National Foods Holdings Limited

# ANNUAL REPORT 2023

## building for the future


At National Foods, we are committed to providing innovative and sustainable products that promote the long-term health of our nation. Our goal is to help people live healthy and fulfilling lives. We believe in fostering strong relationships with key stakeholders, consumers, and the larger communities that we serve.

Our journey takes us across Zimbabwe, where we witness the unwavering trust and belief our consumers have in us. We are grateful for their support and remain dedicated to continuing our legacy of providing nourishment to communities throughout the country. We firmly believe that by establishing strong partnerships and prioritising the needs of our consumers, we can make a meaningful difference in their lives.

We reaffirm our dedication to future generations by investing in state-of-the-art equipment and establishing our own manufacturing facilities for high-growth products. As part of this commitment, we have recently commissioned phase 2 of the world class Harare Cereals line and are currently in the process of constructing a new pasta plant. Additionally, we are proud to announce the development of a groundbreaking biscuits plant, which will be located above a rail line, a first-of-its-kind in Zimbabwe.

**Our Vision**

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

**Our Mission**

We manufacture and distribute a diversified portfolio of branded FMCG and Stockfeed products.

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

**Our Positioning Statement**

Together we feed and nourish the nation.

# Our Values

**Innovative**
We spark creativity and involve employees at all levels to contribute ideas on new products as well as come up with solutions to workplace challenges or problems.

**Respectful**
We are professional, promote diversity, encourage dialogue, value other people's perspectives, time and space as well as insist on civility from all employees no matter their position in the organisation chart.

**Hardworking**
We make the most of our time and consistently produce good work, in addition, we are productive motivated, dedicated, and self-reliant.

**Competitive**
We have a strong desire to succeed.

**Results Driven**
We are motivated by goals and use targets to remain focused on our work.

**Resilient**
We are able to withstand adversity and bounce back from difficult events.

**Honest**
We are genuine, able to speak what's on our minds and abide by consistent ethical standards.

**Purposeful**
We have an aim.

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# About Our Report

National Foods Holdings Limited, a company listed on the Victoria Falls Stock Exchange (VFEX) is proud to present the annual report for the year ended 30 June 2023. The report presents the Group's financial and sustainability performance, demonstrating how value has been created for the varied stakeholders during the year under review.

The contents of this report are intended to give stakeholders insight into noteworthy aspects of the National Foods business, as well as the industry within which it participates. The report will present the information in a clear, transparent, and accurate manner to a reasonable and sufficient degree.

### Report Boundary

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

### Report Philosophy

The report reflects the Company's belief in strong corporate sustainable practices underpinning value creation for stakeholders. The Group uses the dynamic cyclical approach towards continued performance improvement in operations as well as in reporting. In the context of this report and forward-looking statements; "shall" indicates a requirement; "should" indicates a recommendation; "may" indicates permission; and "can" indicates a possibility or a capability.

### Reporting Frameworks

A range of guidelines and reporting criteria was used for presenting information in this report. Key standards, guidelines and frameworks applied are as follows:

- Companies and Other Business Entities Act (Chapter 24:31)
- Victoria Falls Stock Exchange (VFEX) Listing Requirements
- International Financial Reporting Standards (IFRS)
- Global Reporting Initiative (GRI) Standards
- Zimbabwe standard ZWS ISO 26000:2010 integrating, implementing and promoting socially responsible behaviour throughout the organisation through its policies and practices and within its sphere of influence; identifying and engaging with stakeholders; and communicating commitments, performance and other information related to social responsibility
- The National Code of Corporate Governance in Zimbabwe ("ZIMCODE")

### Data and Assurance

Financial statements contained herein were audited by Deloitte & Touche Chartered Accountants Zimbabwe and an independent auditors' report is contained on pages 87 to 90. Sustainability data was compiled with the guidance of Black Crystal Consulting an independent subject matter expert.

### Reporting Currency

All financial data in this report is presented in United States Dollars which is the Group's functional currency. The Group changed its functional currency with effect from 1 July 2022 as detailed in Note 1.4 to the financial statements.

### Board Declaration

The Directors take responsibility to confirm that this report has been prepared with reference to the GRI Standards 'Core' option.

### Forward-Looking Statements

The report contains forward-looking statements concerning the financial information and business operations of National Foods. All statements other than those of historical fact may be deemed to be forward-looking statements. These are statements of future expectations based on management's assumptions and expectations, hence they involve known and unknown risks which may lead to results and performance differing materially from those implied in these statements.

### Feedback

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

**Todd Moyo**
Independent, Non-Executive Chairman

**Michael Lashbrook**
Chief Executive Officer


# Overview

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# History of Our Group

National Foods has a long history stretching back to the early parts of the last century, when two families, the Palte family, and the Harris family, started separate businesses, which eventually came together as one. The company has remained resilient and committed to feeding and nourishing the nation since its corporate establishment in 1920.

### 1908

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

### 1920

Harris Brothers established in Bulawayo and owned The Red Seal Brand

Mark Harris Manufacturing established the iconic Gloria Brand.

Mark Harris Manufacturing renamed Rhodesian Milling and Manufacturing Company

Gloria Trusted Since 1920.

### 1952

Tiger Oats (now Tiger Brands) acquired majority shareholding in J. Palte and Co.

### 1975

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

### 1984

National Foods Workers Trust (Private) Limited was established to provide a scheme for worker participation in both the equity and profits of the company. Through donations from the company, the Trust has acquired 9.53% shareholding over the years

### 2003

Innscor acquired shareholding in National Foods Holdings. Today Innscor holds a 37.45% share

### 2011

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

### 2013

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

### 2016

The Company acquired 40% of Pure Oil an edible oil producer under the ZimGold Brand.

National Foods acquired Breathaway Food Caterers Limited, a snack and biscuit manufacturing company with ZapNax, Wings, King Kurls, and Iris Brands

### 2018

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

### 2019

In 2019 National Foods purchased a world class extrusion line from Buhler heralding the Company's entrance into the breakfast cereals category.

### 2020

National Foods celebrates 100 years of feeding the nation.

### 2021

National Foods launches Nutri Active Instant Cereals using the world class Buhler extrusion machinery.

### 2022

National Foods disposed its 40% stake in Pure Oil Industries

### 2023

Phase 2 of the highly advanced Cereals plant was successfully launched, opening up new avenues for innovation.

Simultaneously, the new Bulawayo Flour Mill was commissioned during this period, marking another significant achievement.

## Group Structure

National Foods Holdings Limited manufactures a branded portfolio of essential food stuffs and stockfeed. Today, its products are the cornerstone of basic food nutrition in Zimbabwe.


### 100%
**National Foods Limited**
Principal Operating Company

- Flour Milling
- Maize Milling
- Downpacked
- Pasta
- Snacks
- Biscuits
- Stockfeeds
- Cereals Culinary and Baby

#### 50%
**National Foods Logistics (Private) Limited**
Distribution

### 100%
**National Foods Properties Limited**
Property Owning Company

#### 100%
**Clairedelune Investments (Private) Limited**
Property Owning Company

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

#### 100%
**Redseal Manufacturers (Proprietary) Limited**
Property Owning Company

### 100%
**Dormant Companies**

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

# Our Products and Brands

National Foods has built a strong legacy over the course of a century by adapting to changing consumer needs and innovating its products. The Company's commitment to quality and its diverse portfolio of brands has also played a significant role in its enduring success. By staying relevant, delivering on promises, and meeting consumer demands, National Foods has become a trusted partner in the food and nutrition industry.

NFL's business encompasses eight distinct business units, which are as follows:

| Maize | Flour | Stockfeeds | Downpacked | Pasta | Cereals | Snacks | Biscuits |
|---|---|---|---|---|---|---|---|
| Pearlenta | Gloria Trusted Since 1920. | National Foods Stockfeeds | Ma-Hat-Ma Rice | Red Seal | Nutri Active | Allegrös | Iris Share the Treat |
| Red Seal | Red Seal | Kenergy | Red Seal | Better Buy A Must Buy! | Red Seal | King | |
| Better Buy A Must Buy! | Better Buy A Must Buy! | BowWow | Better Buy A Must Buy! | | Smart Carbs | ZapNax | |
| Smart Carbs | | Red Seal | | | Mama Africa | | |
| | | animax Superior | | | Organica plant based meal | | |

# Awards and Recognition

National Foods offers products and services that evolve with consumer demands and contribute to a sustainable environment. We are honoured to have received recognition from our customers and leading business associations nationwide. The following are our most recent awards.

| Presented by | Award |
|---|---|
| Buy Zimbabwe | Winner - Buy Zimbabwe Manufacturer of the year (FMCG)<br>Winner - Buy Zimbabwe Quality Award<br>Runner Up - Buy Zimbabwe Farmers Support |
| Africa Food Awards 2023 - Kenya | Winner - National Foods Limited - Best Food Company of the Year<br>Winner - Pearlenta Smart Carbs - Best New Product of the Year<br>Winner - Organica - Best New Product of the Year<br>Second Runner Up - Pearlenta Nutri Active Cereals New Product of the Year |
| Marketers Association Of Zimbabwe | 3rd Best Business to Business Brand in Zimbabwe - Super Brand Awards<br>Winner - Red Seal Best in the Food Grain Sector - Super Brand Awards<br>1st Runner Up – Pearlenta in the FMCG Food Grain sector - Super Brand Awards<br>2nd Runner Up - Mahatma in the FMCG Food Grain sector - Super Brand Awards<br>6th Best - Red Seal - Business to Consumerr Brand in Zimbabwe - Super Brand Awards |


## Memberships and Associations

The Group is a member and subscribes to requirements from the following:

**General**
- Confederation of Zimbabwe Industries (CZI)
- Zimbabwe National Chamber of Commerce (ZNCC)
- Business Council for Sustainable Development Zimbabwe (BCSDZ)
- Institute of People Managers Zimbabwe (IPMZ)
- Marketers Association of Zimbabwe (MAZ)
- Institute of Chartered Accountants Zimbabwe (ICAZ)

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

**Certifications and Standards**

**International Standards**
- **ISO 9001:** 2015 Quality Management System Standards Association of Zimbabwe (SAZ)

  **FSSC 22000:** Food Safety Management System, recognised by the GFSI (Global Food Safety Initiative)

**Health Standards**
- International Labour Standards on Occupational Safety and Health – ILO-OSH
- Health Professions Authority of Zimbabwe (HPA)
- Ministry of Health Certification
- National Social Security Authority (NSSA) Factory Licence
- City of Harare – City Health Licence
- Ruwa Local Board – Health Registration Certificate

**Agriculture**
- Agricultural Marketing Authority (AMA)
- Ministry of Agriculture Certification

**Other**

**KOSHER** (Jewish Dietary framework for food preparation processing and consumption)
**HALAAL** (National Halaal Association of Zimbabwe (NHAZ)

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# Performance Highlights

## Financial Highlights (US$)

**Revenue**
343.6m
282.3m (FY2022)
22% Increase

**Operating Profit**
14.1m
19.9m (FY2022)
29% Decrease

**Profit after Tax**
7.5m
12.4m (FY2022)
40% Decrease

**Shareholder's Equity**
106.7m
105.2m (FY2022)
1% Increase

**Total Assets**
185.3m
170.8m (FY2022)
8% Increase

**Market Capitalisation**
136.8m
228m (FY2022)
39% Decrease

| | 2023 | 2022 |
|---|---|---|
| **SHARE PEFORMANCE(US$ cents)** | | |
| Market price per share (US$ cents) | 200 | 333 |
| Basic earnings per share (US$ cents) | 11.01 | 18.13 |
| Ordinary dividend per share (US$ cents) | 4.05 | 5.95 |
| Ordinary dividend per share (ZW$ cents) | — | 1 103 |
| Number of shares in issue | 68 400 108 | 68 400 108 |

## Environment Performance

**Electricity 'KWh'**
31.940
54.150 (FY2022)
41% Decrease
FY2021: 31.765 | FY2020: 25,950

**Water 'm3'**
277,527
203,876 (FY2022)
36% Increase
FY2021: 355.327 | FY2020: 288.758

**Waste 'tonnes'**
496
537 (FY2022)
8% Decrease
FY2021: 625 | FY2020: 296

## Sustainability Performance

**Employees 'count'**
1.762
1.515 (FY2022)
16% Increase
FY2021: 1.512 | FY2020: 1.292

**Work-related injuries 'count'**
1
12 (FY2022)
92% Decrease
FY2021: 7 | FY2020: 7

**Safety training 'hours'**
173
100 (FY2022)
73% Increase
FY2021: 108 | FY2020: 154

# Chairman's Statement

### Directors' Responsibility

## The Holding Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements.

These Group financial statements are presented in accordance with the disclosure requirements of the Victoria Falls Stock Exchange ("VFEX") Listing Requirements, and in accordance with the measurement and recognition principles of International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), except for IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 16 (Property, Plant and Equipment) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as detailed in notes 1.4, 1.5 and 2.1.





# Chairman's Statement (continued)

The principal accounting policies applied in the preparation of the Group's financial statements are consistent with those applied in the previous year's financial statements, except for the change in measurement of property, plant and equipment, which was previously measured at historical cost and is now being measured under the revaluation model. There is no impact arising from revised IFRS, which became effective for the reporting period commencing on or after 1 January 2022 on the Group's financial statements.

### Change In Functional Currency

Commencing with the financial year ended 30 June 2020, and in line with both previous guidance issued by the Public Accountants and Auditors Board ("PAAB") and the provisions of International Accounting Standard ("IAS") 29 (Financial Reporting in Hyperinflationary Economies), the Directors have been presenting Group consolidated, inflation-adjusted financial statements in Zimbabwe Dollars ("ZWL"). Due to the considerable distortions in the economy, and the material and pervasive effects that these had in the application of IAS 29, the Directors have always advised users to exercise caution in the interpretation and use of those Group consolidated, inflation-adjusted financial statements; in addition the Directors also issued financial statements prepared under the historical cost convention, as supplementary information, in an effort to assist users with their interpretation of the Group's financial performance.

Following the promulgation of Statutory Instrument ("SI") 185 of 2020, issued on 24 July 2020, the Group has continued to see a steady increase in the use of foreign currency across the business and, in accordance with the requirements of IAS 21 (The Effects of Changes in Foreign Exchange Rates), has been through a process of assessing its functional currency. Following the completion of this process, the Group has concluded that based on the primary operating environment and the Group's own operating activities, there has been a change in its functional currency from ZWL to United States Dollars ("US$") with effect from the beginning of the current financial year. The change in the Group's functional currency is further supported by the Listing Requirements of the VFEX, which require issuers to present financial statements in US$.

IAS 21 directs those entities operating in hyperinflationary economies should translate their last reported inflation-adjusted financial statements using the closing rate of exchange at the reporting date in order to derive and present comparative financial statements under a newly assessed functional currency.

The Directors are of the opinion that using the provisions of IAS 21 to convert the Group's inflation-adjusted financial statements from previous periods, as a basis for presenting comparative and opening balance sheet information in terms of the new functional currency, will result in the material misstatement of the Group's comparative financial statements.

As a result, the Directors have not adhered to IAS 21 in accounting for the change in functional currency. This has resulted in the external auditors issuing an adverse audit report on the Group's consolidated financial statements for the current period under review.

In an endeavour to present a true and fair comparative financial performance and position of the Group, stakeholders will recall that the Group used alternative procedures and techniques in the translation process in the preparation of its Interim Report, where it reported total opening shareholders' equity of USD 108.076m in its comparative Statement of Financial Position.

In an effort to move towards full compliance with IFRS, and with the objective of ensuring a return to an unqualified audit opinion on the Group's Financial Statements for the 2024 financial year, the Group further refined its conversion procedures and techniques in translating its previously reported ZWL financial statements to USD; this resulted in opening equity reducing from the USD 108.076m reported in the Interim Report, to USD 105.171m.

This reduction was largely due to the re-calculation of deferred tax provisions, taking account of the recently updated legislation in income tax provisions (reduction in equity of USD 6.633m), the effects of the changes in accounting policy on property, plant and equipment, now measured under the revaluation method (increase in equity of USD 6.816m), with other adjustments combining to reduce opening equity by a further USD 3.088m; required to bring the conversion of other assets and liabilities in line with the provisions of IAS 21. Further detail on the Group's change in functional currency is contained in Note 1.4 to these audited Group financial statements.

The Directors have always exercised reasonable due care and applied judgments that they considered to be appropriate in the preparation and presentation of the Group's financial statements, and whilst they believe that the alternative procedures and techniques used in the translation process, as described above, provide users with the best possible view of the financial performance and position of the Group, attention is drawn to the inherent subjectivities and technicalities involved in the translation of ZWL financial statements to USD financial statements.

### Change In Accounting Policy on Property, Plant and Equipment

The Group's property, plant and equipment ("PPE") has always been measured at historical cost, and as the Group changed its functional currency from ZWL to USD as described in the preceding paragraph, applying the provisions of IAS 21 to convert the Group's comparative and opening PPE values would have resulted in the material distortion of these values at the date of change in functional currency.

# Chairman's Statement (continued)

### Change In Accounting Policy on Property, Plant and Equipment (continued)

Therefore, in order to ensure future compliance with IFRS, the Directors chose to revalue the Group's PPE at 30 June 2022 to reflect the correct PPE values at this date.

Effecting the change in accounting policy for PPE from the historical cost model to the revaluation model in the prior year is contrary to the provisions of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), which does not permit the retrospective application of a change in accounting policy to revalue PPE. The Directors are, however, of the view that effecting the change in the PPE accounting policy from the historical cost model to the revaluation model in the comparative year, will more fairly present PPE values, enhance comparability between the Group's current and comparative statements of financial position, and additionally, will assist users with their interpretation of the Group's financial position and performance.

### Sustainability Reporting

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

### Uncertain Tax Positions

There have been substantial changes in the currency environment in Zimbabwe in recent years, including the reintroduction of the ZWL as the country's functional currency in February 2019 through SI 33 of 2019, followed by the promulgation of SI 185 of 2020, which reintroduced the use of foreign currency for domestic transactions.

These significant changes have created numerous uncertainties in the treatment of taxes due across the economy and have been compounded by a lack of clear statutory and administrative guidance or practical transitional measures from the tax authorities. The wording of existing tax legislation has given rise to varying interpretations of tax law within the country. Over time, it has become apparent that the Group's interpretation of the law regarding the currency of settlement for taxes, as well as the methodology for tax computation, has differed from that of the authorities, and this has resulted in a number of uncertainties in the Group's tax position. The Group continues to seek adjudication by the courts on these matters.

### Operating Environment and Overview

The year was characterised by a fluid economic environment, driven largely by ZWL exchange rate volatility. Inflation was relatively moderate at the start of the year, following various difficult but necessary policy interventions, principally a reduction in ZWL liquidity and an increase of ZWL interest rates to 200% per annum. Moving into the second half of our financial year, there was rapid devaluation of the ZWL, in line with increased ZWL monetary supply. Finally, as the year drew to an end, exchange rates stabilised as ZWL liquidity reduced, and the auction system was further refined. The volatility meant that our operating plans needed to be regularly and swiftly adjusted and at times this detracted from our core focus. The stability that has prevailed into the new financial year is most welcome, and we hope that this can be maintained as we move forward.

Globally, commodity prices spiked driven by the Russia-Ukrainian war. This fed through to substantial price increases in our key raw materials, most notably wheat. Strategically, we tried wherever possible to moderate our price increases and shield the consumer. Fortunately, in the second half of the year commodity prices have steadily reduced to more typical ranges, a positive development for the Group and indeed the consumer.

Pricing distortions in certain channels, most notably in formal retail, persisted throughout the year. This situation was not beneficial to any of the players in the value chain, as the consumer saw sub-optimal pricing, and retailers and manufacturers faced lower volumes and a loss in value on capital deployed to fund the channel. We sincerely hope that all stakeholders will be able to arrive at a solution to these challenges in the year ahead, so that the channel can better serve the consumer.

As has been widely recognised, the USD became the predominant currency of trade during the year. The consequent monetary stability was welcome, as it meant our raw material imports and growth ambitions could be sustainably funded. We remain encouraged at the major economic developments occurring in our country, and especially the investment occurring in the mining sector, which should greatly assist the maintenance of a more stable exchange rate environment in the coming years.

After successfully concluding the necessary regulatory processes, the Group listed on the VFEX on December 23rd, 2022. The Board believes the move is an extremely positive one for National Foods' shareholders for a number of reasons, as articulated in the detailed circular sent to shareholders prior to the listing.





# Chairman's Statement (continued)

### Financial Performance

Volumes for the year were 553,000 tonnes, 3% below last year, mainly due to volume losses in the Flour unit, on the back of significantly higher global grain prices which dampened consumption. Apart from some transient challenges in Maize, the volume outcome in all other units was positive. Heading into the new financial year, global grain prices have reduced from the elevated levels seen at the onset of the Russia-Ukraine war, and we see a progressive recovery in volumes in the year ahead.

Revenue increased by 21.7% to US$ 343 million. Average selling prices increased from US$ 495 per tonne to US$ 621 per tonne year on year driven by the substantially higher raw material costs. Our strategy was to minimise price increases and maintain demand and hence the full extent of raw material inflation was not passed on to the consumer, resulting in gross margin dollars being flat year on year, in spite of the much higher revenue. Operating costs increased by US$ 3.8 million compared to last year, driven in the main by salary increases at factory floor level, power costs and IMTT. The reduced power availability forced us to resort to expensive standby generators to maintain product supply, and ZESA costs also increased significantly in real terms. IMTT has become a significant cost to the business, and the recent reduction in the percentages applied to calculate IMTT will bring some welcome relief in terms of this expense line.

Operating profit before interest, equity accounted earnings and tax for the year was US$ 23.4 million, 16.5% below last year, in summary due to our strategy to moderate price increases and the higher operating costs. As with last year, there were significant losses on the 'financial loss' line, largely on account of translating the Group's various ZWL monetary positions, as once again consistency of product supply was prioritised to certain market channels, even when it resulted in financial losses. With the improved economic and exchange rate stability in recent months, our objective will be to moderate and even eliminate these losses in the year ahead.

Net interest costs at US$ 4.7 million were driven by elevated costs on ZWL debt in Q1 as interest rates increased to 200% per annum, with these costs reducing materially for the rest of the year as the Group's borrowings were converted to USD.

