



**National Foods Holdings Limited**  
VFEX Listing Circular

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION



*(National Foods Holdings Limited, incorporated in Zimbabwe on 18 December 1969, under Company Registration Number 1067/69)*

## CIRCULAR TO SHAREHOLDERS

Relating to and seeking approvals for:

**The Termination of National Foods Holdings Limited from the Zimbabwe Stock Exchange and the Subsequent Listing by Introduction of National Foods Holdings Limited on the Victoria Falls Stock Exchange.**

### NOTICE OF AN EXTRAORDINARY GENERAL MEETING

Notice of an Extraordinary General Meeting of the members of National Foods Holdings Limited, to be held physically at the National Foods Holdings Limited Registered Office at Gloria House, 10 Stirling Road, Workington Harare and virtually by electronic means, on the 12th of December 2022, at 1000 hours. The notice was published on the 21st of November 2022 in accordance with the Listings Requirements of the Zimbabwe Stock Exchange ("ZSE") and the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, as set out at the end of this Document. Shareholders are asked to complete and return the attached form of proxy in accordance with the instructions printed thereon, as soon as possible, but not later than 1600 hours, on the 8th of December 2022.

#### Financial Advisors



#### Sponsoring Brokers



#### Legal Advisors



#### Transfer Secretaries



This Circular is neither a prospectus nor an invitation to the public to subscribe for shares in the Company but is issued in compliance with the Listings Requirements of the ZSE, for the purpose of giving information to the public regarding the Proposed Transaction as more fully set out in this Circular. The Circular is only available in English. Additional copies of this Circular may be obtained from the Company Secretary at the Registered Office of National Foods Holdings Limited or IH Securities.

If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant, or other professional advisors. If you no longer hold any shares in National Foods, you should send this Circular, as soon as possible, to the stockbroker, bank or other agents through whom the sale of your shareholding in National Foods was executed, for onward delivery to the purchaser or transferee of your shares.

All the Directors of National Foods Holdings Limited, whose names are given in paragraph 4.2 of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in the Circular false or misleading, and that they have made all reasonable enquiries to ascertain such material facts and that this Circular contains all information required by law.

The Directors confirm that the Circular particulars include all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) that investors and their professional advisors would reasonably require and reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer and of the rights attaching to the securities to which the Listing particulars relate.

The Company's lead financial advisors, sponsoring broker, legal advisors and transfer secretaries and have consented in writing to act in the capacity stated and to their names being stated in the Circular and have not withdrawn their consents prior to the publication of this Circular.

Date of issue of this document: Monday 21 November 2022





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## CORPORATE INFORMATION

The information below is given in compliance with the requirements of the Zimbabwe Stock Exchange. National Foods Holdings Limited derives professional services from the following:

Company Secretary and Registered Office	Leigh Caroline Howes Group Legal Counsel and Company Secretary Gloria House 10 Stirling Road Workington Harare Zimbabwe
Financial Advisors	Inter-Horizon Advisory (Private) Limited Block 3, Tunsgate Business Park 30 Tunsgate Road Mount Pleasant Harare Zimbabwe
Sponsoring Broker	Inter-Horizon Securities (Private) Limited Block 3 Tunsgate Business Park 30 Tunsgate Road Mount Pleasant Harare Zimbabwe
Legal Advisors	Kantor & Immerman Legal Practitioners MacDonald House Selous Ave P O Box 19 Harare Zimbabwe
Transfer Secretaries	First Transfer Secretaries (Private) Limited 1 Armagh Avenue Corner Armagh Avenue & Mc-Chlery Avenue Eastlea Harare Zimbabwe
Principal Bankers	First Capital Bank Limited Barclay House P O Box 1279 Corner First St & Jason Moyo Ave Harare Zimbabwe  NMB Bank Limited 19207 Borrowdale Road Harare Zimbabwe  Stanbic Bank Zimbabwe Limited Stanbic Centre 59 Samora Machel Avenue Harare Zimbabwe

## FORWARD LOOKING STATEMENTS

This Circular includes forward looking statements regarding National Foods Holdings Limited. Forward looking statements are those other than statements of historical facts, included in this Circular, and include without limitation, those regarding National Foods Holdings Limited's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to National Foods Holdings Limited's products and services). Any statements preceded by, followed by, or including the words "believes", "expects", "aims", "estimates", "anticipates", "may", "will", "should", "could", "intends", "plans", "seeks", or similar expressions, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause National Foods Holdings Limited's actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such forward looking statements are inherently based on numerous assumptions regarding National Foods Holdings Limited's present and future business strategies and the environment in which National Foods Holdings Limited will operate in the future. These forward-looking statements speak only as at the date of this Circular. The Directors of National Foods Holdings Limited expressly disclaim any obligation or undertaking to disseminate, after the distribution of this Document, any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions, or circumstances on which any such forward looking statement is based, unless legally required to do so.

## INTERPRETATION AND DEFINITIONS

In this document, unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and vice versa and words importing natural persons shall include juristic persons, whether corporate or incorporate and vice versa.

“Articles”	The Articles of Association of National Foods Holdings Limited;
“Board” or “Directors”	The Board of Directors of National Foods Holdings Limited;
“Broker”	Any person or company registered as a member with the ZSE and authorised to buy and sell shares and other securities on behalf of customers;
“Business Day”	Monday to Friday, but excluding public holidays in Zimbabwe;
“CEO”	Chief Executive Officer;
“Chairman’s Letter”	The Chairman’s Letter to National Foods Holdings Limited shareholders;
“Circular” or “the Document”	This document dated Monday 21 November 2022 including the appendices hereto, addressed to National Foods Holdings Limited shareholders, which sets out the terms and conditions of the Proposed Transaction;
“Companies Act”	The Companies and Other Business Entities Act (Chapter 24:31);
“Conditions Precedent” or “Delisting Conditions Precedent”	The Conditions Precedent to which the delisting is subject as set out on page 7;
“CSD”	Central Securities Depository;
“EBITDA”	Earnings Before Interest, Taxation, Depreciation, and Amortisation;
“EGM”	Extraordinary General Meeting of National Foods Holdings Limited shareholders convened in terms of the Companies Act and the same, to be held at 1000 hours on Monday 12 December 2022, physically at National Foods’ Registered Offices at the address set out in the “Corporate Information” section of this Document, and virtually by electronic means, at which National Foods Holdings Limited shareholders will vote on the Proposed Transaction;
“EPS”	Earnings per share;
“Exchange Control Regulations”	The Exchange Control Regulations promulgated under the Exchange Control Act [Chapter 22:05] including and without limitation, the Exchange Control Regulations, Statutory Instrument 109 of 1996, as amended;
“FMCG”	Fast-moving consumer goods, also known as consumer-packaged goods, are products that are sold quickly and at a relatively low cost;
“Form of Proxy”	The Form of Proxy accompanying this Circular;
“IAS”	International Accounting Standards;
“IFRS”	International Financial Reporting Standards;
“IH Advisory”	IH Advisory (Private) Limited, a licenced securities investment advisor with the Securities and Exchange Commission of Zimbabwe, and the financial advisors to the Proposed Transaction;
“Listing by introduction”	Listing by introduction is a way of listing shares already in issue on another exchange. No marketing arrangement is required as the shares for which listing is sought are already widely held;
“Legal Advisors”	Kantor & Immerman Legal Practitioners, the legal advisors to the Proposed Transaction;
“MBA”	Master of Business Administration degree;

