NATIONAL FOODS
HOLDINGS LIMITED

ANNUAL REPORT 2019

VISION

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

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

Contents

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 2019. The report conveys information on our financial and sustainability performance, demonstrating how we have created value for our varied stakeholders.

The contents of the report were defined through an extensive analysis of material issues and industry trends as informed by the business and our stakeholders. 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 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" "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:

- The Global Reporting Initiative (GRI) Standards.
- The International Financial Reporting Standards.
- The Zimbabwe Stock Exchange Guidelines.
- The National Code of Corporate Governance.
- The Companies Act (Chapter 24:03)

Assurance

The scope of work performed by the company's independent auditor Ernst and Young as part of their assurance of financial information is provided on page 58 to 64. Other non-financial information provided in this report has been verified by Instinct Risk Advisory Services.

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 and hence 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 your feedback on this report and any suggestions you may have. Feel free to provide feedback to: Leigh Howes, email leigh.howes@natfood.co.zw

Todd Moyo
Chairman

M Lashbrook
Chief Executive Officer

01

OVERVIEW

HISTORY OF OUR GROUP

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.

1908

J.Palte & Co. established in Bulawayo and traded as Millers & Merchant

1915

Mark Harris Manufacturing established in Harare as a milling company

1920

Harris Brothers established in Bulawayo and owned The Red Seal Brand

Mark Harris Manufacturing establishes the iconic Gloria Brand.

Mark Harris Manufacturing renamed Rhodesian Milling and Manufacturing Company

1952

Tiger Oats (now Tiger Brands) acquires shareholding in J. Palte & Co.

1956

Harris Maize Milling and Produce established as a milling company and takes over the Red Seal Brand

Rhodesian Milling acquires Harris Brothers

1964

Harris Maize Milling and Produce Company Merges with J. Palte & Co. to form Palte Harris.

1970

Palte Harris listed as Palte Harris Industrial Holdings

1975

Rhodesian Milling and Manufacturing Company merged with Palte Harris Industrial Holdings to form National Foods Hodings Limited.

1984

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 has acquired 10% shareholding over the years.

2003

Innscor Africa Limited acquires shareholding (48.82%) in National Foods. Today INNSCOR holds a 37.82% share.

2011

Tiger Brands raises its holding in National Foods by acquiring 11% from Innscor Africa. Today Tiger Brands holds a 37.45% share.

2013

In 2013 National Foods started providing resources to support farming and continues to this day.

2016

National Foods acquires 40% of Pure Oil a producer of the ZimGold Brand cooking oil.

2016

National Foods acquired Breathaway Food Caterers Limited, a snack and biscuit manufacturing company with ZapNax, Wings, KING Kurls, and IRIS Brands.

2018

National Foods Logistics (Natlog) was created as a joint venture partnering Equity Distribution Services, formerly National Foods' outsource distribution service provider.

2019

In 2019 National Foods purchased a world class extrusion line from Buhler thereby creating cereals manufacturing capability.

National Foods 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, is a diversified group which has grown to become one of the largest manufacturer and marketer of food products in Zimbabwe. Today, our products are the cornerstone of basic food nutrition in Zimbabwe.

National Foods Holdings Limited

100% National Foods Limited
Principal Operating Company

- Flour milling
- Maize milling
- Medium Scale Consumer Goods
- Snacks
- Biscuits
- Stockfeeds

40% Pure Oil Industries (Private) Limited
- Edible Oils

50% National Foods Logistics (Private) Limited
- Distribution

100% National Foods Properties Limited
Property Owning Company

50% Lolite Trading (Private) Limited
- Property Owning Company

100% Clairedelune Investments (Proprietary) Limited
- Property Owning Company

100% Botswana Milling & Produce Company (Proprietary) Limited
Investment Company

100% Red Seal Manufacturers (Proprietary) Limited
- Property Owning Company

100% Dormant Companies

- Speciality Animal Feed Company Limited
- Bakery Products (Private) Limited
- Harris Maize Milling and Produce Company (Private) Limited
- Natpak Zimbabwe (Private) Limited
- Palte-Harris (Private) Limited

OUR PRODUCTS AND BRANDS

Maize Milling
- Pearlenta
- Pearlenta Active Instant Porridge
- Red Seal
- Better Buy – A Must Buy!

Flour Milling
- Gloria – Trusted Since 1920.
- Snow White
- Red Seal

Stock feeds
- National Foods Stockfeeds – The No.1 Feed For Every Breed
- Kenergy
- Bow Wow
- Red Seal

MCG
- Ma-Hat-Ma Rice
- Red Seal
- Better Buy – A Must Buy!

Snacks and treats
- Allegrös Popticorn
- King
- Iris – Share the treat
- ZapNax
- Momo Naks
- Shooters
- Wingz

Pure Oil
- Zimgold
- Oleo
- Purola
- Zimbrite – For a brighter life

Your favourite National Foods brands are sold all over Zimbabwe.

RECOGNITION AND AWARDS

National Foods continues to grow and with it recognition and awards. In the period under review we received various brand and business awards across the group.

Marketers Association Zimbabwe

- **Red Seal Roller Meal** – Maize Meal sector Super Brand Award winner
- **Pearlenta** – Maize Meal sector Super Brand Award 2nd runner up
- **Gloria** – 19th in the top 100 Business to Consumer Brand in Zimbabwe
- **National Food Limited** – 14th in the top 100 Business to Business Brands in Zimbabwe

National Occupational Health and Safety Awards

- National Certificate of Achievement in Occupational Health and Safety – **Maize Plant Harare**
- National Certificate of Achievement in Occupational Health and Safety – **MCG Plant Bulawayo**
- National Certificate of Achievement in Occupational Health and Safety – **Stockfeeds Plant Bulawayo**

CSR Network Zimbabwe Award

Zimbabwe National Responsible Business Awards

- National Certificate of Achievement Top Sustainability

Zimbabwe International Trade (ZITF) Awards

- National Foods Stockfeed was awarded the Gold Medal and Trophy for Best Zimbabwean Exhibit: Agricultural and / Irrigation Equipment Category

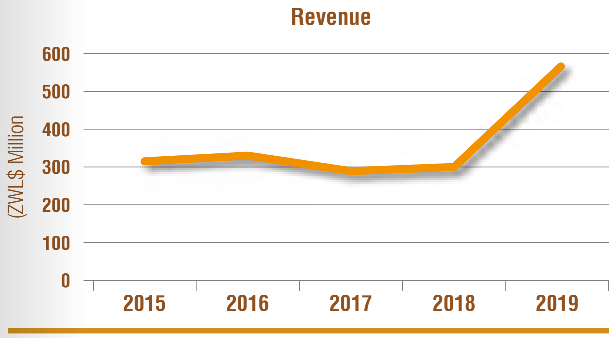
02

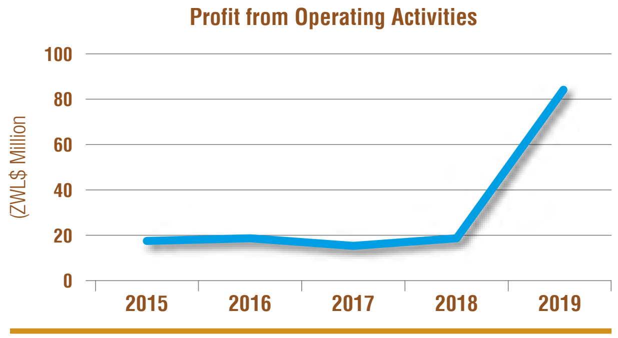
PERFORMANCE REVIEW

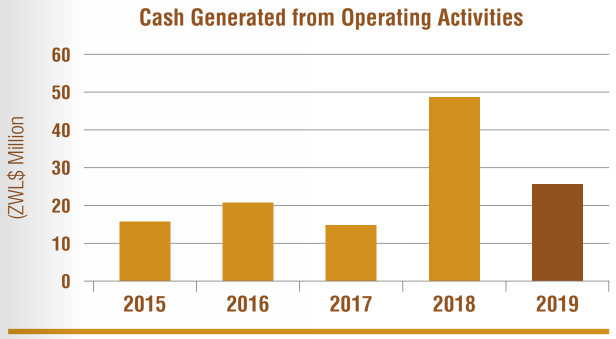
PERFORMANCE REVIEW

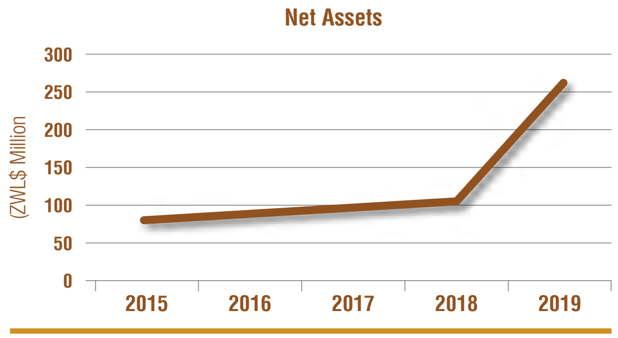
FIVE YEAR PERFORMANCE HIGHLIGHTS

Financial Performance









Share Performance

	2019	2018	2017	2016	2015
Headline Earnings/ Share.	82.62	25.05	20.04	20.79	17.77
Market price/ Share.	723	546	380	210	300
Basic earnings per share	82.70	25.11	20.04	20.87	18.62
Ordinary Dividend Per share.	27.57	12.53	10.02	10.43	7.26
Ordinary share dividend recognised and paid since reporting period '000	18,855	8,572	6,852	7,137	5,305
Number of shares in issue at 30 June '000	68,400	68,400	68,400	68,400	68,400
Market Capitalisation at 30 June '000	494,532	373,464	259,920	143,640	205,200

Sustainability Highlights

	2019	2018	2017
Indicator			
Water usage (m³)	160,853	213,143	221,992
Solid waste to landfill (tons)	565	274	393
Energy (electricity)	31,229	27,855	28,141
Employees (number)	1,367	1,368	1,373
Safety Training (days)	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, of which this press release represents an extract. These abridged Group annual financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional annual financial statements (preliminary reports), and in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS), except as stated in the commentary below, and in the manner required by the Companies Act (Chapter 24:03). The principal accounting policies applied in the preparation of these abridged annual financial statements are except where stated, consistent with those applied in the previous annual financial statements.

PERFORMANCE **SUMMARY**

Profit Before Tax

↑ **ZWL76.03m**

258% above the same period last year.

Operational Expenditure

↑ **ZWL111.35m**

an increase of 132% versus last year.

Cautionary Statement - Reliance on all Financial Statements Prepared in Zimbabwe for 2018/2019

Following the reintroduction of the Zimbabwe Dollar (ZWL) on 22 February 2019 through the promulgation of Statutory Instrument 33 of 2019 (SI 33), 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 and its consequent impact on the usefulness of financial statements of Companies reporting in Zimbabwe.

Users are also advised that the Zimbabwe Stock Exchange (ZSE) has issued a statement on the modified opinions for all listed entities reporting in Zimbabwe in respect of 2018/2019 financial year-ends. The statement notes that: "...it was not the Listed Companies' volition not to comply with financial reporting Standards but rather a matter of complying with the obtaining laws of the Country as prescribed by Statutory Instrument 33 of 2019 (SI 33)." The audit report on these results has been qualified by the independent auditors, Ernst & Young Chartered Accountants (Zimbabwe), as indicated in the audit statement below.

Audit Statement

These abridged Group annual financial statements should be read in conjunction with the complete set of the Group annual financial statements for the year ended 30 June 2019. The Group annual financial statements have been audited by Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse opinion for non-compliance with International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates). The auditor's report on the Group annual financial statements, from which these abridged Group annual financial statements are extracted, is available for inspection at the Company's registered office.

CHAIRMAN'S **STATEMENT** (continued)

Basis of Accounting for the Change in Functional Currency

As noted above, Government promulgated 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). Guidance issued by the 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 the current year due to the conflict between IFRS and local statutory requirements.

In line with SI 33, the Group therefore changed its functional and reporting currency with effect from 22 February 2019. However, in an attempt to more fairly present its Statement of Financial Position as at this date in Zimbabwe Dollars, the Group re-based the net book value of its property, plant and equipment and investments at an exchange rate of USD1 = ZWL 4. 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. 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 ZWL 110.25m

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. The Board awaits guidance from the PAAB in accounting for this devaluation. If sustained, the devaluation could result in a material understatement of the Group's asset base and consequently shareholders' equity.

Sustainability Reporting

The Group adopted sustainability reporting prepared in accordance with Global Reporting Initiatives (GRI) standards as part of its commitment to sustainable business practices. These standards require that the Group disclose how it managed material sustainability issues during the year. The Group continues to strengthen sustainable value creation practises across its business units to ensure long term business success.

Economic Environment

The year saw the newly elected Government introduce a number of fiscal and economic reforms with a view to stabilising the economy in the long term. Chief amongst these was the eventual reintroduction of a local currency in June 2019, a process which had begun with the separation of local bank accounts into domestic and 'nostro' accounts in October 2018, followed by the official inclusion of the RTGS dollar in the basket of currencies and the launch of the interbank foreign currency market in February 2019.

The reforms precipitated some necessary, although painful, corrections in the domestic economy. The combination of significantly higher inflation, declining real incomes and further reduced formal employment placed tremendous pressure on consumers. The operating environment became increasingly challenging with shortages of fuel, key consumables and power towards the end of the period, necessitating careful planning to sustain manufacturing operations.

Critically, the availability of foreign currency continued to be constrained during the period, driving inflation as the market competed for the limited foreign currency available. The implementation of the International Monetary Fund ("IMF") Staff Monitored Program, which will run from May 2019 until March 2020, is a welcome development. This, together with the Government's efforts to engage the international community, has the potential to facilitate the resumption of external support for Zimbabwe, further supporting the domestic stabilisation initiatives.

In a time of delicate transition, the country was further impacted by both a devastating drought and Cyclone Idai. In response, Government issued a Humanitarian Appeal, amounting to USD$464m for the period February 2019 to April 2020.

Financial Performance

The Group recorded a commendable performance for the period, posting Profit before Tax of ZWL76.03m which was 258% above the same period last year. Encouragingly, volumes increased by 12.5% versus the prior period to 611,000MT. This was driven by an excellent performance by the Maize Division, where volumes increased by 60% to 196,000MT, as well as the Stockfeed Division where volumes increased 42% to 180,000MT as the market recovered from Avian Influenza. Both of these outcomes were partly influenced by the relative affordability of maize which Government continued to sell at subsidised pricing. These gains were offset by the performance of the Flour Division, where volumes reduced by 18% to 249,000MT due to constrained raw material availability which resulted in shortages of flour and bread in the market.