Profit after tax for the year at US$ 7.53 million was 39% below last year. While this was a disappointing result, our key strategic objectives of moderating the impact of commodity prices on the consumer was achieved and our products continue to hold strong positions in the market.

The Group's statement of financial position remains in a healthy state. In a financially challenging year there were notable improvements in the management of working capital, and the release of US$ 13.1 million of working capital was the main contributor to excellent free cash flow generation of US$ 20.9 million. The free cash was largely used to fund our expansion projects, where US$ 17.9 million was deployed. The Group's net debt position closed the year at US$ 11.0 million, a very moderate level of gearing and particularly so considering the extent of the capital investment deployed during the year.

### Operations Review

#### Flour Milling

Volumes for the Flour unit reduced by 12.3% compared to last year, driven largely by significant increases in the price of wheat. International wheat prices were at their peak in the first half of the year, resulting in higher flour prices and a consequent reduction in volumes by 19.6% for the period. Critically, the price of bread breeched the key US$ 1 per loaf price point during the first half of the year. During the second half of the year, wheat prices reduced and this allowed a recovery in volumes during the period, which closed 3.7% below last year. Wheat prices are now at more typical historical levels, and we are hopeful of an improved volume trend in the year ahead.

The installation of the new Buhler mill at our Bulawayo site was concluded towards the end of the year. The new mill will increase wheat milling capacity by around 2,000 tonnes per month, and although it has only recently been commissioned, is so far delivering the expected operational improvements.

The local winter wheat harvest was most encouraging, and together with the carry-over surplus from last year suggests that the country will generally only need to import higher protein wheat for gristing, a very welcome development.

#### Stockfeeds

Stockfeed volumes were firm, increasing by 10% when compared to prior year, with the growth coming across all the major categories, with robust demand in the poultry, beef and dairy sectors.

The robust demand across the protein value chain is very encouraging, and to support the expected increased demand for stockfeed further investment into storage capacity and product handling efficiency is currently under consideration.

#### Maize Milling

Maize volumes were disappointing, declining by 9.4% versus the prior year. The year was characterised by various procurement related distortions which hampered consistent trade. Initially, various distortions arose in purchasing the local maize crop in the first quarter, before volumes recovered in the middle of the year as the local crop dried up, until finally later in the year volumes were impacted by the re-opening of the borders to finished product.

# Chairman's Statement (continued)

### Operations Review (continued)

**Downpacked**

Volumes in the Downpacked unit, which primarily packs rice and salt saw encouraging growth of 14% versus last year. Rice volume growth continued to be largely driven by the informal sector, and likely benefited from the elevated prices in the wheat to bread value chain.

Planning for the construction of the new rice packing facility is progressing, and we will be looking to construct this facility in 2024.

**Cereals**

Volumes in the cereals unit grew by 47% year on year. The second phase of our breakfast cereal investment was commissioned towards the end of the first half, resulting in the launch of a new range of breakfast cereals including corn flakes, bran flakes, wholegrain flakes, and instant cereals.

Our objective is to deliver a range of cost effective, healthy, and nutritious breakfast cereal range for the market, as articulated by the "Breakfast is for Everyone" by line in the various promotional activities. Post year end, a range of cereals under the "Nutri-Pops" brand has been launched, with this product aimed at younger consumers. In addition, we have also entered the Baby Cereal market under the Nutri-B brand.

The response of the market to these new products has been encouraging, both in terms of quality and affordability, and we remain encouraged at the longer-term prospects for this unit.

**Snacks**

Volumes in this Division increased by 25% against the prior year, as capacity enhancements came on stream and the "King" and "Zapnax" brands continued to show volume growth. A great deal of work has been done on the route to market for our Snacks products to ensure they are consistently available at the point of purchase, and with continued capacity coming on stream in the new year we see sustained volume momentum in the period ahead.

**Biscuits**

Biscuit volumes declined by 1.8% compared to last year. The category was under pressure due to flour price increases and the challenges faced by the modern trade.

As previously advised, the Board has approved the purchase of a new biscuit line, which will allow National Foods to extend its biscuit portfolio beyond the current basic loose biscuit proposition to more specialised biscuits such as creams. Work on the project has commenced and the new line is expected to be commissioned early in 2024.


National Foods continues to keenly support contract farming of various cereal crops, principally maize, soya beans and wheat.

7,000 tonnes of soya grown under the scheme were purchased.





# Chairman's Statement (continued)

### Operations Review (continued)

**Pasta**

The installation of the new pasta line in Harare is on track and the line is expected to be commissioned late in 2023. The line will be the only large-scale pasta line in the country and our objective is to meet the growing local demand for pasta. This represents, in our view, the exciting localisation of a key value chain, from the growing of the wheat locally to the importation of pasta, which until now has mostly been imported.

**Contract Farming**

National Foods continues to keenly support contract farming of various cereal crops, principally maize, soya beans and wheat. The Group acts as the largest off-taker to the PHI/A Growth contract farming scheme, and during the recently ended summer harvest, around 30,000 tonnes of wheat and 7,000 tonnes of soya grown under the scheme were purchased. In terms of the current winter wheat crop, the PHI/A Growth contracted farmers have planted 6,500 hectares, with harvesting of this crop expected to commence soon.

### Corporate Social Responsibility (CSR)

National Foods believes in contributing to the welfare of the community and continues to support a wide range of causes through its comprehensive CSR program. The company supports 48 registered institutions spread across 9 of the country's provinces with regular food supplies and assists with a number of wildlife conservation initiatives. A wide range of organisations are assisted including orphanages, special needs groups, vulnerable women and children, schools, hospitals, and churches as well as animal welfare and conservation programs.

During the past year, as National Foods migrated its listing to the Victoria Falls Stock Exchange, it was decided to express our appreciation to the community of Victoria Falls. To this end, National Foods paid the school fees of 20 vulnerable children from the local community, an initiative which will be continued for the duration of their school careers.

The Group participates in and supports a number of other worthy causes in various fields from education to the vulnerable to sport.

### Future Prospects

The past year has been a challenging one for the Group, with a complex set of dynamics including the fluid operating environment as well as the inflationary pressures from global commodity prices having to be carefully managed.

The Group is encouraged by the recent economic stability, which if maintained, allows our management team to focus on their core mandate of better serving the consumer.

While the financial results for the year were disappointing from a profitability standpoint, there was significant and exciting progress in terms of our new product portfolio. The year ahead will see the commissioning of the new biscuit and pasta lines and landing these products in the hearts and minds of the consumer will be a key priority in the year ahead. The second phase of the breakfast cereal facility was commissioned during the year, and so far, the new products have been well received by consumers. The core commodity business units are showing signs of steady recovery with the normalisation in commodity prices, and our management teams will continue to focus on operating efficiencies and product quality in these units.

### Final Dividend

The Board is pleased to declare a final dividend of US1.15 cents per share (2022: US5.95 cents per share) payable in respect of all ordinary shares of the Company bringing the total dividend to US4.05 cents per share (2022: US5.95 cents per share and ZW$1 103 cents per share). This dividend is in respect of the financial year ending 30th June 2023 and will be payable to all the shareholders of the Company registered at the close of business on the 13th of October 2023.

The payment of the final dividend will take place on or around the 8th of November 2023. The shares of the Company will be traded cum-dividend on the Victoria Falls Stock Exchange up to the market day of the 10th of October 2023 and ex-dividend from the 11th of October 2023.

### Acknowledgement and Appreciation

I would like to express my sincere appreciation to all of our stakeholders for their support over the past year. Thank you sincerely to the management and employees of National Foods for their on-going dedication and commitment. Our Board has continued to provide wise counsel and guidance as we embark on this exciting phase of development. Finally, and perhaps most importantly, I would like to recognise the Zimbabwean consumer and express gratitude for the support of our brands, and to assure them of our wholehearted dedication as we continue to improve our offering of affordable and nutritious food products.

**Todd Moyo**
Independent, Non-Executive Chairman
26 September 2023

# Governance

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# Directorate and Administration

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

As at 30 June 2023, the following individuals constituted our Board:

## Board of Directors

**Todd Moyo**
**Independent Non-Executive Chairman**
(Appointed 2001)

Mr Todd Moyo is a Chartered Accountant by profession being a Fellow Member of the Institute of Chartered Accountants of Zimbabwe (ICAZ) as well as an ordinary member of the South African Institute of Chartered Accountants (SAICA) after completing his Bachelor of Accountancy (Hon.) degree at the University of Zimbabwe. Mr Moyo was, until recently, the Chief Executive Officer of Datlabs (Private) Limited and was previously the Executive Chairman of the same company. He is currently a Non-Executive Chairman of PPC Zimbabwe and National Foods Holdings Limited. Mr Moyo has extensive experience in manufacturing, distribution, healthcare services, property, food packaging, textile, transport, education, retailing, cement, and financial services (banking and insurance), Information Technology and corporate action activities in various corporates in Zimbabwe and South Africa. He has previously served on various boards of listed and unlisted companies including their various committees.

**Michael Lashbrook**
**Chief Executive Officer**
(Appointed 2015)

Mr Michael Lashbrook has been CEO of National Foods since January 2015. He joined the company in 2008 as Operations Director. Michael has spent his entire career in the agricultural sector in Zimbabwe. He holds a BSc. Agriculture from the University of Natal and an MBA from the University of Southern Queensland.

**Lovejoy Nyandoro**
**Group Finance Director**
(Appointed 2016)

Mr Lovejoy Nyandoro is a Chartered Accountant with several years' experience in accounting and finance. Lovejoy completed his articles of clerkship with Deloitte in 2000 and is a member of the Institute of Chartered Accountants Zimbabwe. Thereafter, Lovejoy Nyandoro worked in the corporate sector before joining the National Foods Group in 2005. He served the Group in various financial and managerial roles and gained broad experience within the organisation. He was appointed to the National Foods Holdings Limited Board in 2016 as Group Finance Director. Lovejoy holds a Bachelor of Accounting Science Honours Degree from the University of South Africa and a Bachelor of Science Mathematics Honours Degree from the University of Zimbabwe.

**Godfrey Gwainda**
**Non-Executive and Non-independent Director**
(Appointed 2016)

Mr Godfrey Gwainda is a Chartered Accountant with over twenty years of experience in accounting and finance. Godfrey completed his articles of clerkship with KPMG and qualified as a Chartered Accountant in 2000 and is registered as a Public Accountant. In September 2001, he joined Innscor and has held a number of financial and managerial positions. In January 2015, Godfrey was appointed to the main Board of Innscor as Group Financial Director.



# Directorate and Administration (continued)

Godfrey is a member of the Innscor Group's Executive Committee and chairs the Finance and Investment Committee. Godfrey holds a Bachelor of Accountancy (Honours) from the University of Zimbabwe, a Bachelor of Accounting Science Honours Degree from the University of South Africa, and an MBA with the Henley Business School at the University of Reading.

**Noel Doyle**
**Non-Executive and Non-independent Director**
(Appointed 2012)

Mr Noel Patrick Doyle is a qualified accountant FCA CA (SA). He worked in financial roles for Price Waterhouse and Southern Sun before joining Tiger Brands in 1988 where he was Corporate Financial Services Director. He then held various line management positions including the Baking, Wheat milling, Oats and Sorghum businesses prior to becoming Group CFO in 2004. He was appointed to the Tiger Board in 2006 and in addition to his role as CFO, he was responsible for IT, investor relations as well as Tiger fishing interests. He served on the board of Sea Harvest and Oceana as well as Tiger Chilean associate Empressas Carozzi. He then left Tiger in 2008. After serving as CEO of diversified Motor Group Bluespec Holdings for a year in 2008, Noel joined Nandos as CEO of the Southern African business in 2009. He re-joined Tiger Brands in July 2012 as Business Executive responsible for the Grains portfolio in South Africa and Nigeria.

In 2014 and 2015, his responsibilities were extended to include Tiger's operations in Nigeria, Kenya and Ethiopia. He also served as a Non-Executive Director of Oceana Group Holdings Limited and Dangote Flour Milling PLC, Nigeria. In 2015 he was appointed Chief Operating Officer and Chief Financial Officer in 2016, prior to his appointment on 1 February 2020 as Chief Executive Officer.

**Julian Schonken**
**Non-Executive and Non-independent Director**
(Appointed 2015)

Mr Julian Schonken, completed his tertiary education at Rhodes University in South Africa, where he attained a Bachelor of Commerce degree. In 1999 and shortly after completing his articles of clerkship and qualifying as a Chartered Accountant (Zimbabwe) with Deloitte, Julian joined Innscor and has held a number of financial and managerial positions during his 24 years with the Innscor Group. In October 2007, Julian was appointed to the main Board of Innscor as Group Financial Director; in January 2015 Julian accepted appointment as Executive Director for the Light Manufacturing Division of Innscor and in September 2016, was appointed as Group Chief Executive Officer. Julian currently chairs the Group's Executive Committee and is a member of its Finance and Investment Committee; he also sits on the boards and committees of a number of Innscor's operating business units.

**Manoj Naran**
**Non-Executive and Non-independent Director**
(Appointed 2020)

Mr Manoj Naran is a Chartered Accountant with vast experience in the Milling as well as the broader FMCG sectors. He started his career as an Internal Auditor in 1995 and completed his Articles with Fisher Hoffman PKF in 2002. He has held various senior financial roles in the FMCG field over the past 15 years. Manoj joined Tiger Brands in April 2010 as Finance Director of Jungle and King Foods and later moved to the Milling Division where he was appointed Managing Director in January 2019.

**Yokesh Maharaj** (Alternate)
**Non-Executive and Non-independent Director**
(Appointed 2022)

Mr Yokesh Maharaj holds a BBA from the University of KZN and BTech from the Durban University of Technology. He rejoined Tiger Brands from Mondelez where he was President for Sub-Saharan Africa. During his previous tenure at Tiger Brands, he was Chief Growth Officer for Exports, International and Consumer Brands. He has a long track record in the FMCG industry and broad experience in working across Africa. Yokesh previously held the position of Managing Director at Africa at Distell Limited and spent 17 years at South African Breweries (SAB). During his tenure at SAB, Yokesh held the positions of Executive Director: Sales & Distribution, Executive Director: HR, and President of SAB, following the AB InBev acquisition.

# Directorate and Administration (continued)

## National Foods Limited

### Group Executive

| | |
|---|---|
| M. Lashbrook | Chief Executive Officer |
| L. Nyandoro | Group Finance Director |
| L. Kutinyu | Group Marketing Executive |
| S. Mamutse | Group Sales Executive |
| A. Pawarikanda | Group HR Executive |
| L. C. Howes | Group Legal Counsel & Company Secretary |

### Corporate & Treasury

| | |
|---|---|
| M. Chirombo | Group Finance Executive |
| N. Mkandla | Group Services Executive |

## Division Management

### Flour Milling

| | |
|---|---|
| S. Beamish | Managing Executive |
| M. Luka | Finance Executive |
| N. Moyo | Operations Executive |

### Maize Milling

| | |
|---|---|
| C. Nheta | Managing Executive |
| L. Malunga | Finance Executive |

### Stockfeeds

| | |
|---|---|
| S. Viviers | Managing Executive |
| T. Maphosa | Finance Executive |

### Snacks and Biscuits

| | |
|---|---|
| A. Kambasha | Managing Executive |
| O. Marufu | Finance Executive |

### Traded Goods

| | |
|---|---|
| N. Weller | Managing Executive |
| E. Matienga | Finance Executive |

### Biscuits

| | |
|---|---|
| N. Mhizha | Managing Executive |
| O. Marufu | Finance Executive |

### Downpacked

| | |
|---|---|
| V. Swami | Managing Executive |
| E. Matienga | Finance Executive |

### Cereals, Culinary and Baby (CCB)

| | |
|---|---|
| W. Kapfupi | Managing Executive |
| L. Malunga | Finance Executive |

### ASSOCIATE COMPANIES

#### National Foods Logistics (Private) Limited

| | |
|---|---|
| B. Dube | Managing Director |
| N. Mashavave | Finance Manager |

# Corporate Governance

National Foods Holdings Limited 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 Board is committed to sound corporate governance values and ensuring responsible business conduct in value chains. The Group will continue to align its governance practices with requirements of the Companies and Other Business Entities Act [24:31], Securities and Exchange (Victoria Falls Listing Requirements) Rules, the National Code of Corporate Governance Zimbabwe (2014) and other internationally recognised corporate governance codes.





## Corporate Governance (continued)

Our corporate governance system's goal is to ensure that directors and managers, faithfully and effectively, carry out their responsibilities while 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 Group. The Group governance practices are strong and adhere 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.

### Board Composition

National Foods ensures that the Board is adequately represented with the required skills and experience necessary to achieve the Company's goals. The majority of Directors of the Holding company are non-executive which brings a valuable and unbiased perspective to matters of strategy and performance. The Group Chairman is an independent non-executive Director. The members have sound leadership qualities and core competencies required by the Group including accounting, financial expertise, business and managerial experience, industry knowledge and strategic planning.

### Board Responsibility

The Board meets on a quarterly basis to review strategy, planning, operational performance, acquisitions and disposals, stakeholder communications and other material matters relating to the performance of executive management. Managerial levels of authority have been established for capital expenditure projects and the acquisition and disposal of assets. However, decisions of a material nature are taken by the Board of Directors and senior management, who constitute key management and whose remuneration is disclosed in Note 21.8.

The Directors have access to the advice and services of the Company Secretary for ensuring compliance with procedures and regulations. Directors are entitled to seek independent professional advice about the affairs of the Group, if they believe that the intended course of action would be in the best interest of the Group.

### Nomination and Appointment of Board Members

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

### Remuneration Policy

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

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

### Executive Remuneration

The remuneration packages of the executive directors comprise an annual salary, benefits, as well as short-term and long-term incentive schemes. The process for determining remuneration is guided by the internal remuneration committee guidelines.

### Ethics and Share Dealings

Directors and employees are required to observe the highest ethical standards, ensuring that business practices are conducted in a manner that is beyond reproach under reasonable circumstances. The Group adheres to a closed period preceding the publication of its quarterly, interim, and full year financial results. During this period, directors, officers, and employees are prohibited from trading in the shares of the Holding company. Where appropriate, the closing period may be extended to include other sensitive periods. The Directors and Key Management sign a declaration of interest and any conflict arising in carrying out their effective roles and responsibilities to the Group.

### Strategic Planning Process

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

### Stakeholder Engagements with the Board

Our business is defined by the inclusion of a diverse range of perspectives from our stakeholders. In support of this principle, stakeholder engagement is at the centre of what we do and integrated at every level. The Board of Directors have direct access to the concerns and views of our stakeholders through the Annual General Meetings, Board and Committee Meetings, the Company Secretary, and the Chairman.

### Sustainability Governance

The Board has established a number of sustainability targets that are monitored and reported on annual basis. The Audit Committee reviews and advises on sustainability policies and practices to ensure that these are discussed, understood, owned, and promoted at Board level.

# Corporate Governance (continued)

## Board Committees

| Committee | Members | Responsibilities |
|---|---|---|
| **Audit and Risk Committee** | **G. Gwainda** (Chairman)<br>N. Doyle<br>T. Moyo<br>M. Naran (Alternate)<br>J. Schonken (Alternate)<br>Y. Maharaj (Alternate) | The committee comprises non-executive directors and is chaired by a non-executive director. The internal and external auditors have unrestricted access to this committee. The committee monitors and reviews:<br>▪ 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.<br>▪ the consistency of the Group's accounting policies.<br>▪ the effectiveness of the Board and making recommendations to the Board on, the Group's accounting, risk, and internal control systems.<br>▪ the effectiveness of the Company's internal audit function; and,<br>▪ 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.<br><br>The Board is satisfied with the level of experience and competency of committee members. |
| **Remuneration Committee** | **J. Schonken** (Chairman)<br>N. Doyle<br>M. Naran (Alternate)<br>G. Gwainda (Alternate) | The committee comprises non-executive directors and is chaired by a non-executive director. The chairman of the committee is obliged to report to the Board on its deliberations. The committee is responsible for the Group's Remuneration policy that seeks to provide packages that attract, retain and motivate high-calibre individuals who contribute to the sustainable growth and success of each of the businesses in which the Group operates. Packages primarily include basic salaries as well as performance-related short and long-term incentive schemes.<br><br>The Board is satisfied with the level of experience and competency of committee members. |



# Corporate Governance (continued)

## During the reporting period, committee meeting attendance was as follows:

| Director | Main Board (Meetings) | Audit and risk (Meetings) | AGM & EGM | Remuneration (Meetings) |
|---|---|---|---|---|
| T. Moyo | 5/5 | 3/3 | | |
| M. Lashbrook | 5/5 | 3/3 | 2/2 | |
| L. Nyandoro | 5/5 | 3/3 | 2/2 | |
| N. Doyle | 4/5 | 2/3 | | 3/3 |
| M. Naran | 5/5 | 3/3 | 2/2 | 3/3 |
| J. Schonken | 4/5 | 3/3 | | 3/3 |
| G. Gwainda | 5/5 | 3/3 | 2/2 | 3/3 |
| Y. Maharaj | 5/5 | 3/3 | 2/2 | 3/3 |

# Risk Management

**Risk Management is a fundamental aspect of National Foods' business planning processes and plays a central role in achieving its strategic goals. It ensures that we continue to safeguard the interest of our stakeholders while generating sustainable business growth.**

We have established a robust risk management framework that provides a common benchmark to identify, prioritise and manage risks while leveraging opportunities across our business.

## Risk Governance

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

## Risk Management Framework

National Foods regularly evaluates risks facing the business and proactively develops strategies to manage or mitigate them to ensure long-term success and sustainability. National Foods recognises the need to maintain strong stakeholder communication, ensuring that they are kept informed about the measures taken to address these challenges.

Within our operations, we use a cyclical approach to risk management that encompasses four key stages: identification, prioritisation, responding and reviewing. During the identification stage, we strive to identify and understand potential risks that may impact our operations. These risks are then prioritised based on their likelihood of occurrence and the potential impact they may have on our operations. The Group responds with risk mitigatory measures that achieve an appropriate balance between cost and benefits. The same risk treatment process is applied in the exploitation of opportunities identified in the risk management process. The precautionary principle is also a significant element of the risk management system for the Group, guiding us in assessing environmental risk. We continuously review our risk profile to ensure it is up to date and preserve company value for the benefit of all stakeholders


*The board provides guidance on tolerable risks, risk appetite and the adequacy of prevailing controls in managing risks while the executive management is responsible for the implementation of the risk management process.*

# Risk Management (continued)

**Key Business Risks**

The key risks facing the Group and considered by the Board and management are detailed below. These are not the only risks facing the Group as there may be additional risks not currently known to us or that we deem to be immaterial, which may adversely affect business, financial position, and operations in future periods.