## INTERPRETATION AND DEFINITIONS (continued)

“NAV”	Net asset value;
“Non-Resident Shareholder(s)”	A holder(s) of National Foods Holdings Limited shares who are/is designated as “non-resident” in terms of the Exchange Control Regulations;
“Notice”	The notice of the Extraordinary General Meeting which was published in terms of the Companies Act on 21 November 2022, advising National Foods Holdings Limited shareholders of the Proposed Transaction and which forms part of this Circular;
“National Foods Holdings Limited” or “National Foods” or “NFHL” or “the Company” or “the Group”	National Foods Holdings Limited, a Public Company incorporated in Zimbabwe on 18 December 1969 under company registration number 1067/69 and listed on the ZSE;
“Proposed Transaction”	The delisting of National Foods Holdings Limited Shares from the Zimbabwe Stock Exchange and the simultaneous admission of the Company on the Victoria Falls Stock Exchange;
“RBZ”	Reserve Bank of Zimbabwe;
“Record Date”	The date for shareholders to be recorded in the Register eligible to vote at the EGM, scheduled at 1600 hours on Wednesday the 7th of December 2022;
“Register”	The register of shareholders of the Company maintained by the Transfer Secretaries and the sub-register of nominee shareholders maintained by each Broker;
“Registrar”	The Registrar of Companies appointed in terms of the Companies and Other Business Entities Act;
“Resolutions”	A proposal submitted to shareholders for a vote at the Company’s annual meeting or extra-ordinary meeting of members;
“Shareholder(s)”	The holders of ordinary shares of National Foods Holdings Limited;
“Shares” or “Security”	The issued and/or authorized share capital of National Foods Holdings Limited;
“SI”	Statutory Instrument;
“Sponsoring Broker”	IH Securities (Private) Limited, the sponsoring broker for the Proposed Transaction and a member of the Zimbabwe Stock Exchange;
“Transfer Secretaries”	First Transfer Secretaries (Private) Limited who provide share transfer secretarial services to National Foods Holdings Limited;
“USD”	United States Dollars: the legal tender of the United States of America in which certain monetary amounts in this Circular are expressed;
“VFEX”	Victoria Falls Stock Exchange;
“VFEX Listing Requirements”	The listing requirements of the VFEX;
“VWAP”	Volume Weighted Average Price which is a measure of the average trading price for the period;
“Zimbabwe”	The Republic of Zimbabwe;
“ZSE”	The Zimbabwe Stock Exchange, a stock exchange that is established in terms of the Securities and Exchange Act of 2004 (Chapter 24:25) and regulates the conduct of companies whose shares are listed on the Official List and traded on the Zimbabwe Stock Exchange;
“ZSE Listing Requirements”	The Listings Requirements of the ZSE; embodied in SI 134 of 2019;
“ZWL”	The Zimbabwean Dollar; legal tender in Zimbabwe;



## SALIENT FEATURES OF THE PROPOSED TRANSACTIONS

### Overview of the Proposed Transaction

At the meeting held on Monday 7 November 2022, the Board of Directors of National Foods considered the termination of National Foods' ZSE Listing, with the intent to list the Company's shares onto the VFEX by way of Introduction.

### Benefits of the Proposed Transaction

The benefits of the Proposed Transaction include, but are not limited to, the following:

- Revenue retention on incremental exports
- Enhancement of regional prospects and potential mergers and acquisitions with own equity
- Raising of additional capital in hard currency
- US\$ dividends
- More proficient financial reporting
- Improved pathway to access US\$ facilities
- Improved options for capital planning
- Lower exchange control risk
- Taxation incentives
- Reduces potential valuation volatility
- Lower trading costs 2.12% v. 4.63% on the Zimbabwe Stock Exchange

In the event that the Proposed Transaction does not take place, then National Foods will remain listed on the ZSE, and the benefits previously outlined above will not be available to the Company or its shareholders.

### Timetable for the Proposed Transaction

Important Dates	
National Foods EGM Notice and announcement published	Monday, 21 November 2022
Voting Record Date, National Foods share register closed (at 1600 hours)	Wednesday, 7 December 2022
Last day of lodging Proxy Forms (at 1600 hours)	Thursday, 8 December 2022
National Foods EGM (at 1000 hours)	Monday, 12 December 2022
Publication of Results of National Foods EGM	Wednesday, 14 December 2022
Termination of National Foods ZSE Listing	Friday, 16 December 2023
Transfer of National Foods share register from the ZSE to the VFEX	Tuesday, 20 December 2023
Estimated Completion of National Foods's VFEX Listing	Friday, 23 December 2023

The above dates may be subject to change and any such change will be published in the Zimbabwe national press. All times indicated above and elsewhere in the Circular are Zimbabwean local times.

### Queries

If you have any questions on any aspect of this Document, please contact your stockbroker, accountant, banker, legal practitioner, or other professional advisors. Alternatively, please contact IH Advisory or IH Securities (whose details are given below):

#### **IH Advisory (Private) Limited**

Block 3  
Tungate Business Park  
30 Tungate Road  
Mount Pleasant  
Harare  
Zimbabwe  
Email: [advisory@ih-group.com](mailto:advisory@ih-group.com)  
Tel: +263 (0) 242 745119/745139/745937

#### **IH Securities (Private) Limited**

Block 3  
Tungate Business Park  
30 Tungate Road  
Mount Pleasant  
Harare  
Zimbabwe  
Email: [securities@ihsecurities.com](mailto:securities@ihsecurities.com)  
Tel: +263 (0) 242 2796477/86



### **Actions to be taken by National Foods Shareholders**

- Read this Document in its entirety. If you are in doubt as to the action you should take, you should immediately seek advice from an independent stockbroker, bank manager, legal practitioner, accountant, or any other professional advisors of your choice.
- Attend and vote at the EGM to be held on Monday the 12th of December 2022; and
- Shareholders who are unable to attend the EGM, but who wish to be represented thereat, should complete, and sign the Proxy Form included with this Document and ensure it is lodged at the registered offices of National Foods situated at, Gloria House, 10 Stirling Road, Workington, Harare, so that it is received by the Transfer Secretaries by no later than 1600 hours, on the 8th of December 2022. Proxy forms will be accepted at the discretion of the Chairman up to 1 hour before the commencement of the EGM. Shareholders may attend the meeting virtually or physically notwithstanding the completion and return of a Proxy form.
- A director or officer of the Company shall not be appointed as a proxy for a shareholder.

### **Conditions Precedent**

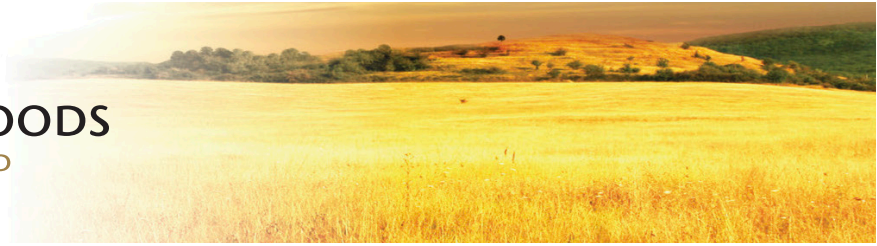
A cautionary announcement has been issued to the shareholders of National Foods informing them of the Company's intention to delist from the ZSE. The ZSE has granted authority to delist National Foods's shares from the ZSE subject to the conditions listed below:

- National Foods Board approval of the listing of the Company's ordinary shares on the VFEX;
- The passing by shareholders of National Foods of the resolutions, by the requisite majority, at an EGM to be held on Monday the 12th of December 2022 in terms of the Notice of the EGM published in the national press dated Monday the 21st of November 2022;
- Obtaining all such other necessary regulatory approvals as may be required, including exchange control by the RBZ and issuance of letter of good standing by the ZSE to National Foods.

### **Documents Available for Inspection**

The public may inspect this Circular and the documents available as listed in below between 0800 hours and 1600 hours from the 21st of November 2022 to Thursday the 8th of December 2022 at the Sponsoring Brokers', and National Foods' Registered Offices at the address set out in the "Corporate Information" section of this Document:

- National Foods Board Approval of the Proposed Transaction;
- The Memorandum of Association of the Company;
- The substituted Articles of Association of the Company;
- The written consent letters from experts;
- The ZSE approval letter for the delisting of National Foods shares from the ZSE;
- The ZSE approval letter for the distribution of the Circular;
- The Audited Financial Statements and Notes to the Financial Statements for the three financial years ended 30 June 2020, 30 June 2021, and 30 June 2022 for National Foods Holdings Limited and its subsidiaries;
- The ZSE letter of good standing.



(National Foods Holdings Limited, incorporated in Zimbabwe on 18 December 1969 under Company Registration Number 1067/69)  
**Address:** National Foods Head Office, Gloria House, 10 Stirling Road, Workington, Harare, Zimbabwe

**Directors:** Todd Moyo (Chairman), Michael Lashbrook, Lovejoy Nyandoro, Noel Doyle, Julian Schonken, Godfrey Gwinda, Manoj Naran, Leigh Howes, Yokesh Maharaj (Alternate).