Revenue for the period amounted to ZWL566m, an increase of 90% over the prior year, in part due to the volume increase but largely caused by inflationary driven price increases.

CHAIRMAN'S **STATEMENT** (continued)

Financial Performance (continued)
Gross margin percentage at a Group level improved significantly, to 33.9% from 23.5% last year. The gross margin was heavily influenced by raw material cost lag in an inflationary environment as well as product mix, where significant volumes of outsourced manufactured flour last year (at extremely low margins) were replaced by in-house production this year.

Operational expenditure for the year amounted to ZWL111.35m, an increase of 132% versus last year. Prices of imported items responded immediately to market exchange rates and whilst some of the local costs lagged temporarily, the inflationary cost push during the year was severe. It is critical that the Group remains cost efficient, particularly to ensure the sustainability of its operating model in the event of a volume down turn and to this end cost optimisation remains an ongoing focus area for management.

Profitability of all Divisions exceeded inflation, with the exception of MCG and Pure Oil. It was particularly pleasing to see a good performance from the Snacks and Treats division and we expect to see the relative contribution of this division steadily increasing in future. The MCG Division delivered a reasonable outcome, considering that last year's result had included significant raw material profits. In Pure Oil, management focused on reducing the businesses' foreign currency liabilities, as explained in more detail later in the report.

The Group's working capital model continued to evolve appreciably during the period, with working capital closing the year at ZWL165m. The inflationary environment meant that the Group aimed to lengthen raw material positions at a time when creditor funding, especially for key imported raw materials, progressively reduced. Towards the end of the period, local currency liquidity became very constrained, making judicious management of our working capital a key priority in the period ahead.

As previously advised, an agreement was reached in late 2018 between the Reserve Bank of Zimbabwe and the Group's major grain supplier wherein the RBZ assumed the Group's legacy debt to its supplier amounting to US$54.9m as part of a funding agreement, which will see this debt being settled over an agreed period. Subsequent to December 2018 half year end, the RBZ assumed a further US$8.1m of debt under the same arrangement, bringing the total amount to US$63m. National Foods has settled the full amount locally to the Reserve Bank. The RBZ has subsequently made a number of payments against this facility, and the cumulative balance owing to the Group's main grain supplier at year end was US$43.3m. This progress is pleasing under the circumstances, and it is hoped that this can be sustained in the period ahead.

Capital expenditure for the period amounted to ZWL13.3m, well behind plan due to difficulties in sourcing foreign currency which caused substantial delays in the various capital projects that had been planned. The Group will continue to reinvest in both improving its existing operations as well as new categories in line with the availability of foreign currency.

Flour Milling
Volumes reduced by 18% versus last year largely due to raw material constraints. In January it was decided to stop importing wheat and focus wholly on the local wheat crop, which ran out in early May. Since then, imported wheat has been held in bond in our own silos on behalf of our suppliers, who release product once it is paid for. Management continues to work with the authorities to find a sustainable model to ensure the continued availability of bread flour, although foreign currency constraints have resulted in intermittent shortages in recent months.

Maize Milling
The Maize division delivered a much-improved result, driven by volume growth of 60% over last year. The volume growth occurred due to the affordability of maize compared to other starches as well as the poorer local maize harvest. Our new Pearlenta Hi-Fibre and Red Seal Multigrain innovations continue to be well received by the market.

Stockfeeds
Stockfeed volumes improved significantly, increasing by 42.5% compared to last year, as the market recovered from the Avian Influenza outbreak. Offtake remained resilient through the year, only stalling at the end of the year as protein demand slowed with the substantial price increases driven by raw material cost push.

MCG
Volumes in this Division came under pressure as most categories traded have high imported content and therefore became relatively less affordable, particularly compared to subsidised maize. Against this background, a volume reduction of 5% over last year to 46,000MT was a reasonable performance.

Snacks and Treats
This Division delivered an excellent performance, with volume growth of 14% driven by the King Kurls soft snacks and Iris biscuits brands. The Group continues to drive a strong innovation agenda in the snacks and treats categories and both Iris Creams and Popticorn were launched shortly after year end.

Pure Oil
National Foods holds an effective 40% stake in Pure Oil Industries and its results are equity accounted. The effective contribution of Pure Oil in the period reduced by 41% to $3.1m, as the company focused on reducing its foreign liabilities.

CHAIRMAN'S **STATEMENT** (continued)

Whilst volumes were constrained by foreign currency availability, Pure Oil continues to perform well in the market through its ZimGold brand. The year also saw the launch of ZimGold margarine. The entity owes US$10.2m to Export Trading Group, our partner in Pure Oil. This loan has been registered with the Reserve Bank and was used to import equipment when the oil plant was established. Repayment of this loan will be a key focus for the business in the year ahead.

National Foods Logistics
National Foods Logistics was created in the second half of the previous financial year, and is responsible for the distribution of National Foods' products to the market. The fleet now comprises 42 trucks, of which 19 were acquired during the year. The fleet moved 31% of the Group's volumes during the year. The objective of improving distribution efficiencies is steadily being achieved, albeit that progress was slowed by the need to deal with the numerous day to day operational challenges. The Board has approved the acquisition of a further 11 trucks in the year ahead.

Contract Farming
The Group continues to support local farming, with 10,500 hectares of a variety of cereal crops having been planted during the year through two substantial contract farming schemes. National Foods directly supported the production of 9,500 hectares of maize, wheat, soya beans, sugar beans and popcorn through the 2018 winter and 2018-19 summer seasons. In addition, Pure Oil supported 1,000 hectares of soya beans during the 2018-2019 summer season. These schemes produced a total of 51,000MT of grain.

Corporate Social Responsibility (CSR)
The Group continues to assist vulnerable communities, supporting 41 registered institutions spread across the country's 10 provinces with regular food supplies. In addition, National Foods assists a number of wildlife conservation initiatives. The Group was also proud to support the "Gems", the Zimbabwe Women's netball team on their extremely successful World Cup tour.

In addition to our regular community support, the Company donated 90MT of product to the Cyclone Idai Disaster response initiative. Lastly, 4 schools in the Sanyathi District were assisted with much needed stationery items.

New Products
National Foods will be entering the Cereals category early in the new financial year. A state of the art plant has been constructed and supplies to the market commenced in September 2019. The initial product to be launched will be an instant maize based breakfast porridge under the "Pearlenta Nutri-Active" brand. Additional products are being explored and we are excited at the prospects for the category which is a logical integration opportunity.

Future Prospects
The immediate post year end period saw a material volume reduction as consumers adjusted to the reintroduction of the local currency. Whilst volumes have since recovered somewhat it does appear that the coming half will see substantially reduced volumes compared to the prior period.

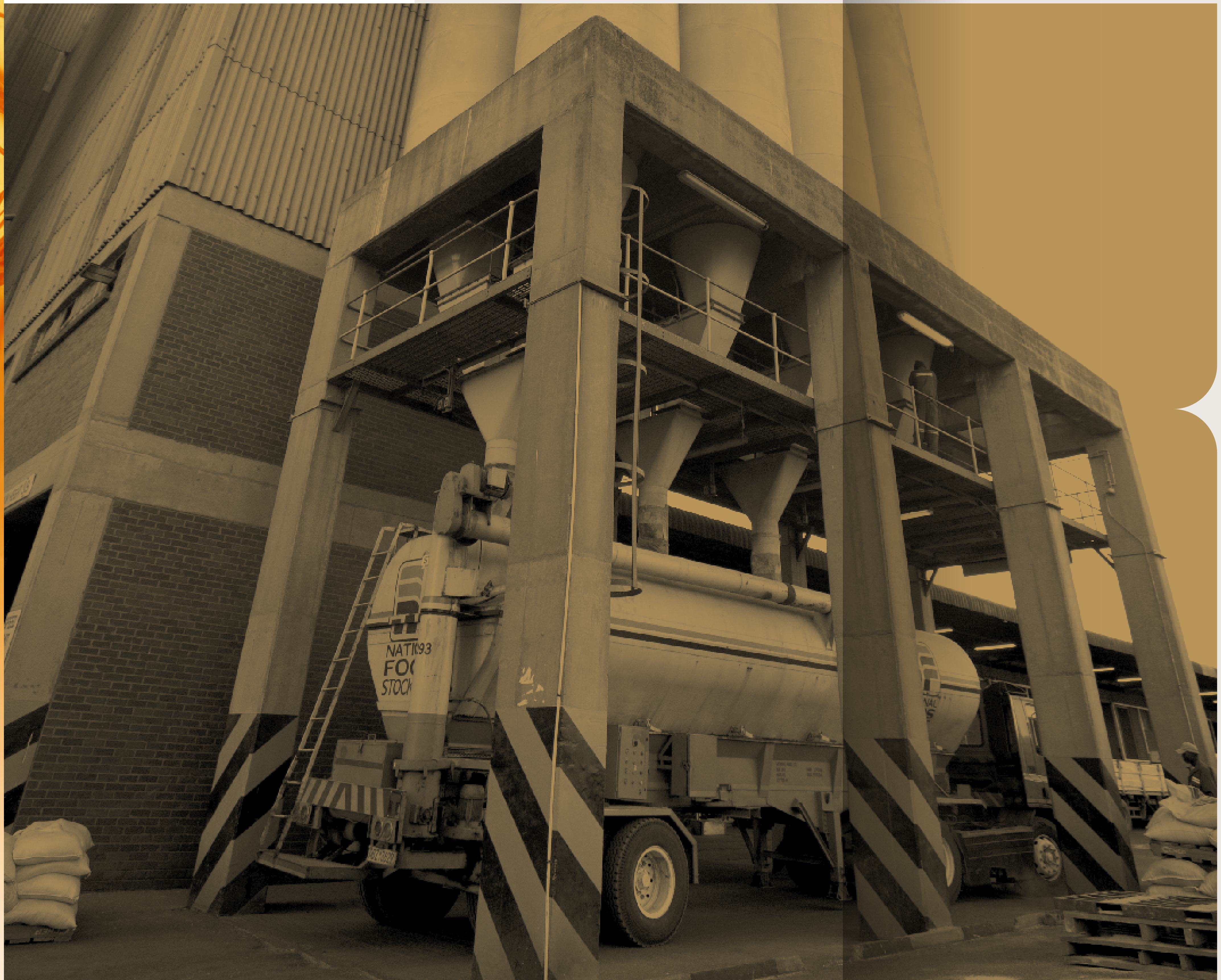
The overall outlook for the economy remains extremely challenging in the near term given the recent challenges of drought and power supplies whilst a necessary austerity program is being implemented. With the rebasing of the economy having taken place, there is an urgent need to foster productivity across all sectors. To this end, the successful conclusion of the IMF Staff Monitored program and the reengagement of the international community are critical to provide the economy with some momentum.

Turning toward its core activities the Group stands ready to support the country in its efforts to ensure food security in the year ahead. It will be critical that the roles of the public and private sector are clarified in this regard. The Group continues to position itself for improved economic times, continuously improving its product and processes as well as seeking new opportunities.

Dividend
In view of the prevailing environment and in particular the liquidity constraints, the Board has adopted a prudent approach in setting the year-end dividend. The Board is pleased to declare a final dividend of 15.26 ZWL cents per share payable in respect of all ordinary shares in the Company. This dividend is in respect of the financial year ended 30 June 2019 and will be payable in full to all the shareholders of the Company registered at close of business on Friday 18 October 2019. The payment of this dividend will take place on or about Monday 4 November 2019. The shares of the Company were traded cum-dividend on the ZSE up to the market day of Tuesday 15 October 2019 and ex-dividend as from Wednesday 16 October 2019. This final dividend brings the total dividend for the year to 27.57 ZWL cents per share.

Acknowledgement and Appreciation
I would like to express my sincere gratitude to the entire National Foods team for having continued to improve and grow the Company in very challenging operating conditions. They have been well supported by a committed Board, whose input is appreciatively acknowledged.

Todd Moyo
Chairman
26 September 2019



03

GOVERNANCE

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 skills and experience necessary to achieve our goals. The board is made up of a majority of Non-Executive directors. As at 30 June 2019 the following individuals constituted our board.

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

Other commitments
Managing Director Datlabs, Non-Executive Chairman PPC, Non-Executive Director Delta Beverages Limited.

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

Other commitments
None

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

Other commitments
None

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

Other commitments
Non-Executive Director of Oceana
Group CFO Tiger Brands

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

Other commitments
CEO Innscor Africa

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

Other commitments
Finance Director Innscor Africa

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

Other commitments
Chief Growth Officer Tiger Brands

Leigh Howes
Company Secretary and
Group Legal Advisor
LLB (Hons)
Appointed: 2013

NATIONAL FOODS LIMITED

EXECUTIVE COMMITTEE

M. Lashbrook	Chief Executive Officer
L. Nyandoro	Finance Director
R. Usayi	Human Resources Director
J. Stevens	Operations Director
S. Musodza	Sales Executive
L. Kutinyu	Marketing Executive
N. Moyo	Managing Executive Flour Milling
C. Nheta	Managing Executive Maize Milling
N. Weller	Managing Executive MCG
S. Viviers	Managing Executive Stock Feeds
G. Rawlins	Managing Executive Snacks & Treats
W. Kapfupi	Technical Executive Maize Milling and Cereals

ASSOCIATE COMPANIES

PURE OIL INDUSTRIES (PRIVATE) LIMITED

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

NATIONAL FOODS LOGISTICS (PRIVATE) LIMITED

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

The Board believes that the Group's governance practices are strong and that in all material respects, the Group endeavours to conform 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 the way in which the Group's business is conducted.

CORPORATE **GOVERNANCE**

National Foods Holdings Group subscribes to the principles of discipline, independence, accountability, transparency, responsibility, integrity, fairness and social responsibility, identified as the primary characteristics of good governance, contained in the National Code on Corporate Governance for Zimbabwe.

The primary objective of any system of corporate governance is to ensure that directors and managers, to whom the running of large corporations has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the corporation and society ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation. The Board believes that the Group's governance practices are strong and that in all material respects, the Group conforms to the principles embodied in the National Code on Corporate Governance for Zimbabwe and is committed to ensuring that these principles continue to be an integral part of the way in which the Group's business is conducted.

CORPORATE GOVERNANCE (continued)

Directorate and Executive Management

The Board of Directors of the Holding company retains 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 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 key management, whose remuneration is disclosed in Note 25.7 and 25.8. The directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, at the company's expense, if they believe that course of action would be in the best interest of the Group.