**Regulatory**

The business environment is characterised by policy inconsistencies, fluctuating exchange rates, and hyperinflationary effects impacting the pricing of goods. Key issues relate to taxation, currency management, exchange control and bank policies. Changes in domestic regulations or policies related to food manufacturing, distribution, and sales could impact operational efficiency and profitability. Such changes could lead to increased operational costs, reduced market access, and potential disruptions in the supply chain.

The regulatory environment remains unpredictable impacting our short to medium term planning, thereby increasing the risk of doing business. There was rapid devaluation of the Zimbabwean dollar in the second half of the financial year. The formal trade, began to run out of working capital to finance stocks, leading to a shortage of basic commodities in formal channels. This was exacerbated by suppliers shortening terms and/or completely removing ZWL credit as devaluation accelerated. The Government introduced various measures meant to curb inflation, encourage banking of foreign currency, and promote the use of local currency.

**Contagion risk**

The Group extends secured and unsecured credit to its customers and deals with bank and financial institutions. Volatility and uncertainty in the operating environment could lead to financial instability of trading partners, including suppliers and large customers. This could result in payments default or disrupted business relationships, collapse, bankruptcy, and insolvency of our key counterparties, resulting in contagion risk. Increased credit risk and potential cash flow challenges could have a knock-on effect on the Group's financial health and operational continuity. The Company continues to carry out due diligence on all counterparties as appropriate and regularly reviews the credit policy in line with customer performance and the operating environment.

**Limited Availability of Foreign Currency**

Restrictions in accessing foreign currency coupled with its limited availability could impede the Company's ability to timely import critical raw materials and machinery causing delays or disruptions to production schedules, increased operational costs, and potential challenges in meeting market demand. In response, the Company sources packaging and raw materials locally as far as is feasible.





# Risk Management (continued)

**Increase in Competitor Activity**

The entry of new competitors focusing on localised distribution, low quality basic commodities while employing highly competitive pricing strategies and the expansion of existing ones into new categories could reduce market share and margins. As such, heightened competition might necessitate increased market spend, leading to thinner margins and a shift in consumer loyalty. We continue to offer a competitive product range across market segments.

**Instability in the Availability and Supply of Raw Material and Utilities**

**Unstable Availability and Supply of Raw Material**

The Group relies on agricultural raw materials that include grains such as maize, rice, and wheat, whose supply is impacted by adverse weather patterns and decreased agricultural productivity in the country and region, resulting in the local market being short of the required raw materials. The Company has locked in beneficial arrangements with local suppliers and maintains an adequate pipeline from regional imports and deep seas to ensure stock availability.

**Unstable Availability and Supply of Power**

Inconsistent power supplies or outages could disrupt manufacturing processes and impact product quality, as well as lead to increased operational costs due to reliance on backup power solutions, potential product waste, and challenges in meeting delivery timelines. The Company has installed backup generators at critical sites deemed necessary to enable continued operations during power outages and implemented power supply infrastructure upgrades at sites with aging and substandard infrastructure.

**Unstable Availability and Supply of Water**

Water scarcity or interruptions in water supply could hinder various production processes, given its critical role in food manufacturing, as well as lead to the possible shutdown or slowdown of certain production lines, increased costs from sourcing alternative water supplies, and potential product quality issues. The Company has supplementary borehole water facilities at all the sites.

**Ethics and Business Conduct**

National Foods is dedicated to upholding world-class standards of business conduct. Our objective is to fulfil our ambitions by faithfully and efficiently serving the needs of consumers while prioritising the interests of both business and society. Good ethics are important to how we conduct business. To ensure that our directors and employees observe the highest ethical standards, we have values and principles to guide them on the appropriate behaviours expected by the Group. Our Code of Ethics and standards of business conduct guide us in promoting equal opportunities and fairness while strengthening our reputation and relationships with stakeholders.

**Key elements of the Code include:**

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

Through coaching and mentorship, our employees are constantly reminded on the Company's approach to ethics and the behaviour expected of them. The behaviours are spelt out in the Group's Core Values, Code of Ethics, Code of Conduct and Standards of Business Conduct. Business partners, suppliers and other stakeholders are informed of appropriate ethical behaviours through contractual agreements.

# Risk Management (continued)

### Cybersecurity and Data Protection

The Group relies on information technology systems to process, transmit, and store electronic information. There are increasing cyber-attacks capabilities due to the rising level of sophistication within the cybercriminal world, which could result in business interruptions.

Technology evolves swiftly and operations are becoming more complex with the operational environment consequently becomes more challenging. Rapid technological changes are altering the way companies can be affected by malicious cyber activity. Any unauthorised access to the company's confidential data, strategic information, or its public disclosure could harm the company's reputation or impact its operations.

With the promulgation of the Data Protection Act (Chapter 11:22), there is now a risk of tighter regulations on access to personal data of customers.

Adequate cybersecurity management requires a strategic approach that involves implementing appropriate security controls, and preventing, detecting, and responding to cyber incidents as they occur. Cybersecurity management is a continuous process that adapts to the changing threat landscape and business environment, protecting the company's critical data from unauthorised access and use. Cyberattacks often result in substantial financial losses and potential consumer mistrust. As such, the Group ensures alignment of its data management systems to the Data Protection Act (Chapter 11:22). Through our processes, we aim to minimise the risk of fines and regulatory sanctions due to deliberate data loss, infiltration, or hacking of systems.

To help National Foods to promptly identify potential external and internal cybersecurity, various technologies and tools have been deployed relevant to the level of countermeasure required.






# Risk Management (continued)

### Cybersecurity and Data Protection (continued)

- National Foods has invested in a centralised system which is Cloud based. Cloud security and data security ensure critical systems, processes, and data are sufficiently protected from cybercriminals and other malicious players. Application security prevents applications used by employees from becoming points of vulnerability. Vulnerability management and risk and compliance services are needed to provide internal and third-party perspectives on points of cybersecurity weakness and areas for improvement.
- National Foods has digitalised its operations by investing in a Cloud based Enterprise Resource Planning (ERP) system SAP HANA Cloud. The SAP S/4 HANA Cloud, Private Edition provides a comprehensive set of features and capabilities that empower the business to standardise business processes, propel digital innovation and transformation, enhance security measures, and remain competitive in the digital age.

# Risk Management (continued)

### Cybersecurity and Data Protection (continued)

- SAP S/4 HANA provides a broad range of encryption capabilities, it has communication encryption, data-at-rest encryption as well as backup encryption which are always activated and are part of SAP S/4 HANA's core feature set. It provides all security related features such as Authentication, Authorisation, Encryption and Auditing.
- Users must have both the privilege(s) to perform operations in the SAP S/4 HANA Database and to access the resources to which the operation applies. Privileges are granted to users either directly, or indirectly through the roles that they have been granted. In this case, the privileges are inherited as roles are the standard mechanism of granting privileges to users.
- For system availability SAP Cloud provider for National Foods system; Microsoft Azure ensures system availability, minimizing downtime with redundancy and failover mechanisms.
- SAP is also responsible for implementing disaster recovery measure which include data backup and restore procedures to ensure data can be recovered in the event of a disaster.

## NFL launches SAP S/4Hana (Enterprise Resource Planning (ERP) system)

Due to the discontinuation of support for the previous ERP system, Sage 1000, the business made the decision to implement SAP S/4 Hana as a replacement.

After months of dedicated effort, this robust tool was successfully deployed on the 5th of July 2023, revolutionizing the Group's ability to streamline business processes.

Through this implementation, we anticipate improved productivity, efficiency, and customer service. This investment will establish a strong foundation for long-term success, sustainability and expansion.

Risk Management (continued)



*SAP Process Leads*

# Risk Management (continued)

### Anticorruption

The Company takes a comprehensive approach to anti-corruption management and recognises the impact that corruption poses to its financial stability, reputation, and ethical standing. We have therefore implemented robust procedures to prevent and detect corruption within all our operations and subsidiaries.

We are committed to maintaining the highest standards of integrity and ethical conduct and have developed procedures for effective reporting and investigation of any cases of misconduct. Investigations are conducted in a fair, non-prejudicial manner irrespective of the suspect's length of service, position and/or relationship to the Group.

Our anti-corruption culture encourages employees to timeously report all allegations or incidents of fraud, theft, and corruption. Apprehended employees may be subject to a disciplinary process or criminal investigation by the police authority.

Employees submit Tip Offs Anonymous Reports to ensure that all cases are raised for the attention of the Group and significant rewards are given for any useful information from whistle-blowers. NFL supports and fosters a culture of zero tolerance for fraud, corruption, and theft in all its activities.

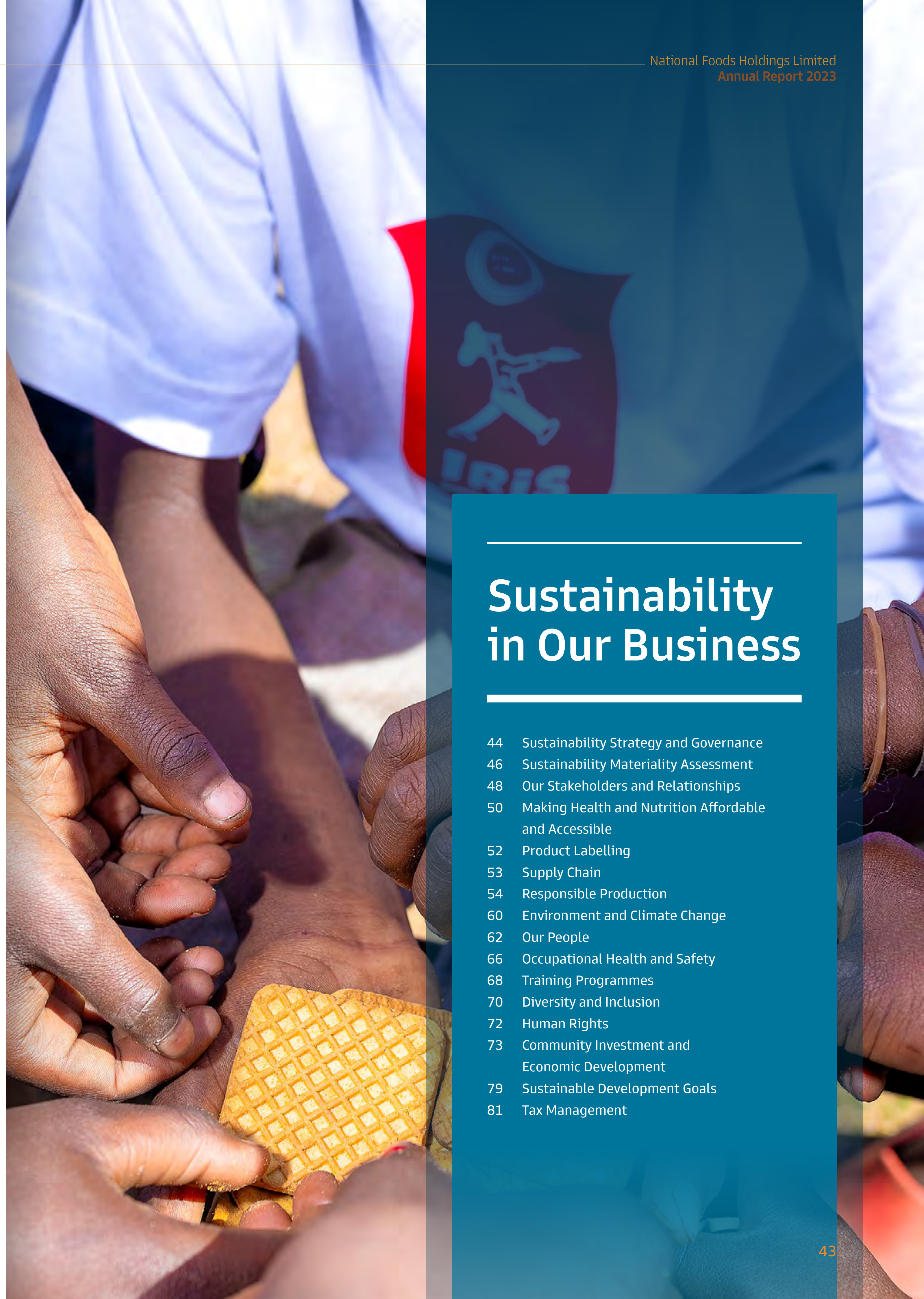
#### Whistle-blower system

The Group has a whistle-blower system independently managed under the Deloitte Tip-Offs platform. This system utilises hotlines and email channels for employees and stakeholders to report breaches of the Code of Ethics and Code of Conduct. Confidentiality is maintained throughout the process, providing reporters with the assurance of reporting fraudulent activities without fear of victimisation. The reported allegations are then investigated to substantiate breaches to the Code of Ethics and Code of Conduct. The Group deals accordingly with individuals found guilty. The repercussion of violating the Code of Conduct can lead to the suspension and dismissal of the individuals involved.

### Compliance

Ensuring regulatory compliance is a crucial task that requires attention to detail, knowledge of the relevant laws and standards, and effective communication with the authorities and customers. We place high value on being legally compliant with national and international standards to which the Group has been certified or licensed. Being a major producer of FMCG products for the Zimbabwean market, we adhere to the following national legislation:

- Companies and Other Business Entities Act [24:31]
- Factories and Works Act, Chapter 14:08
- Environmental Management Act (Chapter 20:27)
- Public Health Act (Chapter 15:09)
- Labour Act (Chapter 28:01)



# Sustainability in Our Business

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# Sustainability in Our Business

## Sustainability Strategy and Governance

Sustainability continues to be firmly embedded into the Group's corporate strategy. It is a significant driver of how the Company manages operational risk and drives the strategic positioning of the Group for long term business success. The Group aims to reduce its environmental impact, support local communities, and ensure the health and safety of its employees and customers.

National Foods applies international standards and certifications to manage sustainability issues relating to products and operations. The Group is certified for ISO 9001:2015- Quality Management System and FSSC 22000 Food Safety System Certification. Further the Group applies ISO 26000 standards to integrate socially responsible business conduct across the value chains.

The Group's sustainability strategy is based on the following four pillars through which a difference can be made to society:

**Health and Nutrition**

Through its products and services, the Group seeks to help consumers and society access affordable nutritional products as a means to end hunger and improve health.

**Responsible Production and Environmental Stewardship**

Production processes are monitored to ensure efficiency while reducing negative impacts associated with the Group's production processes and products.

**Our People and Society**

NFL is a hub of opportunity for surrounding communities and employees. The business seeks to create an atmosphere of respect, equal opportunity and diversity while investing back into its communities and helping solve local development challenges.

**Supply Chain and Agriculture**

The Group recognises that agricultural products are central to its business and their steady supply is critical for continued operations. It supports local farmers and suppliers enabling them to meet the increased demand for food as the national population grows. The business works together with supply chain partners to manage the risks that they create.





# Sustainability in Our Business (continued)

## Our Sustainability Strategy

# Sustainability in Our Business (continued)

## Sustainability Materiality Assessment

### Materiality Process

A materiality assessment is conducted annually to determine economic, environmental, social, and governance issues material to the business. The assessment is done in four stages namely: the identification of the topics, prioritisation of issues according to importance, validation for consistency and finally approval for reporting by management.

### Material Topics

Where issues are material, the Group's management devises appropriate remedies and updates stakeholders through the annual report, regular updates, and press releases.

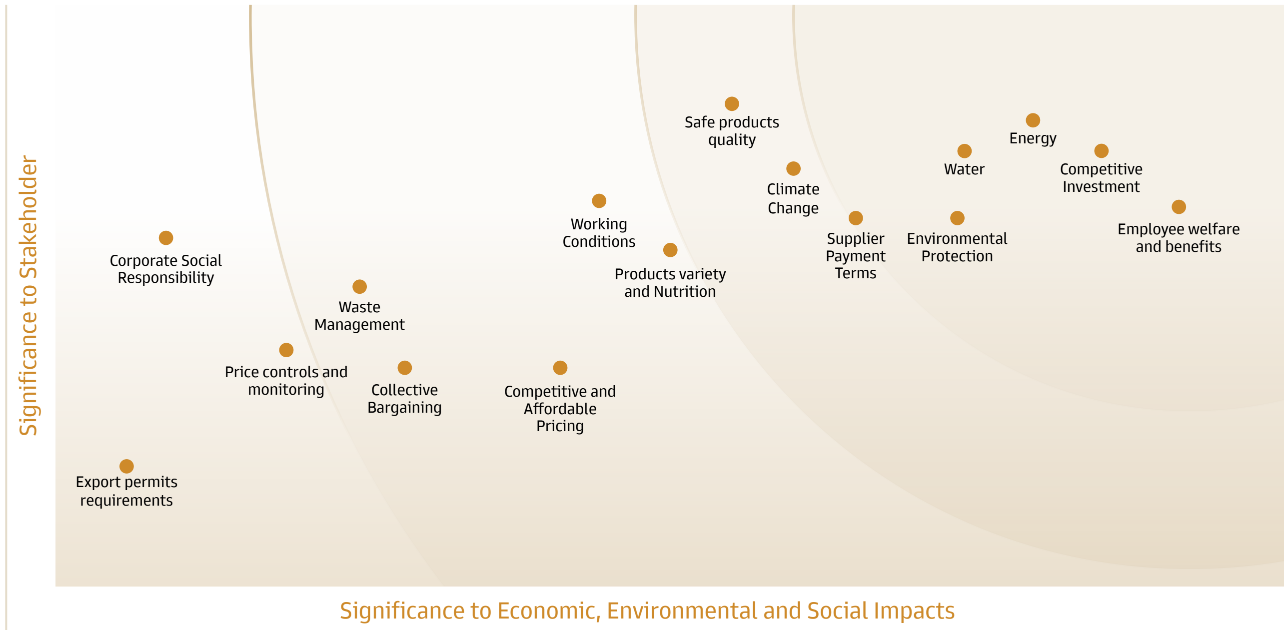
During the year, the following topics were identified as material to the business and our stakeholders:

| Economic | Environment | Social |
|---|---|---|
| Foreign Currency Availability | Energy Consumption and Preservation | Training and Education |
| Supply Chain Relationships | Water Consumption and Preservation | Health and Nutrition |
| Economic Performance | Environmental Compliance | Product Labelling and Marketing |
| Tax | Waste | Employment Policies and Relations |
| Indirect Economic Performance | Raw Materials | Staff Health and Welfare |
| Responsible Sourcing | Climate Change | Employee Benefits |
| Product Cost | | Customer Health and Safety |
| | | Product Quality |
| | | Anti-competitive Behaviour |
| | | Occupational Health and Safety |

Sustainability in Our Business (continued)

### Materiality Matrix

Material Topics




During the reporting period, the following issues were the most significant for the business and the stakeholders:

- Production Cost
- Product Quality
- Economic Performance
- Responsible Sourcing
- Customer Health and Safety

# Sustainability in Our Business (continued)

## Our Stakeholders and Relationships

The Group maintains sustainable relations with stakeholders, upholding shared values in the spirit of inclusivity and fostering strong relational capital.

Sustainable relationships are believed to be critical for long term value creation and business success. The relationships that have been built over the decades continue to inform the management of enterprise risk and business development. During the year, various stakeholders were engaged whose issues informed contents of this report.

Our engagements are presented below:

| Stakeholder | Material Issues Raised | Mitigation Measures | Communication Channels |
|---|---|---|---|
| Employees | ▪ Engagement & inclusion<br>▪ Employee benefits | ▪ Employee engagements<br>▪ Review of Worker's Trust benefits | ▪ Work Council Meetings<br>▪ Face to face interaction<br>▪ Noticeboards/ NFL communications via emails<br>▪ Line Manager Engagement<br>▪ Executive Committee cascades on employee benefits<br>▪ CEO engagements<br>▪ Code of Conduct<br>▪ Code of Ethics |
| Suppliers | ▪ Timely payments<br>▪ Supply of raw materials<br>▪ Adherence to project timelines.<br>▪ Contract agreements. | ▪ Frequent cash flow planning<br>▪ Securing raw material contracts<br>▪ Progressing and resolving queries. | ▪ Face to face meetings |
| Industry | ▪ Multi-stakeholder engagements on issues affecting the business<br>▪ Membership issues | ▪ Alignment on long term strategy on trading environment.<br>▪ Lobbying for key enablers for food security and business viability.<br>▪ Lobbying for duty protection on cheap flour and price review of bread flour.<br>▪ Review of the overall Zimbabwean Stockfeed market. | ▪ Direct meetings and updates with key industry players<br>▪ Participation in lobby forums both directly and through various associations such as the Grain Millers Association (GMAZ), Confederation of Zimbabwe Industries (CZI), Zimbabwe National Chamber of Commerce (ZNCC), Buy Zimbabwe, and Stockfeeds Manufacturers Association (SMA). |



Sustainability in Our Business (continued)

| Stakeholder | Material Issues Raised | Mitigation Measures | Communication Channels |
|---|---|---|---|
| Government/ Regulators | ▪ Trading environment<br>▪ Regulator audits<br>▪ Duty | ▪ Lobbying key enablers for food security and business viability.<br>▪ Compliance with regulations.<br>▪ Lobbying for duty protection on cheap imported maize meal from South Africa.<br>▪ Lobbying for duty protection on cheap flour and price review of bread flour. | ▪ Direct meetings and updates<br>▪ Regulator audits<br>▪ Direct meetings and lobby forums with regulator |
| Shareholders and Potential Investors | ▪ Competitive returns<br>▪ Regulatory compliance<br>▪ Business performance updates | ▪ Improved profitability & returns year on year.<br>▪ Enhanced governance oversight by the Board.<br>▪ 5-year NFL strategy. | ▪ Annual Report<br>▪ Annual General Meeting<br>▪ Bi-annual results release<br>▪ Website updates<br>▪ Face to face meetings |
| Customers and Consumers | ▪ Safe quality products<br>▪ Nutritious options<br>▪ Innovative products | ▪ Rigorous quality checks and balances<br>▪ Continuous product development<br>▪ Performance reviews with key customers on performance and upcoming focus areas. | ▪ Food safety standards<br>▪ Regular meetings with key account contacts<br>▪ Consumer and customer surveys<br>▪ Consumer and customer immersions. |
| Local Communities | ▪ Economic Development<br>▪ Environmental Protection<br>▪ Engagement with beneficiaries | ▪ Compliance with legislations<br>▪ Responsiveness to community development needs | ▪ Corporate Social Responsibility (CSR)<br>▪ Community Social Investments (CSI) |

# Sustainability in Our Business

## Making Health and Nutrition Affordable and Accessible

NFL provides affordable nutritional products that enhance consumers lives and improve overall health and wellbeing. Our snacks and biscuits portfolio offers alternative snacking choices made with premium ingredients, ensuring the highest quality in manufacturing.

