accounts	-	8,422
<b>Entities with Significant Influence</b>		
Purchase of trading stocks and raw materials		
Tiger Brands Limited	-	834,071
Interest and Management Fees		
Tiger Brands Limited		
- Technical fees	240,000	240,000
<b>25.4 Balances (due to) or due from related parties</b>		
Innscor Africa Limited Group companies	7,991,126	6,823,117
Tiger Brands Limited	-	(3,733)
Pure Oil Industries (Private) Limited	(781,086)	(866,282)
National Foods Logistics	770,676	-
<b>25.5 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 2018 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: 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>25.6 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 to a maximum limit of US\$7 million.		

	2018 US\$	2017 US\$
<b>25.7 Directors emoluments</b>		
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	56,636	52,416
	56,636	52,416
<b>25.8 Key management remuneration</b>		
Key management consists of the executive committee members (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	3,571,875	2,683,287
Pension Contributions	212,342	240,429
	3,784,217	2,923,716



## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 US\$	2017 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

### B. Guarantees

The company acted as a guarantor to National Foods Limited, a wholly owned subsidiary. The guarantee was issued by National Foods Holdings Limited in respect of any and all financial obligations and the indebtedness of National Foods Limited

T. Moyo  
Chairman

M. Lashbrook  
Chief Executive Officer

Harare  
27 September 2018

## SHAREHOLDERS' ANALYSIS

### AT 30 JUNE 2018

Shareholding	No. of shareholders	%	Issued shares	%
1 - 1000	498	56.21	177,256	0.26
1001 - 10000	272	30.70	867,850	1.27
10001 - 50000	81	9.14	1,712,775	2.50
50001 and over	35	3.95	65,642,227	95.97
	886	100	68,400,108	100
<b>Shareholders</b>				
Bank And Nominees	48	5.42	337,319	0.49
Deceased Estates	8	0.90	28,822	0.04
External Companies	2	0.23	25,622,013	37.46
Insurance Companies/Societes	14	1.58	3,544,551	5.18
Pension Fund	135	15.24	3,867,946	5.65
Resident Individuals	471	53.16	688,260	1.01
Non Residents	80	9.03	1,176,030	1.72
Investment, Trusts And Companies	128	14.45	33,135,167	48.44
<b>Total</b>	886	100	68,400,108	100

### 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>				
Bank 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/Societes	12	1.39	1,734,145	2.54
Pension Fund	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, Trusts And Companies	140	16.24	33,194,326	48.53
Other corporate holdings	1	0.12	1,743	0
<b>Total</b>	862	100	68,400,108	100

## MAJOR SHAREHOLDERS

The top 10 shareholders of the company  
at 30 June 2018 and 2017

	2018 No. of shares	%	2017 No. of shares	%
Innsco Africa Limited	25,806,354	37.73	25,806,354	37.73
Tiger Foods Brands Limited - NNR	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
Old Mutual Life Ass Co Zim Ltd	2,875,049	4.20	1,269,411	1.86
Stanbic Nominees (Private) Limited	1,390,135	2.03	1,408,052	2.06
National Social Security Authority	1,166,292	1.71	1,106,292	1.62
Stanbic Nominees (Private) Limited - NNR	929,231	1.36	3,239,087	4.74
Standard Chartered Nominees (Private) Limited	484,870	0.71	334,733	0.49
Local Authorities Pension Fund	300,000	0.44	300,000	0.44
Delta Beverages Pension Fund	185,976	0.27	113,136	0.17







NOTICE OF ANNUAL GENERAL MEETING (AGM)

**NOTICE IS HEREBY GIVEN** that the forty-ninth Annual General Meeting of National Foods Holdings Limited is to be held at the registered office, Gloria House, 10 Stirling Road, Workington, Harare on 19th November 2018 at 10.30am, 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 2018.
2.

To re-elect the following retiring Directors, Messrs Noel Doyle and Julian Schonken who retire by rotation and being eligible, offer themselves for re-election.
3.

To approve Directors' fees for the financial year ended 30 June 2018.
4.

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

5.

**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 (five) business days immediately preceeding the date of purchase of such ordinary shares by the Company; and

iv.

A press announcement will be published as soon as the Company has acquired ordinary shares constituting on 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 2018

PROXY FORM

PROXY FORM - AGM MONDAY, 19TH NOVEMBER 2018

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 Monday, 19th November 2018, at 10.30am, and any adjournment thereof.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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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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)