National Foods
Holdings Limited

Audited Abridged Group Financial Results

FOR THE YEAR ENDED 30 JUNE 2021

Short-Form Financial Announcement

Issued in terms of Practice Note 13 of the Zimbabwe Stock Exchange

This short-form financial announcement is the responsibility of the Directors and is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement.

A copy of the full announcement has been shared with shareholders using the latest email addresses supplied by the shareholder, and is available upon request and for inspection at the Company's registered office or via email to **info@fts-net.com**. The full announcement is also available on the Zimbabwe Stock Exchange website: **www.zse.co.zw** and the Company website **www.nationalfoods.co.zw**.

FINANCIAL HIGHLIGHTS

	INFLATION-ADJUSTED		HISTORICAL	
	Year Ended 30 June 2021 audited ZW$'000	% change 2021 vs 2020	Year Ended 30 June 2021 supplementary ZW$'000	% change 2021 vs 2020
Revenue	33 177 372	26%	28 074 417	343%
Operating profit	1 259 175	(70%)	3 296 938	92%
Profit for the year	72 428	(97%)	2 612 396	81%
Total assets	15 481 920	20%	11 168 274	186%
Total equity	6 744 375	(12%)	3 596 976	103%
Total liabilities	8 737 545	68%	7 571 298	255%
Basic and diluted earnings per share (ZW$ cents)	105.89	(97%)	3 819.29	81%
Headline (loss) / earnings per share (ZW$ cents)	(54.15)	(102%)	3 659.10	89%
Dividend per share				
Final dividend (ZW$ cents)	296.49	(47%)	296.49	(33%)
Interim dividend (ZW$ cents)	855.67	216%	803.27	829%

Ordinary shares

The Board declared a final dividend of 296.49 ZW$ cents per share (2020: 445.71 ZW$ cents per share) in respect of all ordinary shares of the company bringing the total dividend to 1 099.76 ZW$ cents per share (2020: 532.18 ZW$ cents per share). This dividend is in respect of the financial year ended 30th June 2021 and will be payable to all the shareholders of the Company registered at close of business on 15 October 2021.

The payment of the final dividend will take place on or around 10 November 2021. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 12 October 2021, and ex-dividend as from 13 October 2021.

Auditor's Statement

The short form financial announcement should be read in conjunction with the abridged set of the Audited Group annual inflation-adjusted financial statements for the year ended 30 June 2021. The Group annual inflation-adjusted financial statements have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe) , who have issued a modified opinion as a result of the impact of the carry-over effects from the 2019 and 2020 audit reports. The auditor's report on the Group's annual inflation-adjusted financial statements, from which this short-form financial announcement is extracted, is available for inspection at the Company's registered office.The engagement partner responsible for the audit was Mr Brian Mabiza, PAAB Practice Certificate number 0447.

T. Moyo
Independent, Non-Executive Chairman
Harare
16 September 2021

NATIONAL FOODS HOLDINGS LIMITED

Audited Abridged Group Financial Results of National Foods Holdings Limited

for the Year ended 30 June 2021

Salient Features

	INFLATION ADJUSTED		HISTORICAL	
	Year Ended 30-June-21 audited		Year Ended 30-June-21 supplementary	
Volume (MT)	525 430	▲ 15%	525 430	▲ 15%
	ZW$'000		ZW$'000	
Revenue	33 177 372	▲ 26%	28 074 417	▲ 343%
Operating profit	1 259 175	▼ (70%)	3 296 938	▲ 92%
Profit before tax	470 550	▼ (85%)	3 421 340	▲ 82%
Basic and diluted earnings per share (cents)	105.89	▼ (97%)	3 819.29	▲ 81%
Cash dividend declared per share (cents)	1 152.16	▲ 39%	1 099.76	▲ 107%

Chairman's Statement

Directors' Responsibility

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

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied in the previous annual financial statements. There is no impact arising from revised IFRS, which became effective for the reporting period commencing on or after the 1st of January 2020 on the Group's abridged financial statements.

Cautionary Statement – Reliance on all financial statements prepared in Zimbabwe from 2019-2021

The Directors would like to advise users to exercise caution in their use of these Group abridged financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional currency in February 2019 and its consequent effect on the usefulness of financial statements from 2019 through to 2020, and which have resulted in carry-over effects into the 2021 financial year.

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

2021 Financial Year Modified Audit Opinion

As disclosed in the Group's 2019 and 2020 annual reports, the Directors have always ensured compliance with IFRS, however, during these two years, were unable to do so due to the conflict between IFRS and local statutory requirements. The carry-over effects from the 2019 and 2020 financial years noted above continue to affect the current financial year opening balances, resulting in a modified audit opinion being issued for the year under review.

IAS 29 (Financial Reporting in Hyperinflationary Economies)

As previously reported, the Public Accountants and Auditors Board ("PAAB"), having assessed the impact of hyperinflation in the economy, advised that the conditions for adopting IAS 29 were satisfied with effect from 1 July 2019.

IAS 29 requires that inflation-adjusted financial statements become the entity's primary financial statements and the Group has complied with this requirement for these abridged annual financial statements.

The PAAB has provided guidance that the Consumer Price Index ("CPI") be applied in the preparation of hyperinflation financial statements in accordance with IAS 29. The CPI increased from 1,445.20 in June 2020 to 2,986.40 in June 2021, therefore representing a 106.6% increase during the financial year under review, and this compared to the Reserve Bank of Zimbabwe ("RBZ") auction rate of exchange which increased by 48.9% during the same period.

Due to these and other disparities currently prevailing in the economy, significant distortions can occur in the preparation of inflation-adjusted financial statements in accordance with the requirements of IAS 29.

The Directors view these distortions as material and pervasive to these annual inflation-adjusted financial statements and advise users to exercise caution in their interpretation. Annual financial statements prepared under the historical cost convention are therefore also presented as supplementary information, and financial commentary has been confined to these particular financial statements.