As consumer needs and governmental regulations occasionally change, the Group's systems are geared to respond in a timely manner to ensure consumer satisfaction and legal compliance

### Food Safety and Quality

National Foods places a strong emphasis on food safety and quality to ensure sustainable growth. Robust systems and certifications, such as FSSC 22000, ISO 9001 and supporting policies are in place to ensure compliance to global standards. These systems encompass various processes from raw material testing to compliance with food regulations. The company strives to produce high-quality products that meet international standards and aims for 100% quality assurance with minimal product litigation and customer complaints. Continuous improvement and maintaining high standards are key priorities for National Foods.

### Product Health and Nutrition

As a leading manufacturer of food products, National Foods prides itself in manufacturing products that meet the health, safety and nutritional needs of the nation. The Group's approach to product health and nutrition hinges upon outcomes from the latest scientific research with the aim of providing superior products. The business understands that the health and wellbeing of its customers is directly related to the quality of its products, and therefore ensures all its products are of the highest quality that meet customer needs and expectations compliant with nutrition mandates mandates and fortification requirements.

To ensure consistent compliance to local and global food quality and safety standards, the laboratory personnel continually analyse products and employ appropriate corrective measures as necessary. No products are released into the market without going through quality control inspections.





# Sustainability in Our Business (continued)

### Product Innovation

NFL is experiencing exciting growth by introducing unique and innovative products that add value to nutrition and bring excitement to the food industry. The research and development teams are continuously working on a wide range of new ideas, testing, and improving them to make consumers happy. The Company's focus is on creating a wide range of nutritious, affordable, and sustainable products that meet the changing needs of consumers. These innovations have made NFL's brands more relevant and have opened the door to sustainable business growth. By doing this, the Company aims to support people and animals throughout their lives, both now and in the future.

In 2023, National Foods launched the New Nutri Active Cereals range, which provides delicious, affordable, and easily accessible nutrition. Additionally, during the same period, the company introduced the Corn-Soya Blend, a high-energy cereal that received positive feedback from the NGO community due to its affordability and nutritional value.

### Nutri Active Nutri Boost Range

The Nutri Boost range offers a delightfully crunchy and distinctive experience, introducing a fresh and enticing breakfast option for consumers. It is thoughtfully crafted to be low in sugar while providing exceptional nutritional value.


### Nutri Active Nutri Krunch Range

With its rich fibre content, this meticulously blended product captures the authentic taste and natural sweetness of cereals. It eliminates the need for additional sugar and contains no additives, making it an innovative and wholesome choice.


### Nutri Active Nutri Pops Range

Nutri Pops offers a nutritious and exciting breakfast cereal that not only provides a delightful experience but also promotes health. It is low in sugar, high in fibre, and fortified with essential vitamins and minerals.

# Sustainability in Our Business

### Product Labelling

**Product labelling is essential to ensure appropriate product information is available for consumers to make an educated purchasing decision, especially with regards to ingredients, allergy warnings, expiry dates and handling instructions.**

For its product labelling, the Group follows Zimbabwe's Food & Food Standards (Food Labelling) Act (Chapter 15:05), the international food standards guidelines, the Codex Alimentarius Commission (CAC)'s Labelling Guidelines and for the Group's Stockfeed division, Stockfeed Manufacturing Association (SMA) Labelling Guidelines.

All NFL products carry environmental protection signs: 'Do not litter' and 'Recycle' to promote responsible downstream waste management. In addition, the locally manufactured lines bear the 'Buy Zimbabwe' logo and where relevant carry the food fortification icons. These labels and claims are validated and endorsed by relevant professionals and regulatory bodies.

The Group has a 3-tier process involving multi-disciplinary sign-off of all labels, legal compliance checks, and market surveys to ensure products are compliant with local and global best practices. Executive team trade visits, spot checks, internal audits and label signoffs ensure the business's processes are effective.

### Product Marketing

The Marketing team diligently ensures that products are marketed in a fair and responsible manner, safeguarding the reputation of the NFL brands and maintaining the trust established over a century. All advertisements undergo thorough evaluation and obtain necessary approvals prior to usage. Trade partners are expected to uphold NFL's values when representing our products or brands in any platform or forum.

### Customer Satisfaction

Customer satisfaction is a crucial factor for the success of the business, as it reflects the extent to which our products and services meet consumers needs and expectations. The Group strives to attain a high level of consumer and customer satisfaction in order to foster loyalty. This is achieved by prioritizing the provision of quality products, offering competitive prices, ensuring timely delivery, and continuously seeking opportunities for improvement.






# Sustainability in Our Business (continued)

### Supply Chain

**The business relies on a resilient supply chain of farmers, ingredient suppliers and service providers among others, that supports the production of products central to the business.**

The Company has developed a system for managing the supply chain and agricultural impact which is enforced through the Group Procurement Policy.

The Supply Chain is designed for environmental stewardship, to uphold human rights, and support local businesses and farmers. The system enables the screening of suppliers based on track record and consideration of sustainability issues such as environmental impact, social behaviour, corruption, statutory compliance, and human rights practices. Maintaining a sustainable value chain is a critical component as it sustains the NFL brands and reputation.

Agricultural products are central to the business and their steady supply is critical for continued operations. The Company supports local farmers and suppliers through supply chain partners enabling them to meet the increased demand for food as the population grows. These suppliers enable the Company to meet the ever-changing consumer needs by delivering quality raw materials required for production.

The resilience rather than just the efficiency and optimisation of the supply chain has become critical following global supply chain disruptions, such as the effects of the war in Ukraine. Global supply chain disruptions due to pandemics, climate change and/or wars have reinforced the need for the business to adapt its supply chain strategies by focusing on resilience to disruptions in order to mitigate any potential socio-economic impacts. Through mapping supply chain vulnerabilities and corresponding procurement planning, the Company aims to offset procurement delays, especially of critical stocks for the business.

### Responsible Value Chain

The Group is cognisant of the associated business risks created by the behaviours and practices of suppliers. By working with suppliers' negative impacts such as child labour, human rights violations, stream bank cultivation, farming on wetlands, among other impacts can be averted. While a robust system for uniformly auditing suppliers against environmental and social criteria has not yet been developed, suppliers are expected to operate in line with Group values, adhering to national laws, international health and safety standards and ethics in the supply chain business relationships. Suppliers are urged to operate ethically and uphold the highest standards of environmental and social practices. NFL seeks to partner with them to set and meet the minimum social, ethical, and environmental standards expected as part of the relationships.

### Responsible Sourcing

As a good corporate citizen, National Foods recognises the increasing importance of implementing responsible supply chain management procedures. The highest standards of quality, safety and environmental protection are adhered to at every stage of the operations, from the extraction of raw materials to the delivery of finished products. The Group understands that by being responsible and accountable for sourcing and supply chain management, the long-term value for the Company and our stakeholders is created.

The Company gives back to the community by sourcing and using locally produced raw materials whenever possible, and this assists in supporting the local economy and improving job opportunities. In FY2024 the Group will carry out regular internal training of the procurement personnel on laws and regulations regarding responsible sourcing and supply chain management. Part of the due diligence carried out entails checking for supplier compliance with the Code of Ethics which includes their efforts for human rights, environmental and safety initiatives, and this oversight is vital to the supplier selection process.

Supplier audits and evaluations are carried out as part of formal sourcing decisions. Through these procedures, major supplier non-compliances are reported and addressed through mandatory corrective actions as well as beyond-compliance support activities such as capacity building.

# Sustainability in Our Business (continued)

## Responsible Production

The production value chain includes raw materials sourcing, manufacturing, and packaging. Energy and water are critical for these processes. Production processes are efficiently managed to minimise adverse impacts on the environment.

The Group is committed to compliance with the Environmental Management Act of Zimbabwe (Chapter 20:27) and accompanying regulations as well as the local City (Harare and Bulawayo) Environmental by-laws.

### Raw Materials

The Company optimises on raw material efficiency throughout the production value chain. The primary raw materials include grains such as maize, rice, and wheat. However, by-products from the maize and wheat manufacturing process are reused in the production of stock feeds and as fuel for the cyclonic burners used in boilers. This innovative approach not only minimises waste but assists in keeping production costs down ensuring material efficiency.

The Group's approach to raw material management starts from procurement to storage through to the production process. The Procurement Policy requires that raw materials are tested and screened prior to acceptance to ensure satisfactory product quality. The goal is to purchase and utilise sustainably produced products with minimal environmental damage from cradle to grave. Good material management directly translates to cost savings for the business as a whole.



# Sustainability in Our Business (continued)

Waste from the production process is recycled where possible to reduce the amount of final waste that ends up being dumped and all endeavours are made to find alternative use of waste materials. To track the effectiveness of material management, reliance is placed on internal audits, material sampling, and screening with a view to maximise environmentally friendly raw material use.

During the reporting period, consumption of raw material was as follows:

### Key Raw Materials

| Materials Used | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Grains | Tonnes | 312 113 | 328 588 | 314 658 | 298 995 | 383 313 |
| Other | Tonnes | 241 371 | 240 693 | 210 772 | 157 399 | 227 499 |
| | **Tonnes** | **553 484** | **569 281** | **525 430** | **456 394** | **610 812** |

# Sustainability in Our Business

### Production Waste Management

The Group has a comprehensive approach to waste management, guided by our policies and procedures aligned to the Environmental Management Act (20:27). Waste is treated as a secondary input resource, with recycling and reuse prioritised over disposal as part of our sustainable manufacturing objectives.

Our processes utilise a wide range of raw materials and produce various waste streams in liquid and/or solid form. All our combustible waste is diverted to the cyclonic burner where it is used as a fuel source. By-products from other units are considered and used as raw materials for Stockfeeds e.g., maize grits, wheat feed etc.

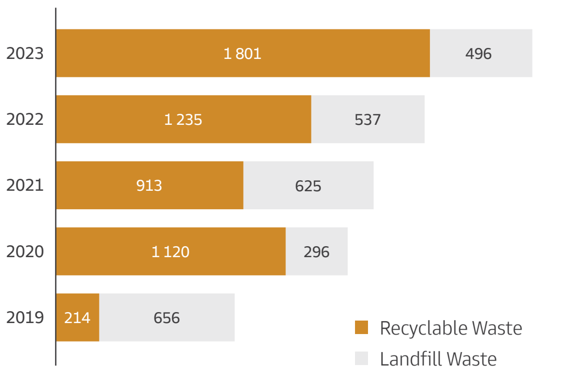
Our Safety Health and Environment (SHE) policy governs our waste management practices being compliant with national laws on recycling and labelling while maintaining a record of zero fines. Through our membership to the Business Council for Sustainable Development in Zimbabwe, we continually partake in community cleaning activities.

We conduct regular internal and external audits, as well as timely licensing and tracking of stakeholder complaints to ensure consistent compliance with waste regulations. In addition, the Group prepares quarterly sustainability reports to provide transparency on its waste management practices and progress towards its targets.

### Cyclonic Boilers

National Foods uses two cyclonic boilers to generate energy by incinerating waste, such as plastic packaging and raw material waste, at high temperatures to produce the steam required for the production process. Not only does this significantly reduce the waste produced, but it also reduces the amount of coal required. During 2023, 1 801 tonnes of recyclable waste was incinerated to produce energy.

### Waste Generated 'tonnes'




As part of our responsible waste management, we employ the **5R** strategy to Refuse, Reduce, Reuse, Repurpose and Recycle. During the year, our waste performance was as follows:

### Waste Reduction

| | Unit | 2023 |
|---|---|---|
| Flour and Grits Waste | Tonnes | 183 |
| Packaging Material Waste | Tonnes | 100 |
| Paper | Tonnes | 1.3 |
| Plastic | Tonnes | 78 |

### Waste Reused

| | Unit | 2023 |
|---|---|---|
| Feed Repros | Tonnes | 726 |
| Scrap metals | Tonnes | 85 |
| Bulk Oil | Litres | 8 955 |

### Waste Recycled

| | Unit | 2023 |
|---|---|---|
| Paper | Tonnes | 47.25 |
| Biscuit crumbs | Tonnes | 9.92 |





# Sustainability in Our Business

## Sustainable Operations

### Energy Consumption

The Group aspires to align energy management to international standards and to ensure efficient energy utilisation and cost savings for the business.

The Group operations draw energy from the main grid. While the Company significantly relies on grid electricity, part of its strategy is to establish and maintain cleaner sources of renewable energy. This will not only reduce overall energy costs but will also work towards decreasing the carbon footprint of the Group.

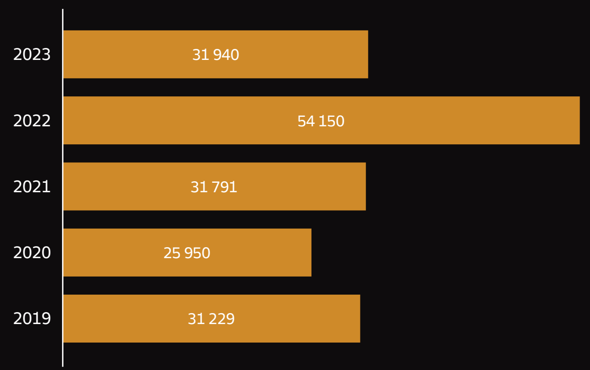
The Group has taken active measures to manage energy through energy budgets, which are tracked against actual consumption. Electricity readings, fuel (petrol and diesel) consumption and coal usage recordings are recorded and tracked every month. This data provides management with useful information for evaluating performance and mapping corrective action required on energy consumption. During FY2023, the Group took the following initiatives to improve energy efficiency:

- The maintenance and service of boilers for better emission control
- Compliance with the EMA Act (Chapter 20:27)
- Feeding milling waste to the cyclonic burner to reduce coal use
- Energy saving trainings are conducted regularly for employees to ensure energy consumption efficiencies at source


The Group monitors the performance of its energy management systems through a combination of internal and external audits, measurement systems, external performance ratings, benchmarking against industry standards. Stakeholder feedback is used to ensure that our energy management systems meet and exceed expectations.

Alternative renewable energy options are continually assessed, including the option of utilising solar energy production to reduce reliance on the grid and generator backup. Working with Distributed Power Africa, a concept design of a 2MW solar installation at the Aspindale site has been generated and assessed. Although no firm plans for progressing the project have been approved, work continues on refining the concept and assessing the proposal.

### Electricity (MWh)



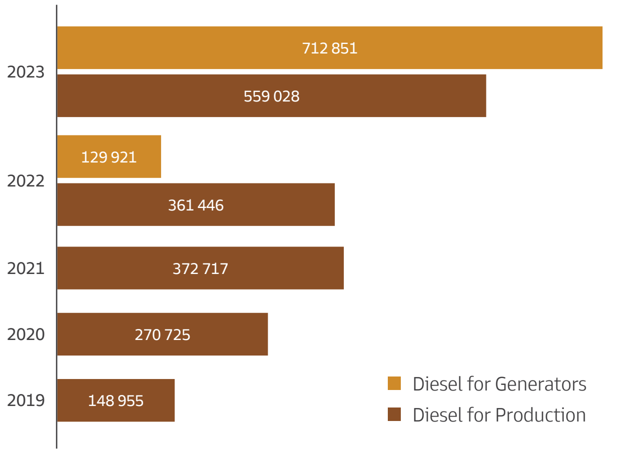

The 41% decrease in electricity usage, was heavily influenced by supply challenges (power outages).





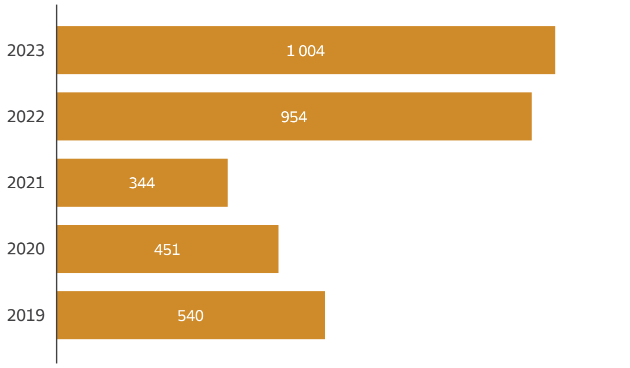
# Sustainability in Our Business (continued)

### Diesel (Litres)




Business was more reliant on generators in FY2023 with 3,175 more hours of generator power which attributed to the 448% increase usage.

### Coal Used for Boilers (tonnes)




The growth in coal usage in the last 2 years was due to the rise in steam demand with CCB coming on board. In F2022 there was a waste material challenge which gave rise to higher usage of coal for boilers and F2023 saw the cyclonic burner undergo mandatory shutdown resulting in heavy coal usage. However, this picture has significantly changed in the first quarter of F2024.

### Water

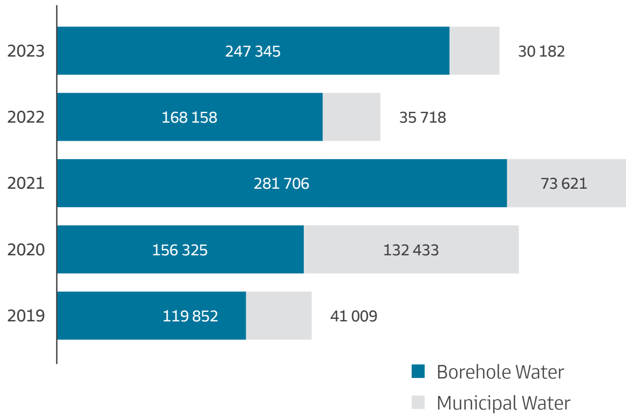
The Group's water and effluents management approach is guided by commitment to responsible and sustainable operations. The approach includes a number of processes to ensure that water is used efficiently and effectively and that effluents are treated and discharged responsibly. Adequate effluent and water control guided by the SHE policy, ensures that no financial losses are incurred through regulatory fines.

To ensure effective water and effluent management systems, a range of tools are used, including water meters, internal and external audits, measurement systems and industry best practice benchmarking. By using these tools, the Group is able to identify and address any negative impacts as they arise. As part of ongoing improvement and learning, system and procedures are regularly reviewed to ensure they are fit for purpose.

The company targets 100% water availability, 100% water quality and zero effluent fines. During the year under review, there was 100% availability of water and no fines from Harare City Council were incurred which indicates progress towards the company's goals.

### Water consumption for FY2023

**Water Consumption by Source ($m^3$)**




Borehole water increased by 47% as a result of the ongoing construction of the Pasta plant and Biscuit plant at Stirling Road as well as the CCB processes which experienced high production at a time when municipal supplies could not cope. Two extra boreholes were sunk to augment the pressure.

# Sustainability in Our Business

## Environment and Climate Change

### Climate Change

The Group's approach to climate change management is guided by its mission of producing quality products while respecting the environment and protecting public health.

Our strategy includes determining and employing mechanisms to reduce our greenhouse gas emissions, increasing energy use efficiency, and promoting responsible consumption of our products. To promote transparency, we subject our processes to assessment by the environmental regulator, the Environmental Management Agency (EMA), to ensure that operations are within acceptable environmental parameters.

We collect and convert other industrial wastes to organic fuel for use by our cyclonic burners. This lowers dependency on non-renewable fuels such as coal which produce high concentrations of greenhouse gas emissions. Part of our future strategies includes the introduction of solar as a cleaner energy alternative so as to reduce our operational carbon footprint.

The Group conducts quarterly boiler and generator emission testing and has implemented a system for tracking and monitoring emissions impact on vegetation around the boilers. Further, we have developed and implemented a robust maintenance programme for equipment such as boilers, generators, and vehicles.

Our goal is to be 100% compliant with applicable environmental laws including ensuring timeous environmental licencing.



### Emissions

The Group takes a proactive approach to managing its Greenhouse Gas(GHG) emissions, with the aim of reducing its environmental impact and contributing to the global effort to combat climate change. Part of our initiatives include regular measurement and monitoring of GHG emissions, as well as adequate disclosure of results.

National Foods Limited's goals for emissions management include achieving sustainable production and full compliance with all environmental laws. To achieve these goals, the Group has implemented a number of targets and tracking mechanisms which include maintaining a "green" licence and avoiding any fines from the Environmental Management Agency (EMA) and responding promptly to any complaints from stakeholders. The Group also tracks its progress using performance indicators such as the number of fines received, the number of stakeholder complaints, and the number of audits that result in a clean bill of health.

We monitor our emission quality and the EMA classification criteria for the emission licences are categorised as follows:

(a) A **blue** licence in respect of a discharge which is considered to be environmentally safe
(b) A **green** licence in respect of a discharge which is considered to present a low environmental hazard
(c) A **yellow** licence in respect of a discharge which is considered to present a medium environmental hazard
(d) A **red** licence in respect of a discharge which is considered to present a high environmental hazard

For FY2023, our band were as follows:

| Emitting Unit | Classification |
|---|---|
| Boiler 1 Aspindale | Green |
| Boiler 2 Aspindale | Green |
| Generators Aspindale | Green |
| | |
| Boiler 1 Bulawayo | Green |
| Boiler 2 Bulawayo | Green |
| Generators Bulawayo | Green |

### Greenhouse Gas Emissions

National Foods acknowledges its contribution to climate change directly and indirectly through its operations. We continue to use the Department for Environment, Food and Rural Affairs (DEFRA) (United Kingdom)'s Government GHG (Greenhouse Gases) Conversion Factors for Company Reporting covering the period 2017 to 2023.



# Sustainability in Our Business (continued)

### Greenhouse Gas Emissions (continued)

The information is presented as tonnes of carbon dioxide equivalent (tonnes $CO_2e$), which is the universal unit of measurement to indicate the global warming potential (GWP) of GHGs, expressed in terms of the GWP of one unit of carbon dioxide ($CO_2$).

