



Chairman’s Statement

Directors’ Responsibility

The Holding Company’s Directors are responsible for the preparation and fair presentation of the Group’s consolidated financial statements, of which this press release represents an extract. These abridged Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional annual financial statements (Preliminary Reports), and in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial statements. The effect of adopting the requirements of IFRS 16 (Leases) increased the Group’s assets and liabilities with minimal net impact on the Group’s Statement of Profit and Loss and other Comprehensive income.

Cautionary Statement – Reliance on All Financial Statements Prepared in Zimbabwe for 2019/2020

The Directors would like to advise users to exercise caution in their use of these provisional annual financial statements due to the material, and pervasive impact of the technicalities brought about by the change in functional currency in February 2019, its consequent effect on the usefulness of the financial statements for 2019/2020 financial periods and the adoption of International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies), effective 1 July 2019.

Whilst the Directors have exercised reasonable due care, and applied judgements that they felt were appropriate in the preparation and presentation of these provisional annual financial statements, certain distortions may arise due to various specific economic factors that may affect the relevance and reliability of the information that is presented in economies that are experiencing hyperinflation, as well as technicalities regarding the change in functional and reporting currency.

As noted in the Group’s 2019 annual report, the Directors have always ensured compliance with IFRS, but remain unable to do so due to the conflict between these Standards and local statutory requirements that occurred as a result of the change in functional and reporting currency in the prior year.

Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)

Having assessed the impact of hyperinflation in the economy, the Public Accountants and Auditors Board (PAAB), advised that the conditions for adopting IAS 29, were satisfied with effect from 1 July 2019. IAS 29 requires that inflation-adjusted financial statements become the entity’s primary financial statements. The Group has complied with this requirement, and financial commentary is therefore based on these inflation - adjusted financial statements. Financial statements prepared under the historical cost convention, have also been presented as supplementary information.

Auditor’s Statement

These abridged Group annual financial statements should be read in conjunction with the complete set of the Group annual financial statements for the year ended 30 June 2020. The Group’s annual financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe). Ernst & Young have issued an adverse opinion as a result of non-compliance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 8 (Accounting policies, changes in accounting estimates and errors). The auditor’s report on the Group’s annual financial statements, from which these abridged Group annual financial statements are extracted, is available for inspection at the Company’s registered office.

Sustainability Reporting

As part of our commitment to ensuring the sustainability of our business and stakeholders, the Group continues to apply the Global Reporting Initiatives (GRI) standards. Over the years, the Group aligned its sustainability reporting using GRI standards with corresponding Sustainable Development Goals (SDGs) demonstrating the Group’s commitment and contribution to sustainable development within the environments that the Group operates. The Group continues to strengthen sustainability practices and values across its operations to ensure that long-term business success is achieved sustainably.

Business Environment

The business environment for the period was characterised by a number of operational and economic challenges; including continued inflation, reduced local agricultural production and later in the year the COVID-19 pandemic.

The recently concluded local harvest of maize and soya was negatively impacted by reduced plantings and poor weather, and significant imports of these commodities will be required up to at least June 2021. Government has launched a number of initiatives to stimulate local production of key grains, which the Group fully supports and endorses. Increased grain productivity will boost the competitiveness of local manufacturers, which remains under intense pressure, exacerbated by the on-going liberalisation of imports of basic food products.

The Group played a significant role in supplying maize meal to the Government subsidy program, with over 61,000 tons having been milled for the programme since it was launched in December 2019. Volumes supplied on this programme were steadily reduced towards the end of the period as the local maize harvest became available.

The COVID-19 pandemic has regrettably had an increasing effect on the Country in recent months, and the resulting economic impact has further eroded consumer spending. The Group has made the safety of its products, employees and consumers paramount in the face of the pandemic.

Financial Performance

As noted earlier in this report, the Group’s annual financial results have been prepared in accordance with the requirements of IAS 29 (Reporting in Hyperinflationary Economies). Historical cost financial statements have been provided as supplementary information.

Volumes for the period declined by 25.3% to 456,000 tons compared to the same period last year. Whilst there were year-on-year volume declines across all categories, the quarterly volume trend during the year was largely stable, with the exception of seasonal variations in the Maize division.