External Auditor's Statement

These abridged Group annual inflation-adjusted financial statements should be read in conjunction with the complete set of the Group annual inflation-adjusted financial statements for the year ended 30 June 2021. The financial statements have been audited by Messrs Deloitte & Touche Chartered Accountants (Zimbabwe) ("Deloitte"), who have issued a modified opinion as a result of the carryover effects from the 2019 and 2020 financial years, into the current financial year. The auditor's report on the Group's annual inflation-adjusted financial statements, from which these abridged Group annual financial statements are extracted, is available for inspection at the Company's registered office. The engagement partner responsible for the audit was Mr Brian Mabiza, PAAB Practice Certificate number 0447.

Sustainability Reporting

As part of our commitment to ensuring the sustainability of our business and stakeholders, the Group is utilising ISO 26000 as guidance for Social Responsibility and continues to apply the Global Reporting Initiative ("GRI") protocol for overall sustainability. Over the years, the Group has aligned its sustainability reporting with Sustainable Development Goals ("SDGs"), demonstrating the Group's commitment and contribution to sustainable development within the environments in which it operates. The Group continues to strengthen its practices and values across its operations to ensure that long-term business success is achieved in a sustainable manner.

Operating Environment and Overview

The period saw a significant improvement in the business environment, largely due to rapidly declining inflation and improved productivity in many sectors of the economy. Subsequent to the end of the period the recovery has been further bolstered by the excellent summer harvest. The economic stability and improved productivity is steadily translating into improved consumer demand, which is all the more encouraging given that this has been achieved in the face of the COVID-19 pandemic. Whilst the trading environment remained complex and challenging, the improved business conditions and increased confidence have led to the approval of a number of exciting investments for National Foods, as will be articulated later in this report.

The more stable environment allowed increased focus on enhancing our product portfolio and optimising the business models in the respective units rather than preserving value on the Statement of Financial Position which had been the order of the day in the inflationary environment. This change of focus will ultimately be good for the consumer.

Zimbabwe is currently facing the third wave of infections since the onset of the COVID-19 pandemic. National Foods has taken a proactive stance to protecting the safety and welfare of its employees and consumers in the face of the pandemic, with strict protocols in line with WHO guidelines having been implemented across our manufacturing sites. The pandemic continued to disrupt supply chains and cause volatility in international commodity markets. Notwithstanding these challenges the company managed to maintain consistent availability across its product portfolio during the period.

Financial Performance

As noted earlier in this report, commentary on the Group's final financial results is confined to the financial statements prepared under the historical cost convention.

Volumes for the period increased by 15% to 525,000 tons compared to the prior period. This was achieved in spite of the disappointing result from the Maize unit, where volumes declined by 32% largely on the back of intense competition from imported maize meal and the discontinuation of the subsidy program. Excluding Maize, the year on year volume growth across all categories was 48%. This positive outcome was driven by improved consumer demand and a steadily improving market presence across the portfolio. Revenue for the period increased to ZW$ 28.07 Billion, a 343% increase on the prior period on the back of the volume growth as well as the impact of inflation.

Profit before tax increased by only 82% to ZW$ 3.42 Billion. This was a muted performance relative to the rate of inflation and was largely caused by lower gross margins across the portfolio, the performance of the Maize unit, as well as significant increases in operating expenditure and interest costs.

Gross margins were impacted by the declining inflation, as gains on prepaid raw materials reduced relative to the prior period as well as general pricing restraint in view of the strategic intent to grow volumes in a recovering market. The Maize unit had a disappointing year, with performance being impacted by the normalisation of the market post the removal of the subsidy scheme as well as a proliferation of cheap imported maize meal, notably from South Africa. Operating expenditure increased by 327% as costs normalised in real terms with the slowing inflation. Interest costs increased by 564% to ZW$ 389 million as the interest rates on local borrowings increased significantly.

The Statement of Financial Position remains in a healthy position with very moderate levels of gearing, with net debt of only ZW$ 591 million as at year end. Although gearing is moderate the increase in interest rates and lower inflation has meant that working capital models and cash flow management once again become key priorities. Deposits were paid for both the new Bulawayo Flour mill and the new Cereal project in the latter part of the year and the company is well positioned to continue to fund its pipeline of new projects.

Operations Review

Flour Milling

Volumes for the Flour unit increased by 43% compared to the prior year. This growth was achieved on the back of strengthening consumer demand. Whilst growth occurred in both the baker's and prepack flour segments it was especially strong in prepacks as consumers resorted to home baking with the COVID-19 induced lockdowns and movement restrictions in place.

As mentioned in the December 2020 interim report, the Board has approved the purchase of a new state of the art Flour mill, which will be installed as a replacement for the existing mill at the Bulawayo Basch Street site, at an estimated cost of US$ 5 million. The project is now underway and progressing on schedule with commissioning scheduled for late 2022.

Maize Milling

The year under review was an exceptionally challenging one for the Maize unit. Volumes decreased by 32% compared to the prior year, in spite of the fact that last season was a drought year which ordinarily results in firm demand. The decline was largely due to intense competition from imported maize meal, notably from South Africa and the abnormal demand last year on the back of the subsidy scheme.

Local maize production has shown a significant recovery this year, a most welcome development for the country. The harvest will, however, impact demand for maize meal as consumers utilise their own harvested maize. In response, the business model for the Maize unit has been remodelled, with a view to ensuring that it continues to make a sustainable contribution to the Group.

Stockfeeds

Stockfeed volumes improved by 33% when compared to prior year. This encouraging result was driven by the poultry category, where volumes increased by 53% relative to last year. Beef feed volumes were subdued, declining by 14% on the back of good early rains and a general reduction in cattle feeding.

The positive progress in this unit, driven largely by firmer demand for protein products and especially an increase in small scale poultry production is most encouraging. The Board has approved the implementation of various plant upgrades in the coming year to the Aspindale plant as part of a 3 year phased upgrade which will significantly modernise the existing plant which was installed in the early 1990's.

Groceries

Volumes in this Division increased significantly by 74% versus the comparative period. The solid growth was achieved across the category portfolio on the back of competitive pricing.

Snacks and Treats

Volumes in this Division increased by 57% against the prior year. New products continue to be launched across the portfolio to broaden and enhance the offering. Additional manufacturing equipment for the Snacks unit has been ordered and will be installed early in the coming financial year.

Cereals

"Pearlenta Nutri-Active" instant maize porridge continued to gain acceptance among consumers over the year. In addition, "Better Buy Soya Delights", a soya based meat substitute, has been well received by the market.

The Board has approved the acquisition of additional cereal manufacturing equipment at a cost of US$ 4 million which will allow the Group to expand its repertoire of breakfast cereals and extruded products. This investment is set to avail an exciting range of affordable and nutritious cereals to the market. It is anticipated that the launch of these products will occur progressively from mid 2022.

Pure Oil

Pure Oil had a challenging year, largely due to the significant increases in international crude oil prices which could not be fully recovered in product pricing. Whilst volume performance was firm, having increased by 75% from the prior year, the overall contribution from Pure Oil (which is equity accounted by National Foods) declined from the previous year. Solid volume growth was recorded in the recently introduced green bar soap and margarine categories.

Contract Farming

National Foods continues to keenly support contract farming of maize, soya beans, wheat, sugar beans and popcorn. During the current summer season just over 9,000 hectares were planted with the tonnage harvested amounting to 55,000 tons, mainly of maize. In addition, 5,800 hectares of wheat have been sown in the current winter crop. This program is now making a meaningful contribution to the Group's raw material requirements.

Corporate Social Responsibility (CSR)

National Foods continues to support a wide range of causes through its comprehensive CSR program. The company supports 44 registered institutions spread across the country's 10 provinces with regular food supplies and assists with a number of wildlife conservation initiatives. A wide range of organisations are assisted including orphanages, special needs groups, vulnerable women and children, schools, hospitals and churches as well as animal welfare and conservation programs.

During 2020, National Foods celebrated 100 years of existence against the backdrop of the adverse impact of COVID-19 and successive droughts on the country. Given the circumstances, the company elected to forego the planned centenary celebrations in favour of giving back to the society which has supported the business over the last century. To this end the NFL 100 Charities Initiative was launched to provide once off support to 100 charitable organisations that are not part of the company's ongoing CSR program. This gesture allowed National Foods to further increase its CSR footprint and celebrate with more than 50 000 beneficiaries in addition to those we already support.

The company's CSR efforts have been recognised during the year through awards given by CSR Network Zimbabwe and the Institute of Public Relations and Communications Zimbabwe (IPRCZ).

Impact of COVID 19 On Business Continuity and Statement of Solvency

National Foods continues to implement and observe WHO-approved COVID-19 guidelines throughout its operations to safeguard the health and welfare of staff, customers, suppliers and all stakeholders. In addition to this, financing, capital investment and working capital models are regularly reviewed as part of business continuity plans.

Given the ongoing uncertainty around the impact and conclusion of COVID-19, it is not possible to assess, with absolute certainty, the full impact the pandemic will have on the company's financial performance for the forthcoming financial period.

Chairman's Statement (continued)

Impact of COVID 19 On Business Continuity and Statement of Solvency (continued)

At present, the financial status of the company remains healthy, and the impact of the COVID-19 pandemic has not created any issues from a solvency or liquidity perspective.

Regrettably during August 2021 Adam Kupara, a valued and respected member of the Stockfeeds team, lost his battle with COVID-19. Our thoughts and condolences are with his family at this difficult time.

RBZ Matter

Stakeholders will be aware of the Reserve Bank of Zimbabwe (RBZ) press publication in June 2021 which named National Foods among a list of entities which were accused of non-compliance with the recently promulgated SI 127 as well as the auction system. National Foods held a number of constructive engagements with the RBZ in the aftermath of the publication and the matter was resolved in the immediate post year end period.

Future Prospects

Moving into the new financial year, National Foods has taken steps to sharpen accountability at a business unit level in order to become more agile and responsive to the environment. As part of this work the company has created additional business units to provide greater focus on several of the growing categories. To this end, the Groceries unit will be split into the Down-packed unit (rice, salt, sugar beans and popcorn) and the Traded Goods unit (pasta, canned products, jam and peanut butter). In addition, a separate Cereals unit has been created to manage the production of cereals and other extruded products.

As alluded to earlier, the more stable economic environment has allowed more time to focus on the optimisation of the business models for each category. The key focus areas for our teams will be to identify initiatives which improve operational efficiencies in order to enhance margins and reduce operational expenditure. The management of working capital and cash flow models in the respective units will also be a key priority for our management teams, ensuring that interest costs are at sustainable levels.

In addition to the recently announced capital expenditure projects the company continues to explore a number of opportunities, largely of a forward integration nature. In summary, National Foods is optimistic at the current trajectory of the economy and is taking a number of proactive initiatives to further develop and grow the business in line with the improved circumstances.

Final Dividend

The Board is pleased to declare a final dividend of 296.49 ZW$ cents per share payable in respect of all ordinary shares of the Company. This final dividend brings the total dividend for the year ended 30 June 2021, to 1 099.76 ZW$ cents, and will be payable to all the shareholders of the Company registered at the close of business on 15 October 2021.

The payment of this final dividend will take place on or around 10 November 2021. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of 12 October 2021 and ex-dividend from 13 October 2021.

Acknowledgement and Appreciation

I would like to express my sincere appreciation to the Zimbabwean consumers for their on-going and steadfast support. The company owes its century of existence to the loyal consumers of our products, and our team will continue to strive to deliver affordable, innovative and nutritious products to serve the needs of our valued consumers.

Our employees have shown great fortitude in maintaining consistency of product supply throughout the pandemic and I would like to thank them for their dedication and commitment. Finally, I remain grateful for the input and counsel from my fellow Board members.

Todd Moyo
Independent, Non-Executive Chairman
16 September 2021

Audited Abridged Group Statement of Financial Position

	Notes	INFLATION ADJUSTED 30-June-21 audited ZW$'000	INFLATION ADJUSTED 30-June-20 audited ZW$'000	HISTORICAL 30-June-21 supplementary ZW$'000	HISTORICAL 30-June-20 supplementary ZW$'000
ASSETS					
Non-current assets					
property, plant and equipment		3 123 930	2 671 069	983 268	226 177
right of use assets		107 429	23 025	40 310	11 142
other non-current assets	13	1 067 570	939 292	385 605	150 755
		4 298 929	**3 633 386**	**1 409 183**	**388 074**
Current assets					
inventories	7	5 734 651	5 504 744	4 365 967	1 835 784
trade and other receivables	8	4 325 618	3 039 077	4 270 402	1 304 602
cash and cash equivalents		1 122 722	629 738	1 122 722	369 742
		11 182 991	**9 173 559**	**9 759 091**	**3 510 128**
non-current assets held for sale	9	—	46 943	—	7 648
Total assets		**15 481 920**	**12 853 888**	**11 168 274**	**3 905 850**
EQUITY AND LIABILITIES					
Capital and reserves					
ordinary share capital		32 632	32 632	684	684
distributable reserves		6 711 743	7 620 363	3 596 292	1 775 072
Total shareholders' equity		**6 744 375**	**7 652 995**	**3 596 976**	**1 775 756**
Non-current liabilities					
lease liability	10	21 413	12 017	21 413	5 815
deferred tax liability		563 992	642 501	34 820	60 033
		585 405	**654 518**	**56 233**	**65 848**
Current liabilities					
interest-bearing borrowings		1 713 661	643 143	1 713 661	311 230
current portion of lease liability		17 607	10 544	17 607	5 102
trade and other payables	11	5 758 138	3 213 058	5 121 063	1 419 027
current tax payable		334 004	628 467	334 004	304 128
shareholders for dividends	14	328 730	51 163	328 730	24 759
		8 152 140	**4 546 375**	**7 515 065**	**2 064 246**
Total liabilities		**8 737 545**	**5 200 893**	**7 571 298**	**2 130 094**
Total equity and liabilities		**15 481 920**	**12 853 888**	**11 168 274**	**3 905 850**

Audited Abridged Group Statement of Profit or Loss And Other Comprehensive Income

	Notes	INFLATION ADJUSTED Year Ended 30-June-21 audited ZW$'000	INFLATION ADJUSTED Year Ended 30-June-20 audited ZW$'000	HISTORICAL Year Ended 30-June-21 supplementary ZW$'000	HISTORICAL Year Ended 30-June-20 supplementary ZW$'000
Revenue		**33 177 372**	**26 431 659**	**28 074 417**	**6 340 085**
Operating profit before depreciation and amortisation		**1 259 175**	**4 205 438**	**3 296 938**	**1 721 413**
financial income		285 363	106	280 715	184 627
depreciation and amortisation		(181 521)	(180 650)	(28 791)	(16 209)
Profit before interest and tax		**1 363 017**	**4 024 894**	**3 548 862**	**1 889 831**
interest received		17 209	—	12 176	—
interest paid		(450 530)	(284 413)	(400 746)	(58 563)
equity accounted earnings		276 537	354 271	261 048	45 617
monetary loss		(735 683)	(1 058 037)	—	—
Profit before tax		**470 550**	**3 036 715**	**3 421 340**	**1 876 885**
income tax expense		(398 122)	(845 978)	(808 944)	(432 029)
Profit for the year		**72 428**	**2 190 737**	**2 612 396**	**1 444 856**
Total comprehensive income for the year		**72 428**	**2 190 737**	**2 612 396**	**1 444 856**
Profit for the year attributable to:					
equity holders of the parent		**72 428**	**2 190 737**	**2 612 396**	**1 444 856**
Total comprehensive income for the year attributable to:					
equity holders of the parent		**72 428**	**2 190 737**	**2 612 396**	**1 444 856**
EARNINGS PER SHARE (CENTS)					
- Basic and diluted earnings per share	16	**105.89**	**3 202.83**	**3 819.29**	**2 112.36**
- Headline (loss)/earnings per share	16	**(54.15)**	**3 201.30**	**3 659.10**	**1 937.56**

Audited Abridged Group Statement of Cash Flows

	INFLATION ADJUSTED Year Ended 30-June-21 audited ZW$'000	INFLATION ADJUSTED Year Ended 30-June-20 audited ZW$'000	HISTORICAL Year Ended 30-June-21 supplementary ZW$'000	HISTORICAL Year Ended 30-June-20 supplementary ZW$'000
Cash generated from operating activities	**2 175 046**	**393 550)**	**1 769 348**	**401 236**
net interest	(433 321)	(284 413)	(388 570)	(58 563)
tax paid	(948 445)	(557 992)	(804 281)	(119 650)
Total cash generated / (utilised) from operations	**793 280**	**(448 855)**	**576 497**	**223 023**
Investing activities				
purchase of property, plant and equipment to expand operations	(782 565)	(193 569)	(758 565)	40 371
purchase of property, plant and equipment to maintain operations	(25 365)	(130 054)	(24 587)	(24 799)
proceeds from disposal of associate	98 770	—	88 467	—
other cash flows from investing activities	34 764	20 691	23 323	9 200
Net cash outflow from investing activities	**(674 396)**	**(302 932)**	**(671 362)**	**55 970**
Net cash inflow / (outflow) before financing activities	**118 884**	**(751 787)**	**(94 865)**	**167 053**
Financing activities	**374 100**	**784 271**	**864 605**	**168 171**
increase in borrowings	1 094 769	1 044 389	1 402 432	225 696
lease liability repayments	(17 188)	(6 487)	(12 506)	(3 139)
dividend paid	(703 481)	(253 631)	(550 333)	(54 386)
Net increase/(decrease) in cash	**492 984**	**32 484**	**752 980**	**335 224**
Cash and cash equivalents at the beginning of the year	**629 738**	**597 254**	**369 742**	**34 518**
Cash and cash equivalents at the end of the year	**1 122 722**	**629 738**	**1 122 722**	**369 742**

Audited Abridged Group Statement of Changes In Equity

INFLATION ADJUSTED	Share Capital ZW$'000	Distributable reserves ZW$'000	Total ZW$'000
Balance at 30 June 2019	**32 632**	**5 722 237**	**5 754 869**
profit for the year	—	2 190 737	2 190 737
total comprehensive income	—	**2 190 737**	**2 190 737**
dividends declared	—	(292 610)	(292 610)
Balance at 30 June 2020	**32 632**	**7 620 364**	**7 652 996**
profit for the year	—	72 428	72 428
total comprehensive income	—	**72 428**	**72 428**
dividends declared	—	(981 049)	(981 049)
Balance at 30 June 2021	**32 632**	**6 711 743**	**6 744 375**

HISTORICAL	Share capital ZW$'000	Distributable reserves ZW$'000	Total ZW$'000
Balance at 30 June 2019	**684**	**258 097**	**258 781**
profit for the year	—	1 444 856	1 444 856
IFRS 16 adjustment to retained earnings	—	112	112
transfer to foreign currency reserve	—	141 590	141 590
total comprehensive income	—	**1 586 558**	**1 586 558**
dividends declared	—	(69 583)	(69 583)
Balance at 30 June 2020	**684**	**1 775 072**	**1 775 756**
profit for the year	—	2 612 396	2 612 396
transfer to foreign currency reserve	—	63 128	63 128
total comprehensive income	—	**2 675 524**	**2 675 524**
dividends declared	—	(854 304)	(854 304)
Balance at 30 June 2021	**684**	**3 596 292**	**3 596 976**

Supplementary Information

1 Corporate Information

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

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

2 Basis of Preparation

The Group's abridged annual inflation adjusted financial statements for the year ended 30 June 2021 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Group's consolidated inflation adjusted financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwean Dollars (ZW$).

The principal accounting policies applied in the preparation of the Group consolidated inflation-adjusted financial statements are in terms of IFRS and applicable amendments to IFRS and the accounting policies have been applied consistently in all material respects with those of the previous consolidated annual inflation adjusted financial statements.

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

As noted in the Group's 2019 financial statements, the Government of Zimbabwe promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZW$) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (US$). 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 respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements.

In 2020, the Government also promulgated SI185/20 which permitted the use of foreign currencies for domestic transactions and in the same year a foreign currency trading system ("Foreign Exchange Auction System") was introduced through the Reserve Bank of Zimbabwe. The Group relies on both foreign currency obtained through the Foreign Exchange Auction System and through the sale of products on the domestic market in line with SI185/20 for its operations, as such the Directors have used an estimation process which is in line with IAS 21 to ascertain the spot rates used to determine the ZW$ price of goods sold in US$ on transaction date and the spot rate used to convert the foreign monetary assets and liabilities which were in existence at 30 June 2021. Foreign monetary assets and liabilities in existence at 30 June 2021 have been translated to ZW$ at the appropriate closing rates of exchange, with exchange differences having been adjusted through the Group's Statement of Profit or Loss in line with IAS 21.

Due to the material and pervasive impact of these technicalities in the previous periods and the carry-over effects of these misstatements on the current period consolidated inflation-adjusted financial statements, the Directors would like to advise users to exercise caution in their use of these abridged inflation adjusted financial statements.

4 IAS 29 (Financial Reporting in Hyperinflationary Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflationary economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. These financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Interpretations Committee (IFRIC) 7 (Applying the Restatement Approach under IAS 29), as if the economy had been hyperinflationary from 1 October 2018. The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have not been restated as they are presented at the measuring unit current at the end of the reporting year. Items recognised in the income statement have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the year ended 30 June 2021 and the comparative year. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 1 October 2018 to the end of the reporting year. All items in the statement of cash flows are expressed based on the restated financial information for the year.

Supplementary Information (continued)

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

	Index	Conversion Factor
June 2021	2 986.44	1.0000
June 2020	1 445.20	2.0665
June 2019	172.60	17.3027

5 Legacy Debt

The Group has foreign legacy liabilities amounting to US$1 199 236, being foreign liabilities that were due and payable on 22 February 2019 when the authorities promulgated SI33/2019 which introduced the ZW$ currency. The foreign liabilities were registered and approved by the Reserve Bank of Zimbabwe, ("RBZ") and the Group transferred to the RBZ the ZW$ equivalent of the foreign liabilities based on an exchange rate of US$/ZW$, 1:1 in line with Exchange Control Directives RU102/2019 and RU28/2019 and as directed by the RBZ. The foreign debts have been accounted for at the closing exchange rate as at 30 June 2021 in line with IAS 21 and the deposits with the RBZ have also been accounted for as statutory assets at the same closing exchange rate. In compliance with IFRS, the deposit at the RBZ represents a commitment to pay equivalent value in USD and has therefore been treated as a statutory asset in accordance with IFRS 9.

The Board remains confident that the RBZ will settle the legacy debts as per the Exchange Control Directives although risk remains that policies regarding the foreign liabilities may be changed.

6 Operating Segments

INFLATION ADJUSTED	Milling Manufacturing and Distribution ZW$'000	Properties ZW$'000	Intersegment Adjustments ZW$'000	Total ZW$'000
Revenue				
30 June 2021	36 044 837	112 735	(2 980 200)	33 177 372
30 June 2020	28 064 048	166 229	(1 798 618)	26 431 659
Operating profit before depreciation and amortisation				
30 June 2021	1 232 126	27 049	—	1 259 175
30 June 2020	4 152 491	52 947	—	4 205 438
Depreciation and amortisation				
30 June 2021	(154 133)	(24 322)	—	(178 455)
30 June 2020	(147 863)	(32 787)	—	(180 650)
Net Interest expense				
30 June 2021	(446 556)	13 235	—	(433 321)
30 June 2020	(284 545)	132	—	(284 413)
Profit before tax				
30 June 2021	430 047	40 503	—	470 550
30 June 2020	3 006 059	30 656	—	3 036 715
Segment assets				
30 June 2021	14 909 827	572 093	—	15 481 920
30 June 2020	12 308 239	545 648	—	12 853 887
Segment liabilities				
30 June 2021	(8 648 101)	(89 444)	—	(8 737 545)
30 June 2020	(5 053 402)	(147 491)	—	(5 200 893)
Capital expenditure				
30 June 2021	735 455	72 475	—	807 930
30 June 2020	262 469	61 155	—	323 624

HISTORICAL	Milling Manufacturing and Distribution ZW$'000	Properties ZW$'000	Intersegment Adjustments ZW$'000	Total ZW$'000
Revenue				
30 June 2021	30 447 997	95 396	(2 468 976)	28 074 417
30 June 2020	6 579 112	39 873	(278 900)	6 340 085
Operating profit before depreciation and amortisation				
30 June 2021	3 226 115	70 823	—	3 296 938
30 June 2020	1 699 740	21 673	—	1 721 413
Depreciation and amortisation				
30 June 2021	(24 867)	(3 924)	—	(28 791)
30 June 2020	(13 267)	(2 942)	—	(16 209)
Net Interest expense				
30 June 2021	(400 439)	11 869	—	(388 570)
30 June 2020	(58 590)	27	—	(58 563)
Profit before tax				
30 June 2021	3 150 185	271 155	—	3 421 340
30 June 2020	1 858 127	18 758	—	1 876 885
Segment assets				
30 June 2021	10 770 287	397 987	—	11 168 274
30 June 2020	3 746 798	159 052	—	3 905 850
Segment liabilities				
30 June 2021	(7 494 578)	(76 720)	—	(7 571 298)
30 June 2020	(2 071 353)	(58 741)	—	(2 130 094)
Capital expenditure				
30 June 2021	718 113	64 469	—	782 582
30 June 2020	54 813	10 357	—	65 170

Supplementary Information (continued)

	INFLATION ADJUSTED		HISTORICAL	
	Year Ended 30-June-21 audited ZW$'000	Year Ended 30-June-20 audited ZW$'000	Year Ended 30-June-21 supplementary ZW$'000	Year Ended 30-June-20 supplementary ZW$'000
7 Inventories				
Consumable stores	188 594	126 726	143 582	42 262
Finished products, net of allowance for obsolescence	1 423 806	1 123 450	1 083 988	374 660
Raw materials	3 726 333	4 076 513	2 836 973	1 283 303
Packaging	395 918	178 055	301 424	135 559
	5 734 651	**5 504 744**	**4 365 967**	**1 835 784**
8 Trade and other receivables				
Trade receivables	1 937 361	1 357 120	1 937 361	636 479
Prepayments	1 954 857	1 277 368	1 899 641	478 374
VAT Receivable	188 363	44 347	188 363	20 799
Other receivables	273 084	370 364	273 084	173 697
	4 353 665	**3 049 199**	**4 298 449**	**1 309 349**
Allowance for credit losses	(28 047)	(10 122)	(28 047)	(4 747)
	4 325 618	**3 039 077**	**4 270 402**	**1 304 602**

9 Non Current Assets held for sale

The Group continues to dispose of non-core or aging assets in order to apply capital more appropriately. Following the disposal of the depot operations in October 2016, the Board has identified the properties from which some of these depots operate to be non-core. As such the properties that had been previously categorised as assets for disposal Group classified as held for sale were disposed during the period.

	INFLATION ADJUSTED		HISTORICAL	
	Year Ended 30-June-21 audited ZW$'000	Year Ended 30-June-20 audited ZW$'000	Year Ended 30-June-21 supplementary ZW$'000	Year Ended 30-June-20 supplementary ZW$'000
10 Lease liability				
Analysis				
Non-current	21 413	12 017	21 413	5 815
Current	17 607	10 544	17 607	5 102
	39 020	**22 561**	**39 020**	**10 917**
Undiscounted future lease payments				
Payable within one year	20 490	16 354	20 490	7 914
Payable two to five years	40 980	13 589	40 980	6 576
	61 470	**29 943**	**61 470**	**14 490**
11 Trade and other payables				
Trade payables	4 898 339	2 436 915	4 261 264	1 043 436
Provisions	57 796	33 487	57 796	16 205
Other payables	802 003	742 656	802 003	359 386
	5 758 138	**3 213 058**	**5 121 063**	**1 419 027**
12 Commitments for capital expenditure				
Contracts and orders placed	279 500	1 139 134	279 500	551 250
Authorised by Directors but not contracted	821 250	371 776	821 250	179 910
	1 100 750	**1 510 910**	**1 100 750**	**731 160**
The capital expenditure is to be financed out of the Group's own resources and borrowing facilities.				
13 Other non-current assets				
Intangible assets	72 344	72 344	1 516	1 516
Investment in associates	919 021	701 039	307 884	69 139
Financial assets	76 205	165 909	76 205	80 100
	1 067 570	**939 292**	**385 605**	**150 755**

Supplementary Information (continued)

14 Shareholders for Dividends

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

15 Interest bearing borrowings

Interest bearing borrowings constitute bank loans from various local financial institutions which accrue interest at an average rate of 39% per annum as at 30 June 2021. The facilities expire at different dates during the year and will be reviewed and renewed when they mature.

16 Earnings per share

Basic earnings basis

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

Headline (loss) / earnings basis

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

	INFLATION ADJUSTED		HISTORICAL	
	Year Ended 30-June-21 audited ZW$'000	Year Ended 30-June-20 audited ZW$'000	Year Ended 30-June-21 supplementary ZW$'000	Year Ended 30-June-20 supplementary ZW$'000
Reconciliation of basic earnings to headline earnings				
Profit for the year attributable to equity holders of the parent	72 428	2 190 737	2 612 396	1 444 856
Adjustment for capital Items				
Profit on disposal of property, plant and equipment	(822)	(1 391)	(928)	(158 828)
Non-headline exchange gain on specific transactions	(144 588)	—	(144 620)	—
Tax effect on adjustments	35 945	344	35 979	39 262
Headline (loss)/earnings attributable to ordinary shareholders	**(37 037)**	**2 189 690**	**2 502 827**	**1 325 290**
Number of shares in issue				
Weighted average number of ordinary shares in issue	68 400 108	68 400 108	68 400 108	68 400 108
Basic and diluted earnings per share (cents)	105.89	3 202.83	3 819.29	2 112.36
Headline (loss)/earnings per share (cents)	(54.15)	3 201.30	3 659.10	1 937.56
17 Contingent liabilities				
Guarantees				
The contingent liabilities relate to bank guarantees provided in respect of associate companies borrowings as at 30 June 2021	426 250	459 783	426 250	222 500
	426 250	**459 783**	**426 250**	**222 500**

18 Uncertain Tax Positions

The significant currency changes in Zimbabwe since 2018 have created some uncertainties in the treatment of taxes due to the absence of clear guidance and transitional measures from the tax authorities. Complications arose from the wording of the tax legislation in relation to the currency of settlement for certain taxes which gives rise to varying interpretations within the economy.

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

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the inflation-adjusted consolidated financial statements of National Foods Holdings Limited (the "Company") and its subsidiaries (together, "the Group"), set out on pages 9 to 38, which comprise the inflation-adjusted consolidated statement of financial position as at 30 June 2021, and the inflation-adjusted consolidated statement of profit or loss and other comprehensive income, the inflation-adjusted consolidated statement of changes in equity and the inflation-adjusted consolidated statement of cash flows for the year then ended, and the notes to the inflation-adjusted consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying inflation-adjusted consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs"), and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31).

Basis for Qualified Opinion

Our basis for qualified opinion has been arrived at after consideration of the following matters:

1. ***Impact of adverse opinion on prior year audited financial statements and the carry over effects in the current year inflation-adjusted consolidated financial statements***

   Accounting for blocked funds

   Included within the prior year financial assets are local funds deposits amounting to ZW$1 199 236 placed by the Group with the Reserve Bank of Zimbabwe ("RBZ") in pursuance of the registration of foreign currency denominated liabilities at the date of functional currency change on 22 February 2019 as required by policy pronouncements and undertakings by RBZ. The deposits in local currency were inappropriately recognised as a monetary financial asset in the prior period. For the year ended 30 June 2021, the Group was able to satisfy the recognition criteria of the deposits to the RBZ as a monetary statutory receivable. The deposits in local currency, held with the RBZ, were inappropriately treated as foreign denominated derivative financial asset and translated at the Group's closing ZWL/USD exchange rate in contravention of IAS 21 which defines foreign currency as a currency other than the functional currency of the Group. This resulted in an overstatement on the current assets and financial income by ZW$81 524 063 (2020 balance uplifted to current year).

   For the year ended 30 June 2021, the Group was able to satisfy the recognition criteria of the deposits to the RBZ as a monetary statutory receivable. The statutory receivable was appropriately accounted for under the requirements of International Accounting Standard (IAS) 21 "The Effects of Changes in Exchange Rates". Due to the fact that the recognition criteria and accounting treatment was not appropriate for the year ended 30 June 2020, our opinion on the current year inflation-adjusted consolidated financial statements is modified because of the misstatement to the financial assets and financial income in the comparative financial information and the resulting carry-over impact to the movements in the financial income and monetary adjustment in the current year inflation-adjusted statement of profit or loss and other comprehensive income.

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

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Incomplete application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) on comparative financial information

The Group applied the United States Dollar ("USD") as its functional and reporting currency for the period 1 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar ("RTGS$") or Zimbabwe Dollar ("ZWL") for the period 23 February 2019 to 30 June 2019, in order to comply with Statutory Instrument 33 of 2019 ("SI 33/2019"), issued on 22 February 2019. In addition, to comply with SI 33/2019, the Group changed its functional and presentation currency with effect from 23 February 2019. Under IAS 21, the change in functional currency should have occurred from 1 October 2018, based on the significance of the monetary and exchange control policy changes that occurred between 2016 and 2019.

As a result of this incorrect date of change in functional currency, corresponding figures for the year ended 30 June 2019 were misstated, and opening balances for the year ended 30 June 2020 were also similarly misstated, with a consequential impact on reported financial performance and position for the year ended 30 June 2020. Furthermore, the incorrect date of change in functional currency also impacted the accuracy of the hyperinflation restatements required under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This resulted in the adverse audit opinion in the prior years.

The Group resolved to correct the inconsistencies arising due to the decision to apply the requirements of IAS 21 and IAS 29 from 22 February 2019 as opposed to 1 October 2018 as would have been required to comply with International Financial Reporting Standards ("IFRS"). This correction has been applied prospectively instead of retrospectively through a restatement of the prior year financial statements as would be required by IFRS. This is not in compliance with International Financial Reporting Standards, IAS 8 – Accounting Polices, Changes in Accounting Estimates and Errors as the requirement would have required retrospective restatement. We have not been able to quantify the prior year impact of this adjustment as the cumulative effects of non-compliance with IAS 21 and its consequent impact on IAS 29 could not be ascertained for the year ended 30 June 2020.

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation-adjusted Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our 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 qualified opinion.

Other Matter

The financial statements of the Group for the year ended 30 June 2020, were audited by another auditor who expressed an adverse opinion on those statements on 25 September 2020.

The adverse opinion was in part based on the company's inability to establish observable market wide exchange rates that meet the requirements of IAS 21 at the time.

During the current year management reassessed its ability to establish an observable market wide exchange rate for both the year ended 30 June 2020 and 30 June 2021. We reassessed the specific item as basis for the adverse audit opinion being "Exchange rates used (Non-compliance with IAS 21 by the company and its local subsidiaries with ZWL as their functional currency) on the 2020 financial statements and concluded that the company was subsequently able to establish observable market wide exchange rates. Consequently, there was no further impact on the audit opinion for the year ended 30 June 2021.

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation-adjusted financial statements of the current period. These matters were addressed in the context of our audit of the inflation-adjusted consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section of our report, we have determined the matters described below to be the key audit matters.

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Estimation of exchange rates for use in translating foreign currency balances and transactions – Compliance with IAS 21 "The effects of Changes in Exchange Rates"</td></tr>
<tr><td>The Group's functional currency is the Zimbabwe dollar (ZW$), and the Group undertakes a number of direct and indirect foreign currency denominated transactions that subsequently also give rise to foreign currency denominated balances.

The legally recognised exchange rate for the translation of these foreign currency denominated transactions and balances is the RBZ Foreign Currency Auction exchange rate. However, because the Group is unable to access its full foreign currency requirements from the RBZ Foreign Currency Auction, it is faced with a long-term lack of exchangeability.

Under these circumstances, the requirements of IAS 21 prescribe that the spot exchange rates be estimated based on exchange rates arising from the actual means by which the Group is practically able to access its foreign currency requirements.

This estimation process inherently implies that the appropriate exchange rates for the Group are subjective and entity specific and need to reflect the economic reality with which it is faced. A risk exists that the spot rate has not been appropriately determined.</td><td>Our testing was focused on the areas of judgement applied by management in determining the internal spot exchange rates.

Procedures performed included the following:
• Obtained an understanding of the Group's specific circumstances leading to a lack of exchangeability;
• Obtained an understanding of the process by which the Group determines its estimates of spot exchange rates;
• Evaluated the design and tested the implementation of relevant controls over the Group's processes for the estimation of its spot exchange rates;
• Tested the completeness and accuracy of the model and inputs into the estimation of exchange rates;
• Tested the accuracy of the application of exchange rates to the translation of foreign currency denominated transactions and balances; and
• Reviewed the financial statements for adequacy of disclosures.

Overall, we concluded that the accounting treatment and disclosures made are appropriate and in accordance with the requirements of IAS 21.</td></tr>
<tr><td colspan="2">Valuation of inventories</td></tr>
<tr><td>The Group's inventories make up a significant portion of its current assets and mainly comprise perishable items with sensitive storage and shelf-life requirements.

The Group makes use of a number of on-site and off-site warehouse locations for the storage of its inventories. Specialised on-site storage facilities such as silos are used for purposes of grains that include maize, wheat and rice. The effective operation of key control activities such as month-end stock counts and reconciliations and silo-bleeding are critical to ensuring there are no misstatements regarding the existence and valuation of inventories.</td><td>In addressing the key audit matter, we performed the following procedures:
• Obtained an understanding of the inventory business process through performing inquiries, walkthroughs and inspecting process flow manuals;
• Obtained an understanding of the key control findings around the inventory process identified by internal audit during the year, and followed up on the effectiveness of the related remediation processes implemented by management;
• Observed the performance of the year end stock count procedures and related reconciliations;</td></tr>
</table>

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Key audit matter	How the matter was addressed in the audit
Valuation of inventories	
Some of the Group's inventories are imported. The accuracy of translations of the underlying foreign currency purchase amounts to the ZW$ functional currency are therefore also fundamental to achieving the right valuations. Obsolescence and shrinkage are also a business risk that the Group faces given the perishable nature of its inventories. As a result, the estimation processes and judgments exercised around provisions for obsolescence and shrinkage also impact the valuation of inventories as a whole.	• Performed tests of detail, substantive analytical procedures and tests of operating effectiveness of internal control over the existence and valuation assertions for inventories; • Reviewed management's computations for the provision on obsolete stock and challenged assumptions made therein; and • Tested the accuracy of exchange rates applied in the translations of imported inventories, or those acquired locally but settled in foreign currency. Overall, we concluded that the valuation of inventory and the disclosures made are in accordance with the requirements of IAS 2 "Inventories".

Other Information

The Directors are responsible for the other information. The other information includes the 'Director's report' and the 'Statement of directors' responsibility' and the historical financial information, which we obtained prior to the date of our auditor's report. The other information does not include the inflation-adjusted consolidated financial statements and our auditor's report thereon. The document titled "National Foods Holdings Limited Annual Report for the year ended 30 June 2021" is expected to be made available to us after the date of this auditor's report.

Our opinion on the inflation-adjusted consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the inflation-adjusted consolidated statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation-adjusted consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Inflation-adjusted Consolidated Financial Statements

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

In preparing the inflation-adjusted 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.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

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

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Auditor's Responsibilities for the Audit of the Inflation-adjusted Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation-adjusted 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation-adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation-adjusted 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 inflation-adjusted consolidated financial statements, including the disclosures, and whether the inflation-adjusted 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 inflation-adjusted 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 inflation-adjusted 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
TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE INFLATION-ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (continued)

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

Section 193(1)(a)

Except for the matters described in the Basis for Qualified Opinion section of our report, the inflation-adjusted consolidated financial statements of the Group are properly drawn up in accordance with the Act and give a true and fair view of the state of the Group's affairs as at 30 June 2021.

Section 193(2)

We have no matters to report in respect of the Section 193(2) requirements of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Brian Mabiza.

Deloitte & Touche

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Date: 30 September 2021