The GWPs used in the calculations of $CO_2e$ are based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period. Electricity carbon footprint factors are taken from those developed using IPCC factors by applying Zimbabwean electrical grid parameters, including both renewable and non-renewable sources as found on https://www.carbonfootprint.com/international_electricity_factors.html.

When reporting on GHGs, there are three scopes of emission which are to be included in the calculations:

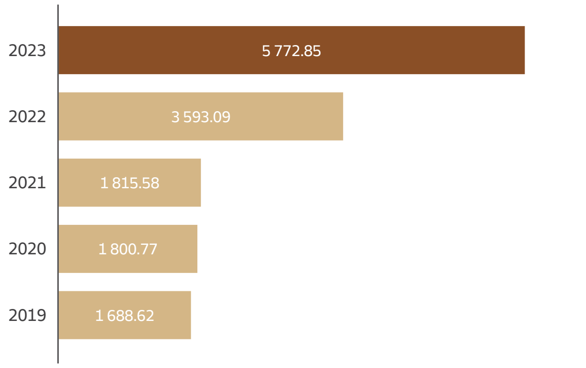
Scope 1: Calculations including emissions from direct fuel use
Scope 2: Calculations including emissions from indirect sources - electricity.
Scope 3: Calculations including indirect emissions not included in Scope 2, e.g. business travel, shipment of goods.

The Group's carbon footprint is presented below, calculated for Scope 1 and 2.

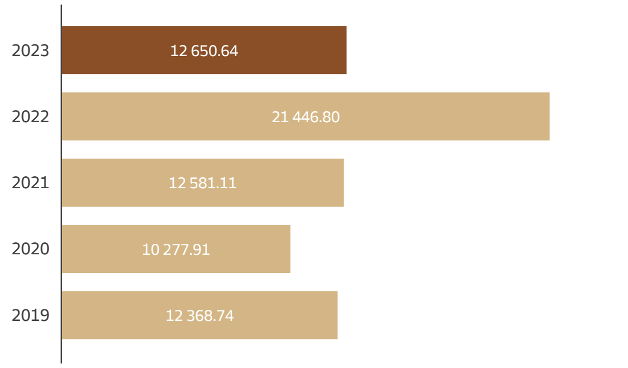
Scope 1 relates to direct emission arising from business activities within our control and ownership. DEFRA Greenhouse gas reporting: conversion factors 2023 are used for these calculations. The historical data has also been recalculated using the DEFRA 2023 factors to allow the annual data be comparable with the 2023 data.

Scope 2 relates to the emissions arising from the use of energy generated by a third party or sources over which a company has no control such as electricity. The historical data below is calculated based on www.carbonfootprint.com/international_electricity_factors.html IPCC calculation value of 0.396065919 kgCO2e/kWh for Zimbabwe.

**Scope 1 (Diesel & Coal): Group Total tonnes $CO_2e$ per year**




**Scope 2 (Grid Electricity): Group Total tonnes $CO_2e$ per year**




### Scope 1: Direct Emissions

| Emissions Sources | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Fuel: Diesel (for ovens and generators) and Coal | tonnes $CO_2e$ | 5 772.85 | 3 593.09 | 1 815.58 | 1 800.77 | 1 688.62 |

Due to the low availability of grid supplied electricity throughout the reporting year, the volume of diesel used to run generators tripled in 2023, hence increasing the Group's Scope 1 carbon footprint substantially.

### Scope 2: Indirect Emissions

| Emissions Sources | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Electricity | tonnes $CO_2e$ | 12 650.64 | 21 446.80 | 12 581.11 | 10 277.91 | 12 368.74 |

After the sharp rise in the Group's Scope 2 carbon footprint in 2022 due to the Cereals, Culinary & Baby Food business unit coming on board plus the Group experienced a general increase in production volumes, 2023 saw a sharp decrease due to low availability of national grid fed electricity during the reporting year.

# Sustainability in Our Business (continued)

**Our People**

Our people are our brand, their dedication and expertise are integral to our success. We are committed to promoting equal opportunities for all. We take pride in fostering a highly engaged and energised team that positively contributes to the goals of the Group.

We flourish in a diverse workforce that discourages discrimination. We foster teamwork, mentorship, coaching, and uphold shared values to cultivate a strong corporate culture. Our people are driven by a common purpose of feeding and nourishing the nation.

We offer the following employer value proposition to our people.

- Continuous learning and development
- Reward and recognition through results
- Purpose and belonging
- Well-being and support
- Reputable and professional

## Human Capital Management

National Foods Limited aims to be a preferred employer, offering a positive work environment that fosters productivity and enhances the employee experience. The business understands that effective human capital management leads to improved employee engagement which is the main driver of productivity. This in turn, results in a lower turnover rate which reduces costs associated with hiring and training new employees.

National Foods uses a comprehensive and structured approach to managing employees. This includes an induction programme that is designed to introduce new employees to our culture, policies and procedures guided by the Human Resources Policies. The Recruitment Policy outlines the process for hiring new employees to ensure recruitment of the most suitable candidates in a fair and equitable manner without any form of discrimination. The Remuneration Policy ensures that employees are compensated fairly and consistently in order to attract and retain talent.

These policies are regularly reviewed to align with the provisions of the Labour Act [28:01] and best practices. The goal is to maintain highly engaged employees and ensure we earn a high return on human capital investment. We have a performance management system designed to provide employees with regular feedback and help them develop and improve their performance. The Group strongly believes in rewarding performance and results that contribute to business growth and increased productivity.



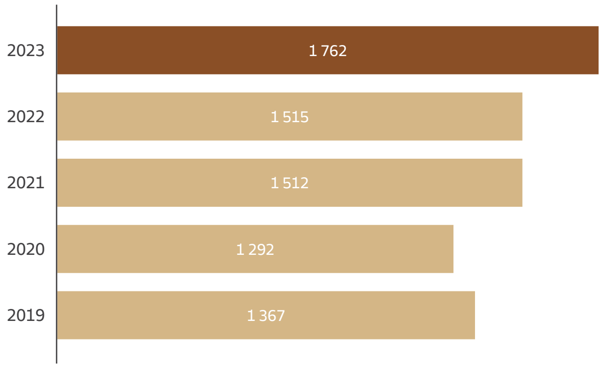


# Sustainability in Our Business (continued)

## Employee Base

National Foods offer's employment opportunities across various positions, including casual, temporary, and full-time roles. While the workforce primarily comprises male employees, the business is committed to purposefully employ women whenever feasible.

## Total Employees




| Gender | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Male | Count | 1 448 | 1 233 | 1 255 | 1 043 | 1 178 |
| Female | Count | 314 | 282 | 257 | 249 | 189 |
| **Total** | | **1 762** | **1 515** | **1 512** | **1 292** | **1 367** |

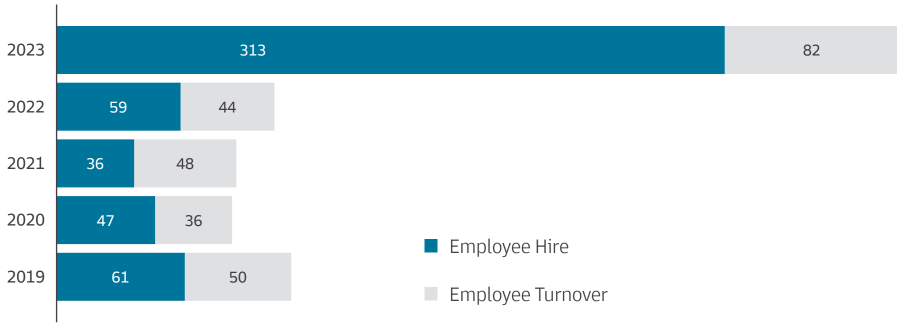
## Employees by Contract type

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Full Time Employees | 595 | 629 | 612 | 632 | 636 |
| Outsourced Labour (Variable) | 1 167 | 886 | 901 | 734 | 919 |
| **Total** | **1 762** | **1 515** | **1 513** | **1 366** | **1 555** |

## Staff Turnover

| Gender | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Male | Count | 63 | 40 | 41 | 26 | 47 |
| Female | Count | 19 | 4 | 7 | 10 | 3 |
| **Total** | | **82** | **44** | **48** | **36** | **50** |

## Employee Movement



# Sustainability in Our Business

### Labour Relations

Ensuring good labour relations is a critical aspect of our operations as it has a direct and significant impact on employee morale, productivity, and the overall success of the business. At National Foods we are resolute in our efforts to ensure fair and equitable labour relations.

As part of our labour relations efforts, employees are allowed to join trade unions and national employment councils of their choice in our sector. This ensures employees have a voice and can advocate for their rights and interests thereby increasing job satisfaction and engagement.

Trade unions assist in protecting employees against work exploitation and negotiate for better working conditions. Additionally, to promote employee engagement, we conduct works council meetings each quarter. These meetings provide a forum for employees to voice their concerns and allow management to share information about the Company's goals, performance, and direction. The Group abides by the principles and guidelines stated in the Code of Conduct, Labour Act (28:01), Collective bargaining Agreements and the National Social Security Authority Act (17:01) regarding labour relations and related impacts.

We train employee representatives on industrial relations management in order to foster a culture of mutual respect and constructive dialogue between management and employees. The Group makes use of the grievance resolution mechanism, engagement cascades, incentives, and retention allowances in a bid to improve relations with employees.

In FY2023 the following pension contribution were made:

| | 2023 US$ | 2022 US$ |
|---|---|---|
| National Foods Pension | 225 927 | 256 093 |
| National Foods Security | 137 191 | 235 792 |
| Group Life Cover | 28 349 | 69 746 |
| **Total** | **391 467** | **561 631** |



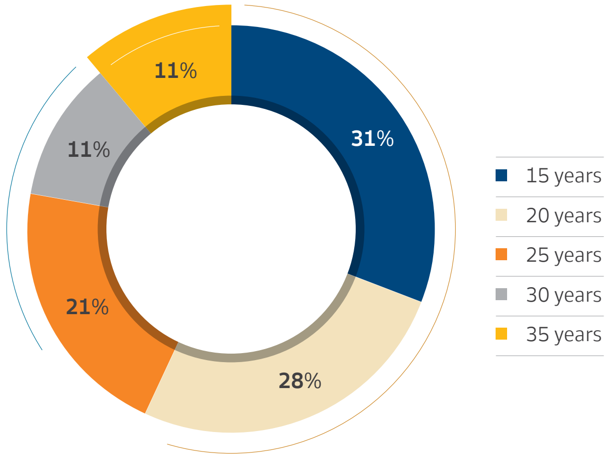


# Sustainability in Our Business (continued)

### Length of Service Awards

Our recognition of the value and contributions of our staff is acknowledged through the Group's Long Service Awards which are presented annually. In 2023, sixty-two members of staff were recognised for serving National Foods for fifteen years or more. Below are the long service awards statistics for the last five years:

| No of Years served | No of Employees 2023 | No of Employees 2022 | No of Employees 2021 | No of Employees 2020 |
|---|---|---|---|---|
| 15 years | 19 | 4 | 7 | 10 |
| 20 years | 16 | 9 | 13 | 7 |
| 25 years | 13 | 14 | 13 | 21 |
| 30 years | 7 | 3 | 6 | 10 |
| 35 years | 7 | 8 | 2 | 1 |
| 40 years | 0 | 2 | 1 | 10 |
| **Total** | **62** | **40** | **42** | **59** |





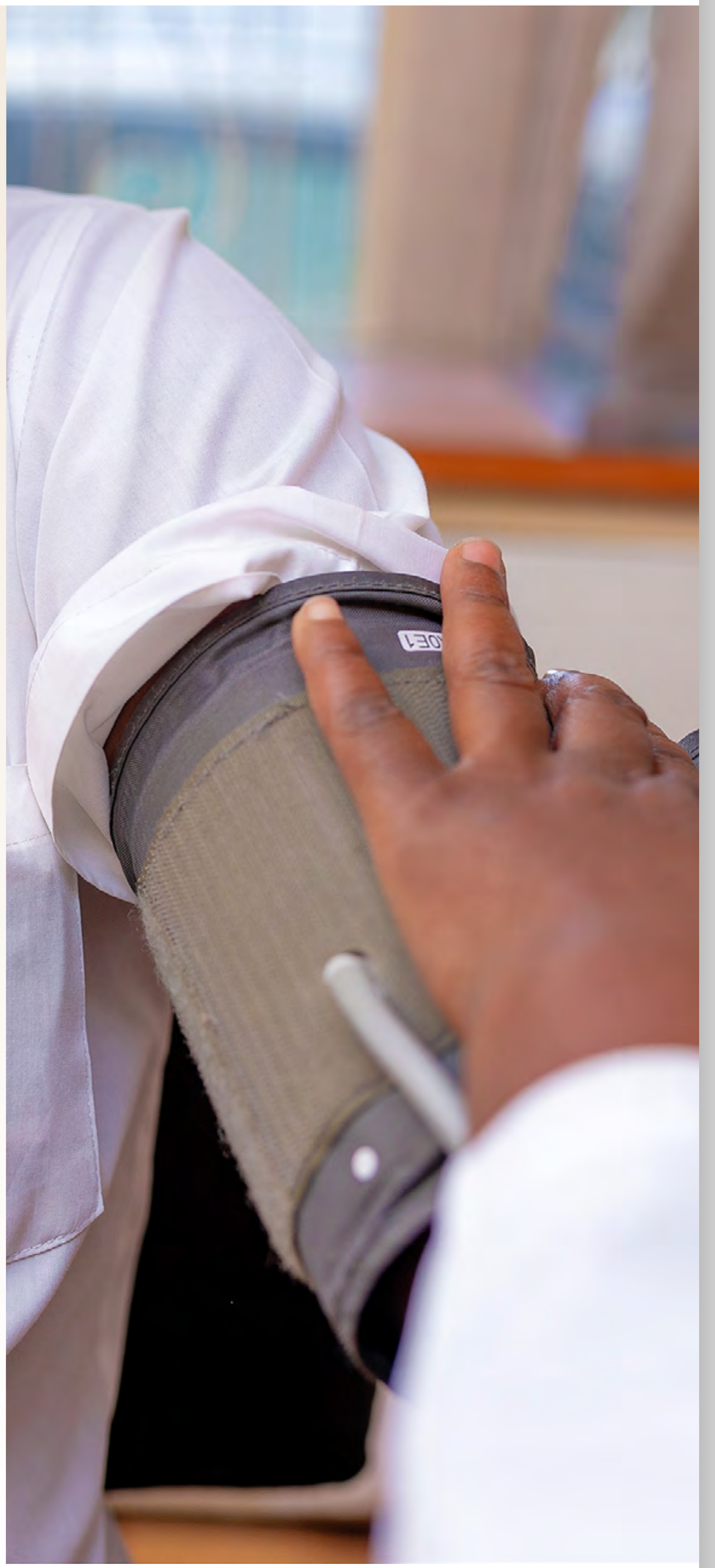
***Left to Right:*** *Michael Lashbrook, Darlington Chipere (25 years service), Maidei Chipere (spouse), Swys Viviers (Stockfeeds Managing Executive), Ennet Enson (Stockfeeds HR Business Partner).*

# Sustainability in Our Business (continued)

### Occupational Health and Safety

National Foods Limited's Occupational Health and Safety (OHS) management is based on a proactive, preventative, and continuous improvement strategy. The OHS management approach is an integral part of our overall commitment to sustainability and ethical business practices.

Our safety and health initiatives have significant positive impacts on employees, the business, and the community. These impacts include improved employee wellness and productivity, prevention of losses due to injuries and fatalities, and better business performance. Our Occupational Health and Safety is guided by the Group's robust SHE Policy. All activities and places on NFL sites are covered by our internal OHS system. We aim to Achieve Zero Harm in operations to foster a safe and healthy occupational environment. We target to achieve a 20% reduction in Lost Time Injury Frequency and a 30% reduction in Injury Severity Rate (ISR) when compared to the same period last year (SPLY). Accidents recorded, training conducted and the tracking of conflicts registered indicate the Group's performance towards stipulated objectives. Our SHE management practices have been effective as there is continuous improvement in SHE scoring during audits. In the year under review, we achieved more than 20% reduction of accidents and severity, 100 % training achievement and 100% legal compliance. Currently, NFL is pursuing Food Safety Management Systems with OHSMS certification on the horizon.





# Sustainability in Our Business (continued)

The Company provides a variety of channels for workers to report work-related hazards, including suggestion boxes, job cards, WhatsApp groups, and direct lines to NSSA. The Group additionally has a robust grievance process in place to ensure that workers are not reprimanded for reporting hazards. This demonstrates our commitment to employee safety and well-being.

Employees are informed during the initial SHE induction of their rights to safe work and refusal to work in unsafe conditions guided by our Code of Conduct. NFL has an accident investigation procedure for incident management. Investigation of workplace accidents is governed by the Factories and Works Act and enforced by NSSA.

Employees receive SHE training of at least 30 minutes a month and the Company has a scheduled training calendar which outlines all training to be undertaken. Based on operational developments, ad hoc trainings are facilitated as the business aims to ensure that employees are empowered for better decision making. We have on-site clinics which are under the cover of a visiting occupational health doctor. Further, all employees and their families have access to Company clinics where they are offered various healthcare services.

### Hazard Identification and Risk Assessments (HIRA)

Hazard Identification and Risk Assessments are conducted for all operational tasks and these are recorded in hazard registers available for each business unit. Safe working permits are issued for every hazardous task after a comprehensive Task hazard analysis. Part of our hazard management entails the application of the hierarchy of controls in eliminating hazards. The Group evaluates its performance through internal audit, third-party audits, external audits and inspections, and performance-based assessments from the NSSA. In addition, we benchmark our performance against other businesses through our active membership in the Southerton Workington Industrial SHE Cluster and bounce-off meetings with Tiger (S.A.)

The management of Occupational Health and Safety contributes to the profitability of the business. Good control and monitoring of OHS performance has shown correlation patterns with profitability. Employee engagements have contributed to improved OHS management and this has seen policy formulations and policy changes and a reduction in accidents in instances.

### Work-related injuries

During the reporting period our work-related injuries

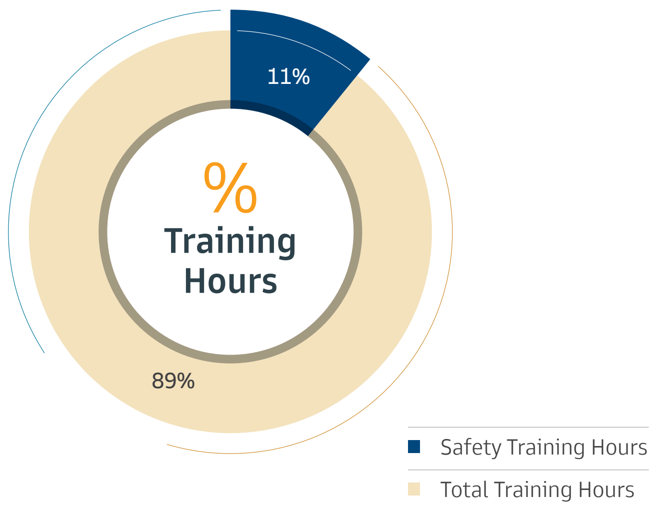
| | Unit | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|
| Work-related injuries | Counts | 1 | 12 | 7 | 7 | 9 |
| Lost days due to injuries (LTI) | Days | 52 | 198 | 278 | 121 | 382 |
| Work-related fatalities | Counts | 0 | 0 | 0 | 0 | 0 |

### Talent Development

Employee training and education is a key aspect of our human resource management as it ensures that employees have adequate competency to perform their duties effectively. It helps to promote career development and improve employee retention. We place high value on training and education as it promotes staff skills and career development.

We have a Performance and Training Policy under the Human Resources Department, which facilitates all Group training and education initiatives. We are dedicated to honouring personal and company-based skills development plans as we believe this prepares employees for internal promotion. The Group continuously monitors potential skills gaps among employees and ensures appropriate training is conducted. We offer various training programmes such as apprenticeship, millers training and Training Outside Professional of Practice (TOPP) for prospective Chartered Accountants in order to enhance their skills base. Our goal is to achieve 100% completion of our training plans. To ensure system effectiveness, we track metrics such as productivity, retention, and turnover rates. It is beneficial for the Group to conduct post-training interviews to gain an in-depth insight into the training and education programme's effectiveness.

| | Training (hours) |
|---|---|
| Safety Training Hours | 173 |
| Training Hours | 1 375 |



# Sustainability in Our Business (continued)

### Training and Development

#### Training Programmes

## National Foods Limited offers the following programmes:

- Millers Training.
- Training Outside of Public Practice (TOPP) for Chartered Accountants.
- Internship Programme.
- Apprenticeship.

#### Miller Training

In partnership with the South African Grain Millers Association (SAGMA), we have an internal Miller Training Programme. Through this programme, eight millers from the Flour, Maize and CCB units recently qualified as shift millers after an intense trade testing programme conducted by an acknowledged milling expert.

The programme encompassed four years of on-the-Job training, coupled with a correspondence course and consequential certification in Grain milling. Three of these recently qualified shift millers *(pictured below)* are exceptional women who are the only all-female crew in the world operating a state-of-the-art, fully automated Buhler Swiss mill recently commissioned in our Bulawayo Flour site. The programme currently has two trainee millers enrolled in the Flour business unit. We also run a miller development programme in partnership with the Africa Milling School (Buhler) in Kenya where we train our Head millers and Mill managers. We are proud of our association with the esteemed Swiss Milling School where we send our exceptional millers to train as milling technologists.

