

Reviewed Abridged Group Financial Results

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

Short-Form Financial Announcement

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

This short-form 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 shareholders, and is available upon request and for inspection at the Company's registered office or via email request 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	
	31 Dec 2021 reviewed ZW\$'000	% change	31 Dec 2021 supplementary ZW\$'000	% change
Revenue	28 031 031	26%	24 860 663	96%
Operating Profit	2 317 568	5%	3 530 210	78%
Profit before tax for the period	3 308 377	397%	3 124 189	34%
Total assets	25 616 586	24%	19 226 754	72%
Total equity	11 293 549	26%	5 887 725	64%
Total liabilities	14 323 037	23%	13 339 029	76%
Basic earnings per share (ZW\$ cents)	3 692.41	3 952%	3 438.01	26%
Headline earnings per share (ZW\$ cents)	3 691.31	1 148%	3 436.95	66%
Dividend per share				
Interim dividend (ZW\$ cents)	1 103.00	(15%)	1 103.00	37%

Dividend

Ordinary shares (stated under the historical cost convention)

The Board declared an interim dividend of ZW\$ 1 103.00 (2021: ZW\$ 803.27) cents per share in respect of all ordinary shares of the Company. This dividend is in respect of the financial year ending 30 June 2022 and will be payable to all the shareholders of the Company registered at the close of business on the 8th of April 2022.

The payment of this interim dividend will take place on or around the 12th of April 2022. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of the 5th of April 2022 and ex-dividend from the 6th of April 2022.

External Auditor's Review Conclusion

The short-form financial announcement should be read in conjunction with the abridged set of the Reviewed Group interim inflation-adjusted financial statements for the six months ended 31 December 2021. The abridged Group interim inflation-adjusted financial statements for the six months ended 31 December 2021 have been reviewed by the Group's external auditors, Deloitte & Touche, who have issued an unmodified review conclusion. The auditor's review conclusion on the Group's abridged interim inflation-adjusted financial statements is available for inspection at the Company's registered office.



T. Moyo
Independent, Non-Executive Chairman
Harare
15 March 2022



Abridged Reviewed Group Financial Results of National Foods Holdings Limited

for the six months ended 31 December 2021

Chairman's Statement

Directors' Responsibility

The Holding Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated interim financial results, of which this press release represents an extract. These abridged interim financial results are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange ("ZSE") Listing Requirements for interim financial reporting (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 period's financial statements. There is no impact arising from revised IFRS, which became effective for the reporting period commencing on or after 1 January 2021 on the Group's interim financial statements.

Cautionary Statement- Reliance on All Financial Statements Prepared in Zimbabwe from 2019-2022

The Directors would like to advise users to exercise caution in their use of these Group abridged interim 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 prepared in periods thereafter, and which have resulted in carry-over effects into the 2021 financial year reporting period (the comparative period for these interim financial statements).

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 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 which occurred in 2019.

IAS 29 (Financial Reporting in Hyperinflationary Economies)

International Accounting Standard ("IAS") 29 provides that inflation-adjusted financial statements are the entity's primary financial statements, and the Group has complied with this requirement for these abridged interim financial statements. The Consumer Price Index ("CPI") was applied in the preparation of the hyperinflation financial statements in accordance with IAS 29, and under the direction of the Public Accountants and Auditors Board ("PAAB").

Due to the prevailing distortions in the economy, and the material and pervasive effects that these can have in the application of the methodologies inherent in IAS 29, the Directors advise users to exercise caution in the interpretation and use of these interim inflation-adjusted financial statements. Due to the foregoing, interim financial statements prepared under the historical cost convention have been presented as supplementary information, and financial commentary has been confined to these particular financial statements.

External Auditor's Review Conclusion

The abridged Group interim inflation-adjusted financial statements for the six months ended 31 December 2021 have been reviewed by the Group's external auditors, Deloitte & Touche, who have issued an unmodified review conclusion. The auditor's review conclusion on the Group's abridged interim inflation-adjusted financial statements is available for inspection at the Company's registered office.

Sustainability Reporting

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

Operating Environment and Overview

The period initially saw a continued decline in inflation, before a concerning upsurge toward the end of the period which has then persisted into the second half of the financial year. Consumer demand, which was robust at the start of the period, has slowed down as inflation accelerated.