Financial Statements

The Directors of the National Foods Holdings Group are responsible for preparing financial statements and other information presented in the annual report in a manner that fairly presents the state of affairs and results of the operations of the company and the Group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The annual financial statements contained in this report have been prepared in accordance with International Financial Reporting Standards (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 an appropriate segregation of duties. The internal audit function operates under the direction of the Group Audit Committee, which approves the scope of the work to be performed. Significant findings are reported to both executive management and the Audit Committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work.

Nothing has come to the attention of the Directors that indicates any material breakdown in the functioning of the key internal controls and systems during the period under review. The Group has comprehensive risk and loss control procedures in place.

Management Reporting

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating units. Individual budgets are approved by the principal operating company Board of Directors, while the Group budget is reviewed by the directors of the Holding company. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections, cash flow forecasts, working capital and borrowing levels are monitored on an on-going basis.

Remuneration Policy

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

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

Composition of Executive Remuneration

The remuneration packages of the executive directors comprise an annual salary, benefits as well as short term and long term incentive schemes.

Ethics and Share Dealings

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

Strategic Planning Process

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

CORPORATE GOVERNANCE (continued)

Board Committees

Audit and Risk Committee
Chairman: G. Gwainda

Members
N. Doyle
T. Moyo
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, before their submission to the Board;
- 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 Comapny's external auditors, making recommendations as to their reappointment (or for a tender of audit services), and approving 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 is to provide packages and attract, retain and motivate high quality individuals who contribute to the sustainable growth and success of each of the businesses in which the Group operates. Packages primarily include basic salaries, performance-related bonuses and long-term, share-based incentives.

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

Attendance of meetings during the 2019 Financial Year

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

RISK MANAGEMENT AND BUSINESS ETHICS

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.

Risk Management

Management of risk is at the heart of our business planning processes which is core to achieving our strategic goals. It ensures that we continue to protect our stakeholders while generating sustained business growth. We have established a risk management approach that provides a common language 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 achieves this role through the Audit and Risk Committee. Managing the diverse nature of risk requires coordination and reporting of risk from every facet of our operations. Executive managers are then involved in evaluating and prioritising the identified risks applicable across all areas of business. The board provides guidance on tolerable risks, risk appetite and the adequacy of prevailing controls in managing risks.

RISK MANAGEMENT AND BUSINESS ETHICS (continued)

Framework for Managing Risk

We use a cyclical approach to risk management in our business operations which consists of four elements of identifying, prioritising, responding and reviewing. We then analyse the significance of these risks by assessing their likelihood and impact. The group then puts in place controls to mitigate these risks in alignment with set tolerance and risk appetite levels. The Group uses this information in determining the course of action to exploit opportunities that the group seeks to venture into. 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 preserves company value for the benefit of all stakeholders.

Risk Management Framework

The significant risks identified are then ranked into a profile for the group. Management then determine the best practice approach for handling the risks identified.

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 center 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 that guide us on the appropriate behaviors 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 always.
- Conflict of interest – avoid any situation that has the potential to undermine the objectivity of a person as result of a possible clash between personal interest and professional business interests.
- Competition – comply with all applicable competition laws, employees should never exchange information with competitors.
- Trade in groups products – the group and its employees do 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

To ensure our people are aware of our approach to ethics, we always ensure that they get relevant training on the behaviors expected from them. This is part of induction programs for every new employee of National Foods. The behaviors are spelt out in the Group Core Values; Code of Ethics and Standards of Business Conduct. We also hold refresher trainings to remind staff of ethical and unethical practices. Business partners, suppliers and other stakeholders are informed of appropriate ethical behaviors through contractual agreements.

Whistle blower

The group subscribes to an independently managed whistle blower system 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 retains, 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 ethics can lead to suspension or dismissal of the individuals involved.

04

SUSTAINABILITY IN OUR VALUE CREATION

SUSTAINABILITY IN OUR BUSINESS

Sustainability Strategy

Our sustainability strategy is meant to enhance sustainable decisions by considering economic, environmental and social impacts across our operations and practices.

The Group's strategy as a manufacturing company rests upon ensuring production efficiency as well as quality by adhering to international standards such as ISO9001, FSSC 2200 and the Global Reporting Initiatives (GRI) Standards. Further, we pay attention to minimise negative impacts on the business and or stakeholders while maximising on opportunities from sustainability issues in our business environment. Above all, our strategy is to ensure the Group is responsive to external imperatives such as climate change, Sustainable Development Goals (SDGs) and stakeholder concerns in places where we operate.

SUSTAINABILITY **IN OUR BUSINESS** (continued)

REPORTING PRACTICE

The Group's reporting practice centres upon 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. The 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 over the reporting period which ends on 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

The 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 information which may have been published in our prior year reporting. We can confirm that there have been no changes to measurement basis on sustainability data presented 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)

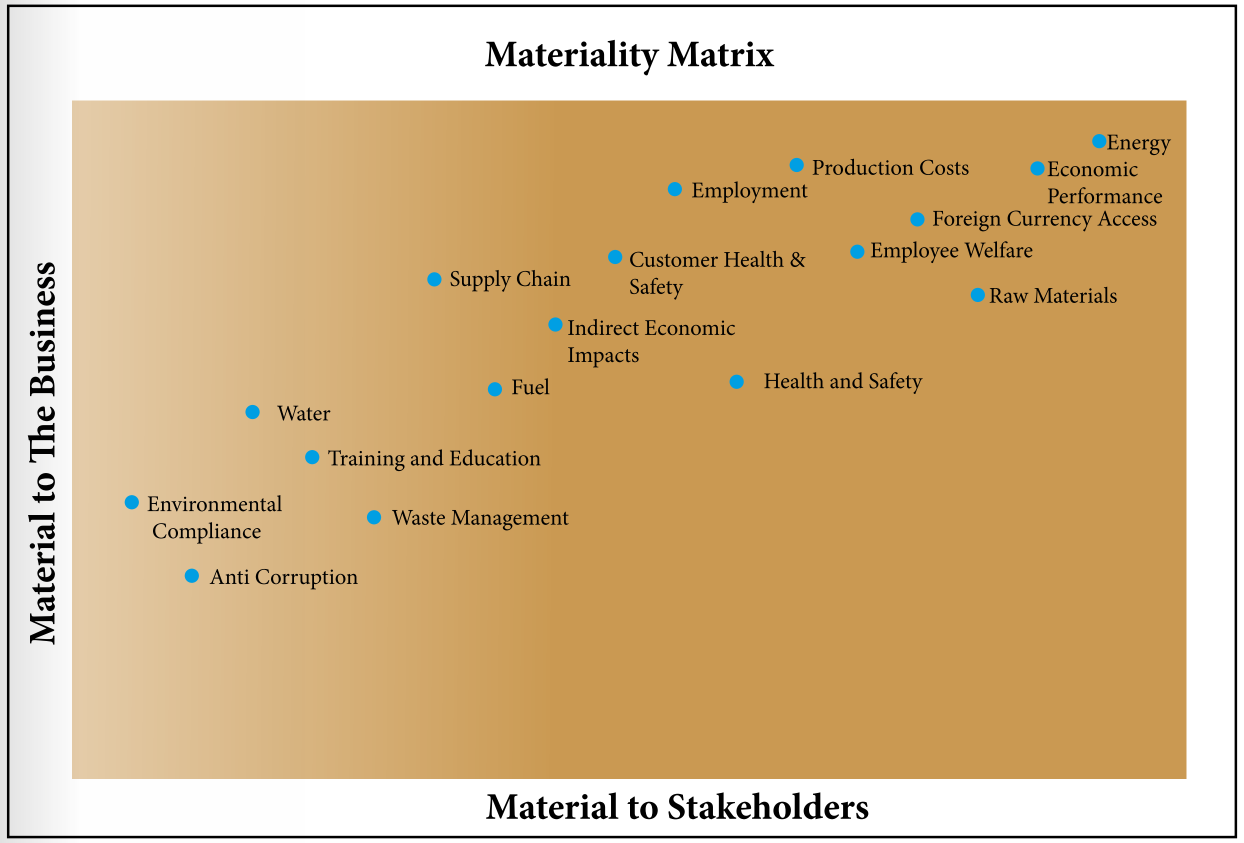
MATERIALITY PROCESS

The Group evaluates economic, environmental and social issues on their impact on the business and stakeholders. This process involves management and staff going through an evaluation of material issues brought to their attention from both internal and external stakeholders.

Where material issues are considered to be of high impact, 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
• Economic performance • Production Costs • Foreign currency access • Supply chain • Indirect economic impacts • Anti-corruption	• Raw Materials • Energy • Water • Waste management • Fuel • Environmental compliance	• Employee welfare • Health and safety • Customer quality • Employment • Training and Education

Materiality Matrix



SUSTAINABILITY IN OUR BUSINESS (continued)

OUR STAKEHOLDERS AND RELATIONSHIPS

STAKEHOLDER	MATERIAL ISSUES RAISED	MITIGATION MEASURES	COMMUNICATION CHANNELS
Employees/Staff	• Engagement & inclusion • Working hours • Employee benefits	• Development, review, implementation and monitoring of Human Resource Policy and Procedures • Training	• Works Council meetings • Face to face interactions • Noticeboards/NFL communication via emails • Line Manager Engagement • CEO monthly lunches with staff • Executive Committee cascades on employee benefits • Code of Conduct • Code of Ethics
Suppliers	• Timely payments	• Suppliers audit • Suppliers screening	• Face to face meetings • Tip Offs Anonymous
Industry	• Animal disease control • Training & Development	• Interaction with the Department of Veterinary Services of Zimbabwe	• Zimbabwe Poultry Association (ZPA) • Grain Millers Association of Zimbabwe (GMAZ) • Confederation of Zimbabwe Industries (CZI)
Government/ Regulators	• Regulatory compliance • Transparent reporting	• Compliance with regulations	• Direct meetings and updates • Regulator audits
Shareholders and Potential Investors	• Competitive Return • Regulatory Compliances	• Improved Profitability & returns year on year • Enhanced governance oversight by the Board	• Annual Report • Annual General Meeting • Bi-annual results release • Website updates • Face to face meetings
Customers and Consumers	• Safe quality products • Nutritious products • Innovative products	• Rigorous quality checks and balances • Continuous product development	• Food safety standards • Regular meetings with key accounts contacts • Consumer and Customer Surveys • Consumer and Customer Immersions
Local Communities	• Economic development • Environmental Protection	• Compliance with legislation	• Regular interaction with Local Authorities • Corporate Social Responsibility

SUSTAINABILITY IN OUR BUSINESS (continued)

MANAGING OUR SUSTAINABILITY FOOTPRINT

The Group's approach to managing its sustainability footprint hinges upon minimising negative impacts on the business and our stakeholders particularly those relating to the environment and society. We do this by setting targets, implementing remedial systems and continuous monitoring processes. In line with commitments made for compliance with regulators, laws and best practices, the Group has systems for managing environmental and social impacts.

For FY2019, the Group placed significant effort in managing the sustainability footprint and the performance as presented below:

ENVIRONMENTAL STEWARDSHIP

Raw Materials

Management prioritises waste management in the production system of primary products. For FY2019, we used the following raw materials:

Materials	Unit	2019	2018	2017
Maize	Tons	251 807	161 710	145 925
Soya	Tons	29 668	19 956	19 889
Wheat	Tons	245 808	277 186	224 954
Maize Gem Meal	Tons	30 828	14 260	22 931
Wheat feed	Tons	38 887	40 655	35 003
Rice	Tons	24 934	24 786	32 808
Salt	Tons	18 731	21 743	19 057
		640 663	**560 296**	**500 567**

Production Waste Recycling

The Group's manufacturing processes are programmed to minimise waste, hence limited material available for recycling. For FY2019, our recycling profile was as follows:

Recycling	Unit	2019	2018	2017
Average waste material recycled into other products	%	0.20	0.09	0.005

Energy Consumption

The Group takes measures to manage energy consumption within its operations and production processes. Management's approach is that power is conserved in non-core areas of the business. However, the Group is exploring use of energy generated from non-renewable sources such as solar energy to minimise use of fossil fuels.

Our FY2019 consumptions were as follows:

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

SUSTAINABILITY IN OUR BUSINESS (continued)

ENVIRONMENTAL STEWARDSHIP (continued)

Carbon Footprint

The Group monitors impacts on climate change by tracking its carbon footprint from various emission sources in its manufacturing processes. Management continues to measure and monitor emissions to minimise the effects to acceptable levels.

For FY2019, our carbon footprint calculations based on fossil fuel consumption were as follows:

Emission Source	Unit	2019	2018	2017
Electricity	Kg C02e/Kw	10 978 982	9 792 861	9 893 473
Coal	Kg C02e/Kg	1 315 609	1 079 758	811 926
Fuel for Generators	Kg CO2e/Litre	320 254	636 648	443 352
		12 614 845	**11 509 267**	**11 148 751**

Climate Change Initiatives

In responding to climate change effects, the business is developing a strategy and timelines for assessing and monitoring its performance towards reducing impacts from business operations. During FY2019, the following measures were taken:

- Servicing and Maintainance of Boilers as required by law to ensure emission levels are kept within permissible levels.
- The use of 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.
- Ensures legal compliance with the Environmental Management Agency (EMA) Zimbabwe.

Water Management

Water is a critical component of our production processes. Management takes precaution to minimise wastages and promote sustainable management of the water sources it relies on. The Group draws water from various sources which it monitors to ensure sustainable consumption. For FY2019, our consumption was as follows:

Source	Unit	2019	2018	2017
Ground Water (Borehole)	m³	119 851	161 929	168 144
Surface Water (Municipal Water Supply)	m³	41 002	51 214	53 848
		160 853	**213 143**	**221 992**

Waste Management

Our approach to production waste disposal includes final disposal and alternative use. In FY2019, waste material were managed through the following disposals:

Waste by Type	Disposal Method	Unit	2019	2018	2017
Solid Waste	Landfill	Tons	565	274	393
Maize screening waste	Sale to farmers	Tons	1 849	308	436
Paper Cut offs	Recycling	Tons	1 028	33	29
Total			**3 442**	**615**	**858**

SUSTAINABILITY IN OUR BUSINESS (continued)

SUSTAINABILITY IN OUR BUSINESS (continued)

SOCIAL IMPACTS

Human Capital

Our employees are a critical capital that drives how we create and sustain value for our stakeholders and shareholders. The Group continues to provide economic opportunities to society through various employment opportunities that include short term contracts, fixed term contracts and permanent positions. The Group offers a number of incentives and a conducive work environment that ensures we attract and retain talent and skilled employees who continue to sustain the Group.