***Left to right —*** *Samukele Ngulube, Vinita Mazanhi, Nothabo Sebele*

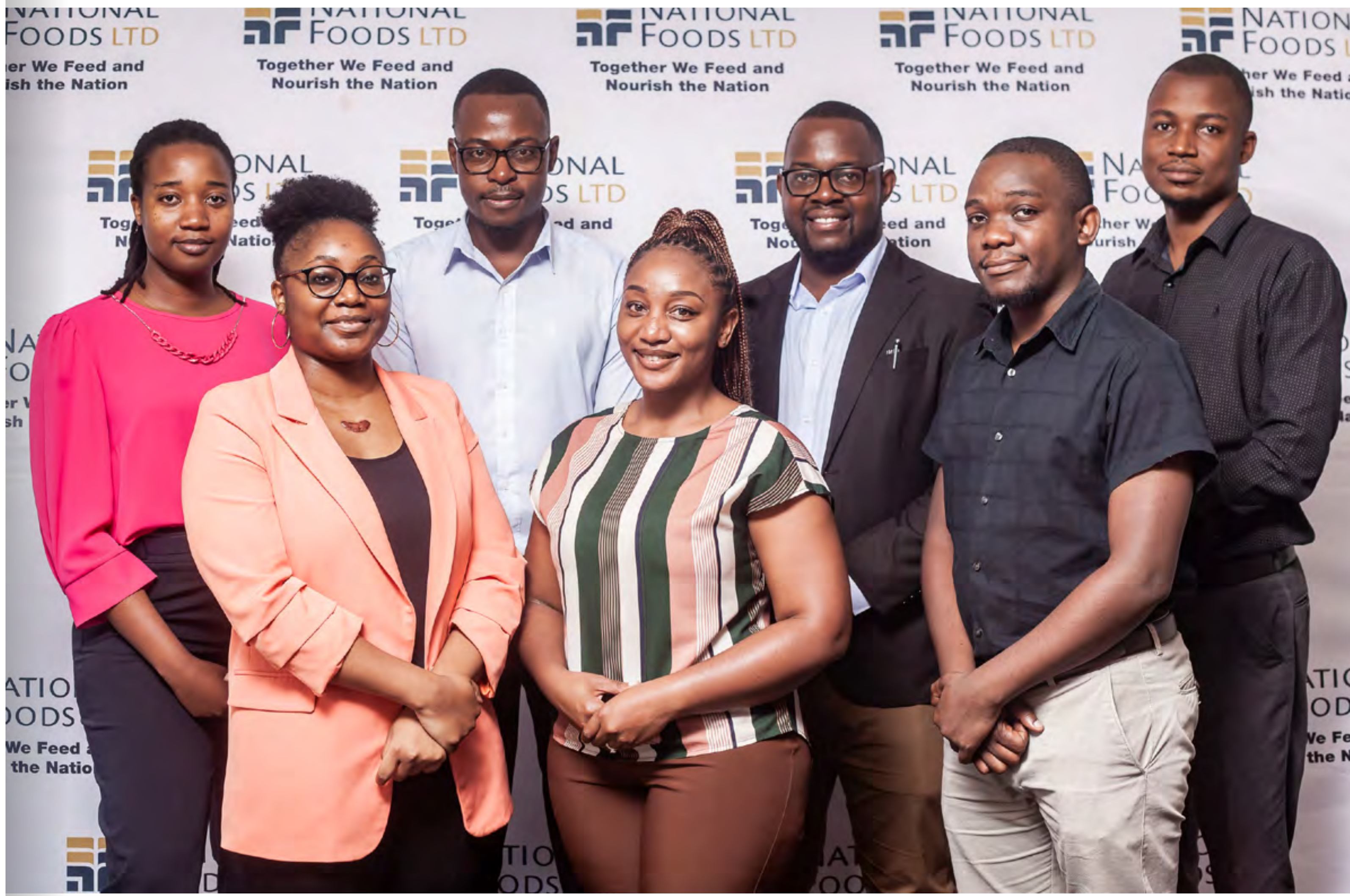




# Sustainability in Our Business (continued)

#### Professional Development

The Group provides a range of professional development programmes for the experienced mid-career recruits. We ensure that development planning is at an individual level and continuous professional development is encouraged. Some of the programmes offered include the Chartered Accountants Training Outside of Public Practice (TOPP) accredited by the Institute of Chartered Accountants of Zimbabwe (ICAZ). TOPP is the financial management training route that offers prospective Chartered Accountants (CAs) an alternative to the conventional TIPP (Training Inside Public Practice) to qualifying as CAs. We have fourteen trainees, five males and nine females enrolled on this programme. Seven *(four men and three women pictured below)* of the eight students who sat the Assessment of Professional Competence (APC) examination in December 2022 passed and are now qualified Chartered Accountants. One of the women in the Group, Ms. Tinotenda Chivaurah, emerged the top national student in the APC final qualifying examination; a remarkable achievement indeed, of which we are proud.




***Back Row (Left-to-Right) —*** *Tinotenda Chivaurah (top national student), Tinashe Dzapasi, Tinashe Mberi and Ronald Mahanyana*
***Front Row (Left-to-Right) —*** *Mazvita Chiradza, Tinashe Matizha, Blessing Chingombe*

# Sustainability in Our Business

### Internship Programmes

The Group provides internship opportunities for learners in Colleges or Universities. These internships allow students to gain hands-on experience in their fields of study. Students also get the opportunity to apply for the GT Programme upon completion of their studies.

### Apprenticeship Programme

For individuals pursuing technical development, we are accredited by the Ministry of Higher and Tertiary Education to run apprenticeship programmes for electrical and mechanical engineering. In July 2022, six (6) apprentices completed their four-year supervised training programme.

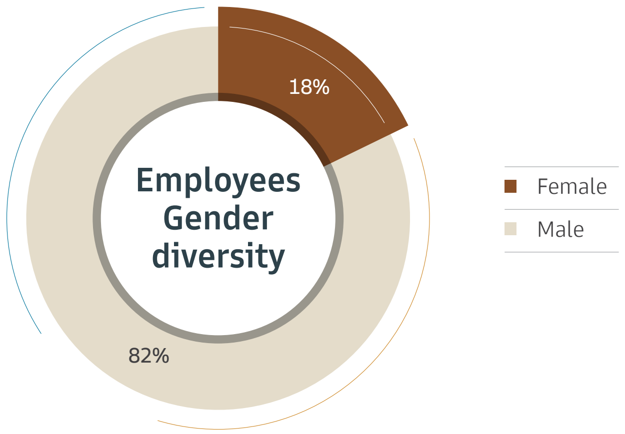
### Diversity and Inclusion

Diversity and Inclusion are our core values, as such, we have created a workplace environment where all employees feel valued and respected. We recognise that diversity is more than a matter of ethnicity, gender, and age, but also includes the diversity of skills, experiences, and perspectives. By embracing diversity and inclusion, we have created a workplace where every employee has the opportunity to reach their full potential.

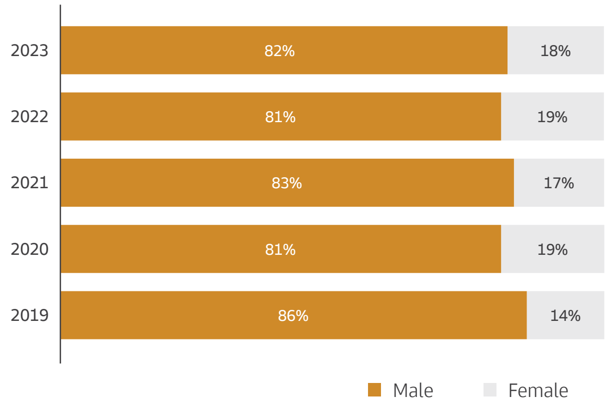
Our recruitment process is designed to attract a diverse range of candidates from a variety of backgrounds and experiences. We use a range of channels to advertise job opportunities and carry out a rigorous selection process to identify suitable candidates regardless of their background. Additionally, our training and development programme is open to all employees to support career development. Mentors and mentees are matched based on their skills and goals to facilitate discussion on career and personal development. Our Code of Conduct lays out the Group's principles, standards, and ethical expectations during recruitment to safeguard diversity and inclusion.

The Group makes use of pulse surveys, and gender and age analysis to monitor issues pertaining to diversity and inclusivity. The surveys assist in determining employee's views regarding the Group's efforts to create a diverse and inclusive environment. Feedback from the surveys and analyses is utilised in developing system improvements for our diversity management.

In FY2023, the female complement stands at 18% of the employee headcount.




Employee Gender Ratio (%)





**From left to right Top** - Nyasha (Lab Technician), Memory (Unit Manager), Bertha (Dispatch Controller),
**Second row left to right** - Margaret (Personal Assistant), Charity (Cleaner),
**Third row left to right** - Mary (Senior Miller), Shylete (Miller) , Kelly (ISO and Compliance Officer), Pertinacious (Lab Technician)
**Bottom Row** - Samukele, Vanita, Nothabo (Miller's,)Mirriam, Belinda, Daisy (Lab Analysts), Shylet (Miller), Elina, Trish (Office Assistants)

# Sustainability in Our Business (continued)

## Human Rights

Human rights management is a crucial aspect of ensuring ethical and responsible business practices. It involves respecting the dignity, well-being and rights of workers, customers, suppliers, and communities.

As National Foods, we subscribe to implementing policies and procedures that align with the Universal Declaration of Human Rights, the International Labour Organization's core conventions, and the UN Guiding Principles on Business and Human Rights.

We are guided in our compliance to human rights regulations by the Constitution of Zimbabwe, as well as national regulatory and other requirements. It is our practice that employees and prospective candidates will not be discriminated against based on race, tribe, place of origin, political opinion, colour, creed, or gender in line with the provisions of the Labour Act (Chapter 28:01) and associated regulations.

The Group strives to make positive contributions to the promotion and realisation of the following rights for its staff and all stakeholders in relation to:

- Health (and safety) rights.
- Freedom from child labour and forced employment.
- Human dignity (in the workplace).
- Protection from inequality and discrimination.
- Privacy.
- A clean work environment that is not harmful to health.
- The right to education.
- The right to safe, clean, and potable water.

While we take all appropriate measures to ensure we eliminate human rights violations in our operations, these may still occur along our value chain. We have therefore made it mandatory for our suppliers and service providers to abide by our human rights requirement frameworks so as to reduce our human rights risk through association.



# Sustainability in Our Business

## Community Investment And Economic Development

### Corporate Social Responsibility (CSR)

The Group engages in proactive community initiatives designed to deliver positive impacts for vulnerable communities and for social development.

Corporate social responsibility (CSR) is not only a moral duty but also a strategic advantage that enables us to innovate, grow and thrive in a changing world. As such we have integrated CSR into every aspect of our business from our vision and mission to our policies and practices.

As National Foods, we believe in giving back to the community who supports us by contributing to numerous worthy initiatives across the country. Our full year spend on these activities was US$ 177 514 During F23, we have supported initiatives in the following sectors:

**Institutions supporting the vulnerable (US$ 86 484)**

We support 48 institutions across the country's 10 provinces with monthly donations of food. These are mainly orphanages, children's homes, old people's homes, special need schools and animal centres. The monthly food hampers are enough to provide at least two meals per supported institution per day.

*Bulawayo centres receiving donations*

**Animal Welfare (US$ 28 500)**

Zimbabwe with its diverse landscape is home to some of Africa's largest game reserves. Within these reserves or national parks, there is a wide variety of animals, from the desert pigmy mouse through to the largest land mammal - the African Elephant. Loss of habitat and rampant poaching are the biggest threat to Zimbabwe's animals.

Various independent organisations have stepped in, to setup and maintain conservation programs, anti-poaching units and welfare support. NFL is proud to be a part of the organisations to have stepped in to do something towards animal welfare.

We provide support to 4 centres that is Zimbabwe National Society for the Prevention of Cruelty to Animals (ZNSPCA), Zambezi Society and the animals at the Homefields Care Centre, Bally Vaughan Game Park and Sanctuary to support wildlife conservation and Healing with Horses. Healing with Horses is a Bulawayo based organisation which use horse riding as a therapeutic treatment for special needs children.

**Educational Support**

NFL spend on Educational Support (US$ 22 030). This is a split between ED UNZA US$ 20 000 and Pristine Junior Eco Warriors US$ 2 030. According to the Zimstat 2022 report the proportion of children in the primary school going age who were out of school was 9.6 % and 16.6% for secondary school.

**ED Unza scholarship scheme (US$ 20 000)**

National Foods donated US$ 20 000 towards the ED-UNZA scholarship programme. The ED Unza scholarship program was established by President Emmerson Mnangagwa to give support to higher and tertiary students from disadvantaged backgrounds, an opportunity to further their studies and improve their lives.

# Sustainability in Our Business

**Pristine Junior Eco Warriors (US$ 2 030)**

Further to our listing on the Victoria Falls stock exchange in December 2022, we decided to give back to the community through a scholarship scheme (US$530 per term) and US$500 monthly towards environmental clean-up activities. NFL partnered with Pristine Victoria falls, a community led initiative which focuses on cleaning Victoria Falls, educating community members on proper waste disposal and management by providing resources and advice for the benefit of present and future generations. NFL in partnership with Pristine launched a Junior Eco-Warriors project in April 2023. Twenty Pristine Junior Eco-Warriors (11 girls and 9 boys) were selected from 7 different schools (10 primary and 10 secondary) and are beneficiaries of the scholarship scheme, having their school fees paid in full. Each of the Pristine Junior Eco Warriors automatically become junior members of the Pristine Victoria Falls Society and form the backbone of the Junior Eco-Warriors program. They are required to dedicate 8 hours per month for the duration of their scholarship program assisting with clean-ups and promoting good waste management practices throughout the community. The table below show the statistics of children who are out of school for Matabeleland North covering Victoria Falls. We are pleased that as NFL we stepped in to assist with scholarships.

*Pristine Junior Scholarship beneficiaries*

*Pristine Junior Scholarship beneficiaries*


*Girls High School Harare Rugby Kit Partnership.*





Sustainability in Our Business

**NFL Support towards Youths Sporting Activities (US$13 500)**

NFL spent US$ 13 500 on supporting various sports, arts, and culture initiatives in F23 being Zimbabwe U20 Rugby US$ 10 500 and Zimbabwe U14 rugby US$ 2 000.

*Hellenic Academy Nutri-Active Rugby Kit Partnership.*

The company sponsored various sporting activities ranging from providing kits to supporting tournaments among others. National Foods is also a leading sponsor of the Northern region junior women football and support girls training and camping requirements. The girls were in camp and NFL donated cash and food items amounting to US$ 1 000. The girls have an upcoming camp in December 2023 where NFL has agreed to be the headline sponsor and will donate US$ 10 000.

*Zimbabwe U20 Rugby team at George Stark High School in Mbare.*

**Support of Tag Rugby Trust (US$ 9 000)**

The Tag Rugby Trust is a charity which supports the growth of children's Tag rugby in disadvantaged communities. The organisation is mainly run by volunteers who run Tag rugby tournaments around the country. Around 20 000 children are involved. NF's contribution assists with the provision of food for the children after tournaments.

One of the major goals for the trust in F23 was to go beyond just the playing of tag rugby between schools and community teams, through the female empowerment program FITR (Female Inspiration through Rugby) which directly tackles gender equality, girls in education and sports, menstrual health awareness, period poverty and freedom for girls from violence and exploitation. Ultimately, they are working to nurture a generation of girls from socially challenged communities to be safe, aware, and content leaders who will mentor their younger siblings and peers in the future. During training sessions and events above, they have a group of mentors running multiple dialogue sessions to address the above. The support from National Foods gave the Trust the ability to establish and grow this peer-mentor based programme to support vulnerable girls in the high-density areas around Harare and Bulawayo.

*Tag Rugby Trust in the community*

*Tag Rugby Trust - Girls in Sport*

# Sustainability in Our Business (continued)

**Healing with Horses Therapeutic Centre (US$ 9 000)**

NFL sponsors Healing with Horses Therapeutic Centre and is considered one of Healing with Horses biggest sponsors. NFL sponsors the horse feed to ensure that the Healing with Horses program continues to be of benefit to the vulnerable children at the centre.

Healing with Horses Therapeutic Centre helps working with the children through horsemanship therapy. This specialised therapy is used all over the world but is not well known in Africa.

Healing with Horses Therapeutic Centre is the only Professional Association of Therapeutic Horsemanship (PATH) International Centre in Africa. NFL sponsorship goes towards helping children with disabilities and special needs to improve in their various conditions and to get healed through the therapeutic assistance from horse riding. The professional handling of the children, combined with the appropriate use of the horses, achieves amazing healing results. In riding the horses no saddles are used as the warmth and feel of the horses has a therapeutic effect on the children. Centres that work with Healing with Horses Therapeutic have testified that it is truly an outstanding program which changes children's lives and on top of that all the therapy that takes place is a lot of fun and a wonderful outing for the children each week. The centre says it is hard to believe that horse riding can change a person's life, but we have seen this first hand in the children that have been part of the Healing with Horses program. The centre says this has had a huge effect on their self-esteem and self-belief. It has been observed that children who have attended the lessons have become, not only more confident and outgoing but more disciplined and better behaved.

### Angel of Hope Foundation (US$ 5 000)

Angel of Hope Foundation is the brainchild of Her Excellency the First Lady of Zimbabwe. It is a foundation built on the strong African Traditional and Christian values of love and unity. It was established on the realisation that there are many children who are victims of sexual abuse and early marriages while many women are victims of gender-based violence who have no sustainable livelihoods and live in extreme poverty. The Foundation focuses on assisting the poor and vulnerable members in society. It also advances the rights and welfare of orphans and children from disadvantaged backgrounds.

### Various Ad Hoc Donations (US$ 4 000)

Outside our usual 48 centres as mentioned above NFL also donated to Emerald Hill Children's Home and supported the home's golf tournament. Proceeds from the golf tournament were going towards the repainting initiatives for the home. Pearlenta Nutri Active contributed an amount of US$ 500 towards the cause. NFL also supported Harare Children's home by participating in the 'Save Our Souls Golf Tournament' and other Donations. National Foods contributed US$ 900 which went towards buying 150 bunk beds for children under their care. We also donated 500kg of cereals. In addition, we made a 100kg donation to Harare Children's Home for corn Soya Blend and Kuchengeta Trust CSB donation of 200kg Corn Soya Blend and 750 kg Better Buy Soya Delights, Pearlenta Instant Porridge 200kg.

*Bally Vaughan Game Park animals*

# Sustainability in Our Business


*(Left-to-Right)* — *Anglebert Mungaraza, Moreblesing Mwechaka, Alice Pawarikanda (Group HR Executive), Kelvin Mapurisa, Rickson Maingire*

**National Foods Employees Dividends**

The National Foods Workers Trust earned a dividend of US$ 576 707 in FY2023 which was paid out to qualifying non-managerial employees. The National Foods Workers Trust has a share of 9.53% in the holding Company.

The dividends earned by the Trust are utilised to benefit its members, consisting of both current and former non-managerial employees of the company.

The dividends paid to the Trust are used to benefit employees in various ways including cash pay-outs as have been done over the past year. There are also initiatives in place such as the scholarship scheme with local universities where fees are paid for qualifying beneficiaries' children. To date 10 students who were on the scholarship scheme have graduated (4 are pictured below with the NFL Group HR Executive), and a further 30 are currently enrolled at universities across the country.

The Trust was created in 1984 when the then National Foods Holdings Limited shareholders donated the shares to the employees creating the Trust for the benefit of the employees. The Trust essentially links the ambitions of the Company to the employees because it means when the Company performs, employees receive greater benefits from the Company. This, therefore, makes it a very attractive scheme to align the employees with the goals of the Company.





# Sustainability in Our Business (continued)

## Sustainable Development Goals

The Group identified six SDGs to strive and fulfil through its actions. The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Below are our contributions towards SDGs:

| Sustainable Development Goals (SDG) | SDG Target | Business Actions | Impact |
|---|---|---|---|
| 2 ZERO HUNGER | Target 2.1 | ▪ Producing affordable staple foods to ensure affordable nutrition. | ▪ Ending hunger and ensuring nutritious and sufficient food for all people. |
| 4 QUALITY EDUCATION | Targets 4.2 and 4.5 | ▪ The Group runs internship and apprenticeship programmes to provide students with hands-on experience in their field of study.<br>▪ Throughout the year the Group supported 26 orphanages and children's homes as well as 9 schools for children with special needs by providing them with regular food donations. | ▪ Access to equal education and opportunity for all. |
| 8 DECENT WORK AND ECONOMIC GROWTH | Targets 8.1; 8.3 and 8.8 | ▪ National Foods provides economic opportunities through employment in the form of casual, temporary and full-time employment. In FY2023 we had 1 762 employees.<br>▪ The Group contributed US$ 10 441 047 in taxes and US$ 391 467 in pension contribution for employees | ▪ Economic development, and employee welfare |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Targets 12.4 and 12.5 | ▪ The Group has Zero Waste Philosophy and recycles production waste for stock feed products.<br>▪ Energy is recovered from non-recyclable waste which is incinerated in National Foods' two cyclonic boilers. | ▪ Environmentally sound management of chemicals and all wastes throughout their lifecycle.<br>▪ Substantially reduce waste generation through prevention and reduction. |

# Sustainability in Our Business (continued)

## Sustainable Development Goals (continued)

| Sustainable Development Goals (SDG) | SDG Target | Business Actions | Impact |
|---|---|---|---|
| 13 CLIMATE ACTION | Targets 13.1 and 13.2 | ▪ We monitor emissions and have been acting through our climate change initiatives, such as reducing our reliance on coal by incinerating non-recyclable waste.<br>▪ We have been reporting on the Group's carbon footprint since 2017. | ▪ Strengthen resilience and adaptive capacity to climate-related hazards.<br>▪ Integrate climate change measures into national policies, strategies, and planning. |
| 15 LIFE ON LAND | Target 15.7 | ▪ US$ 28 500 was invested in Animal Welfare to help improve animal welfare through directly providing care for animals in need and raising awareness of animal cruelty as well as providing support for anti-poaching units. | ▪ Prevention of wildlife poaching. |

## Economic Value Generated and Distributed

The Group's direct economic value generated and distributed is presented on pages 91 to 138 of the financial statements.



# Sustainability in Our Business

## Tax Management

### Our approach to tax

National Foods Limited has been a consistent taxpayer over the years, with no history of deliberate tax evasion. Our business performance determines the extent of tax payments to the Government through Corporate Tax, Value Added Tax, Capital Gains and other tax heads.

Our aim is to demonstrate accountability and integrity in managing our tax affairs and to foster trust and confidence among our stakeholders. We benchmark our operational practices with tax legislation as they change from time to time. We attend tax seminars to better understand changes in legislation and set deadlines for compliance with the changes.

### Tax Strategy

Our tax strategy is based on the principles of transparency, compliance, and value creation. We pay our fair share of taxes while pursuing tax efficiency and optimisation opportunities that are aligned with our business objectives and in accordance with the applicable laws and regulations. We disclose our tax information to the relevant authorities and stakeholders in a timely and accurate manner and engage in constructive dialogue with them to resolve any disputes or uncertainties. We seek to minimize our tax risks and exposures by implementing robust governance and control frameworks, and by adhering to the highest ethical standards and best practices in tax management. Internal assessments are carried out to validate the accuracy and timeliness of tax returns.