Aside from the recent inflationary upsurge, the 2021 calendar year was a year of great progress for the Zimbabwean economy, with markedly reduced inflation, substantial improvements in agricultural production and significantly improved foreign currency inflows. It is hoped that, moving forward in 2022, all stakeholders will be able to find a solution to the inflationary upsurge. This should see a recovery in consumer demand, which has stalled in recent months.

From a National Foods perspective, the improved 2020-21 summer and winter harvests have meant significantly reduced imports of raw materials. The Group can operate much more sustainably than in the past, when it has faced significant challenges in accessing sufficient foreign currency to fund imports.

Overall, notwithstanding the recent challenges, the Group remains positive on the overall trajectory of the economy and as a consequence is working on a number of additional investments in addition to those which are currently being implemented.

Financial Performance

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

Volume for the period increased by 15% to 304,000 tons compared to the prior period. There was, however, a noticeable slow-down in volume momentum over the period as inflation picked up, with year on year volume growth of 24% in the first quarter and only 8% in the second quarter.

Revenue for the period increased by 96% to ZW\$ 24.9 billion, driven by volume growth and inflationary price increases. Gross profit grew by 81% below revenue growth, largely due to the inflationary driven gains that occurred in the prior year. Operational expenditure grew by 89% year on year, slightly ahead of inflation as certain costs corrected in real terms.

Salient Features

	INFLATION-ADJUSTED		HISTORICAL	
	6 Months Ended 31-Dec-21 Reviewed		6 Months Ended 31-Dec-21 Supplementary	
Volume (MT)	303 683	▲ 15%	303 683	▲ 15%
	ZW\$ '000		ZW\$ '000	
Revenue	28 031 031	▲ 26%	24 860 663	▲ 96%
Operating Profit	2 317 568	▲ 5%	3 530 210	▲ 78%
Profit before tax	3 308 377	▲ 397%	3 124 189	▲ 34%
Basic earnings per share (cents)	3 692.41	▲ 3952%	3 438.01	▲ 26%
Headline earnings per share (cents)	3 691.31	▲ 1 148%	3 436.95	▲ 66%
Interim dividend declared per share (cents)	1 103.00	▼ (15%)	1 103.00	▲ 37%

EBITDA increased by 78% to ZW\$ 3.53 billion, whilst PBT growth was more moderate increasing by 34% to ZW\$ 3.12 billion. This was driven by a significant increase in interest costs in line with higher interest rates; financial loss where exchange losses were recorded this year whilst in the previous financial year there were gains emanating from property disposals; as well as a decline in equity accounted earnings of 36%, which was largely attributed to the disappointing result from Pure Oil.

The Statement of Financial Position remains healthy with net debt of only ZW\$ 2.66 billion. Management remains intensely focussed on the optimisation of its working capital and debt positions, particularly in view of the fluid inflationary environment. The Group remains in a strong position to fund its future growth aspirations.

Operations Review

Flour Milling

Volumes for the Flour unit increased by 3% compared to the same period last year, with both the Harare and Bulawayo Flour mills running at close to capacity.

The installation of a new mill at our Bulawayo site will commence in April and the mill remains on track for commissioning towards the end of 2022. The new mill will increase wheat milling capacity by around 2,000 tons per month.

Maize Milling

As anticipated demand for maize meal was subdued following last year's excellent harvest, and volumes declined by 7% compared to last year. The Pearlenta "Smart Carbs" range, meals made from traditional grains such as sorghum and millet, was launched during the period.

Stockfeeds

Stockfeed volumes improved by 16% when compared to prior year. Feed volumes in the poultry category continued to show encouraging growth on the back of increased production in the small scale sector, whilst beef feed volumes declined following the better summer season and consequent improved pastures.

The phased 3 year upgrade of the Aspindale plant is now underway and has commenced with the installation of a PLC system which will enhance and optimise operational controls.

Down-packed

In line with our objective to sharpen focus by category the former Groceries unit has been split into a down-packed unit which manages rice, salt, sugar beans and popcorn and Traded Goods which handles canned products, jam, peanut butter and pasta.

Encouraging volume momentum was sustained in the down-packed unit, with rice volumes increasing by 53% and salt by 31% relative to the prior period. The rice category as a whole remains a key focus area as consumers progressively migrate away from maize meal to alternative starches.