For FY2019, our employment performance is presented below:

New Staff Engagement

Gender	Unit	2019	2018	2017
Male	Count	60	26	4
Female	Count	13	24	4
Total		**73**	**50**	**8**

Staff Turnover

Gender	Unit	2019	2018	2017
Male	Count	57	66	18
Female	Count	5	11	2
Total		**62**	**77**	**20**

Employee Base

Gender	Unit	2019	2018	2017
Male	Count	1 138	1 178	1 203
Female	Count	202	189	170
Total		**1 340**	**1 367**	**1 373**

Health and Safety in the work place

The health and safety of our employees is a priority in our workplace. The Group embarked on a Vision Zero Initiative, (a drive towards eradicating all work related injuries and illnesses.) The Group thus continues to take measures to minimise injuries through training activities. During FY2019, our performance was as follows:

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

SUSTAINABILITY IN OUR BUSINESS (continued)

SOCIAL IMPACTS (continued)

Health and Safety Topics covered in Trade Unions Agreement

During the year, the following topics were covered in the trade unions agreements in our sector:

Staff Development

The Group supports employees in maintaining their skills and knowledge consistent with the latest developments in their related areas of responsibility. Maintaining highly skilled employees is a key responsibility of management for sustaining this critical capital for 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. For FY2019, our average employee training and education hours were as follows:

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

SUSTAINABILITY **IN OUR BUSINESS** (continued)

SOCIAL IMPACTS (continued)

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 behaviours and lifestyles that reduce occupational health risks. The team has in place a full wellness plan for the business which focuses on the physical well-being, emotional, psychological and mental aspects of well-being that impact occupational health.

In FY2019 the OH team carried out numerous activities to impact wellness as follows:

Stress management sessions

World Aids Day March

Stress management sessions

Stress management sessions

Cancer Awareness Day

SUSTAINABILITY **IN OUR BUSINESS** (continued)

SOCIAL IMPACTS (continued)

Occupational Health (OH) Training

OH trained 36 wellness champions/peer educators across all business units whose role is to encourage colleagues to adapt to healthy lifestyles through offering a consistent platform from which a comprehensive health plan can be implemented. First aid refresher training was offered to new and old employees engaged for such roles.

NFL Soccer Team

The NFL Red Seal Rovers team plays in the Southern Social Soccer League with corporates such as Econet, Net1, Steward Bank, ZIMRA, Swift, FBC, Holiday Inn and AirZim, to mention but a few where they are brand ambassadors for the Pearlenta and Red Seal brands. They are also HIV & AIDS brand ambassadors under Davis Granite Annual Orphans Tournament. They are currently in the 5th position on the 16 team log after playing 19 games by year end.

First Aid Training

Peer Educators

NFL Soccer Team

Corporate League Winners year 2017 and 2018

SUSTAINABILITY **IN OUR BUSINESS** (continued)

HUMAN RIGHTS

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 ensures that its conduct and that of its employees are within the confines of upholding the best practice in human rights. During FY2019, the Group was not able to conduct a human rights assessment. However, management confirms that during the year, no matters were brought to their attention which may be deemed material human rights violations within the workplace. The Group will continue to enhance awareness on human rights within the workplace. There are plans to conduct a Human Rights training in the ensuing year to ensure all employees are fully aware of their human rights while the business enhances existing policies.

PRODUCT RESPONSIBILITY

The Group places great attention to product quality and safety for consumers. The Group managed to maintain its ISO9001: 2015 Certification on Quality Management and is implementing FSSC 22000:2018 on Food Safety. These standards allow the Group to ensure products are manufactured to expected standards and carry the correct information on the packaging labels. During FY2019, the Group conducted a customer satisfaction survey whose outcomes are presented below.

Customer Satisfaction Survey Results

- 'Gloria' maintained its 'top of mind' status and has the greatest 'spontaneous awareness' with over 9 out of 10 respondents being spontaneously aware of the brand. The awareness levels of 'Gloria' are high in both Harare and Bulawayo.
- Red Seal Roller Meal maintained the highest level of 'spontaneous awareness' (88%) followed by 'Silo', 'Chibataura' and 'Mugaiwa'.
- 'King Kurls' continues to show the best 'conversion from trial to claimed loyalty.
- National Foods stock feeds showed high levels of spontaneous and total awareness.
- Customers are generally satisfied with our products.

Responsible Marketing

The Group ensures all NFL products are marketed in a way that does not mislead consumers. Our marketing team takes responsibility for ensuring our products are marketed in a responsible manner reflecting the brands we have created over decades. We ensure all advertisements are evaluated and receive all the necessary approvals before being placed for public information. The Marketing team engages regularly with customers to ensure the products are marketed in line with our values.

SUSTAINABILITY **IN OUR BUSINESS** (continued)

ECONOMIC VALUE PERFORMANCE

Economic Value Generated and Distributed

	2019 ($000)	2018 ($000)	2017 ($000)
Economic Value Generated			
Revenue	566 173	297 929	289 508
Other Income	1 357	1 041	730
Equity Accounted Earnings	3 509	5 196	1 832
Suppliers of materials and services	(443 981)	(260 297)	(253 536)
Total Economic Value created	**127 058**	**43 869**	**38 535**
Economic Value Distributed			
Employees	35 587	14 813	15 606
Payments to Government	**22 823**	**5 714**	**5 250**
- Income tax	19 408	4 036	3 326
- PAYE	3 415	1 678	1 924
Providers of capital	**18 005**	**11 728**	**8 229**
- Dividend paid to shareholders	11 925	8 276	7 127
- Net interesting on borrowing	6 080	3 452	1 102
Reinvestment in the Group to maintain and develop operations	**50 643**	**11 614**	**9 450**
- Depreciation	5 890	2 667	2 887
- Retained Income	44 753	8 947	6 563
Total Economic Value distributed	**127 058**	**43 869**	**38 535**

Payment to Government

The Group makes payments to government through corporate taxes, value added tax, duty and levies. In FY2019, we made the following payment to government:

	2019 ($000)	2018 ($000)	2017 ($000)
Corporate Tax – Associates	3 042	4 472	1 588
Value Added Tax (VAT)	10 522	5 846	4 627
Import Duty	1 445	915	1 200
Withholding Tax	3 622	152	147
Levies	99	49	52
Total	**18 730**	**11 434**	**7 614**

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. In FY2019, the Group contributed to the following pensions:

Pension	2019 ($000)	2018 ($000)	2017 ($000)
National Foods Pension	373	363	410
National Social Security	225	225	239
Group Life Cover	77	74	79
Total	**675**	**662**	**728**

SUSTAINABILITY IN OUR BUSINESS (continued)

COMMUNITY INVESTMENT AND DEVELOPMENT SUPPORT

Corporate Social Responsibility Activities

National Food's objective is to plough back to the communities within which the company operates by enhancing lives, improving wellbeing and building lasting emotional capital. The initiatives are mainly targeted at children and the elderly.

The Group engages in proactive initiatives which deliver an impact to the socio-economic well-being of communities by investing in the societies within which the company operates. NFHL also participates in initiatives that are geared towards the preservation and long term sustainability of the environment.

National Food's has taken an initiative to support over 40 groups of vulnerable community support centres across Zimbabwe's 10 Districts. These centres include orphanages, special needs groups, vulnerable women and children, schools, hospitals, churches, wildlife and other national social support.

Improving Well-being
The company adopted two charities in each of the ten provinces in the country to which a monthly provision of foodstuffs is given over a 12 month rolling plan. The Group Management also donates a day in the year for staff to participate in an organized charitable cause. The target groups are vulnerable groups (orphans, special needs groups, vulnerable women, children & the elderly).

Enhancing lives
The company implements projects in communities geared at supporting and enhancing livelihoods. To this end the company identifies schools, hospitals, church run institutions in disadvantaged communities and support self-initiated projects to contribute towards social causes.

Target groups are disadvantaged communities, schools, hospitals, church run institutions and wildlife protection initiatives. These include donations to Healing with Horses and the SPCA.

Building Lasting Emotional Capital
The Company responds to relevant adhoc / once off interventions & customer/consumer focused initiatives through cash and branded food donations, targeting communities that support our business at exhibitions, graduations, prize giving days and uniformed forces events etc.

Sponsorship of Zimbabwe Netball Team – NFL supported the Zimbabwe Netball Gems with ZWL 200,000 on their qualification to the Vitality Netball World Cup in Liverpool.










SUSTAINABILITY IN OUR BUSINESS (continued)

Specific Projects
In 2017 and 2018 we provided funding to renovate 8 schools in Sanyati and Ngezi districts in partnership with Kapnek Trust worth ZWL 44,000. We donated stationery worth ZWL 8,000 to the 4 rehabilitated schools in the 2 districts.

We donated 60mt of various products including roller meal, self-raising flour, salt and jam worth ZWL 43,000 towards the communities impacted by Cyclone IDAI in Chimanimani. NFL Staff collected 32 full bags of clothes and shoes that helped to sustain the immediate and basic needs of the affected families.








NFL supports the disadvantaged and various needs within our stakeholders and communities through the CSR Programme. 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.

SUSTAINABILITY IN OUR BUSINESS (continued)

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

OUR ACTIONS	THEME	SDGS SUPPORTED
National Foods produces affordable staple foods to ensure no one goes hungry. The Group also supports local farmers through contract farming to maximise food production.	Zero Hunger	2 Zero Hunger
Through our CSR Programme, National Foods supported various communities with exercise books, pens and learning facilities.	Quality Education	4 Quality Education
National Foods provides economic opportunities in the form of casual, temporary and full time employment. The Group adheres to trade unions agreements of collective bargaining. The economic value generated and distributed by the Group contributes to economic growth. The Company make payments to government which can support service delivery and infrastructure development.	Employment and Descent work for all Promote sustained, inclusive and sustainable economic growth	8 Decent Work and Economic Growth
National Foods 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	12 Responsible Consumption and Production
National Foods monitors carbon emissions and has been taking action through the Group's climate change initiatives to reduce these.	Climate action	13 Climate Action

SUSTAINABILITY IN OUR BUSINESS (continued)

SUPPLY CHAIN MANAGEMENT

Supply chain management remains a critical function in the success of our products, brands and image. The Group provides systems which ensure that all suppliers are screened based on track record and consideration of sustainability issues such as environmental, social behavior, corruption, statutory compliance and human rights practices. The Group endeavors to contribute towards the empowerment of society in places where operate by creating economic opportunities in the supply chain.

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 is in line with the Kilometer Zero Initiative that reduces carbon foot prints and climate change.

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)

INTERNATIONAL STANDARDS AND CERTIFICATIONS

The Group ascribes to the following standards and certifications:

- ISO9001:2015 - Standards Association of Zimbabwe (SAZ)
- FSSC 22000:2018 SGS / Lyodds
- KOSHER (Jewish Community)
- HALAAL (National Halaal Association of Zimbabwe (NHAZ))

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)

05

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL OF FINANCIAL STATEMENTS

The Directors of the Company are required by the Zimbabwe Companies Act (Chapter 24:03) 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 2019, which appear on pages 65 to 112, have been approved by the Board of Directors and are signed on its behalf by:

T. Moyo
Chairman
Harare
26 September 2019

M. Lashbrook
Group 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 Companies Act (Chapter 24:03) of the Republic of Zimbabwe, and all such returns are true, correct and up to date.

L.C. Howes
Company Secretary
Harare
26 September 2019

REPORT OF DIRECTORS

The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2019.

GROUP FINANCIAL RESULTS

	2019 ZWL000	2018 ZWL000	2017 ZWL000	2016 ZWL000	2015 ZWL000
Profit before tax	76 028	21 211	17 226	19 041	17 253
Income tax expense	(19 408)	(4 036)	(3 522)	(4 768)	(4 517)
Profit for the year	56 620	17 175	13 704	14 273	12 736
Total comprehensive income for the year	**56 620**	**17 175**	**13 707**	**14 271**	**12 734**

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 (2018:Nil) and the number of shares in issue was 68 400 108 (2018: 68 400 108).

NATIONAL FOODS WORKERS TRUST

National Foods Workers Trust (Private) Limited was established to provide a scheme for worker participation in both the equity and profits of the company. Through donations by the Company to the Trust, the Trust acquired a 10% shareholding in National Foods Holdings Limited. Dividends received through its shareholding are administered by a board of nine Trustees for the benefit of workers under grades "A", "B" and "C" of the Milling and Commercial Industries and grades 1-6 of the Textile Industry, being the National Employment Council for which the wide categories of employees fall.

BORROWING POWERS

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

RESERVES

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

DIVIDENDS

The Board declared a final dividend of 15.26 ZWL cents per share payable in respect of all ordinary shares in the Company. This dividend is in respect of the financial year ended 30 June 2019 and will be payable in full to all the shareholders of the Company registered at the close of business on Friday, 18 October 2019. The payment of this dividend will take place on or about Monday, 4 November 2019. The shares of the Company were traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of Tuesday, 15 October 2019 and ex-dividend as from Wednesday, 16 October 2019. This final dividend brings the total dividend for the year to 27.57 ZWL cents per share.

DIRECTORATE

No changes to the directorate in the current year.

AUDITORS

Members will be asked to fix the remuneration of Ernst & Young for the past audit and to confirm their reappointment for the ensuing year.

ANNUAL GENERAL MEETING

The fiftieth Annual General Meeting of the Company will be held at 08:45 am on Friday 8 November 2019 at the registered office of the Company 10 Stirling Road, Workington, Harare.

T. Moyo
Chairman
Harare
26 September 2019

M. Lashbrook
Chief Executive Officer

EY
Building a better working world

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

Tel: +263 4 750905 – 14 or 750979 - 83
Fax: +263 4 750707 / 773842
Email: admin@zw.ey.com
www.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Adverse Opinion

We have audited the consolidated financial statements of National Foods Holdings Limited and its subsidiaries (the Group),as set out on pages 65 to 113 , which comprise the consolidated and company statement of financial position as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 financial statements do not present fairly the consolidated and company financial position of the Group as at 30 June 2019,the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Date of change in functional currency (Non-compliance with IAS 21)

As explained in note 2.1 to consolidated financial statements, the Group applied the United States Dollars (US$) as its functional currency for the period 1 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollars (RTGS$) and Zimbabwe Dollars (ZWL) for the period 23 February 2019 to 30 June 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date. The consolidated and company financial statements are presented in ZWL.

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 rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS$ and US$. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

INDEPENDENT AUDITOR'S REPORT (continued)

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to ZWL) and whether the 1:1 ZWL: US$ exchange rate was appropriate.

Based on IFRS, International Accounting Standard 21 (IAS 21)-*The Effects of Changes in Foreign Exchange Rates*- the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."*

We believe that events in the market and subsequent promulgation of ZWL as a formal currency supports a change in functional currency from US$ to ZWL prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL:US$ exchange rate and this occurred effective 1 October 2018. The Group has chosen to comply with the law by adopting the date of change in functional currency of 22 February 2019. This therefore impacts the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019, the valuation of assets and liabilities as well as the accounting for exchange differences.

Accordingly, the consolidated financial statements of the Group include balances and transactions denominated in US$ that were not converted to ZWL at a ZWL:US$ exchange rate that reflects the economic substance of its value as required by IFRS. The directors have provided more information on their approach in Note 2.1 to the consolidated financial statements.

Exchange rates (Non-compliance with IAS 21)

The Directors applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and of the 20th of February 2019 for transactions from 1 October 2018 to 22 February 2019. On the 22nd of February 2019, the Group translated most of the applicable foreign denominated non-monetary balances at that date to ZWL at an exchange rate of 1:4 between US$ and ZWL except for goodwill.

The Group's non-current assets included Goodwill amounting to US$1,519 million which was translated at a rate of ZWL1: USD$1 on the date of change in functional currency and this is not in line with the requirements of IAS 21. Had the balance been translated using an exchange rate applied on other items the resultant translation gain to be accounted for through the income statement would have been ZWL4,55 million. Foreign currency denominated

INDEPENDENT AUDITOR'S REPORT (continued)

transactions between the 23rd of February 2019 and the 30th of June 2019 were translated to ZWL based on Group exchange rates obtained or implied in the market. As at 30 June 2019, all monetary balances were translated at a closing rate of USD$1: ZWL 6,75, which was based on the official interbank rate. The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below:

According to IAS 21, *at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction;*

and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 8 of IAS 21, the closing rate is defined as *a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery*.

In light of the definitions above, the IFRS Interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

We therefore believe that the exchange rates for transactions and balances between US$ and RTGS$/ZWL used by the Group (1:1 for the period 1 October 2018 to 22 February 2019, 1:4 for the translation to functional currency on 22 February 2019, except for goodwill where the exchange rate applied was 1:1, Group rates obtained or implied for transactions between 23 February 2019 and 30 June 2019 and 1:6.75 closing rate based on the official interbank rates at 30 June 2019) did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above.

Treatment of gains or losses arising from translation on 23 February 2019

The Group's net translation gain on conversion of non-monetary and monetary assets and liabilities to ZWL on change in functional currency from the USD$ and amounting to ZWL$110,25 million was recognised directly in equity as a non-distributable reserve which represents a departure from the requirements of IFRS. IFRS requires that all line items at the date of change in functional currency should be translated at the same rate to the new currency and therefore there would be no translation adjustments and that, should there be such translation differences these would be recognised in the statement of profit or loss.

INDEPENDENT AUDITOR'S REPORT (continued)

The effects of the above departures from IFRS are material and pervasive to the consolidated 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 (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 matter 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 but does not include the financial statements and our auditors report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT (continued)

- 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matter discussed in the Basis for Advers Opinion section of our report, the accompanying consolidated and company financia statements have not in all material respects, been properly prepared in compliance with th disclosure requirements of and in the manner required by the Companies Act (Chapter 24:03).

The engagement partner on the audit resulting in this independent auditor's report is Walte Mupanguri (PAAB Registration Number 220).

Ernst & Young

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare

27 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	2019 ZWL	2018 ZWL
Revenue	4	**566 172 807**	**297 929 498**
Cost of sales		(374 052 318)	(228 041 802)
Gross profit		**192 120 489**	**69 887 696**
Other income	5.1	1 299 112	993 052
Distribution expenses		(24 866 320)	(10 722 756)
Selling and marketing expenses		(7 270 851)	(4 133 040)
Employee benefits expenses		(39 001 693)	(16 490 935)
Administrative expenses		(38 701 083)	(17 399 672)
Expected credit loss expense		909 511	–
Depreciation	5.3/8	(5 889 864)	(2 666 931)
Profit from operating activities		**78 599 301**	**19 467 414**
Interest income	5.4	229 564	149 512
Interest expense	5.4	(6 309 841)	(3 601 787)
Equity accounted earnings	11.4	3 509 223	5 195 938
Profit before tax	5	**76 028 247**	**21 211 077**
Income tax expense	6.1	(19 408 075)	(4 035 873)
Profit for the year		**56 620 172**	**17 175 204**
Other comprehensive income			
- that may be recycled to profit and loss at a future point in time			
Exchange differences on translation of foreign operation		(407)	(690)
Total comprehensive income for the year		**56 619 765**	**17 174 514**
Profit for the year attributable to equity holders of the parent		56 620 172	17 175 204
Total comprehensive income for the year attributable to equity holders of the parent		**56 619 765**	**17 174 514**
Earnings per share			
Basic and diluted earnings per share	7	82.78 cents	25.11 cents
Headline earnings per share	7	82.62 cents	25.05 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	2019 ZWL	2018 ZWL
ASSETS			
Non-current assets			
Property, plant and equipment	8	174 348 856	44 122 607
Intangible assets	10	1 516 422	1 516 422
Investment in associates	11	25 496 030	10 631 809
Other financial assets	12.1	4 475 382	988 933
		205 836 690	57 259 771
Current assets			
Cash & cash equivalents	19.4	34 518 304	33 403 229
Inventories	13	96 370 349	41 746 879
Trade and other receivables	14	49 109 392	38 968 465
Current portion of other financial assets	12.1	–	1 998 767
Prepayments		84 527 403	23 547 427
Current tax receivable	6.3	–	750 895
Assets classified as held for sale	9	–	3 402 447
		264 525 448	143 818 109
Total assets		**470 362 138**	**201 077 880**
EQUITY AND LIABILITIES			
Equity			
Issued share capital	15.1	684 001	684 001
Non-distributable reserves	15.3	107 996 609	(10 628)
Distributable reserves	15.4	150 100 420	103 161 825
Total equity		**258 781 030**	**103 835 198**
Non-current liabilities			
Deferred tax liability	6.4	36 801 835	8 201 539
		36 801 835	8 201 539
Current liabilities			
Trade and other payables	17	64 277 140	52 786 808
Bank overdrafts	12.2	–	159 728
Borrowings	12.2	85 533 091	30 261 638
Provisions	18	427 561	347 241
Current tax payable	6.3	14 980 539	–
Shareholders for dividends	16	9 560 942	5 315 577
		174 779 273	88 870 992
Liabilities relating to assets held for sale	9	–	170 151
		174 779 273	89 041 143
Total equity and liabilities		**470 362 138**	**201 077 880**

T. Moyo
Chairman
Harare
26 September 2019

M. Lashbrook
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Note	2019 ZWL	2018 ZWL
OPERATING ACTIVITIES			
Cash generated from operations	19.1	86 479 170	22 240 522
Working capital changes	19.2	(112 441 618)	27 091 919
Operating cash flow		(25 962 448)	49 332 441
Interest received	5.4	229 564	48 069
Interest paid	5.4	(6 309 841)	(3 601 787)
Income tax paid	19.3	(4 542 318)	(4 318 279)
Net cash (out)/in flows from operating activities		**(36 585 043)**	**41 460 444**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to maintain operations		(11 261 901)	(3 926 321)
Purchase of property, plant and equipment to expand operations		(2 089 476)	(518 251)
Investment in associate	11.4	(4 354 082)	(750 000)
Loan to associate		(752 824)	(1 956 382)
Purchase of other financial instruments		(822 758)	–
Proceeds from disposal of non current assets held for sale		3 705 000	–
Proceeds on disposal of property, plant and equipment		287 648	89 795
Debenture repayment		–	121 936
Proceeds on disposal of financial instruments		3 158 663	929 908
Proceeds on disposal of associate		–	–
Dividends received from associate		2 400 000	–
Net cash outflows from investing activities		**(9 729 730)**	**(6 009 315)**
FINANCING ACTIVITIES			
Proceeds from borrowings and overdrafts		66 909 152	13 789 526
Repayment of borrowings		(11 800 000)	(14 033 804)
Dividends paid	16	(7 679 304)	(5 486 564)
Net cash in/(out) flows from financing activities		**47 429 848**	**(5 730 842)**
Increase in cash and cash equivalents		**1 115 075**	**29 720 287**
Cash and cash equivalents at beginning of the year		**33 403 229**	**3 682 942**
Cash and cash equivalents at the end of the year	**19.4**	**34 518 304**	**33 403 229**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Issued Share Capital ZWL	Non-Distributable Reserves ZWL	Distributable Reserves ZWL	Total ZWL
Note	15.1	15.3	15.4	
Balance at 30 June 2017	**684 001**	**(9 938)**	**94 263 037**	**94 937 100**
Profit for the year	–	–	17 175 204	17 175 204
Exchange differences on translation of foreign operation	–	(690)	–	(690)
Total comprehensive income	–	(690)	17 175 204	17 174 514
Dividends declared (Note 16)	–	–	(8 276 416)	(8 276 416)
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
Exchange differences on translation of foreign operation	–	(407)	–	(407)
Total comprehensive income	–	(407)	56 620 172	56 619 765
Change in functional currency recorded directly in equity	–	97 847 894	2 243 092	100 090 986
Associates change in functional currency recorded directly in equity	–	10 159 750	–	10 159 750
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1 CORPORATE INFORMATION

The Company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal Manufacturers (Proprietary) Limited which are incorporated in Botswana. Refer to Directorate and Administration Section for additional corporate information.

The Group's main activities comprise of the milling of flour and maize, manufacture of stockfeeds, snacks and sale of other general household goods.

The consolidated financial statements of National Foods Holdings Limited for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 26 September 2019.

1.1 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03).

1.2 Going concern

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

1.3 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Zimbabwean Dollars (ZWL). All values are rounded to the nearest dollar (ZWL), except when otherwise indicated.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2019.

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; and
- 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

1 CORPORATE INFORMATION (continued)

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; and
- 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 International Financial Reporting Standards, with the exception of IAS 21 The Effects of Changes in Foreign Exchange Rates due to the implications of the Monetary Policy Statement on 20 February 2019 and the accounting guidance issued on 22 March 2019.

Adoption of IFRS 9
The Group adopted IFRS 9 on 1 July 2018 as a replacement of IAS 39 Financial Instruments: Recognition and Measurement using the modified retrospective approach. IFRS 9 introduced new requirements which include the classification and measurement of financial instruments and expected credit loss (ECL) models. As permitted by IFRS 9, the Group elected not to restate its comparative financial statements. Consequently, comparative information is reported on an IAS 39 basis and is not fully comparable to prior period and/or prior year information. Under IFRS 9 the provision has been calculated using the expected credit loss model compared to the incurred loss model under IAS 39. This change has not resulted in a significant impact on the provision as high value collateral was held against key debtors.

	Measurement category		Carrying Amount		
	IAS 39	IFRS 9	Original	New	Difference
Non-current assets					
Listed equity investments	FVTPL	FVTPL	822 758	822 758	–
Loan Receivable	Amortised cost	Amortised cost	2 893 790	2 893 790	–
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	37 647 270	37 647 270	–
Other receivables	Amortised cost	Amortised cost	11 462 122	11 462 122	–

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

The Group adopted IFRS 15 using the modified retrospective approach in the current financial period presented. The initial adoption of IFRS 15 did not result in changes to the manner in which the Group accounts for revenue and its contracts with customers.

The impact on classification and measurement of the classes of financial assets of the Group, as at 1 July 2018 on adoption of the new accounting policies is outlined below;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Changes in accounting policy and disclosures (continued)
IFRS 15 Revenue from Contracts with Customers (continued)
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group adopted IFRS 15 using the modified retrospective method of adoption as provided in the transitional provisions. There has not been any significant change in the timing and measurement of revenue from the different revenue lines in the group as a result of the adoption of the new standard.

Change in functional and presentation currency
In February 2019, the Government promulgated 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). Guidance issued by the PAAB noted that the requirements of SI 33 were contrary to the provisions of IAS 21.

In line with SI 33, the Group therefore changed its functional and reporting currency with effect from 22 February 2019. However, in an attempt to more fairly present its Statement of Financial Position as at this date in Zimbabwe Dollars, the Group re-based the net book value of its property plant and equipment, investments and monetary assets at an exchange rate of USD1 = ZWL 4. 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. 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 ZWL 110.25m.

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.

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.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

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

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt a modified retrospective approach to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers) that are considered of low value.

The Group is still assessing the likely impact of IFRS 16 on the 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; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Standards issued but not yet effective (continued)

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.

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

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.

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. Differences arising on settlement or translation of monetary items are recognised in profit or loss under administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.1 Foreign currency translation (continued)

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 disinvestment of a foreign entity, translation differences related to that entity are recycled into profit or loss.

2.3.2 Taxes

2.3.2.1 Current income tax

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

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

2.3.2.2 Deferred income tax

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

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)

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

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

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

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

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

2.3.2.3 Value Added Tax (VAT)

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

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

2.3.3 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period and the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.4 Intangible assets

Goodwill

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

After initial recognition, the intangible assets is carried at cost less any impairment losses.

2.3.5 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials:

- Purchase cost on a first in, first out basis

Finished goods and work in progress:

- Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Consumable stores

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.6 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveying the right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.3.6.1 The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.3.6.2 The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.3.7 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.7 Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for leave pay

Leave pay for employees is provided on the basis of leave days accumulated at an expected rate of payment. The timings of the cash out-flows are by their nature uncertain.

2.3.8 Retirement benefits

Retirement benefits are provided for eligible Group employees through various independently administered defined contribution schemes, including the National Social Security Authority.

Contributions to these funds are recognised as an expense in the period to which employees' services relate.

2.3.9 Property, plant and equipment

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

Land is carried at cost whereas buildings are carried at cost less accumulated depreciation and accumulated impairment losses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Buildings	40 years
Plant, machinery and equipment	5 - 20 years
Motor vehicles	5 - 10 years

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year end and adjusted prospectively if appropriate.

The carrying values of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.10 Revenue from contracts with customers

The Group is in the business of manufacturing of a wide range of food products, including maize, flour, stock-feed, snacks, treats and rice. 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., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

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.

2.3.11 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.12 Cost of sales

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

2.3.13 Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.13 Impairment of non-financial assets (continued)

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, the depreciation charge is adjusted in future periods to allocate the revised carrying amount, less any residual value, on a systematic basis over the remaining useful life.

2.3.14 Financial 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.

2.3.14.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and 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 2.3.10.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

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

2.3.14.1 Financial assets (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (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, 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.

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 other comprehensive income. 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 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

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

2.3.14.2 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, which are subject to an insignificant risk of changes in value. in value. Cash and cash equivalents are classified as fiancial assets at amortised cost, initially measured at fair value and subsequently measured at amortised cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks.

2.3.14.3 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.The Group will calibrate 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.

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

2.3.14.4 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost. Financial liabilities at amortised cost mainly comprise of borrowings, trade and other 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

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

2.3.14.4 Financial Liabilities (continued)

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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.

2.3.14.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.14.6 Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.3.15 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.15 Investment in associates (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associates, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.3.16 Previous accounting policy for financial assets up to 30 June 2018

Financial Assets

The Group's financial assets include trade and other accounts receivable, loans receivable, cash and cash equivalents and other financial instruments.

Financial assets in the scope of IAS 39 are classified as either loans and receivables or financial assets held to maturity. When financial assets are recognised initially, they are measured at fair value. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Effective Interest Method

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.16 Previous accounting policy for financial assets up to 30 June 2018 (continued)

Loans and receivables

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

Held to Maturity Assets

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

Financial Assets at fair value through profit or loss

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Cash and cash equivalents are classified as loans and receivables and are initially measured at fair value, and subsequently measured at amortised cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.16 Previous accounting policy for financial assets up to 30 June 2018 (continued)

Impairment of financial assets (continued)
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification of financial liabilities
The Group's financial liabilities include trade and other accounts payable, bank overdraft and interest bearing loans (which are all classified as loans and borrowings), are initially measured at fair value including transaction costs and subsequently amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective interest rate. The Effective interest rate amortisation is included as finance costs in the statement of comprehensive income. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial Guarantees
Financial guarantee contracts are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Collateral and other credit enhancements obtained
The Group is in possession of bank guarantees,mortgage bonds, title deeds pledged by customers to enhance their credit status. The Group exhausts all legal avenues first to recover long outstanding balances before embarking on liquidation of assets pledged. To preserve the quality of the collateral and the value thereof, the collateral is pegged at a conservative USD amount translated at the prevailing rate. The amount held as collateral was ZWL$ 34,446,230 against a trade receivables balance of ZWL$ 37 647 270 (Note 14)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies applied by the Group (continued)

2.3.16 Previous accounting policy for financial assets up to 30 June 2018 (continued)

REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/ receivable net of discounts, rebates, VAT and other sales taxes or duty. Intra-group revenue, which arises in the normal course of business is excluded from revenue. The following specific recognition criteria must also be met before revenue is recognised:

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

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

Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS

3.1 Useful lives and residual values of property, plant and equipment
The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. The useful lives are set out in note 2.3.9 and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is indication of impairment in value. The carrying amount of the Group's property, plant and equipment is ZWL174,348,856 (2018: ZWL44,122,607).

3.2 Provision for impairment of receivables
Provision for impairment of receivables is a specific provision made for trade and other receivables which is reviewed on a monthly basis. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period as well as the value of security held over that receivable. The carrying amount of the Group's provision for credit losses as at 30 June 2019 was ZWL3,363,162 (2018: ZWL4,272,673).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS (continued)

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

3.4.2 Inventory valuation

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

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 flour, maize meal, medium scale consumer goods, stockfeed and snacks & treats separately. The sale of each product is distinct and therefore determined to be a separate perfomance obligation
- Determining the timing of satisfaction of perfomance obligations.
  The Group concluded that revenue from sale of goods is recognised at a point in time.
- 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 directly to equity. 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.

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 ZWL 110.25m.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

3 KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS (continued)

3.6 Revaluation of Property, plant and equipment (continued)

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 Functional Currency

In line with the change in functional currency, management elected to change the presentation currency to match the functional currency. There was no restatement of the comparatives neither was a 3rd comparative presented as the implied exchange rate between ZWL and USD at 1:1. 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).

3.8 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 determing 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 2019

		2019 ZWL	2018 ZWL
4	**REVENUE**		
	The following is an analysis of the Group's revenue for the year		
	Flour	196 612 182	145 573 159
	Stockfeeds	143 244 434	51 906 097
	Medium scale consumer goods	79 237 509	39 830 620
	Maize	113 905 570	46 389 130
	Snacks and treats	32 785 835	13 532 210
	Rental Income	1 775 405	2 086 411
	Intersegment sales (Note 23.1)	(1 388 128)	(1 388 129)
		566 172 807	**297 929 498**
	Contract balances		
	Contract liabilities (Note 17.1)	277 041	338 082
5	**PROFIT BEFORE TAX**		
	Profit before tax is arrived at after taking into account the following:		
5.1	**Other income**		
	Profit/(loss) on disposal of property, plant and equipment	57 918	48 478
	Profit on disposal of assets held for sale	409 866	—
	Export incentives	40 233	82 449
	Toll, handling and other services rendered	74 255	169 396
	Re-measurement gain on disposal of listed investments	320 597	586 640
	Sale of scrap	119 420	62 238
	Insurance and bad debt recoveries	276 823	43 851
		1 299 112	**993 052**
5.2	**After charging/(crediting) the following**		
	Employee benefits expenses		
	- Salaries and wages	38 562 565	15 250 764
	- Post Employment benefits: Defined contribution plan	843 501	743 843
	- Voluntary retrenchment packages	—	479 034
	Administrative expenses		
	- Repairs and maintenance	6 309 977	2 168 134
	- Electricity and water	3 572 616	2 918 847
	- Technical fees (management fees)	2 070 582	780 000
	- Technical fees (other)	1 171 613	150 677
	- Audit fees and expenses	740 994	252 365
	- Net foreign exchange (gains)/losses	(1 988 909)	800 319
	- Credit losses expense	2 329	479 383
	- Operating lease charges	476 012	367 568
5.3	**Depreciation**		
	Buildings	1 340 698	591 026
	Plant, machinery and equipment	3 983 735	1 821 001
	Motor vehicles	565 431	254 904
		5 889 864	**2 666 931**
5.4	**Net interest expense**		
	Interest income	229 564	149 512
	Interest income from banks	50 371	12 001
	Interest from financial assets	89 624	101 443
	Interest income from trade and other receivables	89 569	36 068
	Interest expense on bank overdrafts and other short term borrowings	(6 309 841)	(3 601 787)
		(6 080 277)	**(3 452 275)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

		2019 ZWL	2018 ZWL
6	**TAXATION**		
6.1	**Consolidated profit or loss**		
	Income tax		
	- On current profits at normal rates	22 144 034	3 657 013
	- Capital gains tax	—	—
	Deferred tax relating to current temporary differences (note 6.4)	(2 735 959)	378 860
	Deferred tax relating to disposed assets held for sale	—	—
		19 408 075	**4 035 873**
6.2	**Reconciliation of income tax charge:**		
	Profit before tax	76 028 247	21 211 077
	Income tax computed at 25.75%	19 577 274	5 461 852
	Non-deductible expenses for tax purposes	1 081 257	75 735
	Equity accounted earnings	(903 625)	(1 337 954)
	Effects of different tax rates of subsidiaries	—	966
	Effect of income taxed at different tax rates	—	(387)
	Effects of profit on disposed listed investments	—	(151 060)
	Effects of profit on disposal of fixed assets	(135 281)	—
	Fair value adjustment	(127 257)	—
	Other reconciling items	(84 293)	(13 279)
		19 408 075	**4 035 873**

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

Other reconciling items include local and foreign bank interest received.

		2019 ZWL	2018 ZWL
6.3	**Current tax liabilities/(assets)**		
	Opening Balance	(750 895)	(89 629)
	Charge to profit or loss	22 144 034	3 657 013
	Paid	(4 542 318)	(4 318 279)
	Offset allowance granted	(1 870 282)	—
	Closing Balance	**14 980 539**	**(750 895)**
6.4	**Deferred tax liability**		
	At beginning of the year	8 201 539	7 987 464
	Deferred tax relating to current temporary differences (note 6.1)	(2 735 959)	378 860
	Deferred tax relating to change in functional currency	31 160 738	—
	Reclassification of deferred tax relating to assets held for sale	175 517	(164 785)
	At end of the year	**36 801 835**	**8 201 539**
	Analysis of deferred tax liability		
	Property, plant and equipment	40 364 253	9 272 220
	Unrealised exchange (losses)/gains	182 468	(21 354)
	Allowance for credit losses	(866 014)	(1 100 213)
	Provisions for incentive	(2 742 834)	—
	Other	(136 038)	50 886
		36 801 835	**8 201 539**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

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:

	2019 ZWL	2018 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
7.2 Profit for the year		
Net profit attributable to equity holders of the parent	56 620 172	17 175 204
There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.		
7.3 Headline earnings		
Reconciliation between profit for the year and headline earnings		
Net profit attributable to ordinary equity holders of the parent	56 620 172	17 175 204
(Profit) / loss on disposal of property, plant and equipment	(57 918)	(48 478)
Tax effect of adjustment	10 846	4 796
(Profit) / loss on disposal of assets held for sale	(409 866)	–
Headline earnings	56 163 234	17 131 522
Basic and diluted earnings per share (cents)	82.78	25.11
Headline earnings per share (cents)	82.62	25.05

8 PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings ZWL	Plant, machinery & equipment ZWL	Motor vehicles ZWL	Capital Work in progress ZWL	Total ZWL
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 from 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 from 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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

8 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

* 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 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 (2018: Nil).

9 ASSETS HELD FOR SALE

The Group disposed of assets amounting to ZWL 3,295,134 and changed its intention to sell assets worth ZWL 107,313 on the back of prevailing economic conditions as a result, no assets were classified as held for sale at 30 June 2019 (2018: ZWL 3,402,447)

	2019 ZWL	2018 ZWL
Land & Buildings		
At beginning of year	3 402 447	107 313
Re-classified from Property, plant and equipment	–	3 295 134
Disposals	(3 295 134)	–
Re-classified to Property, plant and equipment	(107 313)	–
At end of year	**–**	**3 402 447**
Deferred tax relating to assets held for sale		
At beginning of year	(170 151)	(5 366)
Re-classified from Property, plant and equipment	–	(164 785)
Disposals	164 785	–
Re-classified to Property, plant and equipment	5 366	–
At end of year	**–**	**(170 151)**
Total	**–**	**3 232 296**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

		2019 ZWL	2018 ZWL
10	**INTANGIBLE ASSETS**		
	Net carrying amount at the beginning of the year	1 516 422	1 516 422
	Net Carrying amount at the end of the year	1 516 422	1 516 422
	Gross carrying amount	1 516 422	1 516 422
	Accumulated amortisation and impairment losses	–	–

10.1 Impairment of Goodwill
The Group performed its annual impairment test as at 30 June 2019. Goodwill acquired through business combinations has been allocated to a Snacks & Treats unit. The recoverable amount of the cash generating units has been determined using value in use. The Group considers the relationship between the investment in subsidiary and its net book value among other factors, when reviewing for indicators of impairment. As a result of this analysis, no impairment of goodwill was recorded.

Key Assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the discount rates.

Discount rates
Discount rates represent the current market assessment of the risks specific to the asset/ cash generating units, taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates. A discount rate of 13.53% was applied. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of debt is based on the interest- bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre tax discount rate.

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

11 INVESTMENT IN 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 ZWL750,000 was paid by the Group for a 50% stake in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

	Year ended 30 June 2019 ZWL	Year ended 30 June 2018 ZWL
11 INVESTMENT IN ASSOCIATES (continued)		
11.1 National Foods Logistics (continued)		
11.1.2 Summarised financial information of associate		
The following table illustrates the summarised financial information of National Foods Logistics' financial statements:		
Income Statement		
Revenue	28 701 409	2 213 729
Profit after tax	822 490	75 000
Group's share of profit - 50%	411 245	37 500
Statement of Financial Position		
Non-current assets	7 600 572	791 806
Current assets	9 128 006	4 244 457
Non-Current Liabilities	(2 908 584)	(2 001 701)
Current liablities	(7 970 790)	(1 459 562)
Equity	5 849 204	1 575 000
Group's share of equity - 50%	2 924 602	787 500
Group's carrying amount of investment	2 924 602	787 500

11.2 Pure Oil Industries
The Group has a 40% interest in Pure Oil Industries which is involved in the manufacturing of cooking oil and soap. Pure Oil is a private entity that is not listed on any public exchange and has a 31 March year end. The Group's interest in Pure Oil is accounted for using the equiy method in the consolidated financial statements. Pure Oil is incorporated in Zimbabwe and its principal place of business is in Harare, Zimbabwe.

	Year ended 30 June 2019 ZWL	Year ended 30 June 2018 ZWL
11.2.1 Summarised financial information of associate company		
The following table illustrates the summarised financial information of Pure Oil's financial statements:		
Income Statement		
Revenue	154 790 929	107 345 175
Profit after tax	7 540 511	12 896 095
Group's share of profit - 40%	3 016 204	5 158 438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
11 INVESTMENT IN ASSOCIATES (continued)		
11.2 Pure Oil Industries (continued)		
11.2.1 Summarised financial information of associate company (continued)		
Statement of Financial Position		
Non-current assets	82 323 060	20 666 787
Current assets	85 103 667	31 808 036
Non-Current Liabilities	(19 908 479)	(3 611 249)
Current liablities	(106 101 698)	(24 252 802)
Equity	41 416 550	24 610 772
Group's share of equity - 40%	16 566 620	9 844 309
Group's carrying amount of investment	16 566 620	9 844 309

11.3 Lolite Trading

The Group acquired a 50% interest in Lolite Trading which is a property holding company. Lolite is a private entity that is not listed on any public exchange and has a 31 December year end. The Group's interest in Lolite Trading is accounted for using the equiy method in the consolidated financial statements. Lolite Trading is incorporated in Zimbabwe and its principal place of business is in Harare, Zimbabwe.

	Year ended 30 June 2019 ZWL	Year ended 30 June 2018 ZWL
11.3.1 Summarised financial information of associate company		
The following table illustrates the summarised financial information of Lolite's financial statements:		
Income Statement		
Revenue	296 786	–
Profit after tax	163 548	–
Group's share of profit - 50%	81 774	–
Statement of Financial Position		
Non-current assets	16 247 384	–
Current assets	238 245	–
Non-Current Liabilities	(4 079 192)	–
Current liablities	(396 821)	–
Equity	12 009 616	–
Group's share of equity - 50%	6 004 808	–
Group's carrying amount of investment	6 004 808	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
11 INVESTMENT IN ASSOCIATES (continued)		
11.4 Reconciliation of movements in associates		
Balance at the beginning of the year	10 631 809	4 685 871
Purchase at cost	4 354 082	750 000
Total equity accounted earnings	3 509 223	5 195 938
Equity accounted earnings - Pure Oil	3 016 204	5 158 438
Equity accounted earnings - National Foods Logistics	411 245	37 500
Equity accounted earnings - Lolite	81 774	–
Change in functional currency relating to associates	9 400 916	–
Dividend received from associates	(2 400 000)	–
Balance at the end of the year	**25 496 030**	**10 631 809**

12 OTHER FINANCIAL ASSETS AND LIABILITIES

12.1 Other financial assets

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

	2019 ZWL	2018 ZWL
Financial assets at fair value through profit or loss		
Listed equity investments	822 758	–
Debt instruments at amortised cost		
Trade receivables (Note 14)	37 647 270	33 925 368
Loan receivable	3 652 624	2 987 700
Other receivables	11 462 122	5 043 097
	52 762 016	**41 956 166**
Total Financial assets	**53 584 774**	**41 956 165**
Total current	49 109 392	40 967 232
Total non-current	4 475 382	988 933
	53 584 774	**41 956 165**

Financial assets at fair value through profit or loss include investments in listed equity shares. 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.

12.2 Other financial liabilities

	Interest rate	Maturity	2019 ZWL	2018 ZWL
Current interest-bearing loans and borrowings				
Bank loans	5% - 30%	2019/2020	85 533 091	30 261 638
Bank overdrafts	26.5%	On demand	–	159 728
Total current interest-bearing loans and borrowings			**85 533 091**	**30 421 366**

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

Bank loans are unsecured and is repayable in full by 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

		2019 ZWL	2018 ZWL
13	**INVENTORIES**		
	Raw materials	67 319 215	28 578 371
	Finished goods - net of provision	19 476 694	8 107 530
	Consumable stores	10 983 673	5 773 408
	Provision for obsolete stocks	(1 409 233)	(712 430)
		96 370 349	**41 746 879**

The amount of inventory write-down recognised as an expense is ZWL27,772 (2018: ZWL9,511)
The increase in the provision for obsolete stocks is ZWL 696,802 (2018:ZWL 235,940)

		2019 ZWL	2018 ZWL
14	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	41 010 432	38 198 041
	Allowance for credit losses	(3 363 162)	(4 272 673)
	Net trade receivables	37 647 270	33 925 368
	Other receivables*	11 462 122	5 043 097
		49 109 392	**38 968 465**

* Other receivables includes VAT receivable and staff debtors

14.1 Trade receivables
Trade receivables disclosed above are classified as at amortised cost and are therefore measured at amortised cost.
Refer to note 2.3.14.3 for the Group's provision for expected credit losses policy.

The carrying amounts of the Group's trade receivables are denominated in ZWL$

14.2 Movement in the provision for impairment of receivables

	2019 ZWL	2018 ZWL
Balance at the beginning of the year	(4 272 673)	(3 976 132)
Current year provisions	(2 329)	(479 383)
Utilised during the year	936 597	182 842
Bad debts recovered	(24 757)	–
Balance at year end	**(3 363 162)**	**(4 272 673)**
Lifetime expected credit losses		
Expected credit losses - trade receivables		
As at 1 July 2018-calculated under IAS39	4 150 148	–
As at 1 July 2018-calculated under IFRS9	4 019 675	–
As at 30 June 2019 calculated under IFRS9	**3 363 162**	**–**

The impact of the change in credit losses as a result of the adoption of IFRS 9 on retained earnings is ZWL130 473. The amount was determined to not have a material impact on retained earnings and thus, no adjustment was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2019

14 TRADE AND OTHER RECEIVABLES (continued)

14.2 Movement in the provision for impairment of receivables (continued)
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 will calibrate 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

		2019 ZWL	2018 ZWL
14.3	**Ageing of impaired trade and other receivables**		
	0 - 30 days	1 084 310	48 449
	31 - 60 days	536 187	49 507
	61 - 90 days	525 141	27 977
	Over 90 days	1 217 524	4 146 740
	Total	**3 363 162**	**4 272 673**
	Average age on impaired trade and other receivables (days)	217	523

14.4 Amounts due from Related Parties
Included in trade and other receivables are amounts due from related parties as disclosed under Note 25.4

		2019 ZWL	2018 ZWL
15	**ISSUED CAPITAL AND RESERVES**		
15.1	**Issued capital**		
	Authorised		
	73 000 000 ordinary shares of ZWL 1 cent each	730 000	730 000
	Issued and fully paid		
	68 400 108 ordinary shares (2018: 68 400 108) of ZWL 1 cent each	684 001	684 001
	Unissued shares		
	4 599 892 (2018: 4 599 892) ordinary shares of ZWL 1 cent each	45 999	45 999

The unissued shares are under the control of the Directors for an indefinite period and are subject to the limitations of the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange regulations.

15.2 Directors' shareholdings
At 30 June 2019, the Directors held directly or indirectly the following shares in the Company:

	2019 Number of shares	2018 Number of shares
M. Lashbrook	13 231	13 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
15 ISSUED CAPITAL AND RESERVES (continued)		
15.3 Non-distributable reserves		
Opening balance	**(10 628)**	**(9 938)**
Exchange differences on translation of foreign operation	(407)	(690)
Exchange differences arising on change in functional currency	108 007 644	–
Closing balance	**107 996 609**	**(10 628)**

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

	2019 ZWL	2018 ZWL
15.4 Distributable reserves		
Opening balance	103 161 825	94 263 037
Profit for the year	56 620 172	17 175 204
Transfer of CFCR relating to current year movements	2 243 092	–
Dividend declared	(11 924 669)	(8 276 416)
Closing balance	**150 100 420**	**103 161 825**
Retained in:		
Holding company	24 683 808	24 683 808
Subsidiary companies	114 425 580	70 996 208
Associate companies	10 991 032	7 481 809
	150 100 420	**103 161 825**

	2019 ZWL	2018 ZWL
16 DIVIDEND		
Declared and paid during the year:		
Final dividend for 2018: ZWL 5.66 cents per share (2017: ZWL 5.21 cents per share)	3 871 446	3 563 649
Interim dividend for 2019: ZWL 12.31 cents per share (2018: ZWL 6.89 cents per share)	8 053 223	4 712 767
Total dividends declared and or paid	11 924 669	8 276 416
Increase in shareholders for dividends included in current liabilties	(4 245 365)	(2 789 852)
Total dividends paid	**7 679 304**	**5 486 564**
Proposed and approved (not recognised as a liability at 30 June 2018)		
Final dividend for 2019: ZWL 15.26 cents per share (2018: ZWL 5.66 cents per share)	10 437 855	3 871 446

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 2019: ZWL9,560,942 (2018: ZWL5,315,577)

	2019 ZWL	2018 ZWL
SHAREHOLDERS FOR DIVIDEND		
Opening balance	5 315 577	2 525 725
Dividend paid	(7 679 304)	(5 486 564)
Dividend declared	11 924 669	8 276 416
Closing balance	**9 560 942**	**5 315 577**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
17 TRADE AND OTHER PAYABLES		
Trade payables	26 304 983	47 281 593
Other payables	37 972 157	5 505 215
	64 277 140	**52 786 808**

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.

	2019 ZWL	2018 ZWL
17.1 Contract Liabilities		
At 1 July	338 082	192 064
Deferred during the year	277 041	338 082
Recognised as revenue during the year	(338 082)	(192 064)
At 30 June	**277 041**	**338 082**
Current	277 041	338 082
Non-current	–	–
	277 041	**338 082**

All contract liabilities are expected to be cleared within 60 days of receipt of consideration from customer

	2019 ZWL	2018 ZWL
18 PROVISIONS		
Leave pay provision		
At beginning of the year	347 241	400 898
Created during the year	196 583	98 991
Utilised during the year	(116 263)	(152 648)
At end of the year	**427 561**	**347 241**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
19 CASH FLOW INFORMATION		
19.1 Cash generated from operations		
Profit before tax	76 028 247	21 211 077
Interest income	(229 564)	(149 512)
Interest expense	6 309 841	3 601 787
Depreciation (Note 8)	5 889 864	2 666 931
Inventory write-down	(27 772)	9 511
Allowance for obsolete inventory	696 802	235 940
Allowance for credit losses (Note 14.2)	909 511	479 383
Unrealised foreign exchange (gain) / loss	682 665	(82 530)
Provision for leave pay (Note 18)	196 583	98 991
(Profit) / loss on disposal of property, plant and equipment	(57 918)	(48 478)
Re-measurement gain on disposal of listed investments	–	(586 640)
Profit on disposal of assets held for sale	(409 866)	–
Equity accounted earnings	(3 509 223)	(5 195 938)
	86 479 170	**22 240 522**
19.2 Working capital changes		
(Increase)/decrease in inventories	(55 292 498)	2 477 035
(Increase) in accounts receivable	(72 030 415)	(11 497 951)
Increase in accounts payable	14,881 295	36 112 835
	(112 441 618)	**27 091 919**
19.3 Income tax paid		
Charge to profit or loss	(19 408 075)	(4 035 873)
Movement in tax liability	15 731 434	(661 266)
Movement in deferred tax liability	(2 735 959)	378 860
Offset allowance granted	1 870 282	–
	(4 542 318)	**(4 318 279)**
19.4 Cash and cash equivalents at end of year		
Cash at bank	33 861 315	33 208 848
Cash on hand	656 989	194 381
	34 518 304	**33 403 229**

Cash and cash equivalents consist of cash on hand, balances with banks. Cash at bank accrues interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
19 CASH FLOW INFORMATION (continued)		
19.4 Cash and cash equivalents at end of year (continued)		
Banking facilities		
Total facilities available to the Group	128 503 000	85 010 983
Facilities utilised at year end	(85 533 091)	(30 421 366)
Unutilised borrowing capacity	**42 969 909**	**54 589 617**

Short term borrowings form part of the borrowings of the Group and are renewed on maturity in terms of on-going facilities negotiated with the relevant financial institutions. The facilities expire at different dates during the year and will be reviewed and renewed when they mature. The facilities can only be used for working capital purposes.

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.

20 COMMITMENTS AND CONTINGENCIES

20.1 Operating lease commitments - Group as lessee

The Group entered into commercial leases on certain motor vehicles in 2019. The leases had a life of 3 years. There were no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 were as follows:

	2019 ZWL	2018 ZWL
Within one year	282 550	282 550
After one year but no more than 5 years	164 821	447 371
	447 371	**729 921**
20.2 Operating lease commitments - Group as lessor		
The Group receives monthly rental income from cancellable operating leases		
20.3 Capital expenditure commitments		
Authorised and contracted for	47 600 000	9 898 000
Authorised but not contracted for	26 200 000	4 822 000
	73 800 000	**14 720 000**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

21 PENSION SCHEMES

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

21.2 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%.

21.3 National Social Security Authority Scheme

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

	2019 ZWL	2018 ZWL
21.4 Pension costs recognised as an expense		
Defined contribution fund	670 699	596 079
National Social Security Authority Scheme	172 802	147 764
	843 501	**743 843**

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 shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

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%.

	2019 ZWL	2018 ZWL
Interest bearing borrowings	85 533 091	30 421 366
Less cash and cash equivalents	(34 518 304)	(33 403 229)
Net Debt	51 014 787	(2 981 863)
Total Equity	258 781 030	103 835 198
Gearing ratio	16.5%	22.7%

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 receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in debt and equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Financial risk management (continued)

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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 and 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 2018 and 2019 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

30 June 2019	<30 days ZWL	30-60 days ZWL	61-90 days ZWL	>91 days ZWL	Total ZWL
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Financial risk management (continued)

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

	2019 ZWL	2018 ZWL
Effect on profit after tax		
Increase of 3%	(760 721)	(546 911)
Decrease of 3%	760 721	546 911

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 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**
Year ended 30 June 2018				
Borrowings	12 910 983	17 350 655	–	30 261 638
Trade and other payables	52 786 808	–	–	52 786 808
Bank overdrafts	159 728	–	–	159 728
	65 857 519	**17 350 655**	**–**	**83 208 174**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Financial risk management (continued)

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:

	2019 ZWL	2018 ZWL
Liabilities		
United Stated Dollar	4 574 446	–
South African Rand	943 144	1 068 429
Botswana Pula	–	92 227
Euro	–	19 231

The Group is mainly exposed to the United States Dollar,South African Rand and Botswana Pula. The following table details the Group's sensitivity to a 10% strengthening in the ZWL against the relevant currencies. The sensitivity analysis includes any outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10% strengthening of the ZWL. 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.

	Profit or (Loss) 2019 ZWL	Profit or (Loss) 2018 ZWL
United Stated Dollar	415 859	–
South African Rand	85 740	97 130
Botswana Pula	–	8 384
Euro	–	1 748

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

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 and Manufacturing
This segment comprises of the flour, maize, stockfeeds and downpacking operating segments. Management has applied the following judgements in aggregating these operating segments:
- The operating segments exhibit similar long term average gross margins
- The products constitute fast moving consumer goods
- They are involved in the conversion of one form of raw material to a saleable purchased state

Properties
This segment includes all properties owned by the Group. Properties are leased out to business units in the Milling and Manufacturing segments.

Profit before tax is used to measure segment performance.

Segment revenues and results

	Milling and Manufacturing ZWL	Properties ZWL	Intersegment adjustments ZWL	Group ZWL
Year ended 30 June 2019				
Segment revenue				
External customers	567 145 530	387 277	(1 360 000)	566 172 807
Inter-segment	–	1 388 128	(1 388 128)	–
Total revenue	**567 145 530**	**1 775 405**	**(2 748 128)**	**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	360 286 802	114 689 531	(4 614 196)	470 362 137
Segment liabilities	(192 251 070)	(23 944 235)	4 614 196	(211 581 109)
Net segment assets	**168 035 732**	**90 745 296**	**–**	**258 781 028**
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	601	–	–	601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

23 SEGMENTAL ANALYSIS (continued)

23.1 Operating segment information (continued)

Segment revenues and results (continued)

	Milling and Manufacturing ZWL	Properties ZWL	Intersegment adjustments ZWL	Group ZWL
Year ended 30 June 2018				
Segment revenue				
External customers	297 231 216	698 282	–	297 929 498
Inter-segment	–	1 388 129	(1 388 129)	–
Total revenue	**297 231 216**	**2 086 411**	**(1 388 129)**	**297 929 498**
Operating profit	18 742 348	725 066	–	19 467 414
Net interest expense	(3 863 023)	410 748	–	(3 452 275)
Equity accounted earnings	5 195 938	–	–	5 195 938
Profit before tax	**20 075 263**	**1 135 814**	**–**	**21 211 077**
Segment assets	162 843 452	45 069 814	(6 835 286)	201 077 980
Segment liabilities	(97 932 883)	(6 145 085)	6 835 286	(97 242 682)
Net segment assets	**64 910 569**	**38 924 729**	**–**	**103 835 298**
Depreciation charge for the year	2 078 885	588 046	–	2 666 931
Capital expenditure	4 119 497	325 075	–	4 444 572
Number of employees	618	–	–	618

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 14,226 (2018: ZWL 14,632). As such no further geographical information has been presented. Red Seal Manufacturers has no trading activities.

24 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, inflation statistics (based on the Consumer Price Index statistics as published by the Reserve Bank of Zimbabwe) have continued to exhibit an upward trend. As a result, this has triggered considerations over the applicability of IAS 29 – Hyperinflation ("IAS 29") to the financial results of the [Group/Company].

IAS 29 considers the following characteristics of the economic environment of a country to be strong indicators of the existence of hyperinflation which includes but are not limited to the following:
(a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
(b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
(c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
(d) interest rates, wages and prices are linked to a price index;
(e) the cumulative inflation rate over three years is approaching, or exceeds 100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

24 EVENTS AFTER THE REPORTING DATE (continued)

An assessment of the above matters requires the application of judgment by management and conclusive evidence on the quantitative and qualitative characteristics, above, may be difficult to obtain during these subsequent reporting periods. Management will continue to evaluate these characteristics, including any communication from relevant regulators. Should the conclusion be reached that IAS 29 is applicable to the [Group/Company], the financial information presented at subsequent reporting dates may be subject to significant restatement. An estimate of the potential financial impact cannot be made at this stage as this is reliant on the determination of an appropriate index at such reporting dates.

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 Board awaits guidance from the PAAB in accounting for this devaluation.

25 RELATED PARTY TRANSACTIONS

25.1 The ultimate parent

The Group's ultimate holding company is Innscor 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	2019 Equity Interest	2018 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%	0%
National Foods Properties Limited			
(Formerly National Foods Limited)	Zimbabwe	100%	100%
- Clairdelune Investments (Private) Limited	Zimbabwe	100%	0%
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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

	2019 ZWL	2018 ZWL
25 RELATED PARTY TRANSACTIONS (continued)		
25.3 Transactions entered into with related parties		
Purchase of trading stocks, raw materials and services		
Innscor Africa Limited Group companies	13 198 778	12 944 959
Pure Oil Industries (Private) Limited	13 478 061	3 682 109
National Foods Logistics	23 673 570	2 722 671
Sale of goods and Services		
Innscor Africa Limited Group companies	57 554 749	44 971 447
Interest and Management Fees		
Innscor Africa Limited Group companies		
- Management fees	646 250	540 000
Entities with Significant Influence		
Purchase of trading stocks and raw materials		
Tiger Brands Limited	–	–
Interest and Management Fees		
Tiger Brands Limited		
- Technical fees	1 424 332	240 000
25.4 Balances (due to) or due from related parties		
Innscor Africa Limited Group companies	6 169 799	7 991 126
Tiger Brands Limited	–	–
Pure Oil Industries (Private) Limited	13 478 061	(781 086)
National Foods Logistics	(877 576)	770 676

Tiger Brands Limited owns a 37.45% stake in National Foods Holdings Limited. It does not control the Group however it has signicant influence on the operations of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2019

25 RELATED PARTY TRANSACTIONS (continued)

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 2019 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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 guarantee was issued by National Foods Holdings Limited in favour of Stanbic Bank Zimbabwe Limited in respect of any and all financial obligations and the indebtedness of Pure Oil Industries (Private) Limited subject to a maximum limit of ZWL 7 million.

	2019 ZWL	2018 ZWL
25.7 Directors emoluments		
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company		
- for services as directors	113 272	56 636
	113 272	**56 636**
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	14 408 558	3 571 875
Pension Contributions	910 705	212 342
	15 319 263	**3 784 217**

COMPANY STATEMENT OF FINANCIAL POSITION

at 30 June 2019

	Note	2019 ZWL	2018 ZWL
ASSETS			
Non-current assets			
Investments	A	25 367 809	25 367 809
Total assets		**25 367 809**	**25 367 809**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	684 001	684 001
Distributable reserves		24 683 808	24 683 808
Total Equity		**25 367 809**	**25 367 809**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

	2019 ZWL	2018 ZWL
A. Investments		
Subsidiaries equity at ZWL converted value	25 367 809	25 367 809

B. Guarantees

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

T. Moyo
Chairman
Harare
26 September 2019

M. Lashbrook
Chief Executive Officer

06

ANNEXURES

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES	
GENERAL STANDARD DISCLOSURES	**EXTERNAL ASSURANCE**
STRATEGY AND ANALYSIS	
G GRI102-14	Assured
GRI102-1	Not Assured
GRI102-2	Not Assured
GRI102-3	Not Assured
GRI102-4	Not Assured
GRI102-5	Not Assured
GRI102-6	Not Assured
GRI102-7	Not Assured
GRI102-8	Not Assured
GRI102-41	Not Assured
GRI102-9	Not Assured
GRI102-10	Not Assured
GRI102-11	Not Assured
GRI102-12	Not Assured
GRI102-13	Not Assured
INDENTIFIED MATERIAL ASPECTS AND BOUNDARIES	
GRI102-45	Not Assured
GRI102-46	Not Assured
GRI102-47	Not Assured
GRI103-1	Not Assured
GRI103-1	Not Assured
GRI102-48	Not Assured
GRI102-49	Not Assured
STAKEHOLDER ENGAGEMENT	
GRI102-40	Not Assured
GRI102-42	Not Assured
GRI102-43	Not Assured
GRI102-44	Not Assured
REPORT PROFILE	
GRI102-50	Not Assured
GRI102-51	Not Assured
GRI102-52	Not Assured
GRI102-53	Not Assured
GRI102-54	Not Assured
GRI102-55	Not Assured
GOVERNANCE	
GRI102-18	Not Assured
ETHICS AND INTEGRITY	
GRI102-16	Not Assured

GRI CONTENT INDEX (continued)

SPECIFIC STANDARD DISCLOSURES		
MATERIAL ASPECTS: DMA AND INDICATORS	**OMMISSION**	**ASSURANCE**
ECONOMIC		
Economic Performance		
GRI201-1: Direct Economic Value Generated and distributed	N/A	Assured
GRI201-3: Coverage of the organisation's defined Contribution plan obligation	N/A	Assured
ENVIRONMENTAL		
Energy		
GRI302-1: Energy consumption within the organisation	N/A	Not Assured
GRI302-2: Energy Consumption outside the organisation	N/A	Not Assured
Water		
GRI303-1: Water withdrawn by source	N/A	Not Assured
SOCIAL		
Employment		
GRI401-1: Total number and rates of new employee hires and employee turnover	N/A	Not Assured
GRI403-2: Total injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities	N/A	Not Assured
Training and Education		
GRI404-1: Average hours of training per year per employee	N/A	Not Assured

SHAREHOLDERS' ANALYSIS

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
	894	**100.00**	**68 400 108**	**100.00**
Shareholders				
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**
At 30 June 2018				
Shareholding				
1 - 1000	498	56.21	177 256	0.26
1001 - 10000	272	30.70	867 850	1.27
10001 - 50000	81	9.14	1 712 775	2.50
50001 and over	35	3.95	65 642 227	95.97
	886	**100**	**68 400 108**	**100**
Shareholders				
Banks and nominees	48	5.42	337 319	0.49
Deceased estates	8	0.90	28 822	0.04
External companies	2	0.23	25 622 013	37.46
Insurance companies/societies	14	1.58	3 544 551	5.18
Pension funds	135	15.24	3 867 946	5.65
Resident individuals	471	53.16	688 260	1.01
Non-residents	80	9.03	1 176 030	1.72
Investment and trust companies	128	14.45	33 135 167	48.44
	886	**100**	**68 400 108**	**100**

Major shareholders

The top ten shareholders of the Company at 30 June 2016 and 2017	2019 No. of shares	%	2018 No. of shares	%
Innscor 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	2 893 853	4.23	2 875 049	4.20
Stanbic Nominees (Private) Limited	1 458 288	2.13	1 390 135	2.03
National Social Security Authority	1 166 292	1.71	1 166 292	1.71
Stanbic Nominees (Private) Limited - NNR	923 185	1.35	929 231	1.36
Standard Chartered Nominees (Private) Limited	326 010	0.48	484 870	0.71
Local Authorities Pension Fund	300 000	0.44	300 000	0.44
NSSA Staff Pension Fund	228 433	0.33	185 976	0.27

NOTICE TO ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of National Foods Holdings Limited is to be held at the registered office, Gloria House, 10 Stirling Road, Heavy Industrial Sites, Harare on Friday, 8th November 2019 at 08.45 am, to conduct the following business:

ORDINARY BUSINESS

1. To receive, approve and adopt the Financial Statements and Reports of the Directors and Auditors for the financial year ended 30 June 2019.

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

   Pieter Spies is the Chief Growth Officer, Grains and Consumer Brands for Tiger Brands Limited (South Africa). He joined Tiger Brands Limited in 2017 having previously been CEO of GWK Limited (South Africa). He has over 25 years of business experience in the FMCG and Agricultural sectors from a number of local and international companies, including Cadbury, Coca-Cola, Diageo and Brandhouse. He holds a BCom Degree from the University of South Africa.

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

   Godfrey is currently the Group Finance Director and Chief Finance Officer for Innscor Africa Limited. He has been with the Group in various positions since 2001. He holds a Bachelor of Accountancy (Honours) from the University of Zimbabwe, a Bachelor of Accounting Science Honours Degree from the University of South Africa and an MBA with the Henley Business School at the University of Reading. He is a Qualified Chartered Accountant (Zimbabwe) and registered as a Public Accountant in 2000.

4. To approve Directors fees for the financial year ended 30 June 2019.

5. To re-appoint Ernst & Young as Auditors of the Company until the conclusion of the next Annual General Meeting and to approve their remuneration for the past audit.

SPECIAL BUSINESS

Approval of Share Buy Back

6. To consider, and if deemed appropriate, to pass with or without amendment the following ordinary resolution:- That the Company be authorized in advance, in terms of section 79 of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange Listing Requirements, to purchase its own shares, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, which terms and conditions and amounts are specified as follows:-

i) This Authority shall:
   a) Expire on the date of the Company's next Annual General Meeting; and
   b) Be a renewable mandate; and
   c) 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:
   a) Class of Shares: Ordinary
   b) 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.

iii) 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

iv) A press announcement will be published as soon as the Company has acquired ordinary shares constituting on a cumulative basis in the period between Annual General Meetings, 3% (three per cent) of the number of ordinary shares in issue prior to the acquisition; and

In terms of this resolution, the Directors are seeking authority to allow use of the Company's available cash resources to purchase its own shares in the market in terms of the Companies Act and the regulations of the Zimbabwe Stock Exchange, for treasury purposes. The Directors will only exercise the authority if they believe that to do so would be in the best interests of Shareholders generally. In exercising this authority the Directors will duly take into account following such repurchase, the ability of the Company to be able to pay its debts in the ordinary course of business, the maintenance of an excess of assets over liabilities, and for the Company the adequacy of ordinary capital and reserves as well as working capital.

7. **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."

8. **Amendment of the Company's Article of Association**

   To consider, and if deemed appropriate to pass with or without amendment, the following special resolution: - That the Company be and is hereby authorized:

i) To replace Article 146 of the Company's Articles of Association with the following two paragraphs:-

NOTICES, DOCUMENTS, ANNOUNCEMENTS, CIRCULARS AND PUBLICATION

a) "All notices and documents may be given by the Company to any member either in written format or by electronic means (including through the delivery of readable optical disk data), and such notices and documents may be delivered to members either personally, or by electronic transmission, to the last electronic mail address provided by the member to the Company, or by sending it by post to the member at his registered postal address. Additionally, such notices and documents shall be posted on the Company's electronic website.Where a member requests a hard copy of any notice or document that is to be sent by the Company to members in terms of these Articles, then in such case the notice or document shall be provided to the member in hard copy format. Any notice or document posted to the last electronic mail address provided by the member to the Company shall be deemed to have been delivered at the time stated on the electronic delivery report. Where a notice or document is sent by post, service of the notice and / or document shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and / or document to the member's registered postal address, and is deemed to have been delivered seven days (7) after the letter containing the same is posted. Where the Company does not have an up to date electronic mail address or registered postal address provided by the member to the Company, then in such case delivery of a notice and / or document on such a member shall be deemed to have been delivered to such member twenty – four (24) hours after such notice and/or document was posted by the Company on its electronic website".

b) "Where at any time shares or stock or debentures or other securities of the Company are listed on the Zimbabwe Stock Exchange, the Company may give notice of meetings, make announcements, publish information and distribute and deliver circulars and documents to members and the Zimbabwe Stock Exchange, in any manner and format as permitted and required by, the regulations of the Zimbabwe Stock Exchange."

ii) For the existing Article 51 of the Company's Articles of Association to be renamed "51. a)" and the following added as Article 51. b):
"Subject to the provisions of the Act, the Company may purchase its own shares, including any redeemable shares. If at any time shares or stock or debentures or other securities of the Company are listed on the Zimbabwe Stock Exchange, the purchase of its own shares by the Company shall in addition, be subject to the requirements of the regulations of the Zimbabwe Stock Exchange."

ANY OTHER BUSINESS

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

Proxies
In terms of the Companies Act (Chapter 24:03), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. A proxy need not be a member of the Company. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

BY ORDER OF THE BOARD
L. C Howes
Group Legal Counsel and Company Secretary
Gloria House
10 Stirling Road Heavy Industrial Sites
P.O. Box 269
Harare

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

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 (INŚAF)
22 Walter Hill Ave, Eastlea,
Harare, Zimbabwe

PROXY FORM

PROXY FORM - AGM FRIDAY 8th November 2019

I/We ______________________ of ______________________

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

of ______________________ or failing him/her ______________________

of ______________________

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday 8th November 2019 at 08:45am, and any adjournment thereof.

SIGNED this ____________ day of ____________ 2019

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 ______________________