Revenue however increased by 52% to ZWL 12.79 billion, reflective of higher selling prices following the progressive removal of most grain subsidies. Gross margin dollars increased by 48%, below the increase in revenue as the Group focused on competitively pricing its products. Operational expenditure increased by 45% compared to last year, with the optimisation of the Group’s cost structures remaining a key priority. As a result of the above, Profit after Tax increased by 75% to ZWL 1.58 billion.

The Group continued to focus on protection of its balance sheet in view of the prevailing inflationary environment. The management and funding of raw material pipelines remained a key priority, both in view of the constrained local liquidity as well as the extended lead times brought about by the COVID pandemic. As a result of these efforts, the Group currently has adequate pipelines of all key raw materials to trade sustainably in the year ahead.

Operations Review

Flour Milling

Volumes for the Flour unit reduced by 35% compared to the prior period, as the significant subsidies which existed last year were removed. These subsidies were removed mid-way through last year and since that point flour volumes have largely stabilised.

Performance of the prepack flour segment was firm, with volumes increasing 9% over last year due to increased home baking during the COVID lock-down.

Maize Milling

Maize meal volumes remained firm, declining by 5% on last year’s high base. There was a loss in volume momentum in the last quarter as the subsidy program was progressively reduced and maize from the local harvest became available.

Stockfeeds

Stockfeed volumes declined by 25% versus last year, a decline that was in line with the overall market performance. Feed prices increased in line with the removal of subsidies on maize and this, together, with constrained demand for protein products led to the reduction in demand.

Groceries

Volumes in this Division declined 22% compared to the prior period. This was largely driven by a reduced demand in the rice category on the back of affordability. Focus has been placed on recovering volumes in this unit and there was a pleasing volume improvement during the final quarter.

Snacks and Treats

Volumes in this Division reduced by 30% versus the comparative period, as consumers tended to focus on procuring the essential basics. In addition, the removal of grain subsidies impacted the relative affordability of both snacks

Salient Features

INFLATION ADJUSTED			
	Year Ended 30 June 2020		
Volume (MT)	456 394	▼	25%
	ZWL’000		
Revenue	12 790 813	▲	52%
Operating profit	2 035 096	▲	62%
Profit before tax	1 996 700	▲	55%
Basic and diluted earnings per share (cents)	2 320.63	▲	75%
Headline earnings per share (cents)	2 319.89	▲	75%
Total dividend declared per share (cents)	576.78	▲	146%

and biscuits. The COVID lock-down also had a negative impact on demand for both snacks and biscuits as these products tend to be consumed “on the go”.

Cereals

The Group launched a maize based instant breakfast porridge under the “Pearlenta Nutri-Active” brand during the year, as well as “Better Buy Soya Delights”, a soya based meat substitute. These products add an exciting new dimension to National Foods’ product repertoire, and the Group continues to actively explore further opportunities in this segment.

Pure Oil

National Foods holds an effective 40% stake in Pure Oil Industries and its results are equity accounted. Volumes at Pure Oil declined by 18% compared to last year. Cooking oil volumes declined by 24%, a similar trend to other basic food categories. “ZIMBRITE” laundry soap and “ZIMGOLD” margarine are both relatively new categories for Pure Oil and continue to gain traction in the market.

Contract Farming

The Group continues to support local farming, although the schemes were heavily curtailed compared to last year due to the shortage of bank funding on the back of constrained market liquidity. During the 2019 winter wheat season the Group supported 2,500 hectares of local wheat which produced 10,400 tons. Plantings for the 2019-2020 summer season consisted of 3,750 hectares of maize and soya beans, producing 13,750 tons of product. The Group has the capability to significantly increase the size of these programs with improved access to financing facilities.

Corporate Social Responsibility (CSR)

The Group has participated in various community based development initiatives and continues to support a wide range of causes across the country. In addition, monthly support is being given towards 45 registered institutions across Zimbabwe’s 10 provinces. Beneficiary institutions are for vulnerable women, children, the elderly and communities affected by HIV.

In addition, support has been provided for Covid-19 initiatives by donating food hampers for front line health services staff and also partnering with Angel of Hope Foundation to support different charities across the country.

The Group continues to fulfil its promise by giving monthly hampers to the Zimbabwe Senior Netball Team (The Gems) and has featured the team members on outdoor media in celebration of their extraordinary achievements.

Finally, in recognition of its Centenary, the Group will be making a contribution to 100 worthy charitable organisations across the Country.