Traded Goods

The newly established Traded Goods unit saw volume growth of 71% versus prior year, largely as a result of growth in the pasta category.

Snacks

Volumes in this Division increased by 49% against the prior period, as the increased production capacity came on stream. Our expectation is that the category will show robust growth in future in line with steadily improved consumer spending power. Accordingly, the Board has approved additional investment which will increase capacity as well as broaden the portfolio of snack products produced.

Biscuits

The Iris brand made further headway in the loose biscuit segment with volumes increasing by 19% compared to last year. The existing plant ran at capacity during the period as a result of which the prospects for additional investment in the biscuit category are currently being assessed.

Cereals

The first phase of the cereal investment has seen the introduction of a variety of products over the past year including "Pearlenta Nutri-Active" instant maize porridge, "Better Buy Soya Delights", and more recently a "Smart Carbs" range of instant breakfast cereals. The "Smart Carbs" cereal range is derived from traditional grains such as sorghum and millet and has been developed with the health conscious consumer in mind.

As previously advised, the Board has approved further investment into the cereal category which will allow the Group to further expand its repertoire of breakfast cereals and extruded products. This investment amounts to US\$ 4 million and is set to avail an exciting range of affordable and nutritious breakfast cereals to the market. The project is on track to be commissioned mid 2022.

Pure Oil

The challenges in the edible oil category persisted due to the very high international crude oil prices which could not be fully passed on to consumers, as well as the fact that the local expressers continue to rely on substantial imports of crude oil.

Contract Farming

National Foods continues to keenly support contract farming of maize, soya beans, wheat, sugar beans, sorghum and popcorn. During the current summer season around 11,000 hectares have been planted, representing a 22% increase compared to last year. In addition to this, 27,000 tons of wheat were delivered on last winter's cropping program. The various products grown under this program now constitute a significant portion of 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 45 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 the period under review the Group managed to win 2 awards for its CSR work: **Excellence in Community Empowerment & Social Impact** from the CSR Network Zimbabwe; and **Best Campaign – Corporate Social Responsibility (First Runner Up)**.

Chairman's Statement (continued)

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. 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.

Future Prospects

The recent measures to decentralise responsibility and sharpen accountability at a business unit level are bedding down well and we believe have improved focus on individual product categories as well as enhanced the organisation's agility and responsiveness.

The continued growth of market share, optimisation of operational efficiencies and reduction of expenditure remain on-going areas of focus. In addition, the deployment of capital and in particular the management of working capital positions and debt require sustained focus in a multi-currency, inflationary environment.

The operational report above outlines a number of exciting investments across the category portfolio which are either being implemented or investigated.

These are exciting times for National Foods as the Group migrates up the value chain from its well-established platform of basic commodities, and we look forward to further progressing these initiatives in the period ahead.

Interim Dividend

The Board is pleased to declare an interim dividend of 1,103 ZW\$ cents per share payable in respect of all ordinary shares of the Company. This interim dividend is in respect of the financial year ending 30th June 2022 and will be payable to all the shareholders of the Company registered at the close of business on the 8th of April 2022.

The payment of the interim dividend will take place on or around the 12th of April 2022. The shares of the Company will be traded cum-dividend on the Zimbabwe Stock Exchange up to the market day of the 5th of April 2022 and ex-dividend from the 6th of April 2022.

Acknowledgement and Appreciation

Once again I would like to express my profound gratitude to all of our stakeholders for their ongoing support of National Foods. Our dedicated employees have shown tremendous commitment throughout the pandemic and we appreciate and acknowledge their efforts. Lastly, I would like to thank my fellow Board members for their advice, input and counsel.



