



NATIONAL FOODS HOLDINGS LIMITED

ANNUAL REPORT

2020



OUR VISION

To be the preferred supplier of branded FMCG and stockfeed products in Zimbabwe and selected regional markets.

OUR MISSION

We manufacture and distribute a diversified portfolio of branded FMCG products to the consumer mass market

To delight our customers and consumers through delivering profitable category based initiatives

OUR VALUES

As National Foods, our values are derived from an internal and external outlook.

Looking Outwards

CUSTOMER AND CONSUMER CENTRICITY

- We relentlessly pursue Innovation to improve the livelihoods of our Consumers
- Our Customers and Consumers are at the core of what we do.
- We produce Affordable and Nutritious products for all market segments.

In Short: I CAN

Innovate
Consumer/Customer
Affordability
Nutrition

Looking Inwards

OUR STRENGTH LIES IN OUR PEOPLE

- We have a passion for Excellence
- We have a non-negotiable Performance culture
- We create an Environment for people to grow and contribute to the best of their abilities through stewardship & training.

Our core values are Respect, Integrity and Diversity

In Short: PRIDE

People
Respect
Integrity
Diversity
Environment

I CAN WITH PRIDE

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Online Copy:
This report is also accessible on
<https://www.nationalfoods.co.zw/investor.html#downloads>



ABOUT OUR REPORT

National Foods Holdings Limited (a company listed on the Zimbabwe Stock Exchange) is proud to present the annual report for the year ended 30 June 2020. The report conveys information on our financial and sustainability performance, demonstrating how we have created value for our varied stakeholders in the year we celebrate our 100 years Centenary.

The contents of this report are intended to give the reader insights into noteworthy aspects of the National Foods business, as well as the industry within which it participates.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Reporting boundary

The report covers information for National Foods Holdings Limited, whose core operations are based in Zimbabwe. In this report, unless otherwise noted references to "our", "we", "us", "the Company", "the Group", "NFL", "National Foods" refers to National Foods Holdings Limited.

Reporting Frameworks

Throughout this document, we used a range of guidelines and reporting criteria for presenting information in this report. Key standards, guidelines and frameworks applied are as follows:

- Companies and Other Business Entities Act (Chapter 24:31)
- International Financial Reporting Standards (IFRS)
- Zimbabwe Stock Exchange Listing Requirements
- The National Code of Corporate Governance
- The Global Reporting Initiative (GRI) Standards

Assurance

The scope of work performed by the company's independent auditors Ernst and Young as part of their assurance of financial information is provided on page 66 to 71. Other non-financial information provided in this report has been internally audited by Instinct Risk Advisory Services. The Institute for Sustainability Africa (INSAF) verified the report for compliance with the Global Reporting Initiatives (GRI) Standards.

Forward Looking Statements

The report contains forward-looking statements concerning the financial condition and business operations of National Foods. All statements other than those of historical fact may be deemed to be forward-looking statements. These are statements of future expectations based on management's assumptions and expectations, hence they involve known and unknown risks which may lead to results and performance differing materially from those implied in these statements. Forward looking statements are identified through the use of terms such as "anticipate", "believe", "intend", "aim", "may", "will" and similar phrases. Readers are cautioned not to put undue reliance on forward-looking statements.

Feedback

The company values opinions from all our valued stakeholders which assist us in building a sustainable Company and improving our reporting. We welcome feedback which can be provided to our Company Secretary Leigh Howes, email leigh.howes@natfood.co.zw

Todd Moyo
Independent, Non-Executive Chairman

Michael Lashbrook
Chief Executive Officer



We believe the contents of this report reflect the major environmental, social and economic aspects of National Foods.

This report has been prepared in accordance with the GRI Standards: Core option.



01

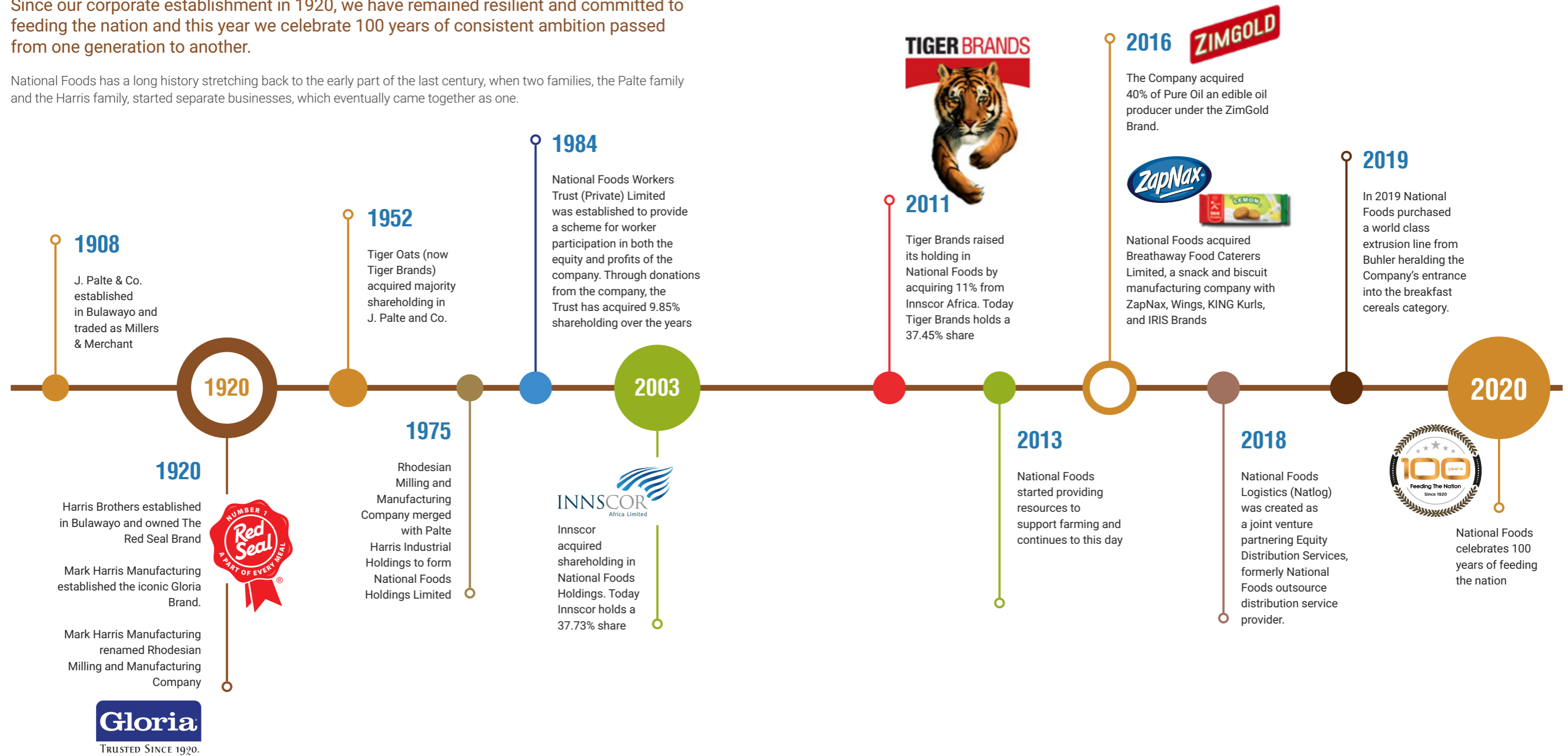
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HISTORY OF OUR GROUP

Since our corporate establishment in 1920, we have remained resilient and committed to feeding the nation and this year we celebrate 100 years of consistent ambition passed from one generation to another.

National Foods has a long history stretching back to the early part of the last century, when two families, the Palte family and the Harris family, started separate businesses, which eventually came together as one.



The Company has grown to become one of the largest manufacturers and marketers of food products in Zimbabwe and the Southern African region.

GROUP STRUCTURE

National Foods Holdings Limited, listed on the Zimbabwe Stock Exchange, manufactures a brand portfolio of essential food stuffs. Today, our products are the cornerstone of basic food nutrition in Zimbabwe.

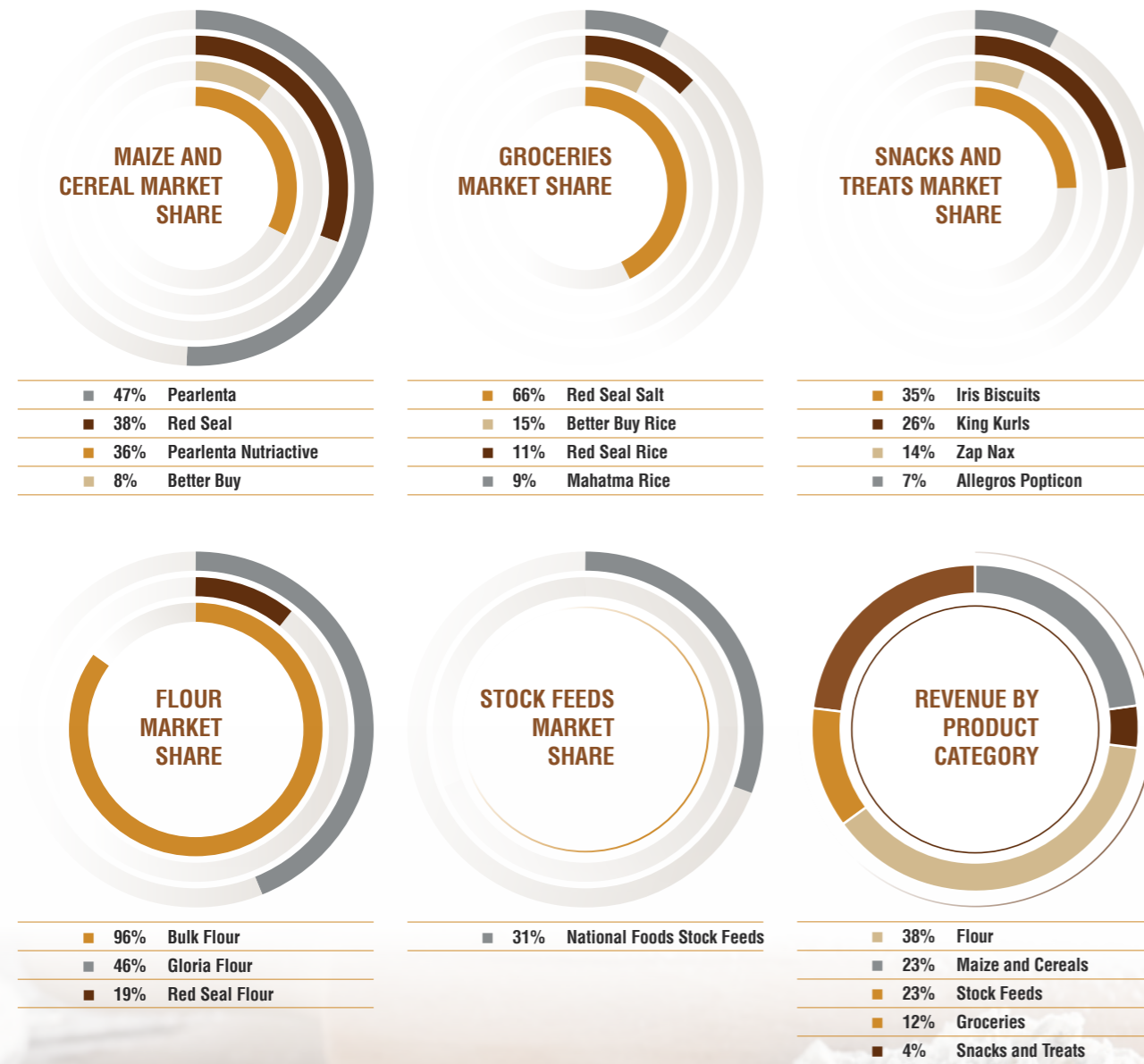


OUR PRODUCTS AND BRANDS

The company's iconic and home-grown brands are loved and trusted across the length and breadth of Zimbabwe. We produce a broad range of basic foods including maize meal, flour, cooking oil, margarine, rice, salt, snacks, biscuits, pasta, sugar beans, baked beans, popcorn, as well as soap and a full range of animal feed. Recently, Pearlenta Nutri Active Instant Porridge was added to the National Foods product portfolio. As we celebrate our centennial, we do so with pride knowing that our brands will take us through the next 100 years and beyond. Our key Brands are as follows:

MAIZE & CEREALS	FLOUR	STOCK FEEDS	GROCERIES	SNACKS AND TREATS	PURE OIL
   	 <p>TRUSTED SINCE 1920.</p> 	   	  	   	   

KEY BRANDS MARKET SHARE AND PRESENCE



KEY BRANDS MARKET PRESENCE

100 years of serving your favourite brands all over Zimbabwe



RECOGNITION AND AWARDS



Pearlenta High Fibre - Gold Award in Food Innovation at the Africa Food Industry Awards 2019.



MAZ Superbrand Award Winner Business to Business Category

We are constantly innovating to better serve our consumers and other stakeholders. We are proud of the recognition that we have received for our efforts in meeting and exceeding our consumer and other stakeholders needs. Our most recent accomplishments are as follows:

Marketers Association Zimbabwe (MAZ) awards in the Business to Business Sector 2019 categories:

- MAZ Superbrand Award for Gloria which emerged as the most consistent Brand 2019
- MAZ Superbrand Award for Red Seal (Roller Meal), Best in Grains Category - Winner 2019
- MAZ Superbrand Award for Red Seal (Pearlenta), Best in Grains Category - 1st Runner Up 2019
- MAZ First Runner up award for Pearlenta Pearls Promotion in the Best Integrated Promotional Campaign of the Year 2019
- MAZ Superbrand Award - Manatsa Gaka 2nd Runner Up Brand Manager of the Year 2019
- Overall Supplier of the Year Award, 2019 – Confederation of Zimbabwe Retailers
- Top 100 Suppliers of the Year, 2019 - Confederation of Zimbabwe Retailers

BUSINESS ASSOCIATIONS AND MEMBERSHIP

The Group participates in various business and industry associations below:

General

- Confederation of Zimbabwe Industries (CZI)
- Zimbabwe National Chamber of Commerce (ZNCC)
- Business Council for Sustainable Development Zimbabwe (BCSDZ)

Industry

- Zimbabwe Poultry Producers Associations (ZPA)
- Stock Manufacturers Association (SMA)
- Grain Millers Association of Zimbabwe (GMAZ)
- Food Nutrition Council (FNC)
- Scaling Up Nutrition Network (SUN)
- Clean Zimbabwe Campaign
- Marketers Association of Zimbabwe
- Buy Zimbabwe

INTERNATIONAL STANDARDS AND CERTIFICATIONS

The Group ascribes to the following standards and certifications:

- ISO 9001: 2015 – Quality Management System Standards Association of Zimbabwe (SAZ)
- ISO 22000: 2008 – Food Safety Management System
- KOSHER (Jewish Dietary framework for food preparation processing and consumption)
- HALAAL (National Halaal Association of Zimbabwe (NHAZ))



02

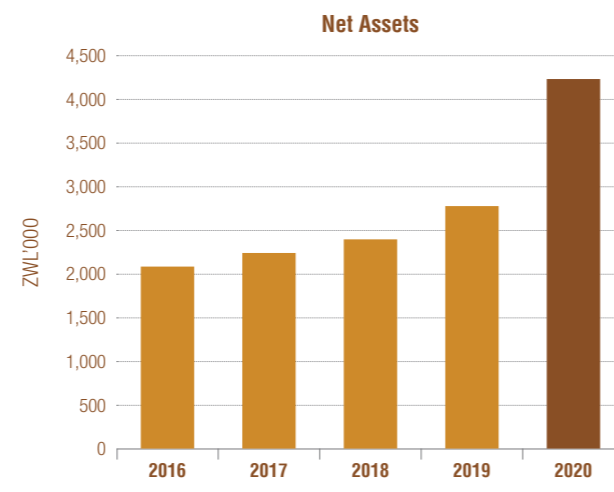
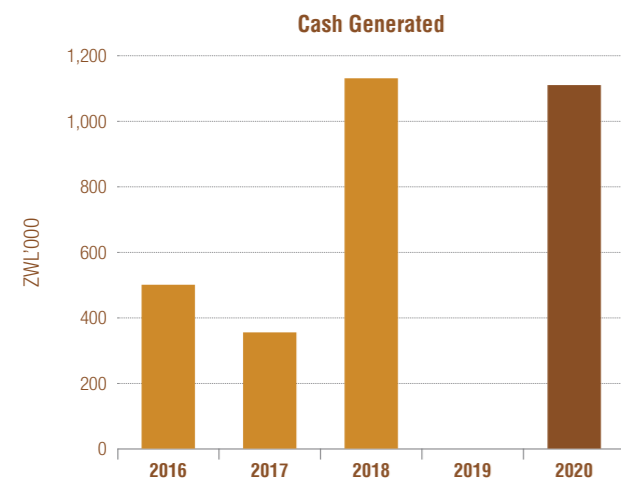
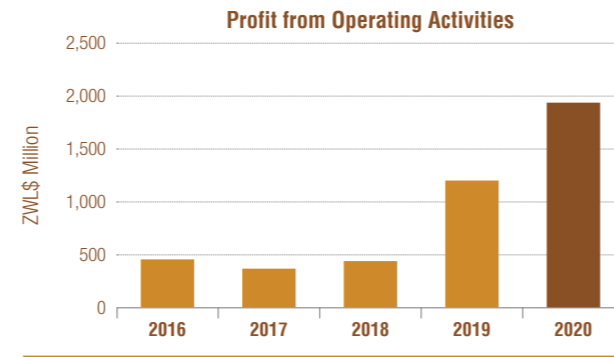
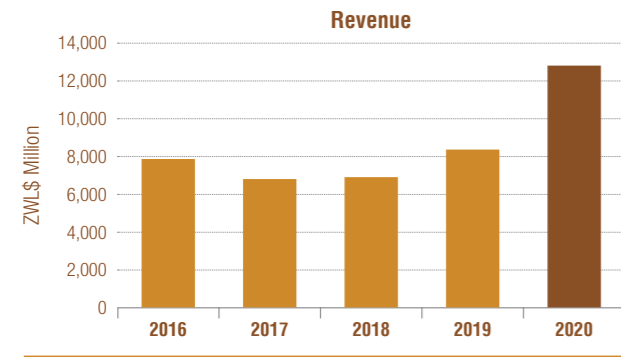
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PERFORMANCE HIGHLIGHTS

FIVE YEAR PERFORMANCE HIGHLIGHTS

Financial Performance - Inflation Adjusted



	2020 ZWL	2019 ZWL	2018 ZWL	2017 ZWL	2016 ZWL
Headline Earnings/Share	2 319.89	1 324.46	578.31	474.48	495.80
Market price/Share	5 115	723	546	380	210
Basic earnings per share	2 320.63	1 324.62	579.70	474.01	497.71
Ordinary Dividend Per share	576.78	234.84	289.27	237.00	248.74
Class "A" ordinary share dividend recognised and paid since the reporting period (ZWL '000)	394 518	160 631	197 862	162 111	170 136
The number of shares in issue at 30 June (ZWL '000)	68 400	68 400	68 400	68 400	68 400
Market Capitalisation on 30 June (ZWL '000)	3 498 583	494 532	373 464	259 920	143 640

PERFORMANCE HIGHLIGHTS (continued)



Sustainability Performance Highlights

Indicator	2020	2019	2018	2017
Water usage (m ³)	105 489	160 853	213 143	221 992
Solid waste to landfill (tons)	286	565	274	393
Energy (electricity) (KWH)	25 950	31 229	27 855	28 141
Employees (number)	1 292	1 367	1 368	1 373
Safety Training (days)	108	154	138	121

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,

These Group financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for the annual financial statements, 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.

Revenue

↑ **ZWL12.79bn**

increased by 52%

Profit After Tax

↑ **ZWL1.58bn**

increased by 75%

CHAIRMAN'S STATEMENT (continued)

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 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 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

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, 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.

CHAIRMAN'S STATEMENT (continued)

Financial Performance (continued)

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 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.

CHAIRMAN'S STATEMENT (continued)

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





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GOVERNANCE

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DIRECTORATE AND ADMINISTRATION

Board of Directors

The Board of directors has the ultimate responsibility for the management, strategic direction, general affairs and long-term success of National Foods Holdings Limited. The Group ensures that the Board is sufficiently represented with the skills and experience necessary to achieve our goals. The Board is made up of a majority of Non-Executive Directors. As at the 30 June 2020, the following individuals constituted our board.

Todd Moyo
Chairman
(Independent Non-Executive)
CA (Z)
Appointed: 2001

Other commitments
Chief Executive Officer Datlabs,
Non-Executive Chairman PPC,
Non-Executive Director Delta
Corporation

Michael Lashbrook
Chief Executive Officer
BSc Agriculture, MBA
Appointed: 2015

Other commitments
Non-Executive Director
Pure Oil Industries,
Non-Executive Director National Foods
Logistics

Lovejoy Nyandoro
Finance Director
CA (Z), BSc (Hons) Mathematics
Appointed: 2016

Other commitments
Non-Executive Director
Pure Oil Industries,
Non-Executive Director National Foods
Logistics

Noel Doyle
Non-Executive and
Non-Independent Director
FCA, CA (SA)
Appointed: 2012

Other commitments
Chief Executive Officer Tiger Brands

Julian Schonken
Non-Executive and
Non-Independent Director
CA (Z)
Appointed: 2015

Other commitments
Chief Executive Officer Innscor Africa

Godfrey Gwainda
Non-Executive and
Non-Independent Director
CA(Z), MBA
Appointed: 2016

Other commitments
Chief Finance Officer Innscor Africa

Pieter Spies
Non-Executive and
Non-Independent Director
B Com (SA)
Appointed: 2017

Other commitments
Chief Growth Officer Tiger Brands

Leigh Howes
**Group Legal Counsel and Company
Secretary**
Lawyer, LLB (Hons.) (UK) and PG Dip.
Law (UK)
Appointed: 2013

Administration

NATIONAL FOODS LIMITED

EXECUTIVE COMMITTEE

Michael Lashbrook	Chief Executive Officer
Lovejoy Nyandoro	Finance Director
James Stevens	Operations Director
Sharon Musodza	Sales Executive
Lawrence Kutinyu	Marketing Executive
Nqgabutho Moyo	Managing Executive Flour Milling
Chipo Nheta	Managing Executive Maize Milling
Nigel Weller	Managing Executive Groceries
Swys Viviers	Managing Executive Stockfeeds
Alice Kambasha	Managing Executive Snacks & Treats
William Kapfupi	Technical Executive Maize Milling & Cereals
Tendai Maphosa	Commercial Executive Stockfeeds

ASSOCIATE COMPANIES

PURE OIL INDUSTRIES (PRIVATE) LIMITED

Vikash Agarwal	Managing Director
Aman Jyoti	Head of Commercial
Rodreck Musiyiwa	Head of Operations

NATIONAL FOODS LOGISTICS (PRIVATE) LIMITED

John Heath	Managing Director
Bekilizwe Dube	Finance Director
Kessy Dumba	Human Resources Director



CORPORATE GOVERNANCE



Vanilla now in a blue pack

Another quality guaranteed product from:
NATIONAL FOODS LTD

CORPORATE GOVERNANCE (continued)

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 National Code of Corporate Governance for Zimbabwe.

The primary objective of our system of corporate governance is to ensure that directors and managers, to whom the running of the Company has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the Company 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 National Code on Corporate Governance for Zimbabwe and is committed to ensuring that these principles continue to be an integral part of how the Group's business is conducted.

Directorate and Executive Management

The Board of Directors of the Holding company retain full and effective control over the Group. The Board meets 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 the 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. 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 (IFRS). 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.

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 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 management and loss control procedures in place.

CORPORATE GOVERNANCE (continued)

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's Board of directors, while the Group budget is reviewed by the directors of the Holding company. Monthly management accounts and the financial position 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.

Nomination and Appointment of Board members

The shareholders elect and appoint new board members from nominated directors recommended by the Board. The process is achieved through a formal, robust and transparent policy. The Board is composed of people with good leadership qualities and core competencies required by National Foods including accounting or financial expertise, business and managerial experience, industry knowledge and strategic planning.



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 designed to support National Foods Holdings Group's business strategy, vision and conform to best practices.
- Total rewards 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 schemes. The process for determining remuneration is guided by the internal remuneration committee guidelines.

Ethics and Share Dealings

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 quarterly, interim and full year 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. The Directors and Key Management sign a declaration of interest and any conflict arising in carrying out their effective roles and responsibilities to the Group.

Strategic Planning Process

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

Stakeholder Engagements with the Board

Our business is shaped by the inclusion of a wide variety of perspectives from our stakeholders. Given this principle, stakeholder engagement is at the heart of what we do and embedded through every level. The Board of directors have direct access to the concerns and views of our stakeholders through the Annual General Meetings, Board and Committee Meetings, the Company Secretary and the Chairman.

CORPORATE GOVERNANCE (continued)

Board Committees

Audit and Risk Committee

Chairman: G. Gwainda

Members

N. Doyle
T.Moyo (by invitation)
P. Spies (Alternate)
J. Schonken (Alternate)

The committee comprises non-executive directors and is chaired by a non-executive director. The internal and external auditors have unrestricted access to this committee. The committee monitors and reviews:

- the integrity of the Group's financial statements and any formal announcements relating to the Company's performance, considering any significant issues and judgements reflected in them;
- the consistency of the Group's accounting policies;
- the effectiveness of, and makes recommendations to the Board on, the Group's accounting, risk and internal control systems;
- the effectiveness of the Company's internal audit function; and
- the performance, independence and objectivity of the Company's external auditors, making recommendations as to their reappointment, approval of their terms of engagement and the level of audit fees.

The Board is satisfied with the level of experience and competency of committee members.

Remuneration Committee

Chairman: J. Schonken

Members

N. Doyle
P. Spies (Alternate)
G. Gwainda (Alternate)

The committee comprises non-executive directors and is chaired by a non-executive director. The chairman of the committee is obliged to report to the Board on its deliberations. The committee is responsible for:

The Group's Remuneration policy that seeks to provide packages that attract, retain and motivate high caliber individuals who contribute to the sustainable growth and success of each of the businesses which the Group operates. Packages primarily include basic salaries as well as performance-related short and long term incentive schemes.

The Board is satisfied with the level of experience and competency of committee members.

Attendance of meetings during the 2020 Financial Year

Director	Main Board (Meetings)	Audit and Risk (Meetings)	Remuneration (Meetings)
T. Moyo	5/5	3/3	—
M. Lashbrook	5/5	—	—
L. Nyandoro	5/5	—	—
N. Doyle	3/5	1/3	2/3
P. Spies	5/5	3/3	3/3
J. Schonken	5/5	3/3	3/3
G. Gwainda	5/5	3/3	3/3

RISK MANAGEMENT AND BUSINESS ETHICS

Risk Management

Management of risk is at the heart of our business planning processes and is core to achieving our strategic goals. It ensures that we continue to protect our stakeholders while generating sustainable business growth. We have established a risk management approach that provides a common benchmark to identify, prioritize and manage risks while leveraging opportunities across our business.

Risk Governance

The Board has the ultimate responsibility for risk management and internal controls at National Foods. It discharges its responsibility through the Audit and Risk Committee. Managing the diverse nature of risk requires coordination and reporting of risk from every facet of our operations. The board provides guidance on tolerable risks, risk appetite and the adequacy of prevailing controls in managing risks while the executive management is responsible for the implementation of the risk management process.

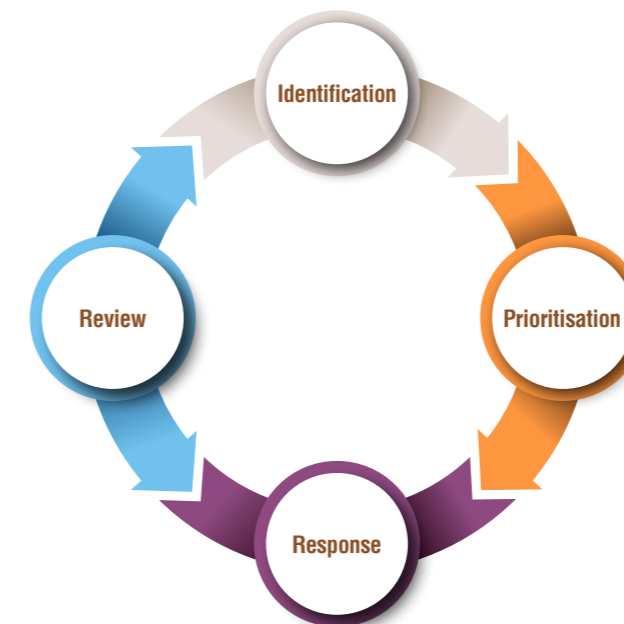


RISK MANAGEMENT AND BUSINESS ETHICS (continued)

Framework for Managing Risk

We use a cyclical approach to risk management within our operations, and it consists of four key stages of identification, prioritization, responding and reviewing. The significance of these risks is assessed as the product of the likelihood of occurrence and impact on the business should the risk event occur. The Group responds with risk treatment measures that achieve an appropriate balance between cost and benefits. The same risk treatment process is applied in exploitation of opportunities identified in the risk management process. The precautionary principle is also a significant element of risk management system for the Group, guiding us in assessing environmental risk. We continuously review our risk profile to ensure it is up to date and preserve company value for the benefit of all stakeholders.

Risk Management Framework



Ethics and Business Conduct

National Foods is committed to world-class standards of business conduct. Our role is to deliver our ambition through servicing the needs of consumers faithfully and efficiently, placing the interests of business and society ahead of our own. Good Ethics are at the centre of how we conduct our business. We expect our directors and employees to observe the highest ethical standards in all our business operations. To achieve this, we have put in place values, principles and standards to guide us on the appropriate behaviours expected by the Group.

The Code of ethics and standards of business conduct at National Foods guides us in promoting equal opportunities, fairness and doing what is right thereby strengthening our reputation and relationships with stakeholders. Key elements of the Code include:

- **Business conduct** – employees should always treat all business partners with respect and integrity.
- **Conflict of interest** – avoiding any situation that has the potential to undermine the objectivity of a person as a result of a possible clash between personal interest and professional business interests.
- **Competition** – complying with all applicable competition laws, employees should never exchange information with competitors.
- **Trade in Group's products** – the Group and its employees should not trade in illicit, smuggled or counterfeit products.
- **Society and the general environment** – we ensure that our actions go towards making a positive societal and environmental footprint.
- **Work environment** – everyone has a contribution towards building a safe and secure workplace.

Training

Our people undergo an awareness training on our approach to ethics and the behaviour expected of a National Foods employee. These behaviors are embedded in our new employee induction programme to ensure awareness at the first point of contact with the organization. The behaviours are spelt out in the Group's Core Values; Code of Ethics and Standards of Business Conduct. Business partners, suppliers and other stakeholders are informed of appropriate ethical behaviours through contractual agreements.

Whistleblower

The Group subscribes to an independently managed whistleblower systems called Tip-Off Anonymous. This system uses hotlines and email channels where employees and other stakeholders can report breaches of the Code of Ethics. Through this system, the Company investigates and acts on complaints. The communications are kept confidential and reporters have the comfort of reporting fraudulent activities with no fear of victimization. The reported allegations are then investigated to substantiate breaches to the Code of Ethics. The Group deals accordingly with individuals found guilty. The repercussion of violating the Code of Conduct can lead to the suspension and dismissal of the individuals involved.



04

SUSTAINABILITY IN OUR BUSINESS

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SUSTAINABILITY IN OUR BUSINESS



Sustainability Strategy

Our sustainability strategy is steered by our sense of purpose: to create long-term value by responsibly managing our business.

The approach is meant to enhance sustainable decisions by considering economic, environmental and social impacts across our operations and practices. One of the Group's strategic thrusts is optimization of our manufacturing platforms through the establishment of process and quality standards through accreditation to recognized international standard setting bodies such as ISO9001, ISO22000 and the Global Reporting Initiative (GRI) standards. These standards bodies require that the Group adheres to certain minimum requirements to maintain the certification.

Our sustainability strategy consists of pillars through which we can make a difference to society. These are:

Health and Nutrition

Through our products and services, we seek to help consumers and society to access affordable nutritional products as a means to end hunger and improve health.

Responsible Production and Environmental Stewardship

We monitor our processes to ensure efficiency while reducing negative impacts associated with our production processes and products.

Our People and Society

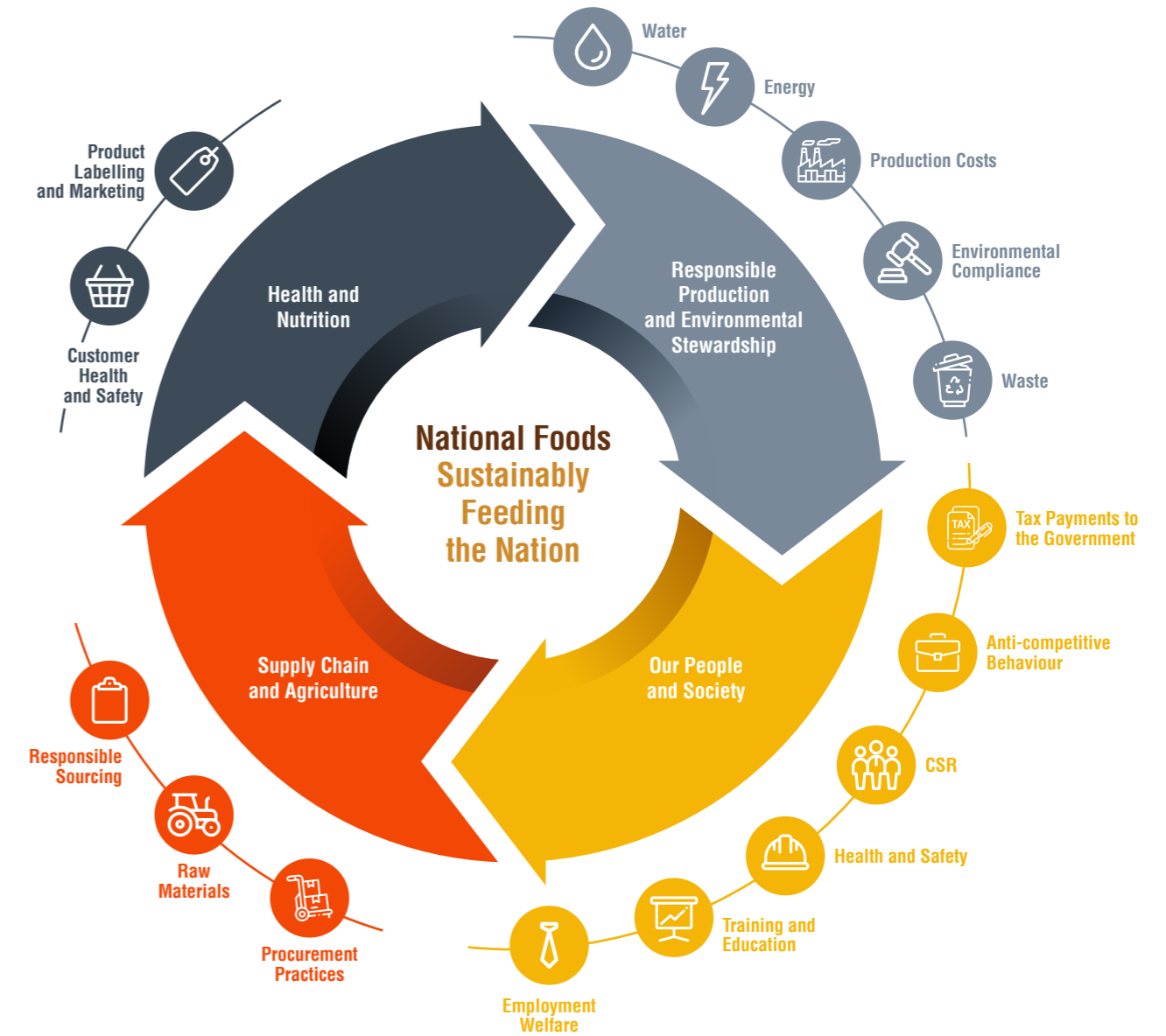
Our business is a hub of opportunity for our surrounding communities and employees. We seek to create an atmosphere of respect, equal opportunity and diversity while investing back into our communities and helping solve our local development challenges.

Supply chain and Agriculture

We recognize that agricultural products are central to our business and their steady supply is critical for our continued operations. We support our local farmers and suppliers enabling them to meet the increased demand for food as the population grows. We work together with our supply chain partners to manage the risks that they create for us.

SUSTAINABILITY IN OUR BUSINESS (continued)

Our Sustainability strategy linkage to materiality



Sustainability Governance

The Group is on a journey to fully implement sustainable governance processes and, to this end, has setup a cross functional operational team to lead this initiative. The process will have the National Foods Board and Executive Management oversight.

SUSTAINABILITY IN OUR BUSINESS (continued)



REPORTING PRACTICE

The group's reporting practice hinges on being transparent and accountable to our stakeholders. Consideration is taken to ensure adherence to legal provisions, sustainability context and prevailing trends considered material to the business and stakeholders' information needs. These needs inform the topics which make up the report content. The thrust of our reporting focuses on material impacts and where they are taking place. The group's reporting cycle spans the financial reporting period which ends on the 30th June every year.

Report Data

This report was prepared using data collected through internally developed tools for capturing qualitative and quantitative data on significant topics on economic, environmental, social and governance considered material to the Group and stakeholders. Data collected is evaluated against the Group's sustainability context by the sustainability team before an independent internal assurance process.

Report Declaration

Directors confirm that all considerations were taken into account to ensure the report complies in all material aspects with the GRI Standards. The report was prepared in accordance with GRI Standards 'Core' Option.

Reinstatements

This report does not contain any reinstatements in data or the information which may have been published in our prior year reporting. We can confirm that there have been no changes to the measurement basis on sustainability data in this report.

Sustainability Data Assurance

Data for this report was assured through our Group internal audit service process that was conducted by Instinct Risk Advisory to enable stakeholders to derive reasonable assurance on our performance. The Institute for Sustainability Africa (INSAF) provided assurance on the compliance of the report with provisions of the GRI Standards, KPIs and reporting standards.

SUSTAINABILITY IN OUR BUSINESS (continued)

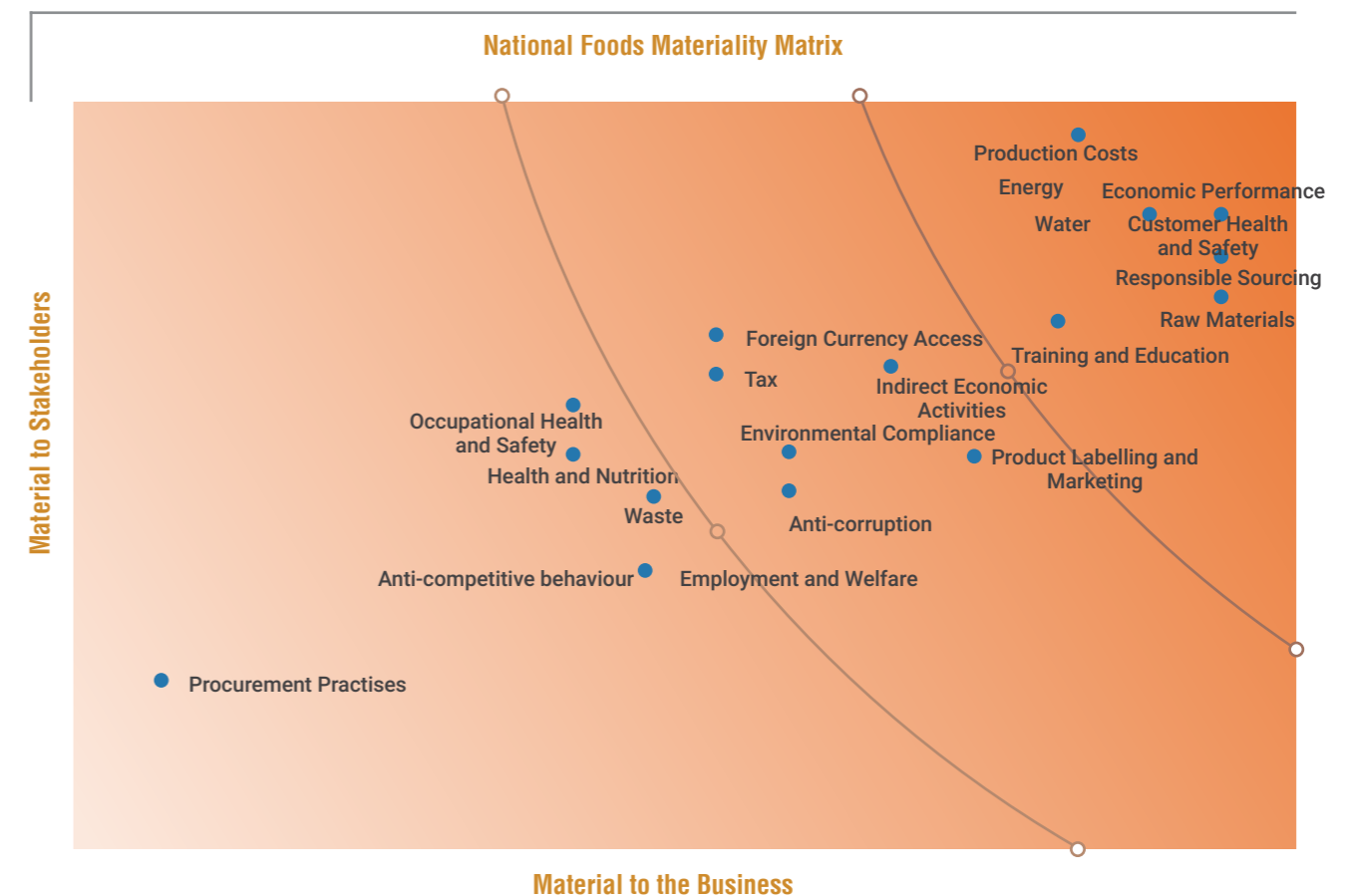
MATERIALITY PROCESS

During the year we refreshed our materiality matrix by surveying material business and stakeholder issues. This process involved 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, Group management will devise appropriate remedies and update stakeholders through the annual report, regular updates and press releases. During the year, the following topics were identified as material to the business and our stakeholders:

Economic	Environmental	Social
<ul style="list-style-type: none"> Economic performance Production costs Foreign currency access Supply chain Indirect economic impacts Anti-corruption Anti-competitive behaviour 	<ul style="list-style-type: none"> Raw materials Energy Water Waste management Fuel Environmental compliance 	<ul style="list-style-type: none"> Employee welfare Health and safety Customer quality Employment Training and education

Material Matrix



SUSTAINABILITY IN OUR BUSINESS (continued)

Our Stakeholders and Relationships

The Group values sustainable relations with stakeholders and business partners and upholds shared values in a spirit of inclusivity and responsiveness to foster strong relational capital and trust.

We believe that sustainable relationships are critical for long term value creation and business success.

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

During the year we engaged with various stakeholders whose issues informed contents of this report. Our engagements are presented below:

STAKEHOLDER	MATERIAL ISSUES RAISED	MITIGATION MEASURES	COMMUNICATION CHANNELS
Employees	<ul style="list-style-type: none"> Engagement & inclusion Employee benefits 	<ul style="list-style-type: none"> Development, review, implementation and monitoring of Human Resource Policy and Procedures Training 	<ul style="list-style-type: none"> Works Council meetings Face to face interactions Noticeboards/NFL communication via emails Line Manager Engagement Executive Committee cascades on employee benefits Code of Conduct Code of Ethics
Suppliers	<ul style="list-style-type: none"> Timely payments 	<ul style="list-style-type: none"> Suppliers audit Suppliers screening 	<ul style="list-style-type: none"> Face to face meetings Tip Offs Anonymous
Industry	<ul style="list-style-type: none"> Animal disease control Training & development 	<ul style="list-style-type: none"> Interaction with the Department of Veterinary Services of Zimbabwe 	<ul style="list-style-type: none"> Zimbabwe Poultry Association (ZPA) Grain Millers Association of Zimbabwe (GMAZ) Confederation of Zimbabwe Industries (CZI)
Government/Regulators	<ul style="list-style-type: none"> Regulatory compliance Transparent reporting 	<ul style="list-style-type: none"> Compliance with regulations 	<ul style="list-style-type: none"> Direct meetings and updates Regulator audits
Shareholders and Potential Investors	<ul style="list-style-type: none"> Competitive Return Regulatory Compliances 	<ul style="list-style-type: none"> Improved profitability & returns year on year Enhanced governance oversight by the Board 	<ul style="list-style-type: none"> Annual Report Annual General Meeting Bi-annual results release Website updates Face to face meetings
Customers and Consumers	<ul style="list-style-type: none"> Safe quality products Nutritious options Innovative products 	<ul style="list-style-type: none"> Rigorous quality checks and balances Continuous product development 	<ul style="list-style-type: none"> Food safety standards Regular meetings with key accounts contacts Consumer and Customer Surveys Consumer and Customer Immersions
Local Communities	<ul style="list-style-type: none"> Economic development Environmental Protection 	<ul style="list-style-type: none"> Compliance with legislation 	<ul style="list-style-type: none"> Regular interaction with Local Authorities Corporate Social Responsibility

SUSTAINABILITY IN OUR BUSINESS (continued)

MAKING HEALTH AND NUTRITION AFFORDABLE AND ACCESSIBLE

Through our products, we seek to help consumers and society access affordable nutritional products as a means to end hunger and improve their health.





BETTER BUY SOYA DELIGHTS

The 'Better for you' protein

Comes In 3 Delightful Flavours

 CHICKEN

100% ORIGINAL

 BEEF



 Appetising aroma

 Short cooking time

The Delight in every Meal

 Better Buy Zimbabwe

Another Quality Guaranteed Product From





SUSTAINABILITY IN OUR BUSINESS (continued)

MAKING HEALTH AND NUTRITION AFFORDABLE AND ACCESSIBLE

Consumer Health and Safety

Product quality and safety is a top priority for our business. The business values the trust endowed to us by providing safe and high-quality products. Since our business manufactures and distributes food we are obliged by law to ensure our products do not harm our consumers. Quality and safety issues associated with our products have huge implications on our business continuity, and as such we are strict about our obligations towards consumer health and safety.

Managing Consumer Health and Safety

Consumer safety is at the core of every decision we make. The Quality Department has an overall obligation to manage quality and safety issues. The Group managed to maintain its ISO9001:2015 Certification on Quality Management and ISO 22000:2008 on Food Quality. The standards allow us to ensure products are manufactured to expected specifications and appropriately labelled. This also ensures that all new products meet the nutritional guidelines set by regulatory bodies. In addition, we also test product conformance before releasing into the market.

As National Foods celebrates 100 years in 2020, we reflect on the success of our Brands and how they have evolved and stayed relevant. It is remarkable that over the past year we have launched six new innovations and renovated four of our key Brands namely Gloria, Mahatma, Iris and ZapNax packaging.

New Innovations:

- Allegros Popticorn
- Better Buy Value Rice
- Better Buy Soya Delights
- Gloria Self Raising Cake Flour
- Iris Cream Biscuits
- Pearlenta Nutri Active Instant Porridge

Flavour and Packaging Renovations

- Iris Loose Biscuits
- Gloria Range of Flour
- Mahatma Elegant White Rice
- ZapNax

Product Innovation

Product Innovations

Allegros Popticorn



Better Buy Value Rice



Product Innovations

Better Buy Soya Delights



Gloria Self Raising Cake Flour



Iris Cream Biscuits



SUSTAINABILITY IN OUR BUSINESS (continued)

Product Innovations

Pearlenta Nutri Active Instant Porridge



Packaging Renovations

Iris Loose Biscuits



Mahatma Elegant White Rice



Packaging Renovations

Gloria Range



ZapNax



The very essence of this Group is anchored on consumers and meeting their needs. Because of this, our products have been a part of Zimbabwean families for over 100 years. Our team is passionate about consumers and continuously develops products to meet those needs. We conduct research before, during and after a product is launched. This is done to ensure that the needs of our consumers are what drive our innovation and renovation process.

SUSTAINABILITY IN OUR BUSINESS (continued)

MAKING HEALTH AND NUTRITION AFFORDABLE AND ACCESSIBLE (continued)

Responsible Marketing

The Group ensures all products are marketed in a way that does not mislead consumers. Our Marketing department takes the responsibility for ensuring our products are marketed in a responsible manner reflecting the brands we have created over the decades. We ensure all advertisements are evaluated and receive all the necessary approvals before use. The Marketing team engages regularly with trade partners to ensure the products are marketed consistently with our values.



**The world may look different now
but our promise remains the same**

Celebrating 100 years



SUSTAINABILITY IN OUR BUSINESS (continued)

RESPONSIBLE PRODUCTION AND ENVIRONMENTAL STEWARDSHIP

Our production processes have a significant impact on the environment. We monitor them to ensure they are run efficiently, minimising adverse impacts on the environment



SUSTAINABILITY IN OUR BUSINESS (continued)

RESPONSIBLE PRODUCTION AND ENVIRONMENTAL STEWARDSHIP (continued)

Energy Consumption

Energy is critical in powering our operations enabling us to manufacture, package and distribute products. We largely depend on grid electricity for our operations which are supported by diesel power generators during power outages. Our Harare operation runs a cyclonic burner which uses combustible waste material as fuel to generate steam used in our various manufacturing processes. Use of the cyclonic burner significantly reduces our dependency on coal for fuel. We also rely on a huge fleet of vehicles to transport raw materials from farmers and products to customers, extending our energy use across the value chain. We are cognisant of the climate impact associated with energy use. Our stakeholders are primarily concerned with the quantities and type of energy utilised. As a business, we are directly concerned with the associated cost and our contribution to climate change due to energy use.

Management Approach

Management is mindful of the impact our processes have on the entity as a result of the use of energy. National Foods is committed to a steady migration to renewable energy where possible. The commitment is driven by our quest to use sustainable manufacturing methods.

A feasibility study for a 2.1MW solar plant installation at our Aspindale site has been completed, with management currently assessing the viability of the project.

Our FY2020 energy consumption was as follows:

Energy Type	Unit	2020	2019	2018	2017
Electricity	MWh	25 950	31 229	27 855	28 141
Coal (Heating)	Tons	451	540	443	333
Fuel for Generators	Litres	270 723	148 955	244 849	170 509

Our operations experienced increased load shedding during FY2020, with the business averaging 19% ZESA downtime. Generators were used to power our plants during this downtime.

Management continues to measure and monitor emissions to minimize the effects to acceptable levels.

For FY2020, our carbon footprint calculations based on fossil fuel consumption were as follows:

Carbon Emissions

The Group monitors impacts on climate change by tracking its carbon footprint from various emission sources in our manufacturing processes.

Emission Source	Unit	2020	2019	2018	2017
Electricity	KgCO ₂ e/Kw	9 122 145	10 978 982	9 792 861	9 893 473
Coal	Kg CO ₂ e/Kg	1 098 258	1 315 609	1 079 757	811 926
Fuel for Generators	Kg CO ₂ e/Litre	1 051 263	320 254	636 648	443 352
Total Emissions		11 271 666	16 614 845	11 509 266	11 148 751

SUSTAINABILITY IN OUR BUSINESS (continued)

RESPONSIBLE PRODUCTION AND ENVIRONMENTAL STEWARDSHIP (continued)

Climate Change Initiatives

In responding to climate change effects, the business is developing a strategy and timelines for assessing and monitoring our performance towards reducing impacts from our business operations. During FY2020, the following measures were taken:

- Servicing and maintenance of boilers as required by law to ensure emission levels are kept within permissible levels.
- The use of the cyclonic burner which uses recyclable material and not fossil fuel.
- Channeling combustible waste from all business units to Stockfeeds boilers for energy generation.
- Disposal of all non-recyclable waste through registered waste disposal companies to ensure all waste is disposed of in registered dump sites.
- Quarterly emission license renewal for all emission stacks.
- Ensuring legal compliance with the Environmental Management Agency (EMA) Zimbabwe.

Water

Water is a critical component of our production process. During the reporting period, the country received poor levels of rainfall, depressing the availability of water from surface water bodies and creating water scarcity across many of our operations, resulting in increased dependence on underground water bodies.

Management Approach

The business is guided by the group-wide SHE policy on managing water-related impacts. We assess our impact on water resources using borehole capacity testing and water quality indicators. The Group draws water from various sources which it monitors to ensure sustainable consumption.

Below are activities we have implemented to manage water and effluents:

- Training and awareness of the need to conserve water.
- A robust water conservation programme which ties water usage to production per tonne.
- Most of our water taps are now either automatic or knee/foot operated thereby reducing water waste. Taps now only open when being attended to with no chances of neglected running taps.
- An oil separator is used to treat effluent at the Snacks and Treats plant.

For the FY2020, our consumption was as follows:

Source	Unit	2020	2019	2018	2017
Ground Water (Borehole)	m ³	73 596	119 852	161 929	168 144
Surface Water (Municipal Water Supply)	m ³	31 892	41 002	51 214	53 848
		105 488	160 854	212 243	221 992

Since the inception of sustainability tracking, a general decline has been observed in water used. More scrutiny was being placed on the amount of water used in the production process. The FY2019 year saw the installation of new water meters for accurate measurement of usage and improvement of efficiencies.

Water meters have been installed across sections within business units to further improve on efficiencies. Water supplies from Municipality Councils have been erratic in the last two years which has resulted in a reduction in Municipal water consumption figures.

SUSTAINABILITY IN OUR BUSINESS (continued)

RESPONSIBLE PRODUCTION AND ENVIRONMENTAL STEWARDSHIP (continued)

Solid Waste

Waste management is a significant process for our business due to the large volumes of waste we generate. Our manufacturing process generates solid waste and packaging waste both within the production process and consumer use. The vast majority of our waste is non-hazardous mostly emanating from raw materials and packaging. We appreciate that our activities and products can contribute to waste generation and its associated impact on the environment.

Our approach to Waste

We are committed to reducing the amount of waste generated and disposed of by constantly looking for alternative ways to use any by-products of our processes. Our approach to waste management is informed by the waste management hierarchy to first consider options that are best for the environment.

We partner and rely on reputable and registered waste management players. We give priority to the 4Rs (Reduce, Reuse, Recycle and Recover) in our waste management process. We only consider disposal at the dumpsite in the absence of more environmentally friendly method to dispose of our waste. All our packaging waste generated within The Group is channelled to our cyclonic burner to be used as fuel. We also encourage our consumers to properly dispose of packaging waste; through branding our products with a recycle sign which reads, "KEEP YOUR COUNTRY CLEAN/TIDY".

During the FY2020, waste material was managed through the following disposal methods::

Waste by Type	Disposal Method	Unit	2020	2019	2018	2017
Solid Waste	Landfill	Tons	286	565	274	393
Maize screening waste	Sale to farmers	Tons	824	1 849	308	436
Paper Cutoffs	Recycling	Tons	24	1 028	33	29
Total			1 134	3 442	615	858



SUSTAINABILITY IN OUR BUSINESS (continued)

OUR PEOPLE AND SOCIETY

Our business is a hub of opportunity for our surrounding communities and employees. We seek to create an atmosphere of respect, equal opportunity and diversity while investing back into our communities and helping solve our local development challenges.



GIVING TO 100 CHARITIES

To mark 100 years!



BRIEF DESCRIPTION OF THE INITIATIVE

National Foods has a robust CSI programme that covers schools, orphanages, special needs groups, vulnerable women and children, hospitals, churches and wildlife. We also respond to government calls in supporting national causes like Cholera eradication efforts, Cyclone Idai relief and Women's Netball assistance among others. This is all part of giving back to the society which supports our business.

This year as we celebrate our 100 years of existence, we launched the NFL 100 Charities Initiative to give once off support to 100 initiatives that are not part of the ones we support already. This gesture allowed us to further increase our CSI footprint and celebrate with more than 50 000 beneficiaries of this initiative in addition to those we already support.

THE 100 BENEFICIARIES

- ACACIA Trust
- Adonai Charities
- Africa Rise Foundation Trust
- Alive Albinism Initiative
- Alpha Cottages
- As I Am Foundation
- Auntie Gee's Place of Safety in Transit
- Bongani Orphan Care Program
- Bumhudzo Old People's Home
- Cancer Serve
- Caritas Zimbabwe - Gokwe dioces
- Chawana Hama Disability Network
- Chegutu Childled Organisation
- Chengetanai Old Peoples Home
- Chiedza Child Care Centre
- Chiredzi Christian Children's home
- Chitenderano Children's home
- Claaphia Rescue Center
- Danai Children's Home
- Delayed Milestones Children's Trust
- Disabled Peoples Home Mhangura
- Domboshava Children's Home
- Dzikwa Trust Fund
- Eagles Wings Albinism Care & Support
- Eat Out Zimbabwe Trust
- Ekhyaya Kip Keino Children's Home
- Entembeni Old People's home
- Esteemed Children Trust
- Falls Famine Appeal
- Flower of Hope Children's Trust
- Foundation of Hope Orphanage
- Foundation Zimbabwe (Goromonzi)
- Fundisa Children Organisation
- Glory to Glory Child Care Centre
- Good Shepherd Children's Home
- Greenline Africa Trust
- Hurungwe Childrens Home
- Ivordale Children's Home
- John Smale Children's Home (ZPYF)
- Kabwe Children's Home
- Kadoma Benevolent Association.
- Kadoma Old Peoples home
- Khanya - Be the Light
- Kurera Children's Trust
- Luveve Training School for Girls
- Makumbi Children's Home
- Mambure Trust
- Manhing Village Children's Home
- Mashambanzou Care Trust
- Masvingo Association of Residential Care Facilities Trust
- Mathew Rusike
- MoComfort Trust
- Mudzi Orphans Development Trust
- Mustard Seed Communities Zimbabwe
- Mutemwa Leprosy Centre
- Mwana Trust: Child's Hope
- National Association of Societies for the Care of the Handicapped
- Nehemiah AIDS Relief Project
- Nozizwe Mother of All Nations Charity Trust
- Omega Grace Villages
- Our Children, Our Hope Trust/Tariro House of Hope
- Parent and Child Development Zimbabwe
- Patience Foundation
- Patricia Jabangwe Children's Home
- Percy Ibbotson Probation Hostel
- Ramangwana Center
- Rose of Sharon Children's Home
- Rudo Isimba Old Peoples Home
- Rugare Orphan Care Organisation
- Salfina Foundation Trust
- Seke Rural Home Based Care
- Sethule Trust
- Shekinah Children's Home
- Shirley Cripps Children's Home
- Shungudzevana Children's Home
- Sir Humphrey Gibbs Trust
- Sister Children's Home (Silobela)/Dominican Sisters
- Southern Africa Endogenous Development Program
- St Christopher's Children
- St Joseph's Clinic
- Tanyaradzwa Child Care Centre
- Tariro Foundation of Zimbabwe Trust
- Tariro-Hope and Health for Zimbabwe Orphans
- Tawananyasha neRudo Foundation
- Thembisio Children's Home
- Tichakunda Children's Home
- Tirivanhu Therapeutic Center
- Tony Waite Organisation
- Tsungirirai Welfare
- Unathi Children's Network Trust
- Vana Childcare Ministries Home (Sanduko Yeupenyu)
- Well Of Life Orphan Trust (Welot)
- Westgate Haven
- Yamuranai Association for People Living with Disabilities
- Zimbabwe Albino Association
- Zimbabwe Blind Women Trust
- Zimbabwe National League of the Blind
- Zimbabwe Parents of Handicapped Children
- ZimCare Trust Masvingo
- Zororai Old People's Home



SUSTAINABILITY IN OUR BUSINESS (continued)

OUR PEOPLE AND SOCIETY (continued)

Employment

At National Foods, our strength and success as a business lie in our people. We pride ourselves in having a highly engaged and energised team who contribute to the greater goals of the organisation. At the core of our business is an enduring commitment to empowering employees to be their best, and creating a fair workplace, where the human rights of people are valued. We thrive in a diverse workforce where segregation is not tolerated.

The business creates economic opportunities to society through various employment opportunities that include short term contracts, fixed-term contracts and permanent positions. The Group offers a conducive work environment that allows it to attract and retain talented and skilled employees.

For FY2020, our employment performance is presented below:

Recruitments

Gender	Unit	2020	2019	2018	2017
Male	Count	32	51	26	4
Female	Count	15	10	24	4
Total		47	61	50	8

Staff Turnover

Gender	Unit	2020	2019	2018	2017
Male	Count	26	47	66	15
Female	Count	10	3	11	3
Total		36	50	77	18

Employee Base

Gender	Unit	2020	2019	2018	2017
Male	Count	1 043	1 178	1 171	1 203
Female	Count	249	189	197	170
Total		1 292	1 367	1 368	1 373

SUSTAINABILITY IN OUR BUSINESS (continued)

OUR PEOPLE AND SOCIETY (continued)

Health and Safety in the workplace

At National Foods, we recognize that a business can only be as strong as its people and this starts with respecting their right to a safe workplace. Providing a safe workplace goes beyond our legal obligation and is strengthened by the understanding that promoting our people's safety is crucial to our success. Our stakeholders are continuously informed and engaged with how safe our operations are.

How we manage Health and Safety

Each business unit is guided by comprehensive best practices on health and safety, which were developed to ensure that our workplaces protect our employees and those who interact with us. The best practices inform our health and safety strategy which seeks to achieve Zero harm, comply with applicable regulations and foster continual improvement in hazard identification.

The Group thus continues to take measures to minimize injuries through training activities. The overall responsibility for Safety and Health Management rests with the CEO and is delegated through the Group Engineer. Every role within the Group has SHE responsibilities and these are linked to performance assessments.

Incidence

Work-related injuries
Lost days due to injuries
Safety training (days)

The business has also established mechanisms to allow stakeholders to express grievances regarding health and safety, which are handled by the human resources team.

During the year, the Group worked on two initiatives to promote the health and safety of the employees:

Behavior-based Safety Program

A management tool for observation of employee behaviours to reinforce safety practices. This program is earmarked to reduce accidents by allowing for all employees to correct those behaviours that lead to increased occurrence of accidents.

Fire system upgrade for the Snacks Division

In the quest to ensure employee safety at the workplace, being prepared for emergencies and to satisfy legal requirements, the Snacks and Treats' system was upgraded. Municipal water supplies are not reliable at the site and the project involved installation of water storage tanks to support the fire hose reels.

During FY2020, our performance was as follows:

	Unit	2020	2019	2018	2017
Work-related injuries	Counts	7	9	11	18
Lost days due to injuries	Counts	121	382	291	154
Safety training (days)	Days	108	154	138	121

Health and Safety in the workplace

Health and Safety Topics covered in Trade Unions Agreement

- Safety Health and Environmental Culture
- Operational Safety
- Behavior-based Safety
- Hazard Identification
- Electrical Safety.

Employees Occupational Health and Wellness

The Occupational Health (OH) team focuses on a holistic approach in the provision of occupational health and wellness services to support employees to adapt and sustain behaviors and lifestyles that reduce occupational health risks. The team has in place a full wellness plan for the business which focuses on the physical, emotional, psychological and mental well-being that impact occupational health. The business provides in-house clinic services to quickly deal with injuries on duty, ailments, HIV & Aids Awareness and provision of ARVs, first aid training among other duties.

Evaluating the effectiveness of our Health and Safety Impact

To assess our health and safety impact we rely on internal, third party and external audits/ inspections. These audits assess the management practices and performance against the National Foods Safety Health and Environmental policy. We are subject to statutory NSSA Inspections from the regulatory authority NSSA on our compliance with health and safety regulations.

We are also part of the NSSA performance-based inter organizations assessments. The Group has joined the Southerton/ Workington Industrial SHE Clusters and are in liaison with Tiger Brands in South Africa for best practice and training.

SUSTAINABILITY IN OUR BUSINESS (continued)

OUR PEOPLE AND SOCIETY (continued)

COVID19 and Occupational Health

The coronavirus outbreak has created an unprecedented impact on business. The usual ways of working have been challenged, making us rethink how we work so that we can protect our employees and customers. The safety of our people remains a top priority for us. The business has put in place strict safety procedures for sanitation, restrictions on movements between sites and working from home where possible.

Below are some of the initiatives we have put in place to minimize exposure:

- Entry checks and inspections
- Use of appropriate protective equipment
- Adherence to social distancing and hygiene protocols
- Cleaning and sanitizing all sites daily
- Hiring dedicated transportation for our employees



SUSTAINABILITY IN OUR BUSINESS (continued)

OUR PEOPLE AND SOCIETY (continued)

Training and Education

The Group supports employees through training them. Maintaining highly skilled employees is a key responsibility of management for sustaining this critical component of the Group. Management's approach is to ensure all the employees undertake training and education regularly that improves skills and knowledge towards enhancing efficiency and effectiveness.

To manage our training and education goals we have provided on the job training, mentoring, think sessions and networking sessions.

In FY2020, our average employee training and education hours were as follows:

Gender	Unit	2020	2019	2018	2017
Male	Hours	25	46	41	26
Female	Hours	27	48	44	33



The business training program also caters for our local communities by providing skills for the unemployed and youth in our communities. During the year we continued to support the following training programs.

- **Graduate Trainee Programme**
We have in place a Graduate Trainee (GT) program, where graduates can put to practice their newly acquired knowledge. Graduates go through a highly competitive selection process after which successful candidates join the Company on the GT program for 18 months. Candidates have the opportunity to work with a pool of highly skilled teams and their rotational assignments are underpinned by a mentorship program (conducted by the Group Executives) to ensure that they have adequate support throughout their development.
- **Internship Programs**
The business provides learners at college with internships for them to get hands-on experience in their fields of study. Students also get the opportunity to apply for the GT Program upon completion of their studies.

- **Apprenticeship Program**
For those pursuing technical development, National Foods Limited is accredited by the Ministry of Higher & Tertiary Education to run apprenticeship programs. Students are taken on-board and are taken through supervised learning exposures throughout their program.

- **Professional Development**
We also offers various professional development programs for the experienced mid-career recruits. We ensure that development planning is at an individual level and continuous development is self-propelled.

Some of the programs offered include the Chartered Accountants Training Outside Public Practice (TOPP) accredited by the Institute of Chartered Accountancy Zimbabwe (ICAZ)

- **Miller Training**
We ran an inhouse Miller Training Program in partnership with South Africa Grain Millers Association which covers theory and practicals. We also have another miller development program in partnership with Africa Milling School (Buhler) in Kenya.

Further to that, we pride ourselves on our association with the prestigious Swiss Milling School where we sent our exceptional millers, to date the Group sent four millers since the inception of the Miller Training Program.

SUSTAINABILITY IN OUR BUSINESS (continued)

SKILLS BASE

Our staff are members of the following bodies:

- Institute of Chartered Accountants Zimbabwe (ICAZ)
- Association of Chartered Certified Accountants (ACCA)
- Chartered Institute of Management Accountants (CIMA)
- Chartered Institute of Marketers (CIM)
- Zimbabwe Institute of Engineers (ZIE)
- Health Professions Association of Zimbabwe (HPAZ)

National Foods enhances the capability of employees by providing them with training for developmental purposes. To enable our people to execute their roles with excellence. The impact of training is observed through processes such as succession planning, job profiling and individual holistic plans.

HUMAN RIGHTS

At National Foods, all forms of human rights abuses are unacceptable. We appreciate that these abuses can exist in the value chain and operations. The business does not tolerate Human Rights abuse of any sort.

The Group believes that upholding human rights in the workplace is a critical responsibility of management to ensure a safe and conducive work environment. The group tries by all means to ensure that its conduct and that of employees are within the confines of upholding the best practice in human rights.

During FY2020, the Group was not able to conduct a human rights assessment due to COVID-19 limitations. However, management does confirm that during the year, no matters were brought to their attention which may be deemed material human rights violations within the workplace.

We will continue to enhance awareness of human rights within the workplace. There are plans to conduct a Human rights training in the coming year to ensure all employees are fully aware of their human rights while the business enhances existing policies.

Discrimination

The Company maintains a non-negotiable ethics policy on discrimination. Employees and prospective candidates will not be discriminated based on race, tribe, place of origin, political opinion, colour, creed or gender as in accordance with the provisions of the Labour Act (Chapter 28:01) and associated regulations.



Celebrating 100 years of feeding the nation.

SUSTAINABILITY IN OUR BUSINESS (continued)

COMMUNITY INVESTMENT AND DEVELOPMENT SUPPORT

Our Corporate Social Responsibility (CSR) program's objective is to plough back to communities within which the Company operates by enhancing lives, improving wellbeing and building lasting emotional capital. NFL engages in proactive initiatives which deliver an impact to the social-economic well-being of communities by way of investing in our society. We also participate in initiatives that are geared towards the preservation and long-term sustainability of the environment.

NFL supports communities through the CSR Program. Our CSR strategy focuses on responding to vulnerable groups, community support needs and strategic initiatives under the thematic areas of socio-economic and environmental impacts.

During FY2020, indirect economic impacts contributions under our CSR Programs were as follows:

Support Category	Beneficiaries	Purpose	Products/Support	Value (ZWL)
Education	1 School Marula	School feeding program to help to get children into school, through enhancing enrollment and reducing absenteeism	Roller Meal	\$90,000
Orphanages	21 Orphanages (including Runyararo Children's Home, Kambuzuma, Felly Orphanage and Mother of Peace)	For every child to enjoy a healthy and productive life	Roller Meal Sugar beans Salt	\$977,000
Community Empowerment and Development	1 Center Shingirayi Trust	Assist people to gain control over the factors and decisions that shape their lives	Roller Meal Salt	\$31,000
Disability Support	10 Centres (including Zimcare Trust, Homefield, Sharon Cohen and Emerald Hill)	Assist children and adults with disabilities to enjoy full lives	Roller Meal Sugar Beans Salt Crushed Wheat	\$400,000
Old People's Home Support	4 Centres (including Mucheke Old Peoples Home and Ruwa Trust Lodge)	Stimulate a positive mood, and ward off depression	Rice Roller Meal Sugar Beans Salt Pearlenta Nutriactive Flour	\$304,000
ART Social and Regional Support	2 Centre (including Vocational Training and Sunshine Zimbabwe)	Explore history and different cultures, bringing different people together to find common ground to build the community	Roller Meal Flour Cooking Oil	\$47,000
Animal Welfare	Various projects (e.g. Zambezi Society, Homefield, Imire, Wild is life, SPCA)	Improve animal welfare through raising awareness of animal cruelty and directly providing care to animals in need	Chicken Feed Dog Food Calf Grower Game Nuts	\$990,000
ADHOC	Various organisations	Assist to improve the lives of others through empowerment	Roller Meal Flour Cooking oil Salt Sugar Beans	\$1,500,000

SUSTAINABILITY IN OUR BUSINESS (continued)

SUPPLY CHAIN AND AGRICULTURE

We recognize that agricultural products are central to our business and their steady supply is critical for our continued operations. We support our local farmers and suppliers through our supply chain partners enabling them to meet the increased demand for food as the population grows.



Managing our Supply Chain

As a company, we have developed a system for managing our supply chain and agricultural impact. This is enforced through our Procurement Policy. The system is designed to support environmental stewardship, uphold human rights, help support local businesses and farmers. The system enables us to screen our suppliers based on track record and consideration of sustainability issues such as environmental, social behaviour, corruption, statutory compliance and human rights practices. The Group contributes towards the empowerment of society in places where we operate by creating economic opportunities in the supply chain. Our focus as a company will be on improving efficiencies across all areas of the value chain to ensure quality and affordable products.

Procurement Practices

Agriculture and Contract farming

Local farmers are a key anchor for our business providing us with a significant proportion of the key raw materials required for manufacturing. Over the years we have supported local farmers through contract farming schemes managed by Paperhole Investments and Pure Oil Industries to enable them to continue meeting the increased demand for our products. Our continued support for local farmers increases food production while providing economic and social opportunities for society.



National Foods participated across the value chain in the supply of basic goods in the country. Through this value chain, we create various opportunities such as employment and business for suppliers. We use a range of raw materials to create our products, and this makes our supply chain diverse as we seek to accommodate the changing consumer preferences. Our suppliers enable us to meet the ever-changing consumer needs by delivering quality raw materials for our products. Our business is anchored by a resilient supply chain of farmers, ingredient suppliers and service providers among others.

The Group continues to support contract farming by promoting local farmers through buying and using locally produced raw materials wherever possible before opting for imported options. This initiative also supports the Kilometer Zero Initiative that reduces our carbon footprint and our contribution to climate change.

We launched backyard farmer trainings to educate farmers on poultry farming and management. To date, more than 1500 farmers have been engaged. The customer information collected is shared with the technical advisory team which follows up on the customer to provide technical expertise and after sales support.

SUSTAINABILITY IN OUR BUSINESS (continued)

SUPPLY CHAIN AND AGRICULTURE

Responsible Supply Chain

We are aware of the associated business risks created by the behaviours and the practices of our suppliers. We appreciate that by supporting businesses we can amplify negative impacts such as child labour, human rights violations, stream bank cultivation, farming on wetlands among other impacts. While we have not yet developed a robust system for uniformly auditing our suppliers across environmental and social criteria, we urge our suppliers to operate ethically and uphold the highest standards of environmental and social practices. We appreciate that our suppliers are limited by the operating environment, as such we seek to partner with them to set out the minimum social, ethical and environmental standards we expect as part of their relationship with us.

Raw Materials

Raw materials include all the critical materials required for production. As a business, we have systems in place to ensure we eliminate wastage and poor quality raw material as this ultimately affects our competitiveness and our trust from consumers. The business has put in place standard operating procedure manuals for the handling of raw materials which prescribe daily and monthly physical counts, quality adherence procedures.

For FY2020, we used the following raw materials:

Materials	Unit	2020	2019	2018	2017
Maize	Tons	223 636	251 807	161 710	145 925
Soya	Tons	15 156	29 668	19 956	19 889
Wheat	Tons	160 576	245 808	277 186	224 954
Maize germ	Tons	31 933	30 828	14 260	22 931
Wheat feed	Tons	28 025	38 887	40 655	35 003
Rice	Tons	16 920	24 934	24 786	32 808
Salt	Tons	16 158	18 731	21 743	19 057
		492 404	640 663	560 296	500 567

Maize germ and wheat feed are by-products from the maize milling and flour milling process. These materials are used as raw materials in production of stockfeed.

SUSTAINABILITY IN OUR BUSINESS (continued)

ECONOMIC VALUE PERFORMANCE

Economic Value Generated and Distributed

Inflation Adjusted	2020 ZWL'000	2019 ZWL'000	2018 ZWL'000	2017 ZWL'000
Economic Value Generated				
Revenue	12 790 813	8 387 616	6 878 067	6 847 750
Other Income	25 749	14 653	24 033	17 276
Equity Accounted Earnings	171 439	78 978	119 956	43 337
Suppliers of materials and services	(9 941 787)	(6 590 251)	(6 009 285)	(5 996 894)
	3 046 214	1 890 995	1 012 771	911 469
Economic Value Distributed				
Employees	749 933	481 040	341 977	369 129
Payments to Government	495 758	431 982	131 915	124 178
• Income tax	409 386	380 380	93 176	78 670
• PAYE	86 372	51 602	38 739	45 508
Providers of capital	279 233	265 002	270 756	194 641
• Dividend paid to shareholders	141 600	173 628	191 062	168 575
• Net interesting on borrowing	137 633	91 374	79 694	26 066
Reinvestment in the Group to maintain and develop operations	1 521 290	712 971	268 124	223 521
• Depreciation	87 420	69 168	61 571	68 286
• Retained Income	1 433 870	643 803	206 553	155 235
Economic Value created	3 046 214	1 890 995	1 012 771	911 469

Tax Payments

The Group makes payments to the government through corporate taxes, value-added tax, duty and levies. For FY2020, we made the following payments to the government:

Inflation Adjusted	2020 ZWL'000	2019 ZWL'000	2018 ZWL'000	2017 ZWL'000
Corporate Tax – Associates	56 296	47 790	103 242	37 561
Value Added Tax (VAT)	92 737	152 079	134 962	109 443
Import Duty	3 737	20 638	21 124	28 384
Withholding Tax	86 372	2 199	3 509	3 477
Levies	29 396	1 548	1 131	1 230
Total	268 538	224 254	263 968	180 094

Pension coverage and contributions

The Group contributes to various pension funds managed internally and externally. 84% of the employees are on the National Foods Pension Fund. For the FY2020, the Group contributed to the following pensions:

Inflation Adjusted	2020 ZWL'000	2019 ZWL'000	2018 ZWL'000	2017 ZWL'000
National Foods Pension	6 500	6 028	8 380	9 698
National Social Security	5 601	2 934	5 194	5 653
Group Life Cover	2 869	1 258	1 708	1 869
Total	14 970	10 220	15 283	17 219

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SUSTAINABILITY IN OUR BUSINESS (continued)

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

National Foods recognizes the complexity and challenges covered by the Sustainable Development Goals. We believe the Group has a part to play in the achieving of these goals and as such we embed the SDGs in our business operation through the material topics for our business. Below are our contributions to SDGs through our business actions:

Our Actions	Theme	SDGs Supported
We produce affordable staple foods to ensure no one goes hungry. The Group also supports local farmers through contract farming to maximise food production.	Zero Hunger	
Through our CSR Programme, we supported various communities with stationery and learning facilities.	Quality Education	
We provide economic opportunities through employment in the form of casuals, temporary and full-time employment. The Group adheres to trade unions agreements of collective bargaining.	Employment and Decent Work for all	
The economic value we generate and distribute contributes to economic growth. NFL makes payments to the government which can support service delivery and infrastructure development.	Promote sustained, inclusive and sustainable economic growth	
Our production is conducted using modern equipment and machines that minimise waste. Production waste is used as raw material for stock feeds products.	Sustainable consumption and Production	
We monitor emissions and have been taking action through our climate change initiatives.	Climate action	





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ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS

The Directors of the Company are required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) 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, generally accepted accounting practices have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

The principal accounting policies of the Group are consistent with those applied in the previous year and conform to International Financial Reporting Standards (IFRS).

The Directors have satisfied themselves that the Group is in a sound financial position and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board recognises and acknowledges its responsibility for the Group's systems of internal financial control. National Foods maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit Committee has met the external auditors to discuss their reports and the results of their work, which includes assessments of the relative strengths and weaknesses of key control areas. In a growing Group of the size, complexity and diversity of National Foods it may be expected that occasional breakdowns in established control procedures may occur; any such breakdowns have been reported to the Group's Audit Committee and the Board.

The financial statements for the year ended 30 June 2020, which appear on pages 72 to 121 have been approved by the Board of Directors and are signed on its behalf by:

Todd Moyo
Independent, Non-Executive Chairman
Harare
25 September 2020

Michael Lashbrook
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATION

I certify that, to the best of my knowledge and belief, the Company has lodged with the Registrar of Companies all such returns as are required to be lodged by the Public entity in terms of the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) of the Republic of Zimbabwe, and all such returns are true, correct and up to date.

Leigh Howes
Group Legal Counsel and Company Secretary
Harare
25 September 2020

REPORT OF DIRECTORS

The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2020.

GROUP FINANCIAL RESULTS

	Year ended 30 June 2020 ZWL'000	Year ended 30 June 2019 ZWL'000	Year ended 30 June 2018 ZWL'000	Year ended 30 June 2017 ZWL'000	Year ended 30 June 2016 ZWL'000
Profit before tax	1 996 700	1 286 424	489 683	407 447	454 103
Income tax expense	(409 386)	(380 380)	(93 176)	(3 522)	(113 708)
Profit for the year	1 587 314	906 043	396 507	403 925	340 395
Total comprehensive income for the year	1 587 314	906 043	396 507	324 212	340 337

SHARE CAPITAL

During the year the authorised share capital remained at 73 000 000 ordinary shares of (ZWL) 1 cent each. No new shares were issued during the year (2019: Nil) and the number of shares in issue was 68 400 108 (2019: 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 9.85% shareholding in National Foods Holdings Limited. Dividends received through its shareholding are administered by a board of nine Trustees for the benefit of workers under grades "A", "B" and "C" of the Milling and Commercial Industries and grades 1-6 of the Textile Industry, being the National Employment Council for which the wide categories of employees fall.

BORROWING POWERS

In terms of the Articles of Association, the borrowing powers of the Company and its subsidiaries (excluding inter-company borrowings) are limited in aggregate to the nominal amount of the share capital of the Company plus the total free reserves of the Company and its subsidiaries. The level of borrowings throughout the year was adequately covered in this respect. The Directors may exercise all the power of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities, whether outright or as security for any debt, liability or obligation of the Company or of any third party.

RESERVES

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

DIVIDENDS

The Board is pleased to declare a final dividend of ZWL 445.71 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 ZWL 532.18 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 the appointment of Deloitte and Touche as the new auditors for the ensuing year.

ANNUAL GENERAL MEETING

The fifty-first Annual General Meeting of the Company will be held at 08:45 am on Monday 9 November 2020 at the Royal Harare Golf Club, Harare.

Todd Moyo
Independent, Non-Executive Chairman
Harare
25 September 2020

Michael Lashbrook
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED

Report on the Audit of the Consolidated Inflation Adjusted Financial Statements

Adverse Opinion

We have audited the consolidated inflation adjusted financial statements of National Foods Holdings Limited and its subsidiaries (the Group), as set out on pages 72 to 121, which comprise the consolidated inflation adjusted statement of financial position as at 30 June 2020, and the consolidated inflation adjusted statement of profit or loss and other comprehensive income, the consolidated inflation adjusted statement of changes in equity and the consolidated inflation adjusted statement of cash flows for the year then ended, and notes to the consolidated inflation adjusted financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated inflation adjusted financial statements do not present fairly the consolidated financial position of the Group as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with IFRS: International Accounting Standard (IAS) 21- The Effects of Changes in Foreign Exchange Rates in the prior period and inappropriate application of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors (Applicable to local ZWL functional currency subsidiaries)

As explained in note 1.3 on the consolidated inflation adjusted financial statements, the Group applied the United States Dollar (US\$) as its functional and reporting currency for the period 1 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar (RTGS\$) or Zimbabwe Dollar (ZWL) for the period 23 February to 30 June 2019, in order to comply with Statutory Instrument 33 (SI33) of 2019, issued on 22 February 2019. In addition, to comply with SI33, the Group changed its functional and reporting currency with effect from 23 February 2019. We, however, believe that the change in currency occurred from 1 October 2018.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out local Foreign Currency Accounts (FCAs) (RTGS\$) from the FCA Nostro US\$ Accounts effective 1 October 2018. Although the exchange rate between US\$ and RTGS\$ was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between the two currencies.

In February 2019, a Monetary Policy Statement was issued introducing the RTGS\$ and the interbank foreign exchange market. This Monetary Policy statement was followed by, Statutory Instrument 142

of 2019 which specified that for all domestic transactions, ZWL (which comprises RTGS\$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

The events in the preceding paragraphs, triggered a requirement for the Group to assess whether there was a change in functional and reporting currency from US\$ to RTGS\$. We believe that events in the market and subsequent promulgation of the RTGS\$ as a formal currency supported a change in functional currency from US\$ to RTGS\$ prior to 22 February 2019 and that transactions in the market indicated different exchange rates between the two currencies despite the legal 1:1 RTGS\$: US\$ exchange rate and this applied from 1 October 2018. The Group chose to comply with the requirements of the law by adopting the date of change in functional and reporting currency as of 22 February 2019. This therefore impacted the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019. Consequently, our audit report for the year ended 30 June 2019 was modified as the effects were considered material and pervasive.

There has been no restatement of the opening balances to resolve this matter which resulted in the adverse audit report in the prior period in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors as the issues to do with IFRS compliance and consistent market exchange rates have persisted in the current period. Consequently:

- All corresponding numbers remain misstated on the consolidated inflation adjusted Statement of Profit or Loss and other Comprehensive Income, consolidated inflation adjusted Statement of Financial Position, the consolidated inflation adjusted Statement of Changes in Equity, and the consolidated inflation adjusted Statement of Cash Flows; this also impacts comparability of the current year's figures.
- As opening balances enter into the determination of cash flows and performance, our current year opinion is modified in respect of the impact of this matter on the consolidated inflation adjusted Statement of Cash Flows, the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity.

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 July 2018 to 30 June 2020 it is noted that its application was based on inappropriate numbers as a result of the non-compliance with IAS 21 / IAS 8 as described above.

In addition to the impact on the corresponding numbers, current year performance and cash flows the matter continues to impact the balances on the Statement of Financial Position as some of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the Statement of Financial Position, the specific accounts and the portions affected by this matter have not been identified / quantified here. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

Exchange rates used (Non-compliance with IAS 21) (Applicable to local ZWL functional currency subsidiaries)

As outlined in Note 1.3 to the Group consolidated inflation adjusted financial statements, for the year ended 30 June 2020, the Group translated foreign denominated transactions and balances using exchange rates determined from the interbank market and trading arrangements. In view of the continued distortions in the foreign exchange market during the year, the Group indicated that it could not establish observable and consistent market wide spot exchange rates that meet the requirements of IAS 21, the same pattern contributed to the adverse opinion in prior year on this matter.

Had exchange rates contemplated by IAS 21 been available on the market, virtually all balances and amounts on all financial statements would have been affected in a material manner except for Intangible Assets, Right of Use Assets, Assets of a disposal group Held for Sale, Share Capital, Share Premium, Lease Liabilities and Provisions and other Liabilities. However, owing to the lack of market wide information on observable spot rates available to the Group and the other matters discussed above it is not possible to quantify the impact of this on the Group's inflation adjusted financials for the year under consideration.

Accounting for blocked funds

Included in financial assets of ZWL852 714 105 on Note 14 to the consolidated inflation adjusted financial statements for the year ended 30 June 2020, are local deposits amounting to ZWL 1 199 236 placed by the subsidiary, National Foods Limited, with RBZ (through authorised dealers) in pursuance of registration of foreign currency denominated liabilities at date of functional currency change in February 2019 as required by policy pronouncements and undertakings by RBZ. The equivalent liabilities were translated at the Group's closing exchange rate. The deposits in local currency held with RBZ have, in our view been inappropriately treated as foreign denominated derivative financial assets and translated at the Group's closing exchange rate in contravention of IAS 21 which defines 'foreign currency' as a currency other than the functional currency of the Group. Furthermore, we could not establish the specific contractual arrangements that supports the recognition of derivative financial assets in US\$.

Consolidating Associates with underlying matters

The Investment in Associates amount disclosed under Note 11.3 on the consolidated inflation adjusted Statement of Financial Position of ZWL801 610 502 (2019: ZWL 944 603 192) relates to local associates. They contribute ZWL171 438 712 on the consolidated inflation adjusted Statement of Comprehensive Income. These amounts arose from equity accounting as required by IFRS. The underlying accounting records used to equity account the amounts contain disagreements with management as follows in all the associates:

- Incorrect date of change in functional currency and non-compliance with IAS 8 in not correcting such incorrect date of change in functional currency with a pervasive impact to the results of the associates.
- Disagreement on exchange rates used which are not IAS 21 compliant as they do not meet the definition of a spot rate with a further pervasive impact to the result of the associate.

The above matters arose in the prior year and contributed to our adverse opinion in the prior period. The above matters continue to impact the amounts recognised in the financial statements (as noted above) in the current period in respect of these associates and the impact cannot be determined. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Consolidating Foreign Subsidiary with incorrect exchange rates.

Further to the issue noted above in respect of inappropriate spot rates, management have also used the same rates as outlined on Note 1.3 to translate the foreign subsidiaries to group reporting currency on consolidation. The impact is misstatement of the following amounts on the inflation adjusted Statement of Financial Position of the Group: ZWL156 261 303 included in Cash and cash equivalents of ZWL369 742 059 and Foreign currency translation reserve of ZWL141 590 954. This

matter arose in the prior year and contributed to our adverse opinion in the prior period. Our opinion on the current period's financial statements is therefore also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Consequential impact of the above matters on IAS 29 accounting

Furthermore, notwithstanding that IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied from 1 July 2018 to 30 June 2020, it is noted that its application was based on prior and current periods' financial information which has been misstated as a result of matters described above. Had the correct base numbers and start date been used, virtually all elements of the financial statements would have been materially different.

The effects of the above departures from IFRS are material and pervasive to the consolidated inflation adjusted financial statements.

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 (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and 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 adverse opinion.

Key Audit Matters

Except for the matters described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement and the Directors Responsibility Statement and the Historical Cost Financial Information, which we obtained prior to the date of this report. The other information does not include the consolidated inflation adjusted financial statements and our auditor's report thereon.

Our opinion on the consolidated inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. The Sustainability Report is expected to be made available to us after the date of this auditor's report.

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, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates.

We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standard.

Responsibilities of the Directors for the Consolidated Inflation adjusted Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated inflation adjusted financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Other Business Entities Act (Chapter 24:31), and for such internal controls as the directors determine is necessary to enable the preparation of consolidated inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated inflation adjusted 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the accompanying consolidated inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) with regards to the requirement to comply with the International Financial Reporting Standards.

The engagement partner on the audit resulting in this independent auditor's report is Mr Walter Mupanguri (PAAB Practicing Certificate Number 367).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
25 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	Inflation Adjusted		Historical	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Revenue	4	12 790 813 470	8 387 615 774	6 340 085 140	566 172 807
Cost of sales		(8 590 977 624)	(5 622 852 643)	(3 516 659 692)	(374 052 318)
Gross profit		4 199 835 846	2 764 763 131	2 823 425 448	192 120 489
Other income	5.1	25 749 136	14 653 254	15 436 918	1 299 112
Distribution expenses		(516 769 494)	(339 596 707)	(228 317 818)	(24 866 320)
Selling and marketing expenses		(141 315 504)	(99 297 245)	(61 993 695)	(7 270 851)
Employee benefits expenses		(836 304 541)	(532 642 004)	(501 547 491)	(39 001 693)
Administrative expenses		(692 724 733)	(528 504 781)	(139 579 156)	(38 701 083)
Expected credit loss expense		(3 322 943)	(31 830)	(1 384 449)	909 511
Depreciation	5.3	(87 420 305)	(69 168 405)	(16 209 022)	(5 889 864)
Profit from operating activities	5	1 947 727 462	1 210 175 413	1 889 830 735	78 599 301
Interest income	5.4	—	3 337 502	—	229 564
Interest expense	5.4	(137 633 179)	(94 711 338)	(58 563 254)	(6 309 841)
Equity accounted earnings	11.3	171 438 712	78 977 555	45 617 170	3 509 223
Gain on monetary position		15 166 573	88 644 750	—	—
Profit before tax		1 996 699 568	1 286 423 882	1 876 884 651	76 028 247
Income tax expense	6.1	(409 386 024)	(380 380 437)	(432 029 081)	(19 408 075)
Profit for the year		1 587 313 544	906 043 445	1 444 855 570	56 620 172
Other comprehensive income - Not to be recycled to profit or loss at a future point in time					
Transfer of CFCR relating to current year movements		—	—	(96 760 915)	—
Exchange differences on translation of foreign operation		—	—	141 590 954	(407)
Total comprehensive income for the year		1 587 313 544	906 043 445	1 489 685 609	56 619 765
Profit for the year attributable to equity holders of the parent		1 587 313 544	906 043 445	1 444 855 570	56 620 172
Total comprehensive income for the year attributable to equity holders of the parent		1 587 313 544	906 043 445	1 489 685 609	56 619 765
Earnings per share					
Basic and diluted earnings per share	7	2 320.63 cents	1 324.62 cents	2 112.36 cents	82.78 cents
Headline earnings per share	7	2 319.89 cents	1 317.70 cents	1 937.56 cents	82.62 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	Inflation Adjusted		Historical	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
ASSETS					
Non-current assets					
Property, plant and equipment	8	1 293 089 103	1 222 252 569	226 177 226	174 348 856
Intangible assets	10	35 008 498	35 008 498	1 516 421	1 516 422
Investment in associates	11.3	801 610 502	944 603 192	69 138 557	25 496 030
Other financial assets	12.1	80 099 999	20 967 249	80 099 999	4 475 382
Right of use assets	26	11 142 098	—	11 142 098	—
		2 220 950 200	2 222 831 508	388 074 301	205 836 690
Current assets					
Cash and cash equivalents	19.4	369 742 059	289 025 802	369 742 059	34 518 304
Inventories	13	2 663 856 549	834 334 254	1 835 784 153	96 370 349
Trade and other receivables	14	852 714 105	412 797 436	826 227 464	49 109 392
Prepayments		618 143 974	799 665 080	478 374 013	84 527 403
		4 504 456 687	2 335 822 572	3 510 127 689	264 525 448
Assets classified as held for sale	9	22 716 207	—	7 647 840	—
		4 527 172 894	2 335 822 572	3 517 775 529	264 525 448
Total assets		6 748 123 094	4 558 654 080	3 905 849 830	470 362 138
EQUITY AND LIABILITIES					
Equity					
Issued share capital	15.1	15 791 058	15 791 058	684 001	684 001
Non-distributable reserves	15.3	—	—	152 826 553	107 996 609
Distributable reserves	15.4	4 214 931 937	2 769 106 170	1 622 245 677	150 100 420
Total equity		4 230 722 995	2 784 897 228	1 775 756 231	258 781 030
Non-current liabilities					
Deferred tax liability	6.4	310 919 236	310 309 560	60 033 050	36 801 835
Lease liability	26	5 815 289	—	5 815 289	—
		316 734 525	310 309 560	65 848 339	36 801 835
Current liabilities					
Trade and other payables	17	1 539 241 576	538 200 016	1 402 821 262	64 277 140
Current portion of lease liability	26	5 102 405	—	5 102 405	—
Borrowings	12.2	311 229 732	716 178 582	311 229 732	85 533 091
Provisions	18	16 205 212	3 580 001	16 205 212	427 561
Current tax payable	6.3	304 128 059	125 433 807	304 128 059	14 980 539
Shareholders for dividends	16	24 758 590	80 054 886	24 758 590	9 560 942
		2 200 665 574	1 463 447 292	2 064 245 260	174 779 273
Total equity and liabilities		6 748 123 094	4 558 654 080	3 905 849 830	470 362 138

Todd Moyo
Independent, Non-Executive Chairman
Harare
25 September 2020

Michael Lashbrook
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	Inflation Adjusted		Historical	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
OPERATING ACTIVITIES					
Cash generated from operations	19.1	2 340 726 864	817 891 181	1 690 343 492	86 479 170
Working capital changes	19.2	(1 227 011 855)	(1 702 741 404)	(1 421 749 535)	(112 441 618)
Operating cash flow		1 113 715 009	(884 850 223)	268 593 957	(25 962 448)
Interest received	5.4	—	3 337 502	—	229 564
Interest paid	5.4	(137 633 179)	(95 410 320)	(58 563 254)	(6 309 841)
Income tax paid	19.3	(155 238 291)	(68 782 030)	(119 650 346)	(4 542 318)
Net cash inflows/(outflows) from operating activities		820 843 539	(1 045 705 071)	90 380 357	(36 585 043)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment to maintain operations		(98 035 295)	(170 546 724)	(41 507 311)	(11 261 901)
Purchase of property, plant and equipment to expand operations		(58 572 798)	(31 634 888)	(24 799 225)	(2 089 476)
Investment in associate	11.3	—	(65 942 710)	—	(4 354 082)
Loan to associate		6 269 350	(11 401 543)	2 954 815	(752 824)
Purchase of other investments		—	(12 460 696)	—	(822 758)
Proceeds from disposal of non current assets held for sale		—	56 112 343	—	3 705 000
Proceeds on disposal of property, plant and equipment		812 623	4 356 438	382 998	287 648
Proceeds on disposal of financial instruments		—	47 838 051	—	3 158 663
Dividends received from associate		12 439 495	36 348 076	5 862 874	2 400 000
Net cash outflows from investing activities		(137 086 625)	(147 331 653)	(57 105 849)	(9 729 730)
FINANCING ACTIVITIES					
Proceeds from borrowings		285 021 776	1 028 913 943	285 021 776	66 909 152
Repayment of borrowings		(684 868 220)	(194 393 415)	(59 325 135)	(11 800 000)
Lease Liability payments		(6 297 934)	—	(3 139 356)	—
Dividends paid	16	(196 896 276)	(116 287 364)	(54 385 781)	(7 679 304)
Net cash flows (outflows)/inflows from financing activities		(603 040 654)	718 233 164	168 171 504	47 429 848
Increase in cash and cash equivalents		80 716 260	(474 803 560)	201 446 012	1 115 075
Net foreign exchange difference		—	—	133 777 743	—
Cash and cash equivalents at beginning of the year		289 025 799	763 829 362	34 518 304	33 403 229
Cash and cash equivalents at the end of the year	19.4	369 742 059	289 025 802	369 742 059	34 518 304

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Inflation Adjusted	Issued Share Capital ZWL	Non-Distributable Reserves ZWL	Distributable Reserves ZWL	Total ZWL
Note	15.1	15.3	15.4		
Balance at 30 June 2018	15 791 058	—	2 036 690 000	2 052 481 058	
Profit for the year	—	—	906 043 446	906 043 446	
Total comprehensive income	—	—	906 043 446	906 043 446	
Transfer of CFCR relating to current year movements	—	—	424	424	
Dividends declared (Note 16)	—	—	(173 627 700)	(173 627 700)	
Balance at 30 June 2019	15 791 058	—	2 769 106 170	2 784 897 228	
Profit for the year	—	—	1 587 313 545	1 587 313 545	
Total comprehensive income	—	—	1 587 313 545	1 587 313 545	
IFRS 16 Adjustment on Retained Earnings	—	—	112 202	112 202	
Dividends declared (Note 16)	—	—	(141 599 980)	(141 599 980)	
Balance at 30 June 2020	15 791 058	—	4 214 931 937	4 230 722 995	
		Issued Share Capital ZWL	Non-Distributable Reserves ZWL	Distributable Reserves ZWL	Total ZWL
Note	15.1	15.3	15.4		
Balance at 30 June 2018	684 001	(10 628)	103 161 825	103 835 198	
Profit for the year	—	—	56 620 172	56 620 172	
Change in functional currency reserve	—	97 847 894	2 243 092	100 090 986	
Associates change in functional currency recorded directly in equity	—	10 159 750	—	10 159 750	
Transfer to foreign currency reserve	—	(407)	—	(407)	
Total comprehensive income	—	108 007 237	58 863 264	156 710 751	
Dividends declared (Note 16)	—	—	(11 924 669)	(11 924 669)	
Balance at 30 June 2019	684 001	107 996 609	150 100 420	258 781 030	
Profit for the year	—	—	1 444 855 572	1 444 855 572	
Change in functional currency reserve	—	(96 760 912)	96 760 912	—	
IFRS 16 Adjustment on Retained Earnings	—	—	112 202	112 202	
Transfer to foreign currency reserve	—	141 590 856	—	141 590 856	
Total comprehensive income	—	44 829 944	1 541 728 686	1 586 558 630	
Dividends declared (Note 16)	—	—	(69 583 429)	(69 583 429)	
Balance at 30 June 2020	684 001	152 826 553	1 622 245 677	1 775 756 231	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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 Group Structure Section for additional corporate information.

The Group's main activities comprise of the milling of flour and maize, manufacture of stockfeeds, snacks and biscuits and the packaging and sale of other general grocery products.

The consolidated financial statements of National Foods Holdings Limited for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 25 September 2020.

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 and Other Business Entities Act (Chapter 24:31).

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.

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.

1.3 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

1 CORPORATE INFORMATION (continued)

1.3 Basis of Preparation (continued)

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).

The financial statements of the Group comprise the following:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year ended 30 June 2020;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2020.

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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

1 CORPORATE INFORMATION (continued)

1.4 Basis of consolidation (continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Changes in accounting policy and disclosures

The Group's financial statements, were prepared in accordance with IFRS except for the non-compliance with IAS 21 (The effect of Change in Foreign Exchange Rates), and the 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 previous consolidated annual financial statements. In the current year the Group has adopted the requirements of IAS 29 and IFRS 16 (Leases).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Changes in accounting policy and disclosures (continued)

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 has 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 asset is 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.

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	
	1 July 2019	1 July 2018	1 July 2019	1 July 2018
Non-Current Assets				
Right of use assets	629 682	—	629 682	—
Non-Current Liabilities				
Lease liability	(344 055)	—	(344 055)	—
Current Liabilities				
Lease liability	(173 425)	—	(173 425)	—
Equity				
Retained Earnings	112 202	—	112 202	—

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

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; and
- How an entity considers changes in facts and circumstances.

An entity has to 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 the interpretation from its effective date. Since the Group operates in a single tax environment, applying the Interpretation will not have a material impact on the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to IFRS 9: Prepayment Features with Negative Compensation (continued)

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- **IFRS 3 Business Combinations** - The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

- **IFRS 11 Joint Arrangements** - A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- **IAS 12 Income Taxes** - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

- **IAS 23 Borrowing Costs** - The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group

2.3.1 Foreign currency translation

The Group's financial statements are presented in Zimbabwe Dollar (ZWL) (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 Zimbabwean 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 divestment 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 and associates, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.2 Taxes (continued)

2.3.2.2 Deferred income tax (continued)

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 and associates, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

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 cost 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.6 Provisions (continued)

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. Currently the groups provisions relate to Leave pay liabilities.

2.3.7 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.

2.3.8 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 property, 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.

2.3.9 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the good is transferred to the customer, generally on delivery or collection. The normal credit term is 30 days upon transfer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., discounts).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.9 Revenue from contracts with customers (continued)

(i) Significant financing component

Generally, the Group receives short-term advances from its customers as well as sells goods on credit to customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(ii) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

2.3.10 Other Income Toll milling services

The Group provides toll milling services that are sold separately to customers. The Group recognises revenue from toll milling services at a point in time when the milled products are delivered to the customer. The Group recognises revenue on the basis of the tonnes milled based on the agreed price with customers.

2.3.11 Cost of sales

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

2.3.12 Impairment of non-financial assets

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

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

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

2.3.13 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.13.1 Financial instruments - initial recognition and subsequent measurement (continued)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 3.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loans receivable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.13.1 Financial instruments - initial recognition and subsequent measurement (continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or put in separate line (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.3.13.2 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, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in fair value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and short-term deposits, as defined above, net of outstanding bank overdrafts if any as at year end.

2.3.13.3 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.13.3 Financial instruments – initial recognition and subsequent measurement (continued)

2.3.13.4 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. 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 EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 12.2.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.13.5 Leases

The Group adopted IFRS 16 on 1 July 2019 as a replacement of IAS 17 Leases.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities as the present value of all future lease payments on the contract and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Depreciation is calculated using the estimated useful life of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.13 Financial instruments – initial recognition and subsequent measurement (continued)

2.3.13.5 Leases (continued)

Group as a lessee (continued)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate at the commencement date was 35%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments, or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 22.1).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Legacy Debts

The Group has foreign legacy liabilities amounting to US\$1.2 million, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Legacy Debts (continued)

The cash cover deposits at the RBZ have been disclosed in the Group's financial statements as a financial asset. The following exchange losses and revaluation gains have been recorded in the statement of profit and loss, in respect of this financial asset.

	Inflation Adjusted		Historical	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Exchange losses	–	–	(106 732 004)	–
Gain on revaluation of financial asset	–	–	106 732 004	–
Impairment loss of financial asset	–	–	(27 644 025)	–
Net loss	–	–	(27 644 025)	–

An amount of ZWL 106,732,004 was recorded as an unrealised foreign exchange loss relating to the legacy foreign debt amounts of US\$1 199 236. The deposit at the RBZ has been treated as a financial derivative and uplifted at closing rate and discounted to Net Present Value of ZWL 80 287 215. The difference between the Net Present Value and the face value of the financial asset of ZWL 27,644,025 has been expensed.

The unrealised net loss is expected to reverse on settlement of the instrument. 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 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 profit and loss.

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 2.3.8 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 inflation adjusted carrying amount of the Group's property, plant and equipment is ZWL1 293 089 103 (2019: ZWL1 222 252 569), with the historical carrying amount being ZWL 226 177 226 (2019: ZWL 174 348 856)

3.2 Provision for impairment of receivables

The 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 inflation adjusted carrying amount of the Group's provision for credit losses as at 30 June 2020 was ZWL4 747 611 (2019: ZWL 28 160 149), with the historical carrying amount being ZWL 4 747 611 (2019: ZWL 3 363 162).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS (continued)

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. These processes involve 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.

3.5 Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- **Identifying performance obligations:**
The Group manufactures and sales food products and stockfeeds separately. The sale of each product is distinct and therefore determined to be a separate performance obligation.
- **Determining the timing of satisfaction of installation services:**
The Group concluded that revenue from sale of goods is recognised at a point in time when goods are transferred to the customer
- **Consideration of significant financing component in a contract:**
The Group sells goods on credit to customers. However, using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3.6 Revaluation of Property, plant and equipment

As a result of the change in functional currency, the Group revalued property, plant and equipment to align the values of the property, plant and equipment with the Zimbabwean dollar. An exchange rate of US\$1 to ZWL4 was used to determine the valuation, with the revaluation gain recognised in a Non-distributable reserve through other comprehensive income. This exchange rate reflected the implied fair market rate of exchange based on procurement arrangements that the Group had with local suppliers of raw materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS (continued)

3.6 Revaluation of Property, plant and equipment (continued)

The revaluation was made in an attempt to more fairly present the Group's Statement of Financial Position as at this date in Zimbabwe Dollars. After accounting for the effects of deferred taxation, the net effect of this re-basing exercise resulted in an increase in total equity, through the Change in Functional Currency Reserve account, of ZWL96.76m.

Comparative financial information and that from the period from 1 July 2018 to 22 February 2019, has been prepared on the assumption that the United States Dollar and the Zimbabwe Dollar were at par.

As required by IAS 21, foreign monetary assets and liabilities in existence at 30 June 2019 have been translated to Zimbabwe Dollars at appropriate closing market rates of exchange, with any exchange differences between 22 February 2019 and 30 June 2019 having been adjusted for through the Group's Income Statement.

Since the Group undertook its asset re-basing exercise in February 2019, the Zimbabwe Dollar has experienced significant devaluation against major currencies. If sustained, the devaluation could result in a material understatement of the Group's asset base and consequently shareholders' equity.

The Group continues to measure all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

3.7 Leases - Estimating the incremental borrowing rate IFRS 16.26

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The Group's IBR for 2020 was 35%.

3.8 Functional Currency

The Group's consolidated financial statements are presented in Zimbabwean Dollars, which was determined to be the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group applied this judgement after Government promulgated Statutory Instrument 33 of 2019 (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 this effective date would be deemed to be Zimbabwe Dollars at a rate which was at par with the United States Dollar (USD).

3.9 Exchange Rate

The Group entered into foreign currency transactions throughout the year. Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. In determining transactional and closing exchange rates, the Group made use of the prevailing interbank rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
4 REVENUE				
The following is an analysis of the Group's revenue for the year				
Flour	4 815 516 596	2 912 728 091	2 386 930 689	196 612 182
Stockfeeds	2 888 917 726	2 122 106 998	1 431 963 994	143 244 434
Groceries	1 548 708 416	1 173 870 897	767 655 884	79 237 509
Maize*	2 954 361 407	1 687 463 869	1 464 402 784	113 905 570
Snacks and treats	567 642 328	485 708 571	281 366 052	32 785 835
Rental Income	80 441 347	26 301 892	39 872 756	1 775 405
Intersegment sales	(64 774 350)	(20 564 544)	(32 107 019)	(1 388 128)
	12 790 813 470	8 387 615 774	6 340 085 140	566 172 807

* Included in maize division revenue, is government subsidy received with the purpose of reducing the maize meal price. The subsidy was received for the purpose of selling maize meal to key retailers and wholesalers at a reduced price. The inflation adjusted subsidy received amounted to of ZWL 637,516,706 (2019: ZWL nil) whilst the historical subsidy amount was ZWL 309,071,968 (2019: ZWL nil).

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
5 PROFIT BEFORE TAX				
Profit before tax is arrived at after taking into account the following:				
5.1 Other income				
Profit on disposal of property, plant and equipment	673 702	1 307 967	275 485	57 918
Profit on disposal of assets held for sale	—	4 617 807	—	409 866
Export incentives	—	453 805	—	40 233
Toll, handling and other services rendered	24 654 345	188 124	14 820 593	74 255
Re-measurement gain on disposal of listed investments	—	3 616 157	—	320 597
Sale of scrap	47 786	1 346 990	22 683	119 420
Insurance and bad debt recoveries	373 303	3 122 404	318 157	276 823
	25 749 136	14 653 254	15 436 918	1 299 112
5.2 After charging/(crediting) the following				
Employee benefits expenses				
- Salaries and wages	1 216 211 433	527 031 860	506 714 362	38 562 565
- Post Employment benefits: Defined contribution plan	—	11 528 075	—	843 501
Administrative expenses				
- Repairs and maintenance	165 865 949	86 238 066	69 105 302	6 309 977
- Electricity and water	110 243 792	48 826 692	45 931 251	3 572 616
- Technical fees (management fees)	—	28 298 499	—	2 070 582
- Technical fees (other)	—	16 012 353	—	1 171 613
- Audit fees and expenses	28 995 204	10 127 113	12 080 372	740 994
- Net foreign exchange (gains)	(264 396 154)	(27 182 276)	(110 156 281)	(1 988 909)
- Credit losses expense	3 322 943	31 830	1 384 449	2 329
- Operating lease charges	—	6 505 623	—	476 012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
5 PROFIT BEFORE TAX (continued)				
5.3 Depreciation				
Buildings	19 156 365	15 744 667	4 601 574	1 340 698
Plant, machinery and equipment	60 043 285	46 783 524	10 095 520	3 983 735
Motor vehicles	8 220 655	6 640 214	1 511 928	565 431
	87 420 305	69 168 405	16 209 022	5 889 864
5.4 Net interest expense				
Interest income	—	3 337 502	—	229 564
Interest income from banks	—	732 317	—	50 371
Interest from financial assets	—	1 302 992	—	89 624
Interest income from trade and other receivables	—	1 302 193	—	89 569
Interest expense on bank overdrafts and other short term borrowings	(137 633 179)	(94 711 338)	(58 563 254)	(6 309 841)
	(137 633 179)	(91 373 836)	(58 563 254)	(6 080 277)
6 TAXATION				
6.1 Consolidated profit or loss				
Income tax				
- On current profits at normal rates	408 776 348	335 947 252	408 797 866	22 144 034
Deferred tax relating to current temporary differences (note 6.4)	609 676	44 433 185	23 231 2155	(2 735 959)
	409 386 024	380 380 437	432 029 081	19 408 075
6.2 Reconciliation of income tax charge:				
Profit before tax	1 996 699 569	1 286 423 882	1 876 884 653	76 028 247
Income tax computed at 24.72% (2019: 25.75%)	493 584 133	331 254 150	463 965 886	19 577 274
Non-deductible expenses for tax purposes	(18 951 363)	21 183 037	(19 196 134)	1 081 257
Equity accounted earnings	(42 379 650)	(20 336 720)	(11 276 565)	(903 625)
Effects of change in tax rates	(12 412 382)	—	(1 443 489)	—
Effects of profit on disposal of fixed assets	(134 966)	(2 650 297)	(42 134)	(135 281)
Fair value adjustment	—	(2 493 116)	—	(127 257)
Other reconciling items	(10 319 748)	53 423 383	21 517	(84 293)
	409 386 024	380 380 437	432 029 081	19 408 075

Non-deductible expenses are mainly motor vehicle lease premiums and capital legal fees.

Other reconciling items include local and foreign bank interest received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
6 TAXATION (continued)				
6.3 Current tax liabilities				
Opening Balance	125 433 807	(17 335 359)	14 980 539	(750 895)
Charge to profit or loss	408 776 348	335 947 252	408 797 865	22 144 034
Paid	(155 238 291)	(68 782 030)	(119 650 346)	(4 542 318)
Offset allowance granted	(74 843 805)	(124 396 056)	–	(1 870 282)
Closing Balance	304 128 059	125 433 807	304 128 058	14 980 539
6.4 Deferred tax liability				
At beginning of the year	310 309 560	265 876 375	36 801 835	8 201 539
Deferred tax relating to current temporary differences (note 6.1)	609 676	44 433 185	23 231 215	(2 735 959)
Deferred tax relating to revaluation	–	–	–	31 160 738
Reclassification of deferred tax relating to assets held for sale	–	–	–	175 517
At end of the year	310 919 236	310 309 560	60 033 050	36 801 835
Analysis of deferred tax liability				
Property, plant and equipment	316 496 661	337 974 612	47 178 620	40 364 253
Unrealised exchange gains	–	–	18 431 855	182 468
Allowance for credit losses	(1 173 609)	(7 251 238)	(1 173 609)	(866 014)
Other	(4 403 816)	(20 413 814)	(4 403 816)	(2 878 872)
	310 919 236	310 309 560	60 033 050	36 801 835

7 EARNINGS PER SHARE

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

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

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

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
7.1 Weighted average number of shares in issue				
Weighted average shares in issue for basic, diluted and headline earnings per share	68 400 108	68 400 108	68 400 108	68 400 108
7.2 Profit for the year				
Net profit attributable to equity holders of the parent	1 587 313 544	906 043 445	1 444 855 570	56 620 172

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
7 EARNINGS PER SHARE (continued)				
7.3 Headline earnings				
Reconciliation between profit for the year and headline earnings				
Net profit attributable to ordinary equity holders of the parent	1 587 313 545	906 043 446	1 444 855 572	56 620 172
Exchange gain on receivables	–	–	(158 530 000)	–
(Profit) / loss on disposal of property, plant and equipment	(672 898)	(151 745)	(298 168)	(57 918)
Tax effect of adjustment	166 341	37 511	39 262 324	10 846
(Profit) / loss on disposal of assets held for sale	–	(4 617 807)	–	(409 866)
Headline earnings	1 586 806 988	901 311 405	1 325 289 728	56 163 234
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	1 317.70	1 937.56	82.62

	Land & Buildings ZWL	Plant, machinery & equipment ZWL	Motor vehicles ZWL	Capital Work in progress ZWL	Total ZWL
8 PROPERTY, PLANT AND EQUIPMENT					
Inflation Adjusted					
At 30 June 2020					
Cost					
At the beginning of the year	680 023 297	774 245 738	67 874 658	213 668 047	1 735 811 740
Additions	24 486 948	61 284 845	37 522 576	33 313 726	156 608 095
Disposals	–	(843 612)	(499 954)	–	(1 343 566)
At end of the year	704 510 245	834 686 971	104 897 280	246 981 773	1 891 076 269
Depreciation					
At beginning of year	(127 727 024)	(348 782 500)	(37 049 648)	–	(513 559 172)
Charge for the year	(17 496 628)	(60 043 285)	(8 064 707)	–	(85 604 620)
Disposals	–	774 582	402 044	–	1 176 626
At end of the year	(145 223 652)	(408 051 203)	(44 712 311)	–	(597 987 166)
Carrying amount	559 286 593	426 635 768	60 184 969	246 981 773	1 293 089 103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Land & Buildings ZWL	Plant, machinery & equipment ZWL	Motor vehicles ZWL	Capital Work in progress ZWL	Total ZWL
8 PROPERTY, PLANT AND EQUIPMENT (continued)					
Inflation Adjusted					
At 30 June 2019					
Cost					
At the beginning of the year	617 114 650	726 657 629	63 810 143	95 350 295	1 502 932 717
Additions	61 071 219	49 983 804	20 516 762	118 317 752	249 889 537
Disposals	—	(2 395 695)	(16 452 247)	—	(18 847 942)
Re-classified from Assets-Held for sale	1 837 428	—	—	—	1 837 428
At end of the year	680 023 297	774 245 738	67 874 658	213 668 047	1 735 811 740
At 30 June 2019					
Depreciation					
At beginning of year	(111 770 030)	(302 390 649)	(45 386 774)	—	(459 547 453)
Charge for the year	(15 744 667)	(46 783 524)	(6 640 213)	—	(69 168 404)
Disposals	—	391 673	14 977 340	—	15 369 013
Re-classified from Assets-Held for sale	(212 327)	—	—	—	(212 327)
At end of the year	(127 727 024)	(348 782 500)	(37 049 647)	—	(513 559 171)
Carrying amount	552 296 273	425 463 238	30 825 011	213 668 047	1 222 252 569
Historical					
At 30 June 2020					
Cost					
At the beginning of the year	86 988 745	94 906 405	4 949 388	11 846 504	198 691 042
Additions	10 189 912	25 502 859	15 614 513	13 863 056	65 170 340
Disposals	—	(586 688)	(347 692)	—	(934 380)
Exchange differences	1 199 356	—	—	—	1 199 356
At end of the year	98 378 013	119 822 576	20 216 209	25 709 560	264 126 358
Depreciation					
At beginning of year	(6 086 077)	(16 758 426)	(1 497 683)	—	(24 342 186)
Charge for the year	(2 941 837)	(10 095 520)	(1 355 979)	—	(14 393 336)
Disposals	—	517 687	268 703	—	786 390
Re-classified from Assets-Held for sale	—	—	—	—	—
At end of the year	(9 027 914)	(26 336 259)	(2 584 959)	—	(37 949 132)
Carrying amount	89 350 099	93 486 317	17 631 250	25 709 560	226 177 226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Land & Buildings ZWL	Plant, machinery & equipment ZWL	Motor vehicles ZWL	Capital Work in progress ZWL	Total ZWL
8 PROPERTY, PLANT AND EQUIPMENT (continued)					
Historical					
At 30 June 2019					
Cost					
At the beginning of the year	26 104 665	30 738 460	2 699 243	4 033 428	63 575 796
Additions	4 032 819	3 300 665	1 354 818	7 813 076	16 501 378
Disposals	—	(158 199)	(1 086 419)	—	(1 244 618)
Re-classified to Assets-Held for sale	121 334	—	—	—	121 334
Exchange differences	(407)	—	—	—	(407)
Revaluation*	56 730 334	61 025 479	1 981 746	—	119 737 559
At end of the year	86 988 745	94 906 405	4 949 388	11 846 504	198 691 042
Depreciation					
At beginning of year	(4 731 358)	(12 800 555)	(1 921 276)	—	(19 453 189)
Charge for the year	(1 340 698)	(3 983 735)	(565 431)	—	(5 889 864)
Disposals	—	25 864	989 024	—	1 014 888
Re-classified to Assets-Held for sale	(14 021)	—	—	—	(14 021)
At end of the year	(6 086 077)	(16 758 426)	(1 497 683)	—	(24 342 186)
Carrying amount	80 902 668	78 147 979	3 451 705	11 846 504	174 348 856

* As a result of the change in functional currency in the prior year, the Group revalued property, plant and equipment in prior year to align the values of the property, plant and equipment with the Zimbabwean dollar. An appropriate exchange rate was used to determine the valuation, with the revaluation gain recognised in a Non-distributable reserve through other comprehensive income. The Group continues to measure all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses. For details on the change in functional currency, refer to Note 2.1.

8.1 None of the asset categories above had been pledged to secure borrowings of the Group in the current year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

9 ASSETS HELD FOR SALE

During the year, the Group decided to dispose of its share of investment in Lolite Trading (Private) Limited, an associate as the investment no longer coincides with the Group's investment strategy. The sale of Lolite Trading (Private) Limited is expected to be completed within a year from the reporting date. At 30 June 2020, the investment in Lolite Trading (Private) Limited was classified as a disposal group held for sale and as a discontinued operation. With Lolite Trading (Private) Limited being classified as a discontinued operation, the investment is no longer presented in the investment in associate note. No assets were classified as Held for Sale at 30 June 2019. Lolite Trading (Private) Limited is a property holding company, in which the Group has a 50% shareholding, and has been included in the Properties Segment. Lolite Trading (Private) Limited owns the former National Foods Holdings Limited Depot properties.

The results of Lolite Trading (Private) Limited for the year are presented below:

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Land & Buildings				
At beginning of year	—	78 599 148	—	3 402 447
Re-classified from Investments in associates	22 716 207	—	7 647 840	—
Disposals	—	(76 974 047)	—	(3 295 134)
Re-classified to Property, plant and equipment	—	(1 625 101)	—	(107 313)
At end of year	22 716 207	—	7 647 840	—
Total	22 716 207	—	7 647 840	—

	Inflation Adjusted		Historical	
	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL
Investments in associate				
Lolite Trading (Private) Limited				
Income Statement				
Revenue	11 421 249	498 233	8 080 488	296 786
Profit after tax	3 335 778	(274 558)	2 360 049	163 548
Group's share of profit - 50%	1 667 889	(137 279)	1 180 025	81 774
Statement of Financial Position				
Non current assets	46 133 493	34 010 312	15 996 757	16 247 384
Current assets	7 259 042	1 994 853	7 259 042	238 245
Non current liabilities	(2 990 657)	(34 155 552)	(2 990 657)	(4 079 192)
Current liabilities	(4 969 464)	(3 322 629)	(4 969 462)	(396 821)
Equity	45 432 414	(1 473 016)	15 295 680	12 009 616
Group's share of equity - 50%	22 716 207	(736 508)	7 647 840	6 004 808
Group's carrying amount of investment	22 716 207	(736 508)	7 647 840	6 004 808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
10 INTANGIBLE ASSETS				
Net carrying amount at the beginning of the year	35 008 498	35 008 498	1 516 422	1 516 422
Arising from acquisition of Breathaway Food Caterers	—	—	—	—
Net Carrying amount at the end of the year	35 008 498	35 008 498	1 516 422	1 516 422
Gross carrying amount	35 008 498	35 008 498	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 2020. Goodwill acquired through business combinations has been allocated to the 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) of 13.53%. 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 cash 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 ASSOCIATES

The Group has the following investments:

11.1 National Foods Logistics

The Group acquired a 50% interest in National Foods Logistics 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. National Foods Logistics is incorporated in Zimbabwe and its principle place of business is in Harare, Zimbabwe.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL
11 Investment in associates (continued)				
11.1 National Foods Logistics (continued)				
Income Statement				
Revenue	493 908 308	387 129 651	206 456 477	28 701 409
Profit after tax	37 882 002	4 611 794	10 191 244	822 490
Group's share of profit - 50%	18 941 001	2 305 897	5 095 622	411 245
Statement of Financial Position				
Non current assets	83 172 761	59 149 238	18 387 140	7 600 572
Current assets	29 017 018	72 956 166	30 140 990	9 128 006
Non Current Liabilities	(2 434 208)	(9 908 018)	(2 494 881)	(2 908 584)
Current liabilities	(33 589 044)	(66 891 946)	(19 572 424)	(7 970 790)
Equity	76 166 527	55 305 440	26 460 825	5 849 204
Group's share of equity - 50%	38 083 264	27 652 720	13 230 413	2 924 602
Group's carrying amount of investment	38 083 264	27 652 720	13 230 413	2 924 602

11.2 Pure Oil Industries

The Group has a 40% interest in Pure Oil Industries which is involved in the manufacturing of cooking oil soap, and margarine. 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 equity 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:

	Inflation Adjusted		Historical	
	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL
Income Statement				
Revenue	2 993 220 680	2 209 832 232	1 302 724 893	154 790 929
Profit after tax	377 074 555	192 022 340	98 353 808	7 540 511
Group's share of profit - 40%	150 829 822	76 808 936	39 341 523	3 016 204
Statement of Financial Position				
Non current assets	4 259 412 623	480 705 446	985 071 922	82 323 060
Current assets	876 367 260	716 305 874	683 912 034	85 103 667
Non Current Liabilities	(2 802 814 464)	(2 835 981 421)	(605 007 378)	(19 908 479)
Current liabilities	(424 147 325)	(626 757 328)	(924 206 218)	(106 101 698)
Equity	1 908 818 094	(2 265 727 429)	139 770 360	41 416 550
Group's share of equity - 40%	763 527 238	(906 290 972)	55 908 144	16 566 620
Group's carrying amount of investment	763 527 238	(906 290 972)	55 908 144	16 566 620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL	Year Ended 30 June 2020 ZWL	Year Ended 30 June 2019 ZWL
11 INVESTMENT IN ASSOCIATES (continued)				
11.3 Reconciliation of movements in associates				
Balance at the beginning of the year	944 603 192	245 448 728	25 496 030	10 631 809
(Disposal)/Purchase of associates	—	(65 942 710)	—	4 354 082
Total equity accounted earnings	171 438 712	78 977 555	45 617 170	3 509 223
Equity accounted earnings - Pure Oil	150 829 822	76 808 936	39 341 523	3 016 204
Equity accounted earnings - National Foods Logistics	18 941 001	2 305 897	5 095 622	411 245
Equity accounted earnings - Lolite	1 667 889	(137 278)	1 180 025	81 774
Other comprehensive relating to associates	(279 275 700)	725 657 263	11 536 070	9 400 916
Transfer from Investments in associates	(22 716 207)	—	(7 647 839)	—
Dividend received from associates	(12 439 495)	(39 537 644)	(5 862 874)	(2 400 000)
Balance at the end of the year	801 610 502	944 603 192	69 138 557	25 496 030

11.4 Other Financial Assets

The Group holds non controlling interests in the form of investments in equity and debt securities of listed entities. The Group considers these investments to be strategic in nature and economically beneficial to the operations of the business. Fair values of these quoted equity and debt instruments are determined by reference to published price quotations in an active market.

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:

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Financial assets at fair value through profit or loss				
Listed equity investments	—	3 854 636	—	822 758
Debt instruments at amortised cost				
Trade receivables (Note 14)	566 699 334	315 224 998	566 699 334	37 647 270
Loan receivable	80 099 999	17 112 613	80 099 999	3 652 624
Other receivables	286 014 771	97 572 438	259 528 130	11 462 122
	932 814 104	429 910 049	906 327 463	52 762 016
Total Financial assets	932 814 104	433 764 685	906 327 463	53 584 774
Total current	852 714 105	412 797 436	826 227 464	49 109 392
Total non-current	80 099 999	20 967 249	80 099 999	4 475 382
	932 814 104	433 764 685	906 327 463	53 584 774

Financial assets at fair value through profit or loss include investments in listed equity shares. The fair values of these equity shares are determined by reference to published price quotations on the Zimbabwe Stock Exchange.

Debt instruments at amortised cost include trade receivables and receivables from related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Interest Rate	Maturity	Inflation Adjusted		Historical	
			2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
12 OTHER FINANCIAL ASSETS AND LIABILITIES (continued)						
12.2 Other financial liabilities						
Current interest-bearing loans and borrowings						
Bank loans	5% - 30%	2020/2021	311 229 732	716 178 582	311 229 732	85 533 091
Total current interest-bearing loans and borrowings			311 229 732	716 178 582	311 229 732	85 533 091

Bank overdrafts are secured by a portion of the Group's short-term deposits.

Bank loans are unsecured and repayable in full by 30 June 2021

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
13 INVENTORIES				
Raw materials	2 058 871 114	582 821 663	1 418 861 299	67 319 215
Finished goods	545 995 868	168 621 086	376 270 473	19 476 694
Consumable stores	61 325 180	95 092 056	42 261 959	10 983 673
Provision for obsolete stocks	(2 335 613)	(12 200 551)	(1 609 578)	(1 409 233)
	2 663 856 549	834 334 254	1 835 784 153	96 370 349

Inventory recognised as an expense is ZWL 8 288 511 179 (2019: 5 241 464 054)

Inventory write-down recognised as an expense is ZWL nil (2019: ZWL 457 516)

Provision for obsolete stocks is ZWL 9 864 937 (2019: ZWL 4 246 794 increase)

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
14 TRADE AND OTHER RECEIVABLES				
Trade receivables	571 446 945	343 385 147	571 446 945	41 010 432
Allowance for credit losses (refer to note 22.2.2)	(4 747 611)	(28 160 149)	(4 747 611)	(3 363 162)
Net trade receivables	566 699 334	315 224 998	566 699 334	37 647 270
Other receivables*	286 014 771	97 572 438	259 528 130	11 462 122
	852 714 105	412 797 436	826 227 464	49 109 392

Trade and other receivables have been pledged to secure borrowing facilities of the Group. Refer to note 12.2

* Other receivables includes VAT receivable and staff debtors

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

14 TRADE AND OTHER RECEIVABLES (continued)

14.1 Trade receivables

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

Refer to note 3.2 for the Group's provision for expected credit losses policy.

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
14.2 Movement in the provision for impairment of receivables				
Balance at the beginning of the year	(28 160 149)	(98 640 048)	(3 363 162)	(4 272 673)
Current year provisions	(1 392 992)	(180 481)	(1 392 992)	(2 329)
Utilised during the year	25 051 952	72 578 818	254 965	936 597
Bad debts recovered	(246 422)	(1 918 438)	(246 422)	(24 757)
Balance at year end	(4 747 611)	(28 160 149)	(4 747 611)	(3 363 162)

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The matrix is explained in detail on Note 22.2.2

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
14.3 Ageing of impaired trade and other receivables				
0-30 days	3 667 386	9 079 056	3 667 386	1 084 310
31 - 60 days	537 889	4 489 555	537 889	536 187
61 - 90 days	314 165	4 397 070	314 165	525 141
Over 90 days	228 171	10 194 468	228 171	1 217 524
Total	4 747 611	28 160 149	4 747 611	3 363 162
Average age on impaired trade and other receivables (days)	14	123	27	217

14.4 Amounts due from Related Parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
15 ISSUED CAPITAL AND RESERVES				
15.1 Issued capital				
Authorised				
73 000 000 ordinary shares of ZWL 1 cent each	16 853 005	16 853 005	730 000	730 000
Issued and fully paid				
68 400 108 ordinary shares (2019: 68 400 108) of ZWL 1 cent each	15 791 058	15 791 058	684 001	684 001
Unissued shares				
4 599 892 (2019: 4 599 892) ordinary shares of ZWL 1 cent each	1 061 947	1 061 947	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 and Other Business Entities Act (Chapter 24:31), and the Zimbabwe Stock Exchange regulations.

15.2 Directors' shareholdings

At 30 June 2020, the Directors held directly or indirectly the following shares in the Company:

	Inflation Adjusted		Historical	
	2020 Number of Shares	2019 Number of Shares	2020 Number of Shares	2019 Number of Shares
M. Lashbrook	13 231	13 231	13 231	13 231

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
15.3 Non-distributable reserves				
Opening balance	–	–	107 996 609	(10 628)
Exchange differences on translation of foreign operation	–	–	141 590 856	(407)
Exchange differences arising on change in functional currency	–	–	(96 760 912)	108 007 644
Closing balance	–	–	152 826 553	107 996 609

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
15 ISSUED CAPITAL AND RESERVES (continued)				
15.4 Distributable reserves				
Opening balance	2 769 106 170	2 036 690 000	150 100 420	103 161 825
Profit for the year	1 587 313 545	906 043 446	1 444 855 572	56 620 172
Transfer of CFCR relating to current year movements	–	424	96 760 912	2 243 092
Recognition of IFRS 16 Lease liability	112 202	–	112 202	–
Dividend declared	(141 599 980)	(173 627 700)	(69 583 429)	(11 924 669)
Closing balance	4 214 931 937	2 769 106 170	1 622 245 677	150 100 420
Retained in:				
Holding company	569 856 858	569 856 858	24 683 808	24 683 808
Subsidiary companies	3 394 658 812	2 120 271 757	1 540 953 666	114 425 580
Associate companies	250 416 267	78 977 555	56 608 203	10 991 032
	4 214 931 937	2 769 106 170	1 622 245 677	150 100 420
16 DIVIDEND				
Declared and paid during the year:				
Final dividend for 2019: ZWL 15.26 cents per share (2018: ZWL 5.66 cents per share)	51 944 870	64 941 740	10 437 856	3 871 446
Interim dividend for 2020: ZWL 86.47 cents per share (2019: ZWL 12.31 cents per share)	89 655 110	108 685 960	59 145 573	8 053 223
Total dividends declared and or paid	141 599 980	173 627 700	69 583 429	11 924 669
Increase in shareholders for dividends included in current liabilities	55 296 296	(57 340 336)	(15 197 648)	(4 245 365)
Total dividends paid	196 896 276	116 287 364	54 385 781	7 679 304
Proposed and approved (not recognised as a liability at 30 June 2020)				
Final dividend for 2020: ZWL 445.71 (2019: ZWL 15.26 cents per share)	304 866 121	51 944 870	304 866 121	10 437 855

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 2020: ZWL24 758 590 (2019: ZWL9 560 942)

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
SHAREHOLDERS FOR DIVIDEND				
Opening balance	80 054 886	22 714 550	9 560 942	5 315 577
Dividend paid	(196 896 276)	(116 287 364)	(54 385 781)	(7 679 304)
Dividend declared	141 599 980	173 627 700	69 583 429	11 924 669
Closing balance	24 758 590	80 054 886	24 758 590	9 560 942

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
17 TRADE AND OTHER PAYABLES				
Trade payables	830 722 826	220 254 703	830 722 826	26 304 983
Contract liabilities (17.1)	165 544 016	–	165 544 016	–
Other payables	542 974 734	317 945 313	406 554 420	37 972 157
	1 539 241 576	538 200 016	1 402 821 262	64 277 140

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.

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
17.1 Contract liabilities				
Short-term advances for milling services	165 544 016	–	165 544 016	–
18 PROVISIONS				
Leave pay provision				
At beginning of the year	3 580 001	8 016 497	427 561	347 241
Created during the year	20 444 604	(10 858 312)	16 061 550	196 583
Utilised during the year	(7 819 393)	6 421 816	(283 899)	(116 263)
At end of the year	16 205 212	3 580 001	16 205 212	427 561

Leave pay

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

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
19 CASH FLOW INFORMATION				
19.1 Cash generated from operations				
Profit before tax	1 996 699 569	1 286 423 882	1 876 884 653	76 028 247
Interest income	–	(3 337 502)	–	(229 564)
Interest expense	137 633 179	94 711 338	58 563 254	6 309 841
Depreciation (Note 8)	87 420 305	69 168 405	16 209 022	5 889 864
Inventory write-down	–	(457 516)	–	(27 772)
Allowance for obsolete inventory	9 864 938	4 246 795	200 344	696 802
Allowance for credit losses (Note 14.2)	(23 412 538)	(70 479 899)	1 384 449	909 511
Unrealised foreign exchange (gain) / loss	307 222 974	(382 265 414)	(232 760 542)	682 665
Provision for leave pay (Note 18)	12 625 210	(4 436 496)	15 777 651	196 583
(Profit) on disposal of property, plant and equipment	(721 488)	(1 307 967)	(298 168)	(57 918)
Profit on disposal of assets held for sale	–	(6 752 140)	–	(409 866)
Equity accounted earnings	(171 438 712)	(78 977 555)	(45 617 171)	(3 509 223)
(Gain) on monetary position	(15 166 573)	(88 644 750)	–	–
	2 340 726 864	817 891 181	1 690 343 492	86 479 170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
19 CASH FLOW INFORMATION (continued)				
19.2 Working capital changes				
(Increase) in inventories	(1 829 522 296)	(837 317 482)	(1 739 614 150)	(55 292 498)
Increase in accounts receivable	(445 857 533)	(1 090 790 318)	(1 096 307 572)	(72 030 416)
Increase in accounts payable	1 048 367 974	225 366 396	1 414 172 187	14 881 296
	(1 227 011 855)	(1 702 741 404)	(1 421 749 535)	(112 441 618)
19.3 Income tax paid				
Charge to profit or loss	(409 386 024)	(380 380 437)	(432 029 080)	(19 408 075)
Movement in tax liability	178 694 252	125 433 807	289 147 520	15 731 434
Movement in deferred tax liability	609 676	44 433 185	23 231 214	(2 735 959)
Monetary loss	74 843 805	110 920 362	–	–
Offset allowance granted	–	30 811 053	–	1 870 282
	(155 238 291)	(68 782 030)	(119 650 346)	(4 542 318)
19.4 Cash and cash equivalents at end of year				
Cash at bank	363 810 153	283 524 756	363 810 153	33 861 315
Cash on hand	5 931 906	5 501 046	5 931 906	656 989
	369 742 059	289 025 802	369 742 059	34 518 304

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.

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
20 COMMITMENTS AND CONTINGENCIES				
20.1 Capital expenditure commitments				
Authorised and contracted for	551 250 000	15 985 000	551 250 000	47 600 000
Authorised but not contracted for	179 910 000	128 645 000	179 910 000	26 200 000
	731 160 000	144 630 000	731 160 000	73 800 000

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

20.2 Contingencies

The Group became aware of a potential tax exposure on some rice product lines and is, as part of a group of retailers and some rice suppliers engaging relevant authorities to resolve the matter. Based on tax advice, the Directors do not consider a loss to be probable and therefore a provision has not been recognised in the financial statements.

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 4.5% per month (2019: 3.5%) of pensionable monthly emoluments, up to a maximum of ZWL 5 000 per month (2019: ZWL 700).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

22.1 Capital Management

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder.

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%.

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Interest bearing borrowings	322 147 426	716 178 582	322 147 426	85 533 091
Less cash and cash equivalents	(369 742 059)	(289 025 802)	(369 742 059)	(34 518 304)
Net Debt	(47 594 633)	427 152 780	(47 594 633)	51 014 787
Total Equity	4 230 722 995	2 784 897 228	1 775 756 231	258 781 030
Gearing ratio	—	13.3%	—	16.5%

22.2 Financial risk management

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivable.

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

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. Financial assets of the Group which are subject to credit risk consist mainly of cash resources, trade and other receivables and other financial assets.

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 2019 and 2020 is the carrying amount as outlined in note 19.4.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are granted short term credit terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Financial risk management (continued)

Inflation Adjusted	<30 days ZWL	30-60 days ZWL	61-90 days ZWL	>91 days ZWL	Total ZWL
30 June 2020					
Expected credit loss rate	0.6%	9.9%	20.9%	100.0%	
Estimated total gross carrying amount at default	564 257 472	5 455 357	1 505 945	228 171	571 446 945
Expected credit loss	3 667 386	537 889	314 165	228 171	4 747 611
30 June 2019					
Expected credit loss rate	3%	30%	50%	60%	
Estimated total gross carrying amount at default	302 635 034	14 965 186	8 794 141	16 990 786	343 385 147
Expected credit loss	9 079 056	4 489 555	4 397 069	10 194 469	28 160 149

Historical	<30 days ZWL	30-60 days ZWL	61-90 days ZWL	>91 days ZWL	Total ZWL
30 June 2020					
Expected credit loss rate	0.6%	9.9%	20.9%	100.0%	
Estimated total gross carrying amount at default	564 257 472	5 455 357	1 505 945	228 171	571 446 945
Expected credit loss	3 667 386	537 889	314 165	228 171	4 747 611
30 June 2019					
Expected credit loss rate	3%	30%	50%	60%	
Estimated total gross carrying amount at default	36 143 652	1 787 290	1 050 283	2 029 207	41 010 432
Expected credit loss	1 084 310	536 187	525 141	1 217 524	3 363 162

22.2.3 Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of short term loans and borrowings with variable interest rates.

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

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the interest expense on profit or loss item is the effect of the assumed changes in market interest rates. This is based on the financial assets and financial liabilities held at 30 June 2020 and 2019.
- The sensitivity of equity is calculated by considering the effect of any associated net investment in a foreign operation at 30 June 2020 for the effects of the assumed changes of the interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)				
22.2 Financial risk management (continued)				
22.2.3 Interest risk (continued)				
Effect on profit before tax				
Increase of 3%	212 836	(3 065 175)	212 836	(760 721)
Decrease of 3%	(212 836)	3 065 175	(212 836)	760 721
After tax effect on equity				
Effect on equity	160 223	(2 307 464)	160 223	(572 671)

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

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

	Less than 3 months ZWL	3-12 Months ZWL	1 - 5 years ZWL	Total ZWL
Year ended 30 June 2020				
Borrowings	177 168 496	156 941 732	—	334 110 228
Trade and other payables	1 402 821 259	—	—	1 402 821 259
	1 579 989 755	156 941 732	—	1 736 931 487
Year ended 30 June 2019				
Borrowings	31 471 509	74 826 008	—	106 297 517
Trade and other payables	64 277 140	—	—	64 277 140
	95 748 649	74 826 008	—	170 574 657

22.2.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Exposure to losses on foreign currency denominated creditors is managed through prompt payment of outstanding balances.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)				
22.2 Financial risk management (continued)				
Liabilities				
United States Dollar	372 108 750	38 302 369	372 108 750	4 574 446
South African Rand	10 183 952	7 897 055	10 183 952	943 144
Botswana Pula	15 018 007	15 018 007	—	92 227

The Group is mainly exposed to the South African Rand and Botswana Pula. The following table details the Group's sensitivity to a 45% strengthening in the ZWL against the relevant currencies (2019: 10%). The sensitivity analysis includes any outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 45% strengthening of the ZWL (2019: 10%). A positive number below indicates an increase in profit and equity where the ZWL strengthens against the relevant currency. For a 10% weakening of the ZWL against the relevant currencies there would be a comparable inverse impact on the profit and equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Inflation Adjusted		Historical	
	Profit or (Loss) 2020 ZWL	Profit or (Loss) 2019 ZWL	Profit or (Loss) 2020 ZWL	Profit or (Loss) 2019 ZWL
United States Dollar	167 448 937	3 482 034	167 448 937	415 859
South African Rand	4 582 778	717 914	4 582 778	85 740
Botswana Pula	6 758 103	—	6 758 103	—

The sensitivity is mainly attributable to receivables and payables 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 two reportable operating segments as follows:

Milling, Manufacturing and Distribution

This segment comprises of the flour, maize, stockfeeds, groceries and snacks and treats units. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

23 SEGMENTAL ANALYSIS (continued)

23.1 Operating segment information (continued)

Segment revenues and results

Inflation Adjusted	Milling, Manufacturing and Distribution ZWL	Properties ZWL	Intersegment adjustments ZWL	Group ZWL
Year ended 30 June 2020				
Segment revenue				
External customers	12 709 863 027	80 950 443	—	12 790 813 470
Total revenue	12 709 863 027	80 950 443	—	12 790 813 470
Operating profit	1 761 059 162	301 121 280	(114 452 980)	1 947 727 462
Net interest expense	(137 707 602)	231 912	(157 490)	(137 633 179)
Equity accounted earnings	169 770 823	1 667 889	—	171 438 712
Gain on monetary position	13 688 097	1 478 476	—	15 166 573
Profit before tax	1 806 810 480	304 499 557	(114 610 470)	1 996 699 568
Segment assets	6 460 231 382	287 891 712	—	6 748 123 094
Segment liabilities	(2 445 338 516)	(72 061 583)	—	(2 517 400 099)
Net segment assets	4 014 892 866	215 830 129	—	4 230 722 995
Depreciation charge for the year	18 492 446	68 927 859	—	87 420 305
Capital expenditure	127 614 724	28 993 276	—	156 608 000
Number of employees	1 292	—	—	1 292
Year ended 30 June 2019				
Segment revenue				
External customers	8 361 231 145	26 384 629	—	8 387 615 774
Total revenue	8 361 231 145	26 384 629	—	8 387 615 774
Operating profit	1 253 119 604	(42 944 191)	—	1 210 175 413
Net interest expense	(98 367 699)	6 993 863	—	(91 373 836)
Equity accounted earnings	79 114 834	(137 279)	—	78 977 555
Gain on monetary position	75 876 517	12 768 233	—	88 644 750
Profit before tax	1 309 743 256	(23 319 374)	—	1 286 423 882
Segment assets	3 154 346 656	1 404 307 424	—	4 558 654 080
Segment liabilities	(1 538 954 713)	(234 802 139)	—	(1 773 756 852)
Net segment assets	1 615 391 943	1 169 505 285	—	2 784 897 228
Depreciation charge for the year	47 081 722	22 086 683	—	69 168 405
Capital expenditure	187 866 432	14 315 180	—	202 181 612
Number of employees	1 367	—	—	1 367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

23 SEGMENTAL ANALYSIS (continued)

23.1 Operating segment information (continued)

Segment revenues and results (continued)

Historical	Milling, Manufacturing and Distribution ZWL	Properties ZWL	Intersegment adjustments ZWL	Group ZWL
Year ended 30 June 2020				
Segment revenue				
External customers	6 300 212 383	39 872 757	—	6 340 085 140
Total revenue	6 300 212 383	39 872 757	—	6 340 085 140
Operating profit	1 830 016 261	96 488 857	(36 674 382)	1 889 830 736
Net interest expense	(58 539 929)	27 140	(50 465)	(58 563 254)
Equity accounted earnings	44 437 146	1 180 025	—	45 617 171
Profit before tax	1 815 913 478	97 696 022	(36 724 847)	1 876 884 653
Segment assets	3 746 253 686	159 051 821	544 324	3 905 849 831
Segment liabilities	(2 106 881 168)	(22 668 110)	(544 324)	(2 130 093 600)
Net segment assets	1 639 372 518	136 383 711	—	1 775 756 231
Depreciation charge for the year	13 267 185	2 941 837	—	16 209 022
Capital expenditure	55 948 161	10 357 839	—	66 306 000
Number of employees	1 292	—	—	1 292
Year ended 30 June 2019				
Segment revenue				
External customers	567 145 530	387 277	(1 360 000)	566 172 807
Total revenue	567 145 530	387 277	(1 360 000)	566 172 807
Operating profit	81 206 084	(2 606 783)	—	78 599 301
Net interest expense	(6 504 816)	424 539	—	(6 080 277)
Equity accounted earnings	3 485 858	23 365	—	3 509 223
Profit before tax	78 187 126	(2 158 879)	—	76 028 247
Segment assets	360 286 803	114 689 531	(4 614 196)	470 362 138
Segment liabilities	(192 251 070)	(23 944 234)	4 614 196	(211 581 108)
Net segment assets	168 035 733	90 745 296	—	258 781 030
Depreciation charge for the year	4 549 166	1 340 698	—	5 889 864
Capital expenditure	12 468 000	883 000	—	13 351 000
Number of employees	1 367	—	—	1 367

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 ZWL 1 213 576 (2019: ZWL 14 226). As such no further geographical information has been presented. Red Seal Manufacturers has no trading activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

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 and associates listed in the following table:

Name	Country of incorporation	2020 Equity Interest	2019 Equity Interest
Subsidiaries and associates			
National Foods Limited			
(Formerly National Foods Operations Limited)	Zimbabwe	100%	100%
- National Foods Logistics	Zimbabwe	50%	50%
- Pure Oil Industries (Private) Limited	Zimbabwe	40%	40%
Lolite Trading (Private) Limited	Zimbabwe	50%	50%
National Foods Properties Limited			
(Formerly National Foods Limited)	Zimbabwe	100%	100%
- Clairdelune Investments (Private) Limited	Zimbabwe	100%	100%
Bakery Products (Private) Limited	Zimbabwe	100%	100%
Harris Maize Milling and Produce Company (Private) Limited	Zimbabwe	100%	100%
Natpak Zimbabwe (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%

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
25.3 Transactions entered into with related parties				
Purchase of trading stocks, raw materials and services				
Inncor Africa Limited Group companies	789 463 380	217 436 911	252 969 234	13 198 778
Pure Oil Industries (Private) Limited	55 941 664	222 037 828	17 925 492	13 478 061
National Foods Logistics	705 736 048	389 998 830	226 140 327	23 673 570
Sale of goods and Services				
Inncor Africa Limited Group companies	2 260 067 231	948 157 977	724 197 587	57 554 749
Interest and Management Fees				
Inncor Africa Limited Group companies				
- Management fees	221 552 469	10 646 334	70 992 474	646 250
Entities with Significant Influence				
Interest and Management Fees				
Tiger Brands Limited				
- Technical fees	12 182 900	23 464 471	3 903 790	1 424 332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
25 RELATED PARTY TRANSACTIONS (continued)				
25.4 Balances (due to) or due from related parties				
Inncor Africa Limited Group companies	17 862 868	51 660 448	17 862 868	6 169 799
Pure Oil Industries (Private) Limited	29 726 835	61 389 452	29 726 835	13 478 061
National Foods Logistics	(13 520 205)	(2 816 869)	(13 520 205)	(877 576)

25.5 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms length transactions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2020 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: ZWL 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.

25.6 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.

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

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
25.7 Directors emoluments				
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company - for services as directors	1 203 492	1 866 045	76 903	113 272
	1 203 492	1 866 045	76 903	113 272

25.8 Key management remuneration

Key management consists of the executive committee members and business units' managing executives.

Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company

management of the Company	421 572 357	218 196 800	186 802 663	14 408 558
Pension Contributions	12 647 167	13 791 312	5 604 079	910 705
	434 219 524	231 988 112	192 406 742	15 319 262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

26 Leases

Group as a lessee

The Group has lease contracts for various items of plant, machinery and vehicles used in its operations. Leases of plant and machinery generally have a lease term of 2 years, while motor vehicles have lease terms of between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group had no low value leases and short term leases recognised during the year.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Inflation adjusted	Plant and machinery	Motor vehicles	Total	
As at 1 July 2019	369 768	259 914	629 682	
Additions	12 328 102	–	12 328 102	
Depreciation expense	(1 659 738)	(155 948)	(1 815 686)	
As at 30 June 2020	11 038 132	103 966	11 142 098	

Historical	Plant and machinery	Motor vehicles	Total	
As at 1 July 2019	369 768	259 914	629 682	
Additions	12 328 102	–	12 328 102	
Depreciation expense	(1 65 738)	(155 948)	(1 815 686)	
As at 30 June 2020	11 038 132	103 966	11 142 098	

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
As at 1 July 2019	517 479	–	517 479	–
Additions	12 328 102	–	12 328 102	–
Accretion of interest	4 370 046	–	1 211 469	–
Payments	(6 297 933)	–	(3 139 356)	–
As at 30 June 2020	10 917 694	–	10 917 694	–
Current	5 102 405	–	5 102 405	–
Non-current	5 815 289	–	5 815 289	–
As at 30 June 2020	10 917 694	–	10 917 694	–
The following are the amounts recognised in profit or loss:				
Depreciation expense on right-of-use assets	1 815 685	–	1 815 685	–
Interest expense on lease liabilities	1 211 469	–	1 211 469	–
Total amount recognised in profit or loss	3 027 154	–	3 027 154	–

The Group had total Inflation adjusted cash outflows for leases of ZWL 6 297 934 in 2020 (2019: ZWL nil). Historical cash outflows amounted to ZWL 3 139 356 (2019: ZWL nil). The Group also had non-cash additions to right-of-use assets and lease liabilities of inflation adjusted and historical ZWL 12 328 102 in 2020 (2019: ZWL nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
26 Leases (continued)				
Group as a lessee (continued)				
Maturity analysis - contractual undiscounted cash flows				
Less than one year	7 913 875	–	7 913 875	–
One to five years	6 576 100	–	6 576 100	–
More than five years	–	–	–	–
Total undiscounted contractual cashflows at 30 June	14 489 975	–	14 489 975	–
Total future finance costs	(3 572 281)	–	(3 572 281)	–
Lease liability	10 917 694	–	10 917 694	–

Operating lease commitments

Below is a reconciliation of lease commitments as disclosed in 2019 to lease liability recognised on initial recognition

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Lease commitments	447 371	–	447 371	–
Additional lease commitments realised*	259 290	–	259 290	–
Effect of discounting	(189 182)	–	(189 182)	–
Lease liability on initial recognition	517 479	–	517 479	–

* A result of the hyperinflationary environment with lease amounts being adjusted on a continuous basis.

Group as a lessor

The Group has entered into operating leases with its property portfolio consisting of certain office and manufacturing buildings. These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Inflation adjusted rental income recognised by the Group during the year is ZWL 2 840 750 (2019: ZWL 7 434 112)

Historical rental income recognised by the Group during the year is ZWL 1 876 310 (2019: ZWL 387 277).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Inflation Adjusted		Historical	
	2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
Within one year	10 989 151	1 876 310	10 989 151	1 876 310
After one year but not more than five years	21 978 302	32 967 454	21 978 302	32 967 454
More than five years	–	–	–	–

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

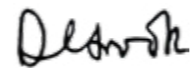
	Note	Inflation Adjusted		Historical	
		2020 ZWL	2019 ZWL	2020 ZWL	2019 ZWL
ASSETS					
Non-current assets					
Investments	A	212 407 634	585 647 884	25 367 809	25 367 809
Total assets		212 407 634	585 647 884	25 367 809	25 367 809
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	15 791 058	15 791 058	684 001	684 001
Distributable reserves		196 616 576	569 856 826	24 683 808	24 683 808
Total Equity		212 407 634	585 647 884	25 367 809	25 367 809
NOTES TO THE COMPANY FINANCIAL STATEMENTS					
A. Investments					
Subsidiaries equity at ZWL converted value		212 407 634	585 647 884	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.



Todd Moyo
Independent, Non-Executive Chairman
Harare
25 September 2020



Michael Lashbrook
Chief Executive Officer



06

ANNEXURES

- 124** GRI Content Index
- 129** Shareholders Analysis
- 130** Notice to Annual General Meeting
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- 135** Proxy Form and Change of Address Form

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
ORGANIZATIONAL PROFILE					
102-1	Name of the organization	Cover Page			
102-2	Activities, brands, products, and services	8 - 11			
102-3	Location of headquarters	135			
102-4	Location of operations	35, 135			
102-5	Ownership and legal form	8 - 9			
102-6	Markets served	13			
102-7	Scale of the organization	18, 52			
102-8	Information on employees and other workers	52			
102-9	Supply chain	41			
102-10	Significant changes to the organization and its supply chain	41			
102-11	Precautionary Principle or approach	33			
102-12	External initiatives	15			
102-13	Membership of associations	15			
STRATEGY					
102-14	Statement from senior decision-maker	20			
ETHICS AND INTEGRITY					
102-16	Values, principles, standards, and norms of behavior	1, 33			
GOVERNANCE					
102-18	Governance structure	29 - 31			
STAKEHOLDER ENGAGEMENT					
102-40	List of stakeholder Groups	40			
102-41	Collective bargaining agreements	60			
102-42	Identifying and selecting stakeholders	40			
102-43	Approach to stakeholder engagement	40			
102-44	Key topics and concerns raised	40			

GRI 102: General Disclosures 2016

GRI CONTENT INDEX (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
GRI 101: Foundation 2016					
General Disclosures					
REPORTING PRACTICE					
102-45	Entities included in the consolidated financial statements	8 - 9			
102-46	Defining report content and topic boundaries	38			
102-47	List of material topics	37, 39			
102-48	Restatements of information	38			
102-49	Changes in reporting				there is a change in the material topics covered this year
102-50	Reporting period	2			30 June 2020
102-51	Date of most recent report	2			the most recent report is for the year ending 30 June 2019
102-52	Reporting cycle	2			we report on an annual basis
102-53	Contact point for questions regarding the report	2			
102-54	Claims of reporting in accordance with the GRI Standards	2, 38			
102-55	GRI content index	126			
102-56	External assurance	2			

GRI 102: General Disclosures 2016

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
200 series (Economic topics)					
ECONOMIC PERFORMANCE					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	36, 38, 58		
	103-2	The management approach and its components	58		
	103-3	Evaluation of the management approach	58		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	58		
	201-3	Defined benefit plan obligations and other retirement plans	58		



GRI CONTENT INDEX (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
200 series (Economic topics)					
MARKET PRESENCE					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 57		
	103-2	The management approach and its components	57		
INDIRECT ECONOMIC IMPACTS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	57		
	103-2	The management approach and its components	57		
	103-3	Evaluation of the management approach	57		
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	57		
PROCUREMENT PRACTICES					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 42, 51		
	103-2	The management approach and its components	42, 51		
	103-3	Evaluation of the management approach	42, 51		
300 series (Environmental topics)					
ENERGY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 44		
	103-2	The management approach and its components	44		
	103-3	Evaluation of the management approach	44		
GRI 302: Energy 2016	302-1	Energy consumption within the organization	44		
	302-2	Energy consumption outside of the organization	44		

GRI CONTENT INDEX (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
300 series (Environmental topics)					
WATER					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 45		
	103-2	The management approach and its components	45		
	103-3	Evaluation of the management approach	45		
	303-3	Water withdrawal	45		
BIODIVERSITY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 47, 52		
	103-2	The management approach and its components	52		
	103-3	Evaluation of the management approach	52		
400 series (Social topics)					
EMPLOYMENT					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 52		
	103-2	The management approach and its components	52 - 55		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	52		

GRI CONTENT INDEX (continued)

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission		
			Part Omitted	Reason	Explanation
Material Topics					
400 series (Social topics)					
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 53		
	103-2	The management approach and its components	53 - 54		
	103-3	Evaluation of the management approach	53 - 54		
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	53		
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	38, 55		
	103-2	The management approach and its components	55		
	103-3	Evaluation of the management approach	55		
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	55		

SHAREHOLDERS' ANALYSIS

Shareholding	No. of shareholders	%	Issued shares	%
At 30 June 2020				
1 - 1000	503	54.97	176 722	0.26
1001 - 10000	285	31.15	924 972	1.35
10001 - 50000	90	9.84	1 827 609	2.67
50001 and over	37	4.04	65 470 805	95.72
Total	915	100.00	68 400 108	100.00

Shareholders	No. of shareholders	%	Issued shares	%
Bank And Nominees	49	5.36	617 474	0.90
Deceased Estates	9	0.98	29 842	0.04
External Companies	2	0.22	25 622 013	37.46
Insurance Companies/Societes	13	1.42	3 233 612	4.73
Pension Fund	155	16.94	4 041 641	5.91
Resident Individuals	476	52.02	603 007	0.88
Non Residents	81	8.85	1 015 503	1.48
Investment, Trusts And Companies	130	14.21	33 237 016	48.59
Total	915	100.00	68 400 108	100.00

Shareholding	No. of shareholders	%	Issued shares	%
At 30 June 2019				
1 - 1000	493	55.15	173 720	0.25
1001 - 10000	284	31.77	925 755	1.35
10001 - 50000	82	9.17	1 684 235	2.46
50001 and over	35	3.91	65 616 398	95.93
Total	894	100.00	68 400 108	100.00

Shareholders	No. of shareholders	%	Issued shares	%
Bank And Nominees	46	5.15	339 981	0.50
Deceased Estates	8	0.89	28 822	0.04
External Companies	2	0.22	25 622 013	37.46
Insurance Companies/Societes	11	1.23	3 543 178	5.18
Pension Fund	149	16.67	3 954 099	5.78
Resident Individuals	464	51.90	596 534	0.87
Non Residents	83	9.28	1 021 373	1.49
Investment, Trusts And Companies	131	14.65	33 294 108	48.68
Total	894	100.00	68 400 108	100.00

Major shareholders

The top ten shareholders of the Company at 30 June	2020		2019	
	No. of shares	%	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	2 710 599	3.96	2 893 853	4.23
Stanbic Nominees (Private) Limited	1 329 257	1.94	1 458 288	2.13
National Social Security Authority	1 166 292	1.71	1 166 292	1.71
Stanbic Nominees (Private) Limited - NNR	923 185	1.35	923 185	1.35
Local Authorities Pension Fund	300 000	0.44	300 000	0.44
Standard Chartered Nominees (Private) Limited	294 910	0.43	326 010	0.48
NSSA Staff Pension Fund	213 939	0.31	228 433	0.33

NOTICE TO ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifty first Annual General Meeting of National Foods Holdings Limited (the 'Company') is to be held at the Royal Harare Golf Club, Fifth Street, Harare on 9th November 2020 at 08.45 am, for the purpose of transacting the business below. Shareholders will be asked to attend the meeting where Covid-19 preventative measures protocols will be implemented.

ORDINARY BUSINESS

Financial Statements

- To receive, consider, approve and adopt the Financial Statements and Reports of the Directors, including in respect of Corporate Governance, and Auditors for the financial year ended 30 June 2020.

Directorate

- To re-elect Directors by individual resolutions in terms of section 201 of the Companies and Other Business Entities Act [Chapter 24:31].

To elect the following Director, Todd Moyo, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election.

Mr. Todd Moyo is a Chartered Accountant by profession and is currently the Chief Executive Officer of Datlabs (Private) Limited, a Non-Executive Chairman of PPC Zimbabwe and National Foods Holdings Limited as well as a Non-Executive Director of Delta Corporation and PPC Limited in RSA. He has experience in manufacturing, healthcare services, property, food packaging, textiles, transport, education, retailing, cement and financial services (banking and insurance) in listed and private companies in Zimbabwe and South Africa. He has served on various boards including CBZ, ZIMFLOW, ZB Life and NICOZ. He is also a director in private family companies. Mr. Moyo participates in various charitable and civic trusts including Mater Dei Hospital, Falcon College and Masiyephambili Trust.

To elect the following Director, Lovejoy Nyandoro, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election.

National Foods Finance Director Lovejoy Nyandoro is a Chartered Accountant (CA (Z)) and a holder of BSC Mathematics Honours (UZ). He completed his articles of clerkship with Deloitte and Touche in 2000. Thereafter, Lovejoy worked in the corporate sector before joining the National Foods Group in 2005. He has served the Group in various roles and has now acquired a broad depth of experience across the operations of the Company.

To approve the Appointment of Mr Manojkumar ('Manoj') Bhikhabhai Naran who was appointed as Director of the Company with effect from 28th October 2020, and who in terms of the Articles of Association of the company is required to retire from the Board at the Annual General Meeting and being eligible, offers himself for re-election.

Manoj is a Chartered Accountant with vast experience in the Milling as well as the broader FMCG sectors. He started his career as an Internal Auditor in 1995 and completed his Articles with Fisher Hoffman PKF in 2002.

He has held various senior financial roles in the FMCG field over the past 15 years. Manoj joined Tiger Brands in April 2010 as Finance Director of Jungle and King Foods and later moved to the Milling Division where he was appointed Managing Director in January 2019. He is the Chairman of the Tiger Brands Medical Aid Scheme as well as the Chairman of the Deli Foods (Nigeria) Audit Committee. He is also the Chairperson and a Director of the National Chamber of Milling in South Africa.

Directors' Fees

- To approve Directors remuneration for the financial year ended 30 June 2020.

Auditors Fees and Appointment

- To approve the fees of the Auditors for the financial year ended 30 June 2020.
 - To appoint Deloitte and Touche as Auditors for the Company. This change has been necessitated in terms of Section 69(6) of the ZSE listing requirements, SI 134 of 2019, whereby Companies must change their Audit firm every ten years.

SPECIAL BUSINESS

Approval of Share Buy Back

- To consider, and if deemed appropriate to pass with or without amendment, the following special resolution: - That the Company be authorised in advance, in terms of the Companies and Other Business Entities Act (Chap 24:31) - 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, which terms and conditions and amounts are specified as follows:-

NOTICE TO ANNUAL GENERAL MEETING (continued)

i) This Authority shall:

- Expire on the date of the Company's Next Annual General Meeting; and
- Be a renewable mandate; and
- Be subject to the requirements of the regulations of the Zimbabwe Stock Exchange; and

ii) Acquisitions shall be limited to the following class and aggregate maximum number of shares:

- Class of Shares: Ordinary
- Aggregate maximum number of shares to be purchased: 20% (twenty percent) of the total number of Ordinary Shares in issue in the financial year of the repurchase.

- The maximum and minimum prices respectively, at which such ordinary shares may be acquired will be 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 preceding the date of purchase of such ordinary shares by the company; and

- the repurchases will not be made at a price greater than 5 per centum above the weighted average of the market value for the securities for the five business days immediately preceding the date of the repurchase.

- A press announcement will be published as soon as the company has acquired ordinary shares constituting on a cumulative basis in the period between annual general meetings, 3% (three per cent) of the number of ordinary shares in issue prior to the acquisition.

- 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 Companies and Other Business Entities Act and the regulations of the Zimbabwe Stock Exchange, for treasury purposes. The Directors will only exercise the authority if they believe that to do so would be in the best interests of shareholders generally. In exercising this authority the Directors will duly take into account following such repurchase, the ability of the Company to be able to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company the adequacy of ordinary capital and reserves as well as working capital.)

Approval of Loans to Executive Directors

- To resolve the following ordinary resolution, with or without amendments: "That the Company be and is hereby authorized 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."

Redenomination of shares in ZWL

- To pass the following special resolution with or without amendment: "The Authorized Share Capital of the Company is currently US\$730,000 divided into 73,000,000 Ordinary Shares of US\$0,01 each and the Issued Share capital is currently US\$684,001.08 divided into 68,400,108 Ordinary Shares of US\$0,01 each. The Authorized Share Capital will be redenominated to ZWL730 000 divided into 73,000,000 Ordinary Shares of ZWL 0,01 each and the Issued Share Capital will be redenominated to ZWL 684,001.08 divided into 68,400,108 Ordinary Shares of ZWL 0,01 each."

(Note: Following the re-introduction of the Zimbabwe Dollar as the sole legal tender in Zimbabwe through Statutory Instrument 142/2019, gazetted on the 24th June 2019 as read with the Finance Act No 2 of 2019, as read with section 304 of the Companies and Other Business Entities Act, the share capital of the Company which is expressed in United States Dollars needs to be redenominated to align with the said SI142/2019 and Finance Act No.2 of 2019. The redenomination of share capital is to be effected through the passing of a Special Resolution as required by section 81 of the Companies and Other Business Entities Act.)

To approve and adopt amendments to the National Foods' Workers' Trust (PVT) LTD: Memorandum of association, articles of association and the agreement of donation on trust between National Foods' Workers' Trust (Pvt) Ltd and National Foods Holdings Limited

- To resolve as special resolutions to amend: the Agreement of Donation on Trust between National Foods Holdings Limited and the National Foods Workers Trust (Private) Limited; and the Memorandum of Association and Articles of Association of the National Foods Workers Trust (Pvt) Ltd.

[NOTE: The resolutions that are being proposed, together with all relevant documentation, are contained in the National Foods Holdings Limited Annual Report.]

NOTICE TO ANNUAL GENERAL MEETING (continued)

ANY OTHER BUSINESS

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

10. Appointment of Proxy

In terms of the Companies and Other Business Entities Act (Chap 24:31), 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. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

BY ORDER OF THE BOARD



Leigh Caroline Howes
Group Legal Counsel And Company Secretary
10 Stirling Road
Workington
Harare

19 October 2020

NOTICE TO ANNUAL GENERAL MEETING (continued)

RESOLUTION 8 OF THE NATIONAL FOODS HOLDINGS LIMITED NOTICE OF ANNUAL GENERAL MEETING

AMENDMENTS TO THE NATIONAL FOODS WORKERS TRUST (PVT) LTD CONSTITUTIONAL DOCUMENTATION

Background

In 1984, National Foods Holdings Limited resolved to implement a share participation scheme for the benefit of workers employed by the Group. The scheme was to be funded by National Foods Holdings Limited. This scheme was to be established by way of a Company known as the National Foods Workers Trust (Pvt) Limited.

In pursuance of its resolutions, National Foods Holdings Limited entered into an agreement of Donation on Trust with the yet to be formed National Foods Workers Trust (Pvt) Limited. Subsequent to this agreement, the National Foods Workers Trust (Pvt) Limited was duly formed and registered and to this date exists on its Memorandum of Association and is regulated by its Articles of Association.

Clause 10 of the Agreement of Donation on Trust between National Foods Holdings Limited and the National Foods Workers Trust (Pvt) Ltd; Clause 11 of the Memorandum of Association of the National Foods Workers Trust (Pvt) Ltd; and Section 59 of the Articles of Association of the National Foods Workers Trust (Pvt) Ltd, all state that an amendment of the aforementioned documentation requires a special resolution by both members of National Foods Holdings Limited and the National Foods Workers Trust (Pvt) Ltd.

In accordance with Point 8 of the Notice of AGM it is proposed that the Shareholders pass, with or without amendment the following special resolutions to effect changes to the National Foods Workers Trust (Pvt) Limited's Constitutional Documentation, namely: The Agreement of Donation on Trust; The Memorandum of Association and The Articles of Association.

Proposed Resolutions - an overview

National Foods Holdings Limited is:

- Requested to approve the additional category of Chairman at paragraph 11(d) to the Articles of Association of the National Foods Workers Trust (Pvt) Ltd; and
- Requested to approve the clarification of the definition of 'dependants' at clause 2.3 of the Agreement of Donation on Trust; and Clause 2(a) of the Memorandum of Association.

Specific Proposed Resolutions

In accordance with Point 8 of the Notice of AGM:

Amendments to the Agreement of Donation on Trust

1. That Clause 2.3 of the Agreement of Donation on Trust; should be amended to clarify that the only dependants that the Trust provides for are a spouse and minor children (below 18 years) of serving, retired or deceased workers.

Amendments to the Memorandum of Association

2. That Clause 2(a) of the Memorandum of Association; should be amended to clarify that the only dependants that the Trust provides for are a spouse and minor children (below 18 years) of serving, retired or deceased workers.

Amendment to the Articles of Association

3. That paragraph 11 of the Articles of Association which refers to the qualifications of the Chairman of the National Foods Workers Trust (Pvt) Limited shall be amended through the addition of a paragraph 11(d) which shall read:

"d) A person of good standing with proven business experience and leadership traits"

Amendments Generally

4. That all the necessary Registrar of Companies formalities regarding the Special Resolutions are complied with.

NOTE: The National Foods Workers Trust (Pvt) Ltd's: Agreement of Donation on Trust; Memorandum of Association; and Articles of Association; are available at the Registered Office of National Foods Workers Trust (Pvt) Ltd, Thompson House, 130 Harare Street, Corner Harare Street and Speke Avenue.

CORPORATE INFORMATION

The principal operating company of National Foods Holdings limited is National Foods limited, which is incorporated in and operates throughout Zimbabwe.

REGISTERED OFFICE (Headquarters)

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

TRANSFER SECRETARIES

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

PRINCIPAL BANKERS

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

LEGAL ADVISER

Calderwood Bryce Hendrie and Partners
Central Africa House
Cnr. Jason Moyo Street and Leopold Takawira Avenue.
Bulawayo

LEGAL ADVISER

Dube, Manikai and Hwacha Legal Practitioners
6th floor, Gold Bridge Eastgate Mall
Cnr. Sam Nujoma Street and Robert Mugabe Road
Harare

AUDITORS

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

SUSTAINABILITY ADVISORS

Institute for Sustainability Africa (INSÁF)
22 Walter Hill Ave, Eastlea,
Harare, Zimbabwe

PROXY FORM

PROXY FORM - AGM MONDAY 9th NOVEMBER 2020

I/We _____ of _____

Being the registered owner(s) of
ordinary shares in the above named Company hereby appoint _____

of _____ or failing him/her _____

of _____

or failing him, 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 9th November 2020, at 8.45 am, and at any adjournment thereof.

SIGNED this _____ day of _____ 2020

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 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 _____