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## CHAIRMAN'S STATEMENT

**Dear Shareholder,**

National Foods Holdings Limited ("National Foods" or "NFHL" or "the Company") is the country's largest food manufacturer, producing a broad range of fast moving consumer goods as well as animal feed. The Company continues to invest in broadening its portfolio to maintain its position as the preferred supplier of branded FMCG and stockfeed products in Zimbabwe. NFHL intends to continue to pursue further opportunities to grow within its existing portfolio as well as enter new and complementary categories.

I am writing to you in my capacity as the Non-Executive, Independent Chairman of National Foods Holdings Limited, duly authorised by the Board, to support the De-Listing of National Foods Holdings Limited shares from the ZSE and the subsequent listing of the Company on the Victoria Falls Stock Exchange ("VFEX").

The view of the National Foods Board is that migration of the company's listing to the Victoria Falls Stock Exchange ("VFEX") will provide many benefits to existing and future shareholders. In summary, the benefits of this move in our opinion are as follows:

- To boost National Food's regional profile and commercial standing which will in time improve the entity's regional expansion prospects.
- The Government's increase in the retention ratio for exporters listed on the VFEX to 100% will enhance National Foods' ability to settle its foreign currency liabilities and preserve value in an inflationary environment.
- Listing on the VFEX facilitates the raising of USD capital which in turn enhances the potential for National Foods to grow both organically and inorganically.
- The dispensation for foreign investors to repatriate proceeds from the disposal of shares is attractive to both existing and future investors.
- The VFEX provides favourable tax incentives for investors enabling the optimisation of returns. These include zero capital gains tax on VFEX resident and non-resident investors, and a 5% dividend withholding tax for foreign investors.
- The VFEX provides a third-party de-facto USD valuation of National Foods and reduces potential valuation volatility.
- Trading on the VFEX results in lower trading costs; in aggregate these amount to 2.12% compared to 4.63% on the Zimbabwe Stock Exchange.

For the above reasons the Board has recommended that National Foods Holdings Limited transfers its listing from the ZSE to the VFEX.



**T. Moyo**  
**Non-Executive, Independent Chairman**

21 November 2022

## DETAILS OF THE PROPOSED TRANSACTION

### 1. OVERVIEW OF THE PROPOSED TRANSACTION

#### 1.1. The Proposed Delisting of National Foods Holdings Limited from the ZSE

At the meeting held on Monday 7 November, the Board of Directors of National Foods considered the termination of National Foods's ZSE Listing, with the intent to list the Company's shares onto the VFEX. The board subsequently passed a resolution relating to the above due to the rationale of the Proposed Transaction outlined below:

##### Benefits of listing on the VFEX

##### 1.1.1. Improved ability to access USD capital

National Foods will have greater ability to raise capital against a 'dollarised' balance sheet. The VFEX's potential to become a regional exchange enhances NFHL's opportunity to attract a diversified investor base which can assist the Company in both its local, and in time, potential regional expansion initiatives.

##### 1.1.2. Lower Trading Costs and Improved Liquidity

The VFEX's lower trading costs of 2.12% compared to 4.63% on the ZSE is more efficient for shareholders. The ability to trade shares in USD will potentially make the share attractive to a broader set of investors.

##### 1.1.3. Efficient dividend repatriation through offshore settlement

Foreign shareholders on the VFEX can freely repatriate their dividends.

##### 1.1.4. Tax Incentives for National Foods Shareholders

The VFEX offers tax incentives for shareholders which include a 5% withholding tax on dividends and no capital gains tax on share disposal. Shareholders would thus retain more of their earnings compared to the ZSE.

##### 1.1.5. Elevated Regional Profile of National Foods

The Company's migration from the ZSE to the VFEX would potentially improve the Company's regional profile and commercial standing, strengthening the Company's prospects for further local as well as regional expansion. Additionally, the VFEX listing would promote the marketability of the NFHL investment regionally.

##### 1.1.6. Lower Valuation Volatility

Provision of a de facto third-party USD valuation of the Company will enable National Foods' existing shareholders to realise the real value of their holdings and provide a more accurate benchmark of the stock's performance and mitigate valuation volatility. Furthermore, accurate valuation will enable effective decision-making particularly concerning the Company's future investment decisions.

##### 1.1.7. More proficient consolidation of National Foods' earnings into Tiger Brands Limited financials

Entities listing on the VFEX are required to report in US\$, resulting in efficient consolidation of National Foods' earnings into Tiger Brands Limited's financial statements.

#### 1.2. Conditions to the Proposed Transaction

The implementation of the Proposed Transaction is conditional upon the following:

- National Foods Board approval of the Proposed Transaction.
- The passing by shareholders of National Foods of the Resolutions, by the requisite majority, at an EGM to be held on Monday the 12th of December 2022 in terms of the Notice of the EGM published in the national press dated Monday the 21st of November 2022.
- A letter of good standing from the ZSE.
- Obtaining all such other necessary regulatory approvals as may be required.

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 1. OVERVIEW OF THE PROPOSED TRANSACTION (continued)

#### 1.3 Estimated Transaction Fees and Related Expenses

Expense	Fee (US\$)
Advisory Fees	26,500
Sponsoring Broker	6,250
Legal Fees	15,000
Transfer Secretaries	8,500
Printing & Distribution	3,000
ZSE & VFEX Application & Document Review	2,700
<b>Total</b>	<b>US\$61,950</b>

Expense	Fee (ZW\$)
ZSE Circular Review	1,659,105
<b>Total</b>	<b>ZW\$1,659,105</b>

## 2. OVERVIEW OF NATIONAL FOODS HOLDINGS LIMITED

### 2.1. History of National Foods Holdings Limited

National Foods Holdings Limited, listed on the Zimbabwe Stock Exchange (NTFD.zw), is Zimbabwe's largest food manufacturer producing a wide range of basic fast moving consumer goods and animal foods. The origins of the company date back to 1920 and since then a wide range of iconic Zimbabwean brands have been developed such as Gloria, Red Seal, Mahatma and more recently Iris, King and Allegros. In addition to maize and flour milling, the Company produces a wide range of food products, including but not limited to stock-feed, rice, breakfast cereals, pasta, snacks and biscuits.

National Foods has manufacturing sites in Harare and Bulawayo from which it distributes its products throughout Zimbabwe. Our team cherish the role they play in feeding and nourishing the nation and work passionately to constantly improve on our product offering.

### 2.2 National Foods Holdings Limited Group Structure





## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 3. SHARE CAPITAL

The share capital of National Foods is shown below:

#### Authorised:

73,000,000 ordinary shares of nominal value ZW\$ 0.01 each.

#### Issued: (As of 30 June 2022)

68,400,108 ordinary shares of nominal value ZW\$ 0.01 each.

#### 3.1. Authorised but unissued share capital

4 599 892 ordinary shares of nominal value ZW\$ 0.01 each.

The unissued shares are under the control of the directors for an indefinite period and are subject to the limitations of the Companies and Other Business Entities Act (Chapter 24:31) and the Zimbabwe Stock Exchange regulations.

#### 3.2. Summary of Share Capital

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
<b>Issued Capital</b>				
<b>Authorised</b>				
73 000 000 ordinary shares of ZW\$ 1 cent each	101,539,590	101,539,590	730,000	730,000
<b>Issued and fully paid</b>				
68 400 108 ordinary shares (2020: 68 400 108) of ZW\$ 1 cent each	95,141,344	95,141,344	684,001	684,001
<b>Unissued shares</b>				
4 599 892 (2020: 4 599 892) ordinary shares of ZW\$ 1 cent each	6,398,246	6,398,246	45,999	45,999

#### 3.3. Voting Rights

The authorized but unissued and issued National Foods ordinary shares are the same class and rank pari passu in every respect.

#### 3.4. Capital Adequacy, Working Capital and Cashflow

The directors are of the opinion that for a business of this nature operating in the manufacturing and FMCG, the Company's share capital and working capital are adequate for the foreseeable future for the current operations. The directors are of the opinion that the available working capital is sufficient to cover the cash flow requirements of the Company for its current operations

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 4. CORPORATE GOVERNANCE

#### 4.1. Introduction

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

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

#### 4.2. Board of Directors

The Board of Directors of NFHL retain full and effective control over the Group. The Board meets regularly, at least four times a year to review strategy, planning, operational performance, acquisitions and disposals, stakeholder communications and other material matters relating to the performance of executive management. Most of the directors of the Group are non-executive bringing objective judgement to bear on issues of strategy and performance. The Group Chairman is an Independent Non-Executive Director.

The directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, at the Company's expense, if they believe that course of action would be in the best interest of the Group.

The full names, addresses and positions of the directors of National Foods are set out below:

Full Name	Address	Position
<b>TODD MOYO</b> CA(Z) Appointed: 2001  <b>Other commitments:</b> Non-Executive Chairman PPC, Non-Executive Director Delta Corporation	Stand 14940 Selbourne Park, Ascot, Bulawayo, Zimbabwe	Non-Executive, Independent Chairman
<b>MICHAEL LASHBROOK</b> BSc Agriculture, MBA Appointed: 2015  <b>Other commitments:</b> Non-Executive Director National Foods Logistics	318 Fairway Avenue, Borrowdale Brooke, Harare, Zimbabwe	Chief Executive Officer
<b>LOVEJOY NYANDORO</b> CA(Z), BSc (Hons) Mathematics Appointed: 2016  <b>Other commitments:</b> Non-Executive Director National Foods Logistics	73 Montgomery Road, Highlands, Harare, Zimbabwe	Finance Director

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 4. CORPORATE GOVERNANCE (continued)

#### 4.2. Board of Directors (continued)

Full Name	Address	Position
<b>NOEL DOYLE</b> <b>FCA, CA(SA)</b> <b>Appointed:</b> 2012  <b>Other commitments:</b> Chief Executive Officer Tiger Brands	76 Kilkenny Road, Parkview, Johannesburg, South Africa	Non-Executive, Non-Independent Director
<b>JULIAN SCHONKEN</b> <b>CA(Z)</b> <b>Appointed:</b> 2015  <b>Other commitments:</b> Chief Executive Officer Innscor Africa	7 Straker Avenue, Gunhill, Harare, Zimbabwe	Non-Executive, Non-Independent Director
<b>GODFREY GWAINDA</b> <b>CA(Z), MBA</b> <b>Appointed:</b> 2016  <b>Other commitments:</b> Chief Finance Officer Innscor Africa	882 Borrowdale Brooke Drive, Borrowdale Brooke, Harare, Zimbabwe	Non-Executive, Non-Independent Director
<b>MANOJ NARAN</b> <b>CA (SA)</b> <b>Appointed:</b> 2020  <b>Other commitments:</b> Managing Director Milling, Tiger Brands, Non-Executive Director, Deli Foods (Nigeria)	3010 William Nicol Drive, Bryanston, Gauteng, South Africa	Non-Executive, Non-Independent Director
<b>YOKESH MAHARAJ</b> <b>BBA, BTech</b> <b>Appointed:</b> 2022  <b>Other Commitments:</b> Chief Growth Officer Tiger Brands South Africa	108 Eccleston Crescent, Johannesburg 202,	Non-Executive, Non-Independent Director (Alternate)
<b>LEIGH HOWES</b> <b>Lawyer (Z), Solicitor Eng. And Wales,</b> <b>LLB (Hons.) (UK) and PG Dip. Legal</b> <b>Appointed:</b> 2013	Kitullagh Farm, Bromley, Goromonzi, Zimbabwe	Group Legal Counsel and Company Secretary

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 4. CORPORATE GOVERNANCE (continued)

#### 4.3. Directors' Interests

As at 30 June 2022, the directors held directly or indirectly the following shares in the Company:

At 30 June 2022, the directors held directly and directly the following number of shares:	Group 30 June 2022 # of shares	Group 30 June 2021 # of shares
M. Lashbrook	231	13,231
	<b>231</b>	<b>13,231</b>

#### 4.4. Audit and Risk Committee

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

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

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

#### 4.5. Remuneration Committee

The committee comprises non-executive directors and is chaired by a non-executive director. The chairman of the committee is obliged to report to the Board on its deliberations. The committee is responsible for the Group's Remuneration policy which seeks to design reward packages that attract, retain and motivate high calibre individuals who contribute to the sustainable growth and success of the Group. The reward methodology encompasses basic salaries as well as performance-related short and long-term incentive schemes. The Board is satisfied with the level of experience and competency of committee members.

#### 4.6. Dealing in Shares

Directors and employees are required to observe the highest ethical standards, ensuring that the business practices are conducted in a manner which, in all reasonable circumstances is beyond reproach. In line with the Zimbabwe Stock Exchange Listing Requirements, the Group operates a closed period prior to the publication of its quarterly, interim and full year financial results during which period directors, officers and employees may not deal in the shares of the Company. Where appropriate, this is also extended to include other sensitive periods. The directors and key management sign a declaration of interest and any conflict arising in carrying out their effective roles and responsibilities to the Group.

#### 4.7. Professional Advice

National Foods' policy where justifiable, entitles Directors to seek independent professional advice at the Company's expense in the furtherance of their duties or the advancement of the Company's business objectives.

#### 4.8. Remuneration of Directors

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

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



## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 4. CORPORATE GOVERNANCE (continued)

#### 4.8. Remuneration of Directors (continued)

As at 30 June 2022, the Directors were remunerated as follows:

	Inflation Adjusted		Historical Cost	
	2022 ZWL	2021 ZWL	2022 ZWL	2021 ZWL
<b>Directors Emoluments</b>				
Aggregate amounts paid by the Company and its subsidiaries to directors of the Company - for services as directors	36,363,178	28,787,335	24,318,680	8,179,768
<b>Total</b>	<b>36,363,178</b>	<b>28,787,335</b>	<b>24,318,680</b>	<b>8,179,768</b>

#### 4.9. Ethics and Business Integrity

National Foods is committed to world-class standards of business conduct. NFHL delivers its ambition through servicing the needs of consumers faithfully and efficiently, placing the interests of business and society ahead of their own. Good Ethics are at the centre of how business is conducted. Directors and employees are expected to observe the highest ethical standards in all business operations. To achieve this, values, principles and standards have been put in place for guidance on the appropriate behaviours expected by the Group.

### 5. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

#### 5.1. Capital Commitments

National Foods had the following capital commitments as of 30 June 2022.

	Inflation Adjusted		Historical Cost	
	2022 Audited ZWL	2021 Unaudited ZWL	2022 Unaudited ZWL	2021 Unaudited ZWL
<b>Capital expenditure commitments</b>				
Contracts and orders placed	4,751,500,000	814,917,431	4,751,500,000	279,500,000
Authorised by the Directors but not contracted	6,708,000,000	2,394,457,747	6,708,000,000	821,250,000
<b>Total</b>	<b>11,459,500,000</b>	<b>3,209,375,178</b>	<b>11,459,500,000</b>	<b>1,100,750,000</b>

The capital expenditure will be financed from the Group's own resources and existing borrowing facilities.

#### 5.2. Contingent Liabilities

	Inflation Adjusted		Historical Cost	
	Group 30 June 2022 Audited ZWL	Group 30 June 2021 Unaudited ZWL	Group 30 June 2022 Unaudited ZWL	Group 30 June 2021 Unaudited ZWL
<b>Contingent Liabilities</b>				
<b>Guarantees</b>				
The contingent liabilities relate to bank guarantees provided in respect of associate companies' borrowings as at 30 June 2022.	200,000,000	1,242,786,528	200,000,000	426,250,000
<b>Total</b>	<b>200,000,000</b>	<b>1,242,786,528</b>	<b>200,000,000</b>	<b>426,250,000</b>

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 6. MATERIAL CONTRACTS

As of 30 June 2022, National Foods had not entered any material contracts, other than in the ordinary course of business.

### 7. LITIGATION STATEMENT

Other than those disclosed, the Company is not involved in any other material litigation or arbitration proceedings which may have, or which have had, during the twelve months preceding the date of this Circular, a significant effect on the financial position of National Foods nor is the Company aware that any such proceedings are pending or threatened.

### 8. SHARE INFORMATION

#### 8.1. National Foods Shareholding Structure

The table below details the top 20 shareholders of National Foods as of 18 November 2022:

Rank	Account Name	Shares	% of Total
1	INNSCOR AFRICA LIMITED	25,618,474	37.45
2	TIGER FOODS BRANDS LIMITED - NNR	25,618,474	37.45
3	NATIONAL FOODS WORKERS' TRUST (PRIVATE) LIMITED	6,516,464	9.53
4	OLD MUTUAL LIFE ASS CO ZIM LTD	2,529,969	3.70
5	STANBIC NOMINEES (PRIVATE) LIMITED	1,991,584	2.91
6	NATIONAL SOCIAL SECURITY AUTHORITY	1,404,160	2.05
7	STANBIC NOMINEES (PRIVATE) LIMITED - NNR	393,339	0.58
8	SCB NOMINEES	246,237	0.36
9	DELTA BEVERAGES PENSION FUND	196,577	0.29
10	ZIMBABWE ELECTRICITY IND PENSION FUND	195,511	0.29
11	ECONET WIRELESS ZIM NOMINEE	181,160	0.26
12	NSSA STAFF PENSION FUND	144,922	0.21
13	TN ASSET MANAGEMENT NOMINEES	135,422	0.20
14	PUBLIC SERVICE COMMISS PF	118,260	0.17
15	OLD MUTUAL ZIMBABWE LIMITED	102,349	0.15
16	CBZ GROUP PENSION FUND-DATVEST	83,965	0.12
17	COMM AND ALLIED INDUSTRIES PF	70,864	0.10
18	UNIVERSITY OF ZIMBABWE PF	65,411	0.10
19	INNSCOR CREDIT RETAIL	63,918	0.09
20	CATERING INDUSTRY PENSION FUND	62,040	0.09
Total		65,739,100	96.11
Other Shareholders		2,661,008	3.89
Total Number of Shares		68,400,108	100.00

Number of Shares Issued: **68,400,108**

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 8. SHARE INFORMATION (continued)

#### 8.2. Share Price History

The tables below provide statistical information on the market price and volumes traded of National Foods' shares:

##### Daily Share Price

Date	Closing Price	Volume
17/10/2022	1,020.01	0
18/10/2022	1,020.01	0
19/10/2022	1,020.12	39,800
20/10/2022	1,020.12	0
21/10/2022	1,020.12	0
24/10/2022	1,105.00	200
25/10/2022	1,105.00	0
26/10/2022	1,102.13	8,900
27/10/2022	1,102.13	0
28/10/2022	1,102.13	0
31/10/2022	1,102.02	15,700
1/11/2022	1,103.00	16,500

Date	Closing Price	Volume
2/11/2022	1,103.00	0
3/11/2022	1,103.00	0
4/11/2022	1,103.00	0
7/11/2022	1,103.00	0
8/11/2022	1,103.00	1,800
9/11/2022	1,103.00	1,100
10/11/2022	1,103.00	400
11/11/2022	1,103.00	0
14/11/2022	1,103.00	0
15/11/2022	1,103.00	0
16/11/2022	1,102.97	6,400
17/11/2022	1,102.97	0

##### Monthly Share Price

Date	Average Monthly Price (VWAP)	Cumulative Volume
29/10/2021	1,393.30	132,800
30/11/2021	1,844.08	329,800
31/12/2021	1,424.25	50,300
31/01/2022	1,369.26	46,200
28/02/2022	1,568.69	50,800
31/03/2022	1,834.15	105,400
29/04/2022	2,087.42	84,000
31/05/2022	2,160.37	257,900
30/06/2022	2,000.03	69,800
29/07/2022	1,624.12	33,700
31/08/2022	1,695.80	124,900
30/09/2022	1,111.19	110,500
31/10/2022	1,042.28	135,500

##### Quarterly Share Price

Date	Average Quarterly Price (VWAP)	Cumulative Volume
31/12/2021	1,686.19	512,900
31/03/2022	1,661.40	202,400
30/06/2022	2,118.30	411,700
30/09/2022	1,446.77	269,100

## DETAILS OF THE PROPOSED TRANSACTION (continued)

### 9. EXPERTS' CONSENTS

The Lead Financial Advisors, Sponsoring Brokers, Legal Advisors, Transfer Secretaries and Independent Financial Advisors have submitted their written consents to act in the capacities stated and to their names being stated in this Circular, which consents have not been withdrawn as at the date of this Circular. The above-mentioned consents are available for inspection by interested parties in terms of Paragraph 11.

### 10. REGULATORY ISSUES

**10.1** The ZSE approved the distribution of this Circular on 18 November 2022.

### 11. DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

The public may inspect this Circular and the documents available as listed below between 0800 hours and 1600 hours on the 21st of November 2022 to the 8th of December 2022 at the Sponsoring Brokers', and National Foods' Registered Offices at the addresses set out in the "Corporate Information" section of this Document:

- The Memorandum of Association of the Company;
- The substituted Articles of Association of the Company;
- National Foods Board Approval of the Proposed Transaction;
- The expert written consent letters;
- The Audited Financial Statements and Notes to the Financial Statements for the three financial years ended 30 June 2020, 30 June 2021 and 30 June 2022 for National Foods Holdings Limited and its subsidiaries;
- The ZSE approval letter for the delisting of National Foods shares from the ZSE;
- The ZSE approval letter for the distribution of the circular;
- The ZSE letter of good standing.

### 12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear below, collectively, and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading. They have made all reasonable enquiries to ascertain such facts, and that this Circular contains all information required by law, ZSE and VFEX listing rules.

The Directors confirm that this Circular includes all such information within their knowledge (or which it would be reasonable for them to obtain by making enquires) that investors and their professional advisors would reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer, and of the rights attaching to the securities to which the listing particulars relate.

Director's Name	Position	Signature
Todd Moyo	Non-Executive Independent Chairman	[Signed on original]
Michael Lashbrook	Chief Executive Officer	[Signed on original]
Lovejoy Nyandoro	Finance Director	[Signed on original]
Leigh Howes	Group Legal Counsel and Company Secretary	[Signed on original]
Noel Doyle	Non-Executive, Non-Independent Director	[Signed on original]
Julian Schonken	Non-Executive, Non-Independent Director	[Signed on original]
Godfrey Gwainda	Non-Executive, Non-Independent Director	[Signed on original]
Manoj Naran	Non-Executive, Non-Independent Director	[Signed on original]
Yokesh Maharaj	Non-Executive, Non-Independent Director (Alternate)	[Signed on original]



## APPENDIX I – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED.



PO Box 267  
Harare  
Zimbabwe

Deloitte & Touche  
Registered Auditors  
West Block  
Borrowdale Office Park  
Borrowdale Road  
Borrowdale  
Harare  
Zimbabwe

Tel: +263 (0) 8677 000261  
+263 (0) 8644 041005  
Fax: +263 (0) 4 852130  
www.deloitte.com

### INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED

#### Adverse opinion

We have audited the accompanying inflation adjusted consolidated financial statements of National Foods Holdings Limited and its subsidiaries (together, “the Group”), which comprise the inflation adjusted consolidated statement of financial position for the year ending 30 June 2022, the inflation adjusted consolidated statement of 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the inflation adjusted consolidated financial statements do not present fairly, the financial position of the Group for year ending 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act and Other Business Entities Act of Zimbabwe (Chapter 24:31).

#### Basis for adverse opinion

##### Non-compliance with IAS 21 “The effects of changes in foreign exchange rates” with respect to the determination of the appropriate spot rate and the consequential impact to the recorded monetary adjustment.

During the year, the Group utilised an internally generated foreign exchange rate, which had been determined through the Group’s trading arrangements, to convert foreign currency transactions to Zimbabwe Dollar (ZWL) as detailed in Note 1.5. This was not in compliance with the requirements of IFRS which requires the use of the official spot rate, a rate which should be determined using the Foreign Exchange Auction Trading System exchange rates, as published by the Reserve Bank of Zimbabwe (“Auction Rate”, or the “official spot rate”).

Because of the number of transactions and line items impacted by the use of different rates (as described above) for the translation of foreign currency transactions, we are unable to quantify the impact of using the official spot rate for these translations on the consolidated financial statements. As a result, the departure from the official spot rate as required under IAS 21 is considered to be material and pervasive to the consolidated financial statements of the Group.

Furthermore, notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on current periods’ financial information which was not in compliance with IAS 21 as described above. Consequently, the line item “monetary gain” on the consolidated inflation adjusted statement of profit or loss and other comprehensive income is impacted.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the inflation adjusted Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of inflation adjusted consolidated 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 adverse opinion.

## **APPENDIX I – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED. (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 consolidated 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. Other than the matter described in the Basis for Adverse Opinion section, we have not determined any other key audit matters to be communicated in our report.

### **Other information**

The directors are responsible for the other information. The other information comprises the Directors’ Report, as required by the Companies and Other Business Entities Act (Chapter 24:31), the Company statement of financial position, shareholders analysis and related notes and the historic cost financial information, which we obtained prior to the date of this auditor’s report. The other information does not include the inflation adjusted consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the inflation adjusted consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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. As described in the Basis for Adverse Opinion section above, we have concluded that the other information is materially misstated for the same reasons with respect to the amounts or disclosures items in the Directors’ Report and historical financial information, at the reporting date.

### **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 International Financial Reporting Standards (IFRS) and the requirements of the Companies and Other Business Entities Act of Zimbabwe (Chapter 24:31) and relevant statutory instruments and for such internal control as the directors determine is necessary to enable the preparation of inflation adjusted 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.

### **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 inflation adjusted consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the 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.

## **APPENDIX I – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED. (continued)**

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the 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 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 those charged with governance 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, actions taken to eliminate threats or 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

### **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 Adverse 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 2022.

#### **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 Lawrence Nyajeka.

### **Deloitte & Touche**

**Per: Lawrence Nyajeka**

Partner

Registered auditor

PAAB practice certificate number: 0598

27 October 2022

## APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021.



PO Box 267  
Harare  
Zimbabwe

Deloitte & Touche  
Registered Auditors  
West Block  
Borrowdale Office Park  
Borrowdale Road  
Borrowdale  
Harare  
Zimbabwe

Tel: +263 (0) 8677 000261  
+263 (0) 8644 041005  
Fax: +263 (0) 4 852130  
www.deloitte.com

### 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”), 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).



A full list of partners and directors is available on request

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

## **APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021. (continued)**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED**

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

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.

#### **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 Policies, 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.

## APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021. (continued)

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

#### 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.

Key audit matter	How the matter was addressed in the audit
<b>Estimation of exchange rates for use in translating foreign currency balances and transactions – Compliance with IAS 21 “The effects of Changes in Exchange Rates”</b>	
<p>The Group’s functional currency is the Zimbabwe dollar (ZWS), and the Group undertakes a number of direct and indirect foreign currency denominated transactions that subsequently also give rise to foreign currency denominated balances.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our testing was focused on the areas of judgement applied by management in determining the internal spot exchange rates.</p> <p>Procedures performed included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Group’s specific circumstances leading to a lack of exchangeability;</li> <li>• Obtained an understanding of the process by which the Group determines its estimates of spot exchange rates;</li> <li>• Evaluated the design and tested the implementation of relevant controls over the Group’s processes for the estimation of its spot exchange rates;</li> <li>• Tested the completeness and accuracy of the model and inputs into the estimation of exchange rates;</li> <li>• Tested the accuracy of the application of exchange rates to the translation of foreign currency denominated transactions and balances; and</li> <li>• Reviewed the financial statements for adequacy of disclosures.</li> </ul> <p>Overall, we concluded that the accounting treatment and disclosures made are appropriate and in accordance with the requirements of IAS 21.</p>
<b>Valuation of inventories</b>	
<p>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.</p> <p>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.</p>	<p>In addressing the key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the inventory business process through performing inquiries, walkthroughs and inspecting process flow manuals;</li> <li>• 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;</li> <li>• Observed the performance of the year end stock count procedures and related reconciliations;</li> </ul>



## APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021. (continued)

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

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

Key audit matter	How the matter was addressed in the audit
<b>Valuation of inventories</b>	
<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Performed tests of detail, substantive analytical procedures and tests of operating effectiveness of internal control over the existence and valuation assertions for inventories;</li> <li>• Reviewed management’s computations for the provision on obsolete stock and challenged assumptions made therein; and</li> <li>• Tested the accuracy of exchange rates applied in the translations of imported inventories, or those acquired locally but settled in foreign currency.</li> </ul> <p>Overall, we concluded that the valuation of inventory and the disclosures made are in accordance with the requirements of IAS 2 “Inventories”.</p>

#### 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.

## **APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021. (continued)**

### **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.

**APPENDIX II – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2021. (continued)**

**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  
CHARTERED ACCOUNTANTS (ZIMBABWE)  
Per Brian Mabiza  
Partner  
PAAB Practice Certificate 0447  
Harare  
Zimbabwe  
Date: 30 September 2021

## APPENDIX III – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2020.



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

Tel: +263 24 2750905-14 or 2750979-83  
Fax: +263 24 2750707 or 2773842  
Email: [admin@zw.ey.com](mailto:admin@zw.ey.com)  
[www.ey.com](http://www.ey.com)

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

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

##### Adverse Opinion

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

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

##### Basis for Adverse Opinion

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

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

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

In February 2019, a Monetary Policy Statement was issued introducing the RTGS\$ and the interbank foreign exchange market. This Monetary Policy statement was followed by, Statutory Instrument 142 of 2019 which specified that for all domestic transactions, ZWL (which comprises RTGS\$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

## **APPENDIX III – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2020. (continued)**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED**

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

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

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

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

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

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

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

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

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

## **APPENDIX III – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2020. (continued)**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED**

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

##### **Accounting for blocked funds**

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

##### **Consolidating Associates with underlying matters**

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

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

The above matters arose in the prior year and contributed to our adverse opinion in the prior period.

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

##### **Consolidating Foreign Subsidiary with incorrect exchange rates.**

Further to the issue noted above in respect of inappropriate spot rates, management have also used the same rates as outlined on Note 1.3 to translate the foreign subsidiaries to group reporting currency on consolidation. The impact is misstatement of the following amounts on the inflation adjusted Statement of Financial Position of the Group: ZWL156 261 303 included in Cash and cash equivalents of ZWL369 742 059 and Foreign currency translation reserve of ZWL141 590 954. This matter arose in the prior year and contributed to our adverse opinion in the prior period. Our opinion on the current period’s financial statements is therefore also modified because of the possible effect of this matter on the comparability of the current period’s figures and the corresponding figures.

##### **Consequential impact of the above matters on IAS 29 accounting**

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

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



## **APPENDIX III – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2020. (continued)**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED**

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

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### **Key Audit Matters**

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

#### **Other information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates.

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

#### **Responsibilities of the Directors for the Consolidated Inflation adjusted Financial Statements**

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

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

#### **Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

## **APPENDIX III – INDEPENDENT AUDITOR’S REPORT ON THE AUDIT OF INFLATION ADJUSTED CONSOLIDATED FINANCIALS OF NATIONAL FOODS HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2020. (continued)**

### **INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NATIONAL FOODS HOLDINGS LIMITED**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

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



**ERNST & YOUNG**  
**CHARTERED ACCOUNTANTS (ZIMBABWE)**  
**REGISTERED PUBLIC AUDITORS**  
Harare  
25 September 2020

## GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Inflation Adjusted			Historical		
	2022 ZWS Audited	2021 ZWS Restated	2020 ZWS Restated	2022 ZWS Unaudited	2021 ZWS Unaudited	2020 ZWS Unaudited
<b>Revenue</b>	128,408,112,610	96,732,802,868	77,064,829,021	70,376,020,526	28,074,416,801	6,340,085,140
Cost of sales	(92,488,204,615)	(77,237,461,514)	(51,760,759,652)	(44,399,294,647)	(20,033,862,767)	(3,516,659,692)
<b>Gross profit</b>	<b>35,919,907,995</b>	<b>19,495,341,354</b>	<b>25,304,069,369</b>	<b>25,976,725,879</b>	<b>8,040,554,034</b>	<b>2,823,425,448</b>
Other income	667,191,208	97,550,319	155,138,900	375,478,531	27,797,296	15,436,918
Operating expenses	(21,850,227,342)	(15,921,608,987)	(13,197,724,479)	(12,571,916,354)	(4,771,413,811)	(1,117,449,609)
<b>Operating profit before depreciation amortisation and fair value adjustments</b>	<b>14,736,871,861</b>	<b>3,671,282,686</b>	<b>12,261,483,790</b>	<b>13,780,288,056</b>	<b>3,296,937,519</b>	<b>1,721,412,757</b>
Financial income	1,314,080,673	832,012,950	309,770	3,171,956,874	280,714,734	184,627,000
Depreciation & amortisation	(735,201,492)	(529,246,470)	(526,708,553)	(100,258,291)	(28,791,285)	(16,209,022)
<b>Operating profit before interest and tax</b>	<b>15,315,751,043</b>	<b>3,974,049,167</b>	<b>11,735,085,007</b>	<b>16,851,986,639</b>	<b>3,548,860,968</b>	<b>1,889,830,735</b>
Interest income	85,559,153	50,176,140	—	43,773,778	12,175,981	—
Interest expense	(2,413,698,791)	(1,313,577,428)	(829,241,790)	(1,409,613,518)	(400,745,943)	(58,563,254)
Equity accounted earnings	523,450,621	806,277,849	1,032,920,624	199,439,418	261,048,464	45,617,170
Loss on monetary position	6,927,578,957	(2,144,975,452)	(3,084,841,296)	—	—	—
<b>Profit before tax</b>	<b>20,438,640,983</b>	<b>1,371,950,275</b>	<b>8,853,922,546</b>	<b>15,685,586,317</b>	<b>3,421,339,470</b>	<b>1,876,884,651</b>
Taxation	(2,412,267,647)	(1,160,774,430)	(2,466,556,488)	(1,957,666,450)	(808,944,178)	(432,029,081)
<b>Profit for the year</b>	<b>18,026,373,336</b>	<b>211,175,845</b>	<b>6,387,366,056</b>	<b>13,727,919,867</b>	<b>2,612,395,292</b>	<b>1,444,855,570</b>

**GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** (continued)  
for the year ended 30 June 2022

	Inflation Adjusted			Historical		
	2022 ZW\$ Audited	2021 ZW\$ Restated	2020 ZW\$ Restated	2022 ZW\$ Unaudited	2021 ZW\$ Unaudited	2020 ZW\$ Unaudited
<b>Other comprehensive income - not to be recycled to profit and loss at a future point in time</b>						
Transfer of CFRC relating to current year movements	—	—	—	—	—	(96,760,915)
Exchange differences on translation of foreign operations	—	—	—	1,026,364,338	63,128,488	141,590,954
<b>Total comprehensive income for the year</b>	<b>18,026,373,336</b>	<b>211,175,845</b>	<b>6,387,366,056</b>	<b>14,754,284,204</b>	<b>2,675,523,780</b>	<b>1,489,685,609</b>
Profit for the year attributable to equity holders of the parent	18,026,373,336	211,175,845	6,387,366,056	13,727,919,867	2,612,395,292	1,444,855,570
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>18,026,373,336</b>	<b>211,175,845</b>	<b>6,387,366,056</b>	<b>14,754,284,205</b>	<b>2,675,523,780</b>	<b>1,489,685,609</b>
<b>Earnings per share</b>						
Basic and diluted earnings per share	26,354.31	308.74	9,338.24	20,070.03	3,819.29	2 112.36

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Inflation Adjusted			Historical		
	2022	2021	2020	2022	2021	2020
	ZW\$ Audited	ZW\$ Restated	ZW\$ Restated	ZW\$ Unaudited	ZW\$ Unaudited	ZW\$ Unaudited
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	13,392,328,436	9,108,210,075	7,787,838,366	3,742,778,563	983,267,522	226,177,226
Intangible assets	210,926,687	210,926,687	210,926,689	1,516,422	1,516,421	1,516,421
Investment in associates	467,213,458	2,679,522,799	2,043,966,538	120,044,240	307,884,480	69,138,557
Other financial assets	1,604,261,695	222,183,874	483,731,590	1,604,261,695	76,204,521	80,099,999
Deferred tax asset	—	—	—	286,379,301	—	—
Right of use assets	431,461,428	313,224,226	67,131,297	177,698,106	40,310,091	11,142,098
	<b>16,106,191,704</b>	<b>12,534,067,662</b>	<b>10,593,594,478</b>	<b>5,932,678,327</b>	<b>1,409,183,036</b>	<b>388,074,301</b>
<b>Current assets</b>						
Cash & cash equivalents	2,535,683,580	3,273,436,336	1,836,079,594	2,535,683,580	1,122,721,666	369,742,059
Other financial assets	6,456,685,924	—	—	6,456,685,924	—	—
Inventories	27,336,675,604	16,720,095,621	16,049,772,755	17,541,706,014	4,365,967,196	1,835,784,153
Trade and other receivables	19,888,252,492	12,611,884,007	5,136,486,356	16,483,869,969	4,270,401,979	826,227,464
Prepayments	—	—	3,724,326,042	—	—	478,374,013
Assets classified as held for sale	56,217,297,600	32,605,415,964	26,746,664,747	43,017,945,487	9,759,090,841	3,510,127,689
	—	—	136,865,465	—	—	7,647,840
	<b>56,217,297,600</b>	<b>32,605,415,964</b>	<b>26,883,530,213</b>	<b>43,017,945,487</b>	<b>9,759,090,841</b>	<b>3,517,775,529</b>
<b>Total assets</b>	<b>72,323,489,304</b>	<b>45,139,483,626</b>	<b>37,477,124,691</b>	<b>48,950,623,814</b>	<b>11,168,273,877</b>	<b>3,905,849,830</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2022

	Inflation Adjusted			Historical		
	2022	2021	2020	2022	2021	2020
	ZW\$ Audited	ZW\$ Restated	ZW\$ Restated	ZW\$ Unaudited	ZW\$ Unaudited	ZW\$ Unaudited
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Issued share capital	95,141,344	95,141,344	95,141,344	684,001	684,001	684,001
Non-distributable reserves	—	—	—	1,242,319,379	215,955,041	152,826,553
Distributable reserves	35,932,900,629	19,568,932,469	22,218,127,397	16,151,004,496	3,380,337,301	1,622,245,677
<b>Total Equity</b>	<b>36,028,041,973</b>	<b>19,664,073,813</b>	<b>22,313,268,742</b>	<b>17,394,007,876</b>	<b>3,596,976,343</b>	<b>1,775,756,231</b>
<b>Non-current liabilities</b>						
Deferred tax liability	2,098,989,429	1,644,388,232	1,873,292,721	—	34,819,833	60,033,050
Lease liability	55,881,329	62,431,191	35,037,195	55,881,329	21,412,621	5,815,289
	<b>2,154,870,758</b>	<b>1,706,819,423</b>	<b>1,908,329,916</b>	<b>55,881,329</b>	<b>56,232,454</b>	<b>65,848,339</b>
<b>Current liabilities</b>						
Trade and other payables	23,152,235,954	16,620,064,739	9,270,437,250	20,512,393,991	5,063,267,092	1,402,821,262
Current portion of lease liability	132,739,194	51,336,422	30,742,063	132,739,194	17,607,341	5,102,405
Borrowings	9,008,843,881	4,996,394,423	1,875,163,462	9,008,843,881	1,713,661,026	311,229,732
Provisions	266,967,292	168,510,109	97,636,625	266,967,292	57,795,518	16,205,212
Current tax liabilities	1,379,752,391	973,831,803	1,832,375,783	1,379,752,391	334,004,377	304,128,059
Shareholders for dividends	200,037,860	958,452,894	149,170,849	200,037,860	328,729,726	24,758,590
	<b>34,140,576,572</b>	<b>23,768,590,390</b>	<b>13,255,526,032</b>	<b>31,500,734,609</b>	<b>7,515,065,080</b>	<b>2,064,245,260</b>
<b>Total Liabilities</b>	<b>36,295,447,330</b>	<b>25,475,409,813</b>	<b>15,163,855,948</b>	<b>31,556,615,938</b>	<b>7,571,297,534</b>	<b>2,130,093,599</b>
<b>Total equity and liabilities</b>	<b>72,323,489,304</b>	<b>45,139,483,626</b>	<b>37,477,124,691</b>	<b>48,950,623,814</b>	<b>11,168,273,877</b>	<b>3,905,849,830</b>



## CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 30 June 2022

	Inflation Adjusted			Historical		
	2022	2021	2020	2022	2021	2020
	ZW\$ Audited	ZW\$ Restated	ZW\$ Restated	ZW\$ Unaudited	ZW\$ Unaudited	ZW\$ Unaudited
<b>OPERATING ACTIVITIES</b>						
Cash generated from operations	19,266,682,445	2,330,714,517	20,479,157,560	8,999,431,742	3,538,085,900	1,690,343,492
Working capital changes	(12,020,735,107)	4,010,904,527	(19,331,713,641)	(8,409,266,670)	(1,768,737,557)	(1,421,749,535)
Operating cashflow	7,245,947,338	6,341,619,044	1,147,443,920	590,165,072	1,769,348,343	268,593,957
Interest received	85,559,153	50,176,140	—	43,773,778	12,175,981	—
Interest paid	(2,413,698,791)	(1,313,577,428)	(829,241,790)	(1,409,613,518)	(400,745,943)	(58,563,254)
Income tax paid	(2,430,491,430)	(2,765,311,243)	(1,626,896,105)	(1,233,117,570)	(804,281,077)	(119,650,346)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>2,487,316,270</b>	<b>2,312,906,513</b>	<b>(1,308,693,975)</b>	<b>(2,008,792,238)</b>	<b>576,497,304</b>	<b>90,380,357</b>
<b>INVESTING ACTIVITIES</b>						
Purchase of property, plant and equipment to maintain operations	(3,609,941,005)	(2,281,667,320)	(564,375,902)	(537,015,304)	(758,565,236)	(40,371,115)
Purchase of property, plant and equipment to expand operations	(1,363,447,384)	(73,955,159)	(379,190,039)	(2,289,316,117)	(24,587,201)	(24,799,225)
Loan from associate	(31,558,201)	30,253,218	17,802,803	(31,558,202)	8,596,290	2,954,815
Proceeds from disposal of associate	—	287,977,675	—	—	88,467,075	—
Proceeds on disposal for property, plant and equipment	40,676,736	3,590,274	7,201,439	32,487,466	1,020,157	382,998
Dividends received from associate	153,108,556	67,514,738	35,323,897	83,806,250	13,706,250	5,862,874
<b>Net cash outflows from investing activities</b>	<b>(4,811,161,297)</b>	<b>(1,966,286,574)</b>	<b>(883,237,801)</b>	<b>(2,741,595,907)</b>	<b>(671,362,665)</b>	<b>(55,969,653)</b>
<b>FINANCING ACTIVITIES</b>						
Proceeds from borrowings and overdrafts	8,062,693,578	4,691,002,337	3,402,484,959	7,411,732,857	1,479,172,468	285,021,776
Repayment of borrowings	(3,915,983,513)	(1,499,062,394)	(357,434,762)	(116,550,000)	(76,741,174)	(59,325,135)
Lease liability repayments	(139,797,582)	(50,114,611)	(18,914,665)	(45,888,262)	(4,253,793)	(3,139,356)
Dividends paid	(2,420,820,209)	(2,051,088,510)	(739,493,285)	(1,085,944,537)	(550,332,533)	(54,385,781)
<b>Net cash inflows from financing activities</b>	<b>1,586,092,273</b>	<b>1,090,736,822</b>	<b>2,286,642,247</b>	<b>6,163,350,058</b>	<b>847,844,968</b>	<b>168,171,504</b>
<b>Increase in cash and cash equivalents</b>	<b>(737,752,756)</b>	<b>1,437,356,761</b>	<b>94,710,471</b>	<b>1,412,961,913</b>	<b>752,979,607</b>	<b>202,582,209</b>
Net foreign exchange difference	—	—	—	—	—	132,641,546
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,273,436,336</b>	<b>1,836,079,575</b>	<b>1,741,369,123</b>	<b>1,122,721,666</b>	<b>369,742,059</b>	<b>34,518,304</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,535,683,580</b>	<b>3,273,436,336</b>	<b>1,836,079,594</b>	<b>2,535,683,579</b>	<b>1,122,721,666</b>	<b>369,742,059</b>

## APPENDIX IV – NOTICE OF EXTRAORDINARY GENERAL MEETING



*(National Foods Holdings Limited, incorporated in Zimbabwe on 18 December 1969, under Company Registration Number 1067/69)*

### NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of the Shareholders of National Foods Holdings Limited is to be held physically at the National Foods’ Registered Offices situated at Gloria House, 10 Stirling Road, Workington, Harare, and virtually by electronic means, on Monday the 12th of December 2022, at 1000 hours, for the purpose of transacting the following business:

**TO CONSIDER** and, if deemed fit, to pass, with or without modification, the following Resolutions:

#### **ORDINARY RESOLUTION 1 – DELISTING OF NATIONAL FOODS HOLDINGS LIMITED FROM THE ZIMBABWE STOCK EXCHANGE**

**THAT** the Company’s shares be removed from the Main Board of the Zimbabwe Stock Exchange through voluntary termination of the listing on the Zimbabwe Stock Exchange in terms of section 11 of the ZSE Listing Requirements.

#### **ORDINARY RESOLUTION 2- AUTHORISED BUT UNISSUED SHARES BE PLACED UNDER THE CONTROL OF THE DIRECTORS**

**THAT** the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for a period of twelve months or until the next Annual General Meeting, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the VFEX listing requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.

#### **ORDINARY RESOLUTION 3 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS**

**“THAT** the directors be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions.”

BY ORDER OF THE BOARD

## APPENDIX V – FORM OF PROXY

I / We .....

Of.....

Being member/members of the above Company, hereby appoint:

Mr. / Mrs. / Ms. / Dr .....

Or failing him or her/the Chairman of the EGM.....

Of.....

As my/our proxy to vote for me/us on my/our behalf at the EGM of the Company to be held on Monday the 12th of December 2022, at 1000 hours and at any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions:

Resolutions	For	Against	Abstain
<p><b>ORDINARY RESOLUTION 1 – DELISTING OF NATIONAL FOODS HOLDINGS LIMITED FROM THE ZIMBABWE STOCK EXCHANGE</b></p> <p><b>THAT</b> the Company's shares be removed from the Main Board of the Zimbabwe Stock Exchange through voluntary termination of the listing on the Zimbabwe Stock Exchange in terms of section 11 of the ZSE Listing Requirements.</p>			
<p><b>ORDINARY RESOLUTION 2- AUTHORISED BUT UNISSUED SHARES BE PLACED UNDER THE CONTROL OF THE DIRECTORS</b></p> <p><b>THAT</b> the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for a period of twelve months or until the next Annual General Meeting, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the VFEX listing requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting.</p>			
<p><b>ORDINARY RESOLUTION 3 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS</b></p> <p><b>"THAT</b> the directors be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions."</p>			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Signature(s) of member \_\_\_\_\_

## APPENDIX V – FORM OF PROXY (continued)

### NOTE

1. In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members are entitled to appoint one or more proxies to act in the alternative and to attend and vote and speak in their place. A proxy need not also be a member of the Company. A director or officer of the Company shall not be appointed as a proxy for a shareholder.
2. Regulation 74 of the Company's Articles of Association provides that the instrument appointing a proxy shall be deposited at the office of the Company not less than 48 hours before the time appointed for holding the meeting.
3. Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity; this authority must take the form of a resolution of the corporate body.
4. According to the approval granted by the ZSE, ordinary resolution number 1 may be passed by a threshold of 50 per centum plus 1 ordinary shares of the votes of all shareholders present or represented by proxy at the general meeting.

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### FOR OFFICIAL USE

NUMBER OF SHARES HELD

### INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the EGM", but any such deletion must be initialed by the Shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as a proxy to the exclusion of those whose names follow.
2. A Shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy or cast them in the same way.
3. Deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory or signatories
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
  - i. under a power of attorney
  - ii. on behalf of a companyunless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.
5. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's Transfer Secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are the same as those on the share register.