### Stakeholder Engagement on Tax Matters

Stakeholder engagement on tax matters is an integral part of our corporate responsibility and governance. We maintain regular engagements with ZIMRA Client Relationship Managers to confirm whether all our tax affairs are in order. We engage internal auditors, external auditors, external tax consultants on other tax developments and improvements on current practices. Engaging with our stakeholders has been instrumental in informing the direction we take in the event of contentious tax areas with ZIMRA. This approach has always produced the most reasonable methods to deal with tax issues for National Foods Limited.

Our payments to government were as follows

| | 2023 US$ | 2022 US$ |
|---|---|---|
| Income Tax | 3 885 758 | 4 474 168 |
| PAYE | 3 022 171 | 2 556 887 |
| Import Duty | 2 355 277 | 2 294 986 |
| Withholding Tax | 1 772 841 | 1 065 571 |
| **Total** | **11 036 047** | **10 391 613** |


# Annual Financial Statements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# Statement of Directors' Responsibility

The Directors of National Foods Holdings Limited and its associates and subsidiaries (the Group) are required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Group at the end of each financial year and of the financial performance and cash flows for the year. The Group financial statements have been prepared in accordance with the measurement and recognition principles of International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31), except for IAS 21 (The Effects of Changes in Foreign Exchange Rates), IAS 16 (Property, Plant and Equipment) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as disclosed in Note 1.4.2 and Note 2.1.

The financial statements have been prepared under the historical cost convention except for property, plant and equipment, investments property and financial instruments which are measured at fair value. The financial statements are in agreement with the underlying books and records and have been properly prepared in accordance with the accounting policies set out in Note 2 of the Consolidated Financial Statements.

The principal accounting policies applied in the preparation of the Group's financial statements are consistent with those applied in the previous year's financial statements, except for the change in measurement of property, plant and equipment, which was previously measured at historical cost and is now being measured under the revaluation model.

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

The Board recognises and acknowledges its responsibility for the Group's systems of internal financial control. The Group maintains internal controls and systems that are designed to safeguard the assets of the Group, prevent and detect errors and fraud and ensure the completeness and accuracy of the Group's records. The Group's Audit and Risk Committee has met the external auditors to discuss their reports and the results of their work, which includes assessments of the relative strengths and weaknesses of key control areas.

Due to the continuous growth of the business, increasing complexity of transactions and growing diversity in stakeholders across the value chain, occasional breakdown in established control procedures is anticipated and monitored. Such breakdowns and potential weaknesses have been reported to the Group's Audit Committee and the Board.

The financial statements for the year ended 30 June 2023, which appear on pages 91 to 138 have been approved by the Board of Directors and are signed on its behalf by:

**T. Moyo**
Chairman
Harare
26 September 2023

**M. Lashbrook**
Chief Executive Officer

The financial statements have been prepared under the supervision of Mr Lovejoy Nyandoro CA(Z).

**L. Nyandoro**
Group Finance Director

# Company Secretary's Certification

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

**Leigh Howes**
Company Secretary
Harare
26 September 2023





# Report of the Directors

The Directors have pleasure in presenting their report, together with the audited financial statements for the year ended 30 June 2023.

### GROUP FINANCIAL RESULTS

| | 2023 US$ | 2022 US$ |
|---|---|---|
| Profit before tax | 9 767 022 | 15 630 249 |
| Tax expense | (2 237 155) | (3 227 851) |
| Profit for the year | 7 529 867 | 12 402 398 |
| Other comprehensive income | — | 6 816 728 |
| **Total comprehensive income for the year** | **7 529 867** | **19 219 126** |

**Share Capital**
During the year the authorised share capital remained at 73 000 000 ordinary shares of US$0.01 each. No new shares were issued during the year (2022: Nil) and the number of shares in issue was 68 400 108 (2022: 68 400 108).

**National Foods Worker's Trust**
National Foods Workers Trust (Private) Limited was established to provide a scheme for worker participation in both the equity and profits of the company. Through donations by the Company to the Trust, the Trust acquired a 9.53% shareholding in National Foods Holdings Limited. Dividends received through its shareholding are administered by a board of nine Trustees for the benefit of workers under grades "A", "B" and "C" of the Milling and Commercial Industries and grades 1-6 of the Textile Industry, being the National Employment Council for which the wide categories of employees fall.

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

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

# Report of the Directors (continued)

**Dividends**

The Board is pleased to declare a final dividend of US$1.15 cents per share (2022: US$5.95 cents per share) in respect of all ordinary shares of the Company bringing the total dividend to US$4.05 cents per share (2022: US$5.95 and ZW$1,103 cents per share). This dividend is in respect of the financial year ended 30th of June 2023 and will be payable to all shareholders of the Company registered at the close of business on the 13th of October 2023.

The payment of this final dividend will take place on or around 27th of November 2023. The shares of the Company will be traded cum-dividend on the Victoria Falls Stock Exchange up to the market day of the 10th of October 2023 and ex-dividend from 11th of October 2023.

**Directorate**

Messrs T. Moyo and L. Nyandoro retired by rotation in terms of the Articles of Association of the Company, and being eligible, offered themselves for re-election.

**Auditors**

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

**Annual General Meeting**

The fifty-fourth Annual General Meeting of the Company will be held at 08:45 am on Tuesday 14 November 2023 at National Foods Limited, 10 Stirling Road Workington, Harare.

**T. Moyo**
Chairman
Harare
26 September 2023

**M. Lashbrook**
Chief Executive Officer





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**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Report on the Audit of the Financial Statements**

**Adverse opinion**

We have audited the accompanying consolidated financial statements of National Foods Holdings Limited and its subsidiaries (together, "the Group"), set out on pages 91 to 138 which comprise the consolidated statement of financial position for the year ended 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and the notes to the 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 consolidated financial statements do not present fairly, the financial position of the Group for year ended 30 June 2023, 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 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" , IAS 8 "Accounting policies, changes in accounting estimates and errors" and IAS 16 "property plant and equipment" with respect to the translation of balances on change in functional currency.

The Group changed functional currency from the Zimbabwe Dollar (ZWL) to United States Dollar (USD) on 1 July 2022. The Group has adopted USD opening balance amounts on 1 July 2022, and corresponding figures shown in the financial statements, that the Directors have determined by applying the spot rates on dates that transactions initially arose and adopting a change in accounting policy for property, plant and equipment to the revaluation method retrospectively. This is not in compliance with the requirements of IAS 21 which requires determination of the opening USD balances and comparative amounts on 1 July 2022 using the spot rate at that date and the prospective adoption of the change to a revaluation model as required by IAS 8 and IAS 16

The precise quantification of the effects of the non -compliance with IAS 21 on the Group's financial statements have not been determined. However, we have determined that the errors due to the IFRS non-compliance described above are material. The non-compliance with IFRS impacts the comparative balances presented and has carryover effects on the surplus on revaluation of property, plant and equipment presented in the other comprehensive income for the year ended 30 June 2023, movements within equity presented in the consolidated statement of financial position as at 30 June 2023. In addition, this matter impacts the consolidated statement of profit or loss and other comprehensive income amounts of cost of raw materials consumed, income from associate, income tax and profit for the period.

Because the number of financial statement line items impacted by the incorrect application of the change in functional currency is substantial to the financial statements taken as a whole, we have concluded that the departure from the application of change in functional currency as required under IAS 21 is material and pervasive to the consolidated financial statements and the accompanying corresponding figures presented.

Non-compliance with IAS 21 "The effects of changes in foreign exchange rates" with respect to the determination of the appropriate spot rate

During the year, the Group utilised an internally generated exchange rate, which had been determined through the Group's trading arrangements, to convert ZWL local transactions to USD functional currency 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 or interbank rates, as published by the Reserve Bank of Zimbabwe ("Auction Rate" interbank and, 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.

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

MAKING AN IMPACT THAT MATTERS Since 1845

**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Report on the Audit of the Financial Statements**

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year These matters were addressed in the context of our audit of the 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 Adverse 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 |
|---|---|
| **1. Valuation of property, plant and equipment** | |
| As disclosed in note 8 of the financial statements, the Group has property, plant and equipment which was measured using the revaluation model in accordance with the International Accounting Standard IAS *16 Property, Plant and Equipment* as at 30 June 2022. The value of property, plant and equipment as at 30 June 2023 is US$86 199 776<br><br>Significant judgement and estimates are required in the assessment of fair value and the directors engaged an independent external valuer, in determining the fair values of property, plant and equipment.<br><br>Due to the significant assumptions and estimates applied by the valuers in the revaluation process as well as the amount of audit effort that was required in testing the valuations, we considered this to be a matter of most significance to the current year audit of the financial statements.<br><br>Notes 2.12 and 8 to the financial statements provide detailed information with respect to the determination of property, plant and equipment values. | To respond to the matter, we performed the following procedures:<br><br>• Tested the design and implementation of controls over the valuation process;<br><br>• Assessed the independence, competence and objectivity of the external property valuer;<br><br>• Evaluated the valuation methodology used by the independent valuers;<br><br>• Assessed the reasonableness of the assumptions used in the valuation model to determine the value of property, plant and equipment against available market data, industry norms and /or independent quotations, together with reasonableness of key estimates adopted in the valuation including those relating to market selling prices, market rates, capitalization rates and useful sizes;<br><br>• Tested the completeness and accuracy of the inputs used in the valuation model;<br><br>• Engaged our valuation specialists, as part of our audit team to independently assess the reasonableness and appropriateness of the valuation models, methodologies and inputs used by the independent valuers on a sample basis;<br><br>• Assessed whether fair value had been determined in accordance with the requirements of IFRS 13 Fair Value Measurement; and<br><br>• Reviewed financial statement for adequacy of disclosures around the key assumptions.<br><br>We concluded that the valuation of property, plant and equipment (PPE) was appropriately determined in terms of the standard.<br><br>Refer to the Basis for adverse opinion section regarding our conclusion on the disclosures and accounting pertaining to valuation of property, plant and equipment. |



**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Other information**

The directors are responsible for the other information. The other information comprises the Statement of Directors' responsibility, Report of the Directors , as required by the Companies and Other Business Entities Act (Chapter 24:31), shareholders' analysis and related notes which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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 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 disclosure items in the Directors' report and Directors' responsibility statement at the reporting date.

**Responsibilities of the directors for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

- 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 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.

**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

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 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)
Because of the significance of the matter described in the Basis for Adverse Opinion section of our report, the consolidated financial statements of the Group are not properly drawn up in accordance with the Act and do not give a true and fair view of the state of the Group's affairs at the date of its financial statements for its financial year ended on that date.

Section 193(2)
We have no matters to report in respect of the Section 193(2) requirements of the Act, in addition to those already addressed in the Basis for Adverse Opinion section of our report.

Deloitte & Touche

**DELOITTE & TOUCHE**
**CHARTERED ACCOUNTANTS (ZIMBABWE)**
**PER: LAWRENCE NYAJEKA**
**REGISTERED AUDITOR**
**PAAB PRACTICE CERTIFICATE NUMBER: 0598**

**DATE: 28 September 2023**





# Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2023

| | Note | 2023 US$ | 2022 US$ |
|---|---|---|---|
| **Revenue** | 4 | **343 577 747** | **282 301 044** |
| Cost of raw materials | 13 | (271 506 158) | (209 588 642) |
| Profit before items listed below | | **72 071 589** | **72 712 402** |
| Other trading income | 5.1 | 448 085 | 615 420 |
| Operating expenses | 5.2 | (49 166 531) | (45 368 672) |
| Operating profit before depreciation, financial loss, interest, equity accounted earnings and tax | | **23 353 143** | **27 959 150** |
| Financial loss | 5.3 | (5 085 818) | (4 753 276) |
| Depreciation | 5.4 | (4 121 541) | (3 335 688) |
| **Operating profit before interest, equity accounted earnings and tax** | | **14 145 784** | **19 870 186** |
| Interest income | 5.5 | 477 000 | 193 673 |
| Interest expense | 5.5 | (5 184 135) | (5 455 556) |
| Equity accounted earnings | 11.3 | 328 373 | 1 021 946 |
| **Profit before tax** | | **9 767 022** | **15 630 249** |
| Income tax expense | 6.1 | (2 237 155) | (3 227 851) |
| **Profit for the year** | | **7 529 867** | **12 402 398** |
| **Other comprehensive income - not to be reclassified to profit and loss in subsequent periods** | | | |
| Surplus on revaluation of property, plant and equipment | 15.3 | — | 9 005 397 |
| Share of other comprehensive income of associates, net of tax | 11.3 | — | 17 945 |
| Income tax on revaluation surplus | 6.5 | — | (2 206 614) |
| | | **—** | **6 816 728** |
| **Total comprehensive income for the year** | | **7 529 867** | **19 219 126** |
| **Profit for the year attributable to equity holders of the parent** | | **7 529 867** | **12 402 398** |
| **Total comprehensive income for the year attributable to equity holders of the parent** | | **7 529 867** | **19 219 126** |
| **Earnings per share (cents)** | | | |
| Basic and diluted earnings per share | 7 | 11.01 | 18.13 |

# Consolidated Statement of Financial Position

as at 30 June 2023

| | Note | 2023 US$ | 2022 US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 86 199 776 | 71 567 427 |
| Investment property | 9 | 1 502 676 | — |
| Goodwill | 10 | 324 503 | 379 105 |
| Investment in associates | 11.3 | 1 858 493 | 1 530 120 |
| Other assets | 12.1 | 7 037 079 | 4 290 898 |
| Right of use assets | 22.1 | 143 354 | 273 382 |
| | | **97 065 881** | **78 040 932** |
| **Current assets** | | | |
| Inventories | 13 | 47 040 426 | 46 999 322 |
| Trade and other receivables | 14 | 35 027 335 | 33 716 395 |
| Other assets | 12.1 | 1 965 372 | 9 933 363 |
| Current tax receivable | 6.3 | 397 317 | — |
| Cash & cash equivalents | 18.4 | 3 810 383 | 2 114 274 |
| | | **88 240 833** | **92 763 354** |
| **Total assets** | | **185 306 714** | **170 804 286** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15.1 | 684 001 | 684 001 |
| Revaluation reserve | 15.3 | 37 137 697 | 37 137 697 |
| Distributable reserves | 15.4 | 68 825 785 | 67 349 353 |
| **Total equity** | | **106 647 483** | **105 171 051** |
| **Non-current liabilities** | | | |
| Deferred tax liability | 6.5 | 10 408 006 | 9 360 113 |
| Lease liability | 22.2 | — | 32 942 |
| | | **10 408 006** | **9 393 055** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 53 368 460 | 38 614 452 |
| Current portion of lease liability | 22.2 | 100 197 | 257 243 |
| Borrowings | 12.2 | 14 782 568 | 14 735 910 |
| Current tax payable | 6.3 | — | 2 299 179 |
| Shareholders for dividends | 16 | — | 333 396 |
| | | **68 251 225** | **56 240 180** |
| **Total equity and liabilities** | | **185 306 714** | **170 804 286** |

**T. Moyo**
Chairman
Harare
26 September 2023

**M. Lashbrook**
Chief Executive Officer





# Consolidated Statement of Cash Flows

for the year ended 30 June 2023

| | Note | 2023 US$ | 2022 US$ |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash generated from operations | 18.1 | 13 251 346 | 24 074 419 |
| Working capital changes | 18.2 | 13 105 772 | (8 295 118) |
| Operating cash flow | | 26 357 118 | 15 779 301 |
| Interest expense | 5.5 | (4 707 135) | (5 261 883) |
| Income tax paid | 6.3 | (3 885 758) | (4 474 168) |
| **Net cash inflows from operating activities** | | **17 764 225** | **6 043 250** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment to maintain operations | 8 | (2 217 102) | (1 381 435) |
| Purchase of property, plant and equipment to expand operations | 8 | (17 910 331) | (10 915 767) |
| Proceeds from disposal of property, plant and equipment | | — | 61 165 |
| Loans to associate | 11.3 | — | (48 551) |
| Increase/(decrease) in other assets | | 10 539 545 | (1 893 997) |
| Dividends received from associate | 11.3 | — | 335 225 |
| **Net cash outflows from investing activities** | | **(9 587 888)** | **(13 843 360)** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 12.2 | 2 691 766 | 7 710 888 |
| Repayment of borrowings | 12.2 | (2 645 108) | (873 659) |
| Lease liability repayments | 22.2 | (190 696) | (169 600) |
| Dividends paid | 16 | (6 386 801) | (5 735 018) |
| **Net cash (outflows)/inflows from financing activities** | | **(6 530 839)** | **932 611** |
| **Net increase/(decrease) in cash and cash equivalents** | | **1 645 498** | **(6 867 499)** |
| Net foreign exchange difference | 18.1 | 50 611 | — |
| **Cash and cash equivalents at beginning of the year** | | **2 114 274** | **8 981 773** |
| **Cash and cash equivalents at the end of the year** | 18.4 | **3 810 383** | **2 114 274** |

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

| | Notes | Share Capital US$ 15.1 | Revaluation Reserve US$ 15.3 | Distributable Reserves US$ 15.4 | Total US$ |
|---|---|---|---|---|---|
| **Balance at 30 June 2021** | | **684 001** | **—** | **88 706 501** | **89 390 502** |
| Profit for the year | | — | — | 12 402 398 | 12 402 398 |
| Other comprehensive income | | — | 6 816 728 | — | 6 816 728 |
| Total comprehensive income | | — | 6 816 728 | 12 402 398 | 19 219 126 |
| Reclassification of revaluation reserve* | | — | 30 320 969 | (30 320 969) | — |
| Dividends declared | 16 | — | — | (3 438 577) | (3 438 577) |
| **Balance at 30 June 2022** | | **684 001** | **37 137 697** | **67 349 353** | **105 171 051** |
| Profit for the year | | — | — | 7 529 867 | 7 529 867 |
| Other comprehensive Income | | — | — | — | — |
| Total comprehensive income | | — | — | 7 529 867 | 7 529 867 |
| Dividends declared | 16 | — | — | (6 053 435) | (6 053 435) |
| **Balance at 30 June 2023** | | **684 001** | **37 137 697** | **68 825 785** | **106 647 483** |

* The reclassification was effected to correct the revaluation reserve at 30 June 2022 as disclosed in Note 15.3





# Notes to the Consolidated Financial Statements

for the year ended 30 June 2023

## 1. CORPORATE INFORMATION

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

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

The consolidated financial statements of National Foods Holdings Limited for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 26 September 2023.

### 1.1 Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Companies and Other Business Entities Act (Chapter 24:31). The consolidated financial statements do not fully comply with IFRS due to a departure from the requirements of IAS 21 - (The effects of changes in foreign exchange rates), IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) and IAS 16 (Property, Plant and Equipment) , as disclosed in Note 1.4.2 and Note 1.5.

### 1.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention except for property, plant and equipment, investment property and financial instruments which are measured at fair value.

### 1.4 Functional currency

#### 1.4.1 Change in functional currency

These consolidated financial statements are presented in United States Dollars ("US$"), which is the functional and presentation currency of the Group. The Group changed its functional currency from Zimbabwe Dollars (ZWL) to United States Dollars ("US$") with effect from 1 July 2022.

The Group assessed its functional currency in accordance with the requirements of International Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates" (IAS 21). In assessing the change in functional currency, the Group considered the following primary and secondary factors:

(a) The currency that mainly influences sales prices for goods and services.
(b) The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.
(c) The currency that mainly influences labour, material, and other costs of providing goods or services.
(d) The currency in which funds from financing activities are generated.
(e) The currency in which receipts from operating activities are usually retained.

Based on the above factors, the Group concluded that there was a change in functional currency to United States Dollars (US$).

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 1. CORPORATE INFORMATION (continued)

### 1.4 Functional currency (continued)

#### 1.4.2 Translation adopted on date of change in functional currency

Commencing with the financial year ended 30 June 2020, and in line with both previous guidance issued by the Public Accountants and Auditors Board ("PAAB") and the provisions of International Accounting Standard ("IAS") 29 (Financial Reporting in Hyperinflationary Economies), the Directors have been presenting Group consolidated, inflation-adjusted financial statements in Zimbabwe Dollars ("ZWL"). Due to the considerable distortions in the economy, and the material and pervasive effects that these had in the application of IAS 29, the Directors have always advised users to exercise caution in the interpretation and use of those Group consolidated, inflation-adjusted financial statements; in addition the Directors also issued financial statements prepared under the historical cost convention, as supplementary information, in an effort to assist users with their interpretation of the Group's financial performance.

Following the promulgation of Statutory Instrument ("SI") 185 of 2020, issued on 24 July 2020, the Group has continued to see a steady increase in the use of foreign currency across the business and, in accordance with the requirements of IAS 21 (The Effects of Changes in Foreign Exchange Rates), has been through a process of assessing its functional currency. Following the completion of this process, the Group has concluded that based on the primary operating environment and the Group's own operating activities, there has been a change in its functional currency from ZWL to United States Dollars ("US$") with effect from the beginning of the current financial year. The change in the Group's functional currency is further supported by the Listing Requirements of the VFEX, which require issuers to present financial statements in US$.

IAS 21 directs that entities operating in hyperinflationary economies should translate their last reported inflation-adjusted financial statements using the closing rate of exchange at the reporting date in order to derive and present comparative financial statements under a newly assessed functional currency.

The Directors are of the opinion that using the provisions of IAS 21 to convert the Group's inflation-adjusted financial statements from previous periods, as a basis for presenting comparative and opening balance sheet information in terms of the new functional currency, will result in the material misstatement of the Group's comparative financial statements. As a result, the Directors have not adhered to IAS 21 in accounting for the change in functional currency. This has resulted in the external auditors issuing an adverse audit report on the Group's consolidated financial statements for the current period under review.

In an endeavour to present a true and fair comparative financial performance and position of the Group, stakeholders will recall that the Group used alternative procedures and techniques in the translation process in the preparation of its Interim Report, where it reported total opening shareholders' equity of US$ 108 076 404 in its comparative Statement of Financial Position.