Todd Moyo
Independent, Non-Executive Chairman
15 March 2022

Condensed Group Statement of Profit or Loss And Other Comprehensive Income

Notes	INFLATION-ADJUSTED		HISTORICAL	
	6 Months Ended 31-Dec-21 reviewed ZW\$'000	6 Months Ended 31-Dec-20 reviewed ZW\$'000	6 Months Ended 31-Dec-21 supplementary ZW\$'000	6 Months Ended 31-Dec-20 supplementary ZW\$'000
Revenue	28 031 031	22 254 213	24 860 663	12 685 051
Operating Profit before depreciation and amortisation	2 317 568	2 203 367	3 530 210	1 987 583
financial (loss) / income	(221 826)	192 568	(210 770)	284 357
depreciation and amortisation	(244 453)	(73 726)	(35 698)	(12 051)
Profit before interest and tax	1 851 289	2 322 209	3 283 742	2 259 889
net interest expense	(310 076)	(171 574)	(274 805)	(98 904)
equity accounted earnings	178 140	240 898	115 252	179 202
monetary gain/(loss)	1 589 024	(1 726 084)	—	—
Profit before tax	3 308 377	665 449	3 124 189	2 340 187
Income tax expense	(782 765)	(731 016)	(772 587)	(476 631)
Profit/(loss) for the period	2 525 612	(65 567)	2 351 602	1 863 556
Total comprehensive income/(loss) for the period	2 525 612	(65 567)	2 351 602	1 863 556
Profit/(loss) for the period attributable to:				
equity holders of the parent	2 525 612	(65 567)	2 351 602	1 863 556
Total comprehensive income/(loss) for the period attributable to:				
equity holders of the parent	2 525 612	(65 567)	2 351 602	1 863 556
EARNINGS PER SHARE (CENTS)				
- Basic earnings per share	15	3 692.41	(95.86)	3 438.01
- Headline earnings per share	15	3 691.31	(352.12)	2 067.35

Condensed Group Statement of Financial Position

Notes	INFLATION-ADJUSTED		HISTORICAL	
	At 31-Dec-21 reviewed ZW\$'000	At 30-Jun-21 audited ZW\$'000	At 31-Dec-21 supplementary ZW\$'000	At 30-Jun-21 supplementary ZW\$'000
ASSETS				
Non-current assets				
property, plant and equipment	5 063 483	4 160 568	2 101 433	983 268
right of use assets	156 444	143 079	53 674	40 310
other non-current assets	1 709 784	1 421 830	532 877	385 605
	6 929 711	5 725 477	2 687 984	1 409 183
Current assets				
inventories	9 166 265	7 637 627	7 261 776	4 365 967
trade and other receivables	8 698 443	5 761 023	8 454 827	4 270 402
cash and cash equivalents	822 167	1 495 284	822 167	1 122 722
	18 686 875	14 893 934	16 538 770	9 759 091
Total assets	25 616 586	20 619 411	19 226 754	11 168 274
EQUITY AND LIABILITIES				
Capital and reserves				
ordinary share capital	43 460	43 460	684	684
distributable reserves	11 250 089	8 938 956	5 887 041	3 596 292
Total shareholders' equity	11 293 549	8 982 416	5 887 725	3 596 976
Non-current liabilities				
lease liability	32 717	28 518	32 717	21 413
deferred tax liability	29 105	751 145	29 105	34 820
	61 822	779 663	61 822	56 233
Current liabilities				
interest-bearing borrowings	3 479 327	2 282 319	3 479 327	1 713 661
current portion of lease liability	21 413	23 450	21 413	17 607
trade and other payables	10 033 092	7 668 908	9 049 084	5 121 063
current tax payable	322 697	444 840	322 697	334 004
shareholders for dividends	404 686	437 815	404 686	328 730
	14 261 215	10 857 332	13 277 207	7 515 065
Total liabilities	14 323 037	11 636 995	13 339 029	7 571 298
Total equity and liabilities	25 616 586	20 619 411	19 226 754	11 168 274

Condensed Group Statement of Cash Flows

Notes	INFLATION-ADJUSTED		HISTORICAL	
	6 Months Ended 31-Dec-21 reviewed ZW\$'000	6 Months Ended 31-Dec-20 reviewed ZW\$'000	6 Months Ended 31-Dec-21 supplementary ZW\$'000	6 Months Ended 31-Dec-20 supplementary ZW\$'000
Cash generated from operating activities	712 989	898 757	364 801	970 307
net interest paid	(310 076)	(171 574)	(274 805)	(98 904)
tax paid	(854 862)	(915 569)	(789 609)	(515 561)
Total cash (utilised)/generated from operations	(451 949)	(188 386)	(699 613)	355 842
Investing activities				
purchase of property, plant and equipment to maintain operations	(350 452)	(40 071)	(128 310)	(22 564)
purchase of property, plant and equipment to expand operations	(848 758)	(43 663)	(1 017 861)	(24 587)
other cash flows from investing activities	(13 753)	31 062	(10 315)	114 052
Net cash (outflow)/inflow from investing activities	(1 212 963)	(52 672)	(1 156 486)	66 901
Net cash (outflow)/inflow before financing activities	(1 664 912)	(241 058)	(1 856 099)	422 743
Financing activities	991 795	1 108 016	1 555 544	268 667
increase in borrowings	1 213 596	1 425 757	1 765 665	466 804
lease liability repayments	(7 322)	—	(7 322)	—
dividend paid	(214 479)	(317 741)	(202 799)	(198 137)
Net (decrease)/increase in cash	(673 117)	866 958	(300 555)	691 410
Cash and cash equivalents at the beginning of the year	1 495 284	838 709	1 122 722	369 742
Cash and cash equivalents at the end of the year	822 167	1 705 667	822 167	1 061 152

Condensed Group Statement of Changes In Equity

	INFLATION-ADJUSTED		
	Share capital ZWS'000	Distributable reserves ZWS'000	Total ZWS'000
Balance at 30 June 2020	43 460	10 149 091	10 192 550
profit for the period	—	(65 567)	(65 567)
total comprehensive income	—	(65 567)	(65 567)
dividends declared	—	(510 729)	(510 729)
Balance at 31 December 2020	43 460	9 572 795	9 616 255
profit for period	—	162 030	162 030
total comprehensive income	—	162 030	162 030
dividends declared	—	(795 869)	(795 869)
Balance at 30 June 2021	43 460	8 938 956	8 982 416
profit for the period	—	2 525 612	2 525 612
total comprehensive income	—	2 525 612	2 525 612
dividends declared	—	(214 479)	(214 479)
Balance at 31 December 2021	43 460	11 250 089	11 293 549

	HISTORICAL		
	Share capital ZWS'000	Distributable reserves ZWS'000	Total ZWS'000
Balance at 30 June 2020	684	1 775 072	1 775 756
profit for the period	—	1 863 556	1 863 556
transfer to foreign currency reserve	—	26 342	26 342
total comprehensive income	—	1 889 898	1 889 898
dividends declared	—	(304 866)	(304 866)
Balance at 31 December 2020	684	3 360 104	3 360 788
profit for period	—	748 840	748 840
transfer to foreign currency reserve	—	36 786	36 786
total comprehensive income	—	785 626	785 626
dividends declared	—	(549 438)	(549 438)
Balance at 30 June 2021	684	3 596 292	3 596 976
profit for the period	—	2 351 602	2 351 602
transfer to foreign currency reserve	—	141 946	141 946
total comprehensive income	—	2 493 548	2 493 548
dividends declared	—	(202 799)	(202 799)
Balance at 31 December 2021	684	5 887 041	5 887 725

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 interim condensed financial statements for the half year ended 31 December 2021 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require half year financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as a minimum, contain the information required by International Accounting Standards ("IAS") 34 (Interim Financial Reporting). The Group's interim condensed inflation-adjusted financial statements have been prepared based on the statutory records that are maintained under the historical cost basis and are presented in Zimbabwe Dollars ("ZWS").

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

3 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 period. Items recognised in the income statement have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the period ended 31 December 2021 and the comparative period. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 31 December 2020 to the end of the review period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

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

Supplementary Information (continued)

	Index	Conversion Factor
December 2021	3 977.46	1.0000
June 2021	2 986.44	1.3318
December 2020	2 474.51	1.6074
June 2020	1 445.20	2.7522

4 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 ZWS currency. The foreign liabilities were registered and approved by the Reserve Bank of Zimbabwe, ("RBZ") and the Group transferred to the RBZ the ZWS equivalent of the foreign liabilities based on an exchange rate of US\$/ZWS, 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 31 December 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 change. The RBZ has provided an undertaking that the amounts outstanding will be settled to the respective creditors.

5 Operating Segments

	INFLATION-ADJUSTED			
	Milling Manufacturing and Distribution ZWS'000	Properties ZWS'000	Intersegment Adjustments ZWS'000	Total ZWS'000
Revenue				
31 December 2021	28 020 346	292 673	(281 988)	28 031 031
31 December 2020	22 180 855	73 358	—	22 254 213
Operating profit before depreciation and amortisation				
31 December 2021	2 165 241	152 327	—	2 317 568
31 December 2020	2 164 873	38 494	—	2 203 367
Depreciation and amortisation				
31 December 2021	(210 380)	(34 073)	—	(244 453)
31 December 2020	(61 723)	(12 003)	—	(73 726)
Net Interest Expense				
31 December 2021	(320 151)	10 075	—	(310 076)
31 December 2020	(176 013)	4 439	—	(171 574)
Profit before tax				
31 December 2021	2 940 276	368 101	—	3 308 377
31 December 2020	620 691	44 758	—	665 449
Segment assets				
31 December 2021	24 704 857	911 729	—	25 616 586
31 June 2021	19 857 476	761 935	—	20 619 411
Segment liabilities				
31 December 2021	(14 306 176)	(16 861)	—	(14 323 037)
31 June 2021	(11 517 870)	(119 125)	—	(11 636 995)
Capital expenditure				
31 December 2021	1 176 404	22 806	—	1 199 210
31 December 2020	60 432	23 302	—	83 734

	HISTORICAL			
	Milling Manufacturing and Distribution ZWS'000	Properties ZWS'000	Intersegment Adjustments ZWS'000	Total ZWS'000
Revenue				
31 December 2021	24 851 186	259 571	(250 094)	24 860 663
31 December 2020	12 643 236	41 815	—	12 685 051
Operating profit before depreciation and amortisation				
31 December 2021	3 298 179	232 031	—	3 530 210
31 December 2020	1 953 153	34 730	—	1 987 883
Depreciation and amortisation				
31 December 2021	(30 722)	(4 976)	—	(35 698)
31 December 2020	(10 089)	(1 962)	—	(12 051)
Net Interest Expense				
31 December 2021	(283 734)	8 929	—	(274 805)
31 December 2020	(101 463)	2 559	—	(98 904)
Profit before tax				
31 December 2021	2 811 385	312 804	—	3 124 189
31 December 2020	2 153 320	186 865	—	2 340 185
Segment assets				
31 December 2021	18 564 382	662 372	—	19 226 754
31 June 2021	10 770 287	397 987	—	11 168 274
Segment liabilities				
31 December 2021	(13 323 331)	(15 698)	—	(13 339 029)
31 June 2021	(7 494 578)	(76 720)	—	(7 571 298)
Capital expenditure				
31 December 2021	1 124 780	21 391	—	1 146 171
31 December 2020	36 886	10 265	—	47 151

Supplementary Information (continued)

	INFLATION-ADJUSTED		HISTORICAL	
	At 31-Dec-21 ZW\$'000	At 30-Jun-21 ZW\$'000	At 31-Dec-21 ZW\$'000	At 30-Jun-21 ZW\$'000
6 Inventories				
Consumable stores	313 353	2 259 609	248 247	143 582
Finished products, net of allowance for obsolescence	1 708 104	1 123 451	1 353 209	1 083 988
Raw materials	6 617 672	3 874 091	5 242 708	2 836 973
Packaging	527 136	380 476	417 612	301 424
	9 166 265	7 637 627	7 261 776	4 365 967
7 Trade and other receivables				
Trade receivables	2 876 959	2 580 251	2 876 959	1 937 361
Prepayments	5 254 305	2 603 553	5 010 689	1 899 641
VAT Receivable	—	250 869	—	188 363
Other receivables	617 363	363 704	617 363	273 084
	8 748 627	5 798 377	8 505 011	4 298 449
Allowance for credit losses	(50 184)	(37 354)	(50 184)	(28 047)
	8 698 443	5 761 023	8 454 827	4 270 402
8 Lease liability				
Analysis				
Non-current	32 717	28 518	32 717	21 413
Current	21 413	23 450	21 413	17 607
	54 130	51 968	54 130	39 020
Undiscounted future lease payments				
Payable within one year	20 490	26 608	20 490	20 490
Payable two to five years	81 960	54 579	81 960	40 980
	102 450	81 187	102 450	61 470
9 Trade and other payables				
Trade payables	8 619 193	6 523 794	7 635 184	4 261 264
Provisions	93 066	76 976	93 067	57 796
Other payables	1 320 833	1 068 138	1 320 833	802 003
	10 033 092	7 668 908	9 049 084	5 121 063
10 Commitments for capital expenditure				
Contracts and orders placed	665 600	372 249	665 600	279 500
Authorized by Directors but not contracted	1 397 200	1 093 772	1 397 200	821 250
	2 062 800	1 466 021	2 062 800	1 100 750

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

Supplementary Information (continued)

	INFLATION-ADJUSTED		HISTORICAL	
	At 31-Dec-21 ZW\$'000	At 30-Jun-21 ZW\$'000	At 31-Dec-21 ZW\$'000	At 30-Jun-21 ZW\$'000
11 Other non-current assets				
Intangible assets	96 350	96 350	1 516	1 516
Investment in associates	1 516 495	1 223 988	434 422	307 884
Financial assets	96 939	101 492	96 939	76 205
	1 709 784	1 421 830	532 877	385 605

12 Shareholders for Dividends

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

13 Interest bearing borrowings

Interest bearing borrowings constitute bank loans from various local financial institutions which accrue interest at an average rate of 31.7% per annum as at 31 December 2021. The facilities expire at different dates during the year and will be reviewed and renewed when they mature.

	INFLATION ADJUSTED		HISTORICAL	
	At 31-Dec-21 ZW\$'000	At 30-Jun-21 ZW\$'000	At 31-Dec-21 ZW\$'000	Year 30-Jun-21 ZW\$'000
14 Contingent liabilities				
The contingent liabilities relate to bank guarantees provided in respect of associate companies borrowings as at 31 December 2021	1 200 000	567 696	1 200 000	426 250
	1 200 000	567 696	1 200 000	426 250

15 Earnings per share

Basic earnings basis

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

Headline earnings/(loss) 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	
	6 Months Ended 31-Dec-21 ZW\$'000	6 Months Ended 31-Dec-20 ZW\$'000	6 Months Year Ended 31-Dec-21 ZW\$'000	6 Months Year Ended 31-Dec-20 ZW\$'000
Reconciliation of basic earnings to headline earnings				
Profit/(loss) for the period attributable to equity holders of the parent	2 525 612	(65 567)	2 351 602	1 863 556
Adjustment for capital items				
Profit on disposal of property, plant and equipment	(1 000)	(232 828)	(961)	(236)
Exchange gain on receivables	—	—	—	(144 620)
Tax effect on adjustments	247	344	238	35 750
Headline earnings attributable to ordinary shareholders	2 524 859	(66 614)	2 350 879	1 754 450
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 earnings per share (cents)	3 692.41	(95.86)	3 438.01	2 724.49
Headline earnings per share (cents)	3 691.31	(352.12)	3 436.95	2 067.35

16 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 certain procurement arrangements and to the currency of settlement for certain taxes which gives rise to varying interpretations within the economy. The Group is in discussion with the tax authorities concerning these matters and the outcome cannot be determined at this stage.



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

REPORT ON THE REVIEW OF THE INFLATION ADJUSTED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have reviewed the inflation adjusted condensed interim consolidated financial statements of National Foods Holdings Limited ("the Group"), which comprise the inflation adjusted condensed statement of financial position as at 31 December 2021 and the inflation adjusted condensed statement of profit or loss and other comprehensive income, inflation adjusted condensed statement of changes in equity and inflation adjusted condensed statement of cash flows for the half year then ended, and the selected explanatory notes to the inflation adjusted condensed interim consolidated financial statements.

Management is responsible for the preparation and fair presentation of the inflation adjusted condensed interim consolidated financial statements in accordance with the requirements of International Accounting Standard ("IAS") 34 'Interim Financial Reporting' and the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019.


Our responsibility is to express a conclusion on these inflation adjusted condensed interim consolidated financial statements.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2410 'Review of Interim Financial Information Performed by the Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for conclusion

Our review indicates that the inflation adjusted condensed interim consolidated financial statements are prepared, in all material respects, in accordance with the requirements of International Accounting Standard ("IAS") 34 'Interim Financial Reporting' and the Securities and Exchange (Zimbabwe Stock Exchange Listings Requirements) Rules, 2019.



Deloitte & Touche (Zimbabwe)
Per Lawrence Nyajeka
Partner
(PAAB Practice Certificate 0598)
Harare

Date: 18 March 2022