Future Prospects

In view of the challenging times the Group continues to place intense focus on further improving its repertoire of affordable, quality products. In this regard, it is essential our teams continue to work innovatively to meet the ever evolving needs of consumers. As outlined above, the management of raw material pipelines will remain an on-going priority, given the current liquidity situation. Investments into the Company’s manufacturing facilities continue on an on-going basis in an effort to further improve efficiencies and lower costs.

Dividend

The Board is pleased to declare a final dividend of 445.71 ZWL cents per share payable in respect of all ordinary shares in the Company. This final dividend is in respect of the financial year ending June 30th 2020, and will be payable in full to all Shareholders of the Company registered at the close of business on or around October 16th 2020. The payment of the dividend will take place on or around the 30th of October 2020. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of October 13th 2020 and ex-dividend as from October 14th 2020. This final dividend brings the total dividend for the year to 532.18 ZWL cents per share.

Acknowledgement and Appreciation

The Group has delivered a commendable performance for the period and continues to play a central role in providing basic food products to the nation. The Company celebrates 100 years of trading this year and this is testimony to the enduring support our brands have received from the people of Zimbabwe. On behalf of the entire National Foods team I would like to thank you for your continued loyalty to our products.

Finally, it remains for me to thank the employees for their efforts in the challenging circumstances that have prevailed over the last year and my fellow Board members for their contributions and guidance.

Todd Moyo
Independent, Non-Executive Chairman
25 September 2020

Abridged Group Statement of Profit or Loss And Other Comprehensive Income

	INFLATION ADJUSTED		HISTORICAL	
	Full Year Ended 30-Jun-20 ZWL’000	Full Year Ended 30-Jun-19 ZWL’000	Full Year Ended 30-Jun-20 ZWL’000	Full Year Ended 30-Jun-19 ZWL’000
Revenue	12 790 813	8 387 616	6 340 085	566 173
Operating Profit before depreciation and amortisation	2 035 096	1 254 037	1 721 413	81 974
financial income	51	25 307	184 627	2 515
depreciation and amortisation	(87 420)	(69 169)	(16 209)	(5 890)
Profit before interest and tax	1 947 727	1 210 175	1 889 831	78 599
interest income	—	3 338	—	230
interest paid	(137 633)	(94 711)	(58 563)	(6 310)
equity accounted earnings	171 439	78 978	45 617	3 509
monetary gain	15 167	88 645	—	—
Profit before tax	1 996 700	1 286 425	1 876 885	76 028
tax	(409 386)	(380 381)	(432 029)	(19 408)
Profit for the year	1 587 314	906 044	1 444 856	56 620
Total comprehensive income for the period	1 587 314	906 044	1 444 856	56 620
Profit for the period attributable to:				
equity holders of the parent	1 587 314	906 044	1 444 856	56 620
Total comprehensive income for the period attributable to:				
equity holders of the parent	1 587 314	906 044	1 444 856	56 620
EARNINGS PER SHARE (CENTS)				
- Basic and diluted earnings per share	2 320.63	1 324.62	2 112.36	82.78
- Headline earnings per share	2 319.89	1 324.46	1 937.56	82.62



Directors: T. Moyo (Chairman), *M. Lashbrook (Managing), N. Doyle, G. Gwainda, *L. Nyandoro (Finance), J. Schonken, P. Spies *Executive



Abridged Group Statement of Financial Position

	INFLATION ADJUSTED		HISTORICAL	
	At 30-Jun-20 ZWL'000	At 30-Jun-19 ZWL'000	At 30-Jun-20 ZWL'000	At 30-Jun-19 ZWL'000
ASSETS				
Non-current assets				
property, plant and equipment	1 293 089	1 222 253	226 177	174 349
right of use assets	11 142	—	11 142	—
other non-current assets	916 719	1 000 578	150 755	31 488
	2 220 950	2 222 831	388 074	205 837
Current assets				
inventory	2 663 857	834 334	1 835 784	96 370
trade and other receivables	1 470 858	1 212 463	1 304 602	133 637
cash and cash equivalents	369 742	289 026	369 742	34 518
	4 504 457	2 335 823	3 510 128	264 525
assets held for sale	22 716	—	7 648	—
Total assets	6 748 123	4 558 654	3 905 850	470 362
EQUITY AND LIABILITIES				
Capital and reserves				
ordinary share capital	15 791	15 791	684	684
distributable reserves	4 214 932	2 769 106	1 775 072	258 097
Total shareholders' equity	4 230 723	2 784 897	1 775 756	258 781
Non-current liabilities				
lease liability	5 815	—	5 815	—
deferred tax liability	310 920	310 310	60 033	36 802
	316 735	310 310	65 848	36 802
Current liabilities				
interest-bearing borrowings	311 230	716 179	311 230	85 532
current portion of lease liability	5 102	—	5 102	—
trade payables	1 179 855	27 059	1 043 436	27 059
other payables	375 591	514 720	375 591	37 646
current tax payable	304 128	125 434	304 128	14 981
shareholders for dividends	24 759	80 055	24 759	9 561
	2 200 665	1 463 447	2 064 246	174 779
Total liabilities	2 517 400	1 773 757	2 130 094	211 581
Total equity and liabilities	6 748 123	4 558 654	3 905 850	470 362

Abridged Group Statement of Cash Flows

	INFLATION ADJUSTED		HISTORICAL	
	Full Year Ended 30-Jun-20 ZWL'000	Full Year Ended 30-Jun-19 ZWL'000	Full Year Ended 30-Jun-20 ZWL'000	Full Year Ended 30-Jun-19 ZWL'000
Cash generated / (utilised) from operating activities				
net interest paid	(137 633)	(92 073)	(58 563)	(6 080)
tax paid	(155 238)	(68 782)	(119 650)	(4 542)
Total cash generated / (utilised) from operations	820 844	(1 045 705)	224 159	(36 584)
Investing activities				
purchase of property, plant and equipment to expand operations	(58 573)	(31 635)	(41 507)	(11 262)
purchase of property, plant and equipment to maintain operations	(98 035)	(170 547)	(24 799)	(2 089)
other cashflows from investing activities	19 521	54 850	9 200	3 621
Net cash outflow from investing activities	(137 087)	(147 332)	(57 106)	(9 730)
Net cash inflow / (outflow) before financing activities	683 757	(1 193 037)	167 053	(46 314)
Financing activities				
(decrease) / increase in borrowings	(399 846)	834 520	225 696	55 111
lease liability repayments	(6 298)	—	(3 139)	—
dividend paid	(196 897)	(116 287)	(54 386)	(7 682)
Net increase / (decrease) in cash	80 716	(474 804)	335 224	1 115
Cash and cash equivalents at the beginning of the year	289 026	763 829	34 518	33 403
Cash and cash equivalents at the end of the year	369 742	289 025	369 742	34 518

Abridged Group Statement of Changes In Equity

	INFLATION ADJUSTED		
	Share Capital ZWL'000	Distributable reserves ZWL'000	Total ZWL'000
Balance at 30 June 2018	15 791	2 036 690	2 052 481
profit for year	—	906 044	906 044
Total comprehensive income	—	906 044	906 044
dividends declared	—	(173 628)	(173 628)
Balance at 30 June 2019	15 791	2 769 106	2 784 897
profit for the year	—	1 587 314	1 587 314
Total comprehensive income	—	1 587 314	1 587 314
IFRS 16 adjustment to retained earnings	—	112	112
dividends declared	—	(141 600)	(141 600)
Balance at 30 June 2020	15 791	4 214 932	4 230 723

Abridged Group Statement of Changes In Equity (continued)

	HISTORICAL		
	Share Capital ZWL'000	Distributable reserves ZWL'000	Total ZWL'000
Balance at 30 June 2018	684	103 152	103 836
profit for year	—	56 620	56 620
change in functional currency reserve	—	110 251	110 251
Total comprehensive income	—	166 871	166 871
dividends declared	—	(11 926)	(11 926)
Balance at 30 June 2019	684	258 097	258 781
profit for the year	—	1 444 856	1 444 856
change in functional currency reserve	—	141 590	141 590
Total comprehensive income	—	1 586 446	1 586 446
IFRS 16 adjustment to retained earnings	—	112	112
dividends declared	—	(69 583)	(69 583)
Balance at 30 June 2020	684	1 775 072	1 775 756

Supplementary Information

1 Corporate Information

The company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal Manufactures (Proprietary) Limited which are incorporated in Botswana.

The Group's activities consist of the milling of flour and maize, the manufacture of stockfeeds, snacks and biscuits and the packaging and sale of other general household goods. The Group also owns a portfolio of properties that are leased out to the main business units.

2 Basis of Preparation

The Group's consolidated financial statements for the year ended 30 June 2020 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require annual financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group's consolidated annual financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwean Dollars (ZWL).

The principal accounting policies applied in the preparation of the Group consolidated annual financial statements are in terms of IFRS except for the non-compliance with IAS 21 (The Effects of Change in Foreign Exchange Rates), and its consequential impact on the inflation adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies) and have been applied consistently in all material respects with those of the previous consolidated annual financial statements. In the current year, the Group has adopted the requirements of IAS 29, and IFRS 16 (Leases).

3 IAS 21 (The Effects of Changes in Foreign Exchange Rates)

As noted in the Group's 2019 financial statements, Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirements of SI 33 were contrary to the provisions of IAS 21. The Directors have always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. In respect of the current financial year financial information, and as a result of the absence of an observable foreign exchange market throughout the period, the Group continues to be unable to meet the full requirements of IAS 21. Due to the material and pervasive impact of these technicalities, the Directors would like to advise users to exercise caution in their use of these inflation adjusted financial statements.

4 Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflationary economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. These financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Interpretations Committee (IFRIC) 7 (Applying the Restatement Approach under IAS 29), as if the economy had been hyperinflationary from 1 July 2018. The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the full year ended 30 June 2020 and the comparative period. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 1 July 2018 to the end of the reporting period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

As noted above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical figures. The factors used in the periods under review are as follows:

	Index	Conversion Factor
June 2020	1 445.20	1.0000
June 2019	172.60	8.3731
June 2018	62.60	23.0863

5 New and amended IFRS: Adoption of IFRS 16 (Leases)

The Group adopted IFRS 16 (Leases) on 1 July 2019 as a replacement of IAS 17 (Leases). IFRS 16 introduces a single on balance sheet accounting model for leases by lessees and eliminates the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at the commencement for all leases except short-term leases and low value assets when such recognition exemptions are adopted. The Group, in compliance with IFRS 16, elected not to restate its comparative financial statements and the impact of adopting IFRS 16 have been applied prospectively, therefore the comparative information continues to be reported under IAS 17 and IFRIC 4 (Determining Whether an Arrangement Contains a Lease).

In accordance with IFRS 16 where the Group is a lessee, it is the Group's policy to recognise the right-of-use asset, representing its rights to use the underlying assets and lease liabilities, representing its obligation to make lease payments. Lease liabilities are measured as the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments and initial direct costs, if any, relating to the specific lease. Where the Group is a Lessor, lessor accounting remains similar to previous accounting policies.

The Group leases office buildings and vehicles. The leases typically run for a period of between 1 to 3 years with an option to renew the lease after that date. Lease payments are negotiated in both the Zimbabwean Dollar, ("ZWL") and the United States Dollars, ("USD"), however the lease payments are payable in ZWL at the exchange rate ruling on the date of payment. Lease fees in USD are renegotiated annually and/or when there is a change in market forces. For certain leases, the Group is restricted from entering into any sub-leasing arrangements. Most of the Group's leases for properties were entered into some years back as combined leases for land and buildings. Previously these leases were classified as operating leases under IAS 17.



Supplementary Information (continued)

5 New and amended IFRS: Adoption of IFRS 16 (Leases) (continued)

The following amounts have been recorded as a result of the adoption of this new standard in the Group Financial Statements for the year:

	INFLATION ADJUSTED		HISTORICAL	
	30-Jun-20 ZWL'000	30-Jun-19 ZWL'000	30-Jun-20 ZWL'000	30-Jun-19 ZWL'000
Depreciation	1 816	—	1 816	—
Finance costs	1 211	—	1 211	—
Right of use assets	11 142	—	11 142	—
Lease liability	10 918	—	10 918	—

The prior year charge under IAS 17 recorded in the Group Statement of Profit or Loss was ZWL7 161 703.

6 Legacy Debts

The Group has foreign legacy liabilities amounting to US\$1 199 236, being foreign liabilities that were due and payable on 22 February 2019 when the authorities promulgated SI33/2019 which introduced the ZWL currency. The foreign liabilities were registered and approved by the Reserve Bank of Zimbabwe, ("RBZ") and the Group transferred to the RBZ the ZWL equivalent of the foreign liabilities based on an exchange rate of USD/ZWL, 1:1 in line with Exchange Control Directives RU102/2019 and RU28/2019 and as directed by the RBZ. The foreign debts have been accounted for at the closing exchange rate as at 30 June 2020 in line with IAS 21 and the deposits with the RBZ have also been accounted for as financial assets at the same closing exchange rate. In compliance with IFRS, the deposit at the RBZ represents a commitment to pay equivalent value in USD and has therefore been treated as a financial derivative in accordance with IFRS 9.

The Board is confident that the RBZ will settle the legacy debts as per the Exchange Control Directives and although risk remains that policies regarding the foreign liabilities may be changed, the introduction of the foreign exchange auction trading system on 23 June 2020 has subsequently reduced the divergence of market exchange rates and the official exchange rate at which the RBZ is expected to settle the blocked funds, thereby reducing significantly any potential impact on both the statement of financial position and the statement of comprehensive income.

7 COVID-19

In response to the novel Coronavirus (COVID-19), which has caused global economic disruption, National Foods has implemented active prevention programs at its sites and contingent plans to minimize the risk related to COVID-19 and continue its operations. Management has considered the potential impact of the COVID-19 pandemic in the Company's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates disclosed in the consolidated financial statements, other than for those disclosed in this abridged consolidated financial report.

Impact of COVID-19

Looking ahead, following the outbreak of the COVID-19 pandemic, the Group sees increased uncertainties and further market volatility. In the event of a prolonged pandemic there may be an effect on the financial performance of the company. The Group has taken measures to ensure that its employees and partners continue to be safe while conducting business. Measures have been taken to minimise the impact of the pandemic and to continue operations in the Group's businesses. Business continues to function well and largely uninterrupted.

Given the evolving nature of COVID-19, uncertainties will remain. The Group is unable to reasonably estimate the future impact of COVID-19. However, the financial situation of the Group is currently healthy and it does not believe that the impact of the COVID-19 pandemic will have a material adverse effect on the Group's financial condition or liquidity. Therefore, based on the Group's current cash balance and expected yearly cash outflow, the Group expects that it will be able to meet its financial obligations and therefore continues to adopt a going concern assumption as the basis for preparing its annual financial statements.

8 Operating Segments

INFLATION ADJUSTED				
	Milling Manufacturing and Distribution ZWL'000	Properties ZWL'000	Intersegment Adjustments ZWL'000	Total ZWL'000
Revenue				
30 June 2020	12 709 863	80 950	—	12 790 813
30 June 2019	8 361 231	26 385	—	8 387 616
Operating profit before depreciation and amortisation				
30 June 2020	2 009 148	25 948	—	2 035 096
30 June 2019	1 280 197	(26 160)	—	1 254 037
Depreciation and amortisation				
30 June 2020	(68 036)	(19 384)	—	(87 420)
30 June 2019	(48 784)	(20 385)	—	(69 169)
Net Interest Expense				
30 June 2020	(137 697)	64	—	(137 633)
30 June 2019	(97 337)	5 964	—	(91 373)
Profit before tax				
30 June 2020	1 976 542	20 158	—	1 996 700
30 June 2019	1 301 263	(14 838)	—	1 286 425
Segment assets				
30 June 2020	6 461 665	286 458	—	6 748 123
30 June 2019	3 159 578	1 399 076	—	4 558 654
Segment liabilities				
30 June 2020	2 446 009	71 391	—	2 517 400
30 June 2019	1 538 934	234 823	—	1 773 757
Capital expenditure				
30 June 2020	(127 615)	(28 993)	—	(156 608)
30 June 2019	(187 866)	(14 316)	—	(202 182)

HISTORICAL				
Revenue				
30 June 2020	6 300 212	39 873	—	6 340 085
30 June 2019	564 397	1 776	—	566 173
Operating profit before depreciation and amortisation				
30 June 2020	1 699 741	21 672	—	1 721 413
30 June 2019	83 721	(1 747)	—	81 974
Depreciation and amortisation				
30 June 2020	(13 267)	(2 942)	—	(16 209)
30 June 2019	(4 549)	(1 341)	—	(5 890)
Net Interest Expense				
30 June 2020	(58 590)	27	—	(58 563)
30 June 2019	(6 505)	425	—	(6 080)
Profit before tax				
30 June 2020	1 858 127	18 758	—	1 876 885
30 June 2019	76 916	(888)	—	76 028

Supplementary Information (continued)

8 Operating Segments (continued)

HISTORICAL				
	Milling Manufacturing and Distribution ZWL'000	Properties ZWL'000	Intersegment Adjustments ZWL'000	Total ZWL'000
Segment assets				
30 June 2020	3 746 798	159 052	—	3 905 850
30 June 2019	359 905	110 457	—	470 362
Segment liabilities				
30 June 2020	(2 071 352)	(58 742)	—	(2 130 094)
30 June 2019	(186 845)	(24 736)	—	(211 581)
Capital expenditure				
30 June 2020	55 948	10 358	—	66 306
30 June 2019	12 469	882	—	13 351

9 Assets held for sale

The Group continues to dispose of non-core or aging assets in order to apply the value of the statement of financial position more appropriately. Following the disposal of the depot network operations in October 2016, the Board has identified properties from which some of these depots operate to be non-core. As such the properties have been categorised as assets held for sale, which are to be disposed subsequent to year end.

	INFLATION ADJUSTED		HISTORICAL	
	30-Jun-20 ZWL'000	30-Jun-19 ZWL'000	30-Jun-20 ZWL'000	30-Jun-19 ZWL'000
10 Depreciation and amortisation	87 420	69 169	16 209	5 890
11 Capital expenditure for the year	156 608	202 182	66 306	13 351
12 Commitments for capital expenditure				
Contracts and orders placed	551 250	15 985	551 250	47 600
Authorised by Directors but not contracted	179 910	128 645	179 910	26 200
	731 160	144 630	731 160	73 800
The capital expenditure is to be financed out of the Group's own resources and borrowing facilities.				
13 Other non-current assets				
Intangible assets	35 008	35 008	1 516	1 516
Investment in associates	881 711	965 570	149 239	29 972
	916 719	1 000 578	150 755	31 488

14 Shareholders for Dividends

The Shareholders for dividends balance relates to foreign dividends payable, outstanding as at reporting date.

15 Interest bearing borrowings

Interest bearing borrowings comprise bank loans from various local financial institutions which accrue interest at an average rate of 34.5% per annum as at 30 June 2020. The facilities expire at different dates during the year and will be reviewed and renewed when they mature.

16 Earnings per share

Basic earnings basis

The calculation is based on the profit attributable to equity holders of the parent and number of shares in issue for the year.

Headline earnings basis

Headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects and share of non-controlling interests as applicable.

	INFLATION ADJUSTED		HISTORICAL	
	Full Year Ended 30-Jun-20 ZWL'000	Full Year Ended 30-Jun-19 ZWL'000	Full Year Ended 30-Jun-20 ZWL'000	Full Year Ended 30-Jun-19 ZWL'000
Reconciliation of basic earnings to headline earnings				
Profit for the year attributable to equity holders of the parent	1 587 314	906 044	1 444 856	56 620
Adjustment for capital Items				
Profit on disposal of property, plant and equipment	(673)	(152)	(158 828)	(58)
Tax effect on adjustments	166	38	39 262	11
Headline earnings attributable to ordinary shareholders	1 586 807	905 930	1 325 290	56 573
Number of shares in issue				
Weighted average number of ordinary shares in issue	68 400 108	68 400 108	68 400 108	68 400 108
Basic and diluted earnings per share (cents)	2 320.63	1 324.62	2 112.36	82.78
Headline earnings per share (cents)	2 319.89	1 324.46	1 937.56	82.62

17 Guarantees

The company acted as a guarantor to Pure Oil. The guarantees are in respect of any and all financial obligations and the indebtedness of Pure Oil Industries (Private) Limited.

- Guarantee issued by National Foods Holdings Limited in favour of Stanbic Bank Zimbabwe Limited subject to a maximum limit of ZWL\$ 30 million
- Guarantee issued by National Foods Limited (a wholly owned subsidiary) in favour of ETC Group subject to a maximum limit of US\$1.75m
- Guarantee issued by National Foods Holdings Limited in favour of Banc ABC subject to a maximum limit of ZWL\$ 10 million
- Guarantee issued by National Foods Holdings Limited in favour of FBC Bank subject to a maximum limit of ZWL\$ 25 million