In an effort to move towards full compliance with IFRS, and with the objective of ensuring a return to an unqualified audit opinion on the Group's Financial Statements for the 2024 financial year, the Group further refined its conversion procedures and techniques in translating its previously reported ZWL financial statements to USD; this resulted in opening equity reducing from the USD 108 076 404 reported in the Interim Report, to USD 105 171 051.

This reduction was largely due to the re-calculation of deferred tax provisions, taking account of the recently updated legislation in income tax provisions , the effects of the changes in accounting policy on property, plant and equipment, now measured under the revaluation method and other adjustments required to bring the conversion of other assets and liabilities in line with the provisions of IAS 21. The Group financials were converted as follows:

**Statement of profit or loss and other comprehensive income**

- All ZW$ transactions concluded during the period were converted to US$ using the internal spot rate existing at the date of the transaction.
- US$ transactions were accounted for at original US$ value.
- Exchange gains/losses on ZW$ transactions and balances were established and recorded





Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

1. CORPORATE INFORMATION (continued)

1.4 Functional currency (continued)

#### 1.4.2 Translation adopted on date of change in functional currency (continued)

**Statement of financial position**

- The Group changed its accounting policy for property, plant and equipment from cost to revaluation model and engaged an independent professional valuer to perform the revaluation as at 30 June 2022 as disclosed in Note 4.
- Investment in associate was determined by taking the share of net assets post revaluation performed at 30 June 2022.
- Deferred tax was recomputed using the provisions of IAS12 based on the new carrying amounts of assets and liabilities.
- All other assets and liabilities, were converted in line with the provisions of IAS 21.

After applying the above procedures the Group's equity as at 30 June 2022 changed from US$ 108 076 404 to US$ 105 171 051.

The Directors have always exercised reasonable due care and applied judgments that they considered to be appropriate in the preparation and presentation of the Group's financial statements, and whilst they believe that the alternative procedures and techniques used in the translation process, as described above, provide users with the best possible view of the financial performance and position of the Group, attention is drawn to the inherent subjectivities and technicalities involved in the translation of ZWL financial statements to USD financial statements.

Had Management complied with the translation requirements of IAS 21 at 30 June 2022, the equity balance would have been US$ 55 427 757 as shown in the table below. The non compliance was rectified through a revaluation and therefore the equity reflected at 30 June 2023 is compliant with the IFRS requirements.

| | IAS 29 Based US$'000 | Reported US$'000 | Impact US$'000 |
|---|---|---|---|
| Total assets | 111 267 | 170 802 | 59 535 |
| Total liabilities | (55 839) | (65 631) | (9 792) |
| **Equity** | **55 428** | **105 171** | **49 743** |

### 1.5 IAS 21 Effects of Changes in Exchange Rates

The Government of Zimbabwe, in June 2020, promulgated Statutory Instrument 85 of 2020 (SI 85/20) which permitted the use of foreign currencies for domestic transactions. This was followed by the introduction of the Foreign Exchange Auction Trading System (the Auction System) at the end of June 2020 by the Reserve Bank of Zimbabwe (RBZ). During the reporting period, the Group was able to obtain a portion of its foreign currency requirements through the Auction System, but not enough to fully service the Group's foreign currency requirements.

Since the promulgation of SI 85/20 and the introduction of the Auction System, there has, at times been a significant disparity between the auction exchange rates and the foreign currency exchange rates obtained through the purchase/sale of goods and services on the domestic market.

As a result of the limited amount of currency secured by the Group on the Auction System, the Directors have used estimated exchange rates derived by reference to trading arrangements between the Group, its customers and suppliers to translate all foreign currency transactions. Additionally, the Directors do not believe that the Auction Exchange rates prevailing during the financial year were, at all times, reflective of a spot exchange rate, contemplated by IAS 21. The IFRIC decision made in September 2018 confirmed that the use of an estimation process when a currency is not exchangeable and when the lack of exchangeability is not short-term, is permissible.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 1. CORPORATE INFORMATION (continued)

### 1.5 IAS 21 Effects of Changes in Exchange Rates (continued)

Due to the above and other technicalities related to the conversion of foreign currency transactions and balances into US$, the Directors would like to advise users to exercise caution in the use of these consolidated inflation adjusted financial statements in relation to the reporting currency and conversion to other currencies.

The Group's Auditors, Deloitte & Touche, have concluded that the lack of exchangeability is temporary based on RBZ publications and other data. Given that this lack of exchangeability is not short-term in nature in the opinion of our Auditors, they are of the view that it was not appropriate for the Group to estimate an exchange rate with reference to trading arrangements with its customers and suppliers. As a result, the Independent Auditors, have issued an adverse opinion for the current year ended 30 June 2023 as they believe that the determination of an estimated spot exchange rate was not compliant with the requirements of IFRS. The Auditors believe that the auction exchange rate was the appropriate spot exchange rate that was observable and accessible for immediate delivery.

The Directors disagree with the conclusion of the Auditors as it was contrary to the circumstances applicable to the Group and particularly in respect of the proportion of the Group's foreign currency requirements secured at the Auction.

In addition, there are varying views on the matter in the market, and at present there is no appropriate applicable guideline issued by the relevant Statutory Boards on the subject. The Directors have therefore applied their best judgement under the circumstances faced by the Group.

### 1.6 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Changes in accounting policy and disclosures

**a. Change in accounting policy for property, plant and equipment**

The Group changed its measurement policy for property, plant and equipment from cost to revaluation with effect from 30 June 2022. Under the revaluation model, assets are carried at revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. The change in accounting policy has been applied retrospectively instead of a prospective application as prescribed in IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) and IAS 16 (Property, Plant and Equipment). The Directors are, however, of the view that effecting the change in the property,plant and equipment accounting policy from the historical cost model to the revaluation model in the comparative year, will present more fairly property, plant and equipment values, enhance comparability between the Group's current and comparative statements of financial position, and additionally, will assist users with their interpretation of the Group's financial position and performance. The following table summarises the impact of the change in policy on the financial statements of the Group. The impact of the change in policy on both basic and diluted earnings per share is presented in note 7.3.

| | 2023<br>US$ | 2022<br>US$ |
|---|---|---|
| **Consolidated statement of profit or loss** | | |
| Increase in depreciation expense | — | — |
| **Decrease in profit for the year** | **—** | **—** |
| **Other comprehensive income** | | |
| Increase in surplus on revaluation of property, plant and equipment | — | 9 023 342 |
| Increase in deferred tax | — | (2 206 614) |
| **Increase in comprehensive income** | **—** | **6 816 728** |
| **Consolidated statement of financial position** | | |
| Increase in revaluation reserve | — | 6 816 728 |
| Reclassification of revaluation reserve from distributable reserves | — | 30 320 969 |
| Increase/(decrease) in equity | — | **37 137 697** |

**b. New and Amended IFRSs adopted**

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2022 and therefore came into effect at the beginning of the year ended 30 June 2023. These standards have no material effect on the Group.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
Reference to the Conceptual Framework (Amendments to IFRS 3)
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Changes in accounting policy and disclosures (continued)

**b. New and Amended IFRSs adopted** (continued)

| Description | Effective for annual periods beginning on or after | |
|---|---|---|
| Amendments to IAS 1 – Classification of Liabilities as Current or Non-current | 1 January 2023 | Applicable |
| Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – (Amendments to IAS 12 Income Taxes) | 1 January 2023 | Applicable |
| Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) | 1 January 2023 | Applicable |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 | Applicable |
| IFRS 17 - Insurance Contracts | 1 January 2023 | N/A |
| Amendments to IFRS 17 | 1 January 2023 | N/A |
| Definition of Accounting Estimates (Amendments to IAS 8) | 1 January 2023 | Applicable |
| International Tax Reform Pillar Two Model Rules (Amendments to IAS 12) | 1 January 2023 | Applicable |
| Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) | 1 January 2024 | Applicable |
| Non-current Liabilities with Covenants (Amendments to IAS 1 | 1 January 2024 | Applicable |
| Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) | 1 January 2024 | N/A |

### 2.2 Foreign currency translation

The Group's financial statements are presented in United States Dollar ("US$"), which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction and are not subsequently retranslated.

Exchange differences arising from translation or settlement of monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Upon disinvestment of a foreign entity, translation differences related to that entity are recycled into profit or loss.





Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Taxation

**2.3.1 Current income tax**

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that give rise to permanent differences. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**2.3.2 Deferred income tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3 Taxation (continued)

#### 2.3.3 Value Added Tax (VAT)

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

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

#### 2.3.4 Uncertain Tax Positions

There have been substantial changes in the currency environment in Zimbabwe in recent years, including the reintroduction of the ZWL as the country's functional currency in February 2019 through SI 33 of 2019, followed by the promulgation of SI 185 of 2020, which reintroduced the use of foreign currency for domestic transactions. These significant changes have created numerous uncertainties in the treatment of taxes due across the economy, and have been compounded by a lack of clear statutory and administrative guidance or practical transitional measures from the tax authorities. The wording of existing tax legislation has given rise to varying interpretations of tax law within the Country. Over time, it has become apparent that the Group's interpretation of the law regarding the currency of settlement for taxes, as well as the methodology for tax computation, has differed from that of the authorities, and this has resulted in a number of uncertainties in the Group's tax position. The Group continues to seek adjudication by the courts on the uncertain tax positions.

### 2.4 Non-current assets held for sale and discontinued operations

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

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

### 2.5 Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the Board.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Investment Property (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 2.6 Goodwill

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

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

### 2.7 Software-as-a-Service Arrangement

The Group recognises a Software-as-a-Service for the upfront configuration and customisation costs incurred in implementing the ERP cloud solution. SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. In instances where the full cost is paid in advance, a prepayment will be recognised and the expense will be amortised as the service is received.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

**Raw materials and packaging:**

- Purchase cost on a first in, first out basis.

**Finished goods and work in progress:**

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

**Consumable stores**

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

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Short term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 2.11 Retirement benefits

Retirement benefits are provided for eligible Group employees through various independently administered defined contribution schemes, including the National Social Security Authority. Contributions to these funds are recognised as an expense in the period to which employees' services relate.

### 2.12 Property, plant and equipment

On initial recognition property, plant and equipment is measured at cost, which includes all the costs necessary to bring the asset to working condition for its intended use.

Subsequent to recognition, all items of property, plant and equipment are shown at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Revaluations are carried out after every five years, so that the carrying amount of an asset does not differ materially from its fair value at the balance sheet date. An increase in revaluation is credited to other comprehensive income and accumulated in equity under the heading "Revaluation Reserve" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised in profit or loss.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspections performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred property plant and equipment.

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

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

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each financial year end and adjusted prospectively if appropriate. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in full.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

### 2.13 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Group has related party relationships with its subsidiaries, company directors, other key shareholders and key management personnel. Transactions and balances are reflected in note 21.





Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Statutory Receivable

At initial recognition the statutory receivables are measured at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If the entity determines that the fair value at initial recognition differs from the transaction price, the entity shall account for that instrument as follows.

(a) if at the measurement, the fair value is evidenced by a quoted price in an active market for an identical asset (i.e. a level 1 input) or based on a valuation method that uses only data from observable markets. An entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

(b) In all other cases, the entity may adjust to defer the difference between the fair value at initial recognition and the transaction price. After recognition the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset.

Subsequently, the statutory receivables are measured at amortised cost using the effective interest rate. The fair value of the statutory receivables in the form of treasury bills is disclosed in Note 12.

### 2.15 Revenue from contracts with customers

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

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

**Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the good is transferred to the customer, generally on delivery or collection. The normal credit term is 30 days upon transfer. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(ii) Significant financing component

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

### 2.16 Cost of sales

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17 Impairment of non-financial assets

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

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

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

### 2.18 Financial instruments – initial recognition and subsequent measurement

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

#### 2.18.1 Financial assets

**Initial recognition and measurement**

Financial assets are measured at fair value at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 14. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Financial instruments – initial recognition and subsequent measurement (continued)

#### 2.18.1 Financial assets (continued)

**Subsequent measurement**

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

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

**Financial assets at amortised cost (debt instruments)**

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

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

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

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

**Financial assets at fair value through profit or loss**

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

**Derecognition**

A financial asset is primarily derecognised when:

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

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Financial instruments – initial recognition and subsequent measurement (continued)

#### 2.18.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are measured at amortised cost.

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

#### 2.18.3 Impairment of financial assets

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

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

#### 2.18.4 Financial Liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

**Subsequent measurement**

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

**Loans and borrowings**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 12.2.

**Derecognition**

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

#### 2.18.5 Offsetting of financial instruments

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





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18 Financial instruments – initial recognition and subsequent measurement (continued)

#### 2.18.6 Contract Liabilities

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

### 2.19 Investment in associates

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

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

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

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

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

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

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

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

### 2.20 Leases

**Right-of-use-assets**

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Leases (continued)

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease time. The lease payments includes fixed payments (including in substance fixed payments) less any lease incentives received, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guaranteed. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate at the commencement date was 35%. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the lease payments, or a change in the assessment of an option to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Group applies the short term lease recognition exempt to its short-term leases of machinery and equipment (i.e., those lease that have a term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value are recognized as expense on a straight-line basis over the lease term. Leases in which the Group does not substantially transfer all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

## 3. KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS

### 3.1 Revenue recognition - Estimating variable consideration for discounts and volume rebates

The Group estimates variable considerations to be included in the transaction price for the sale of various products eligible for discounts and volume rebates. The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group. The revenue recognised from sale of goods is disclosed in note 4.

### 3.2 Fair value measurements and valuation process

In estimating the fair value of property, plant & equipment and investment property, the Group uses judgment when applying market-observable data to the extent it is available as disclosed in note 8.2. The Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

### 3.3 Useful lives and residual values of property, plant and equipment

The Group assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. The estimated useful lives are set out in note 2.12 and no changes to those useful lives have been considered necessary during the year. Residual values are reassessed each year and adjustments for depreciation will be done in future periods if there is indication of impairment in value.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 3. KEY ESTIMATES, UNCERTAINTIES AND JUDGEMENTS (continued)

### 3.4 Allowance for credit losses of trade and other receivables

The expected credit loss allowance is an impairment allowance for trade and other receivables which is reviewed on a monthly basis. In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period as well as the value of security held over that receivable.

The assessment is based on an ECL matrix initially based on the Group's historical default rates. The Group applies judgement to calibrate the matrix and adjust the historical default rates with forward-looking information e.g. forecast economic conditions (i.e., gross domestic product) as set out in note 14.2. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and the carrying amount of receivables is disclosed in Note 14.

### 3.5 Impairment of Goodwill

Goodwill arising on acquisition of assets is initially measured and recognised at cost as determined on the acquisition date less accumulated impairment, if any. This goodwill is subsequently tested for impairment at least on an annual basis and any resulting impairment is recognised immediately in the statement of profit or loss and other comprehensive income. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment will arise.

### 3.6 Functional currency assessment

Significant judgement is required to determine the functional currency. The currency that mainly influences sales prices, currency of the country whose competitive forces and regulations mainly determine sales prices, currency that mainly influences labour, material and other costs are the primary considerations. Other considerations include currency in which funds (financing activities) are generated and the currency in which receipts from operating activities are usually retained and the underlying currency of the major items on the statement of financial position. Refer to Note 1.5 for the Group functional currency assessment. The Group changed its functional currency from ZW$ to US$ on 1 July 2022.

### 3.7 Allowance for obsolete stock

The provision is mainly recognized for obsolete or unsellable goods and is reviewed on a regular basis. In determining the provision, the Group evaluates criteria such as inventory in excess of forecasted demand, product introductions, as well as changes in manufacturing strategies. Appropriate provisions are then made to reflect the risk of obsolescence as disclosed in note 13.

### 3.8 Investments where Group holds at least 20%

The Group is required to make judgements on what constitutes an investment in associate. IAS 28 "Investments in Associates and Joint Ventures" defines an associate as an entity in which the investor has significant influence. The standard states that if an entity holds 20%, directly or indirectly of the voting power of the investee, it is presumed that the entity has significant influence unless it can clearly be demonstrated that it is not the case. In determining significant influence factors such as board representation, level of transactions and ability to exercise significant influence are also considered. The investments where the Group holds 20% or more, are equity accounted for in terms of IAS 28.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **4. REVENUE** | | |
| **Revenue from contracts with customers:** | | |
| Milling and manufacturing | 343 404 584 | 282 175 400 |
| Properties | 173 163 | 125 644 |
| | **343 577 747** | **282 301 044** |
| **5. PROFIT BEFORE TAX** | | |
| Profit before tax is arrived at after taking into account the following: | | |
| **5.1 Other trading income** | | |
| Toll, handling and other services rendered | 432 038 | 270 311 |
| Hamper sales | — | 345 082 |
| Sale of scrap | 16 047 | 27 |
| | **448 085** | **615 420** |
| **5.2 Operating expenses** | | |
| **Analysis of operating expenses:** | | |
| Staff costs | 15 222 233 | 16 393 969 |
| Distribution costs | 10 919 617 | 11 123 843 |
| Electricity and generator | 3 641 101 | 1 945 012 |
| Marketing | 1 361 670 | 764 603 |
| Repairs and maintenance | 2 915 453 | 2 359 308 |
| IMT tax | 2 469 531 | 2 269 499 |
| Bank charges | 952 466 | 657 469 |
| Directors fees | 56 985 | 87 861 |
| Audit fees | 454 379 | 300 656 |
| Allowance for expected credit loss | 286 798 | 365 097 |
| Other | 10 886 298 | 9 101 355 |
| **Total** | **49 166 531** | **45 368 672** |
| **5.3 Financial loss** | | |
| Exchange differences on foreign denominated balances | 4 294 818 | 3 110 163 |
| Other | 791 000 | 1 643 113 |
| | **5 085 818** | **4 753 276** |
| **5.4 Depreciation** | | |
| Buildings | 981 072 | 696 440 |
| Plant, machinery and equipment | 2 555 663 | 2 257 360 |
| Motor vehicles | 454 778 | 301 420 |
| Right of use asset | 130 028 | 80 468 |
| | **4 121 541** | **3 335 688** |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **5. PROFIT BEFORE TAX** (continued) | | |
| Profit before tax is arrived at after taking into account the following: | | |
| **5.5 Interest** | | |
| **Interest income** | 477 000 | 193 673 |
| Interest income was earned from positive bank balances, other assets carried at amortised cost and from interest charged on over due customer balances. | | |
| **Interest expense** | (5 184 135) | (5 455 556) |
| interest expense on lease liability | (35 845) | (105 179) |
| Interest expense on short term borrowings | (5 148 290) | (5 350 377) |
| | **(4 707 135)** | **(5 261 883)** |
| Interest expense arose mainly from lease finance charges and bank borrowings. | | |
| **6. TAXATION** | | |
| **6.1 Income tax expense** | | |
| Current tax | 1 189 262 | 1 904 005 |
| - On current profits at normal rates | 1 110 578 | 1 309 005 |
| - Capital gains tax | — | 595 000 |
| - Adjustments for prior period under provision | 78 684 | — |
| Deferred tax arising from temporary differences (note 6.5) | 1 047 893 | 1 323 846 |
| | **2 237 155** | **3 227 851** |
| **6.2 Reconciliation of income tax charge:** | | |
| Profit before tax | 9 767 022 | 15 630 249 |
| Income tax computed at 24.72% | 2 414 408 | 3 863 798 |
| Non-deductible expenses for tax purposes | 126 175 | 46 742 |
| Equity accounted earnings | (81 174) | (252 625) |
| Effects of profit on disposal of fixed assets | — | (15 120) |
| Other reconciling items | (222 254) | (414 944) |
| | **2 237 155** | **3 227 851** |
| Non-deductible expenses are mainly IMT Tax and staff meals | | |
| Other reconciling items include local and foreign bank interest received. | | |
| **6.3 Current (tax asset) / liabilities** | | |
| Opening Balance | 2 299 179 | 2 672 035 |
| Charge to profit or loss | 1 189 262 | 1 904 005 |
| Paid | (3 885 758) | (4 474 168) |
| Exchange differences | - | 2 197 307 |
| **Closing Balance** | **(397 317)** | **2 299 179** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 % | 2022 % |
|---|---|---|
| **6. TAXATION** (continued) | | |
| **6.4 Tax rate reconciliation** | | |
| Statutory rate of taxation. Inclusive of AIDS levy | 24.72 | 24.72 |
| **Adjusted for:** | | |
| Tax on profit from associate | (0.01) | (1.31) |
| Profit on disposal of fixed assets | — | (0.01) |
| Profit on disposal of associates | — | (0.05) |
| Excess pension | — | 0.03 |
| Foreign income | (0.00) | (0.02) |
| Donations, fines and legal expenses | 0.01 | 1.96 |
| IMT Tax | (0.07) | (3.02) |
| Other | (0.93) | (0.25) |
| **Effective tax rate** | **23.70** | **22.10** |

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **6.5 Deferred tax liability** | | |
| At beginning of the year | 9 360 113 | 5 829 653 |
| Deferred tax relating to current temporary differences (note 6.1) | 1 047 893 | 1 323 846 |
| Deferred tax relating to other comprehensive income (revaluation) | — | 2 206 614 |
| **At end of the year** | **10 408 006** | **9 360 113** |
| **Analysis of deferred tax liability** | | |
| Property, plant and equipment | 10 803 964 | 10 366 766 |
| Unrealised exchange losses | (50 612) | 536 696 |
| Allowance for credit losses | (216 614) | (145 717) |
| Other | (128 732) | (1 397 632) |
| | **10 408 006** | **9 360 113** |

## 7. EARNINGS PER SHARE

**Basic earnings basis**

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

**Diluted earnings basis**

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 7. EARNINGS PER SHARE (continued)

**Headline earnings basis**

Headline earnings are a measurement of a company's earnings based solely on operational activities and specifically excludes any income or expenses that are capital in nature such as, sale of assets, and/or accounting write-downs or write ups. The Group's headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the Group, net of the respective tax effects.

The calculation of diluted headline earnings per share is based on the headline profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for potential conversion of share options. The potential conversion is possible when the average market price of ordinary shares during the year exceeds the exercise price of such options.

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

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **7.1 Weighted average number of shares in issue** | | |
| Weighted average shares in issue for basic, diluted and headline earnings per share | 68 400 108 | 68 400 108 |
| **7.2 Profit for the year** | | |
| Profit for the year attributable to equity holders of the parent | 7 529 867 | 12 402 398 |
| There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements. | | |
| **7.3 Headline earnings** | | |
| Reconciliation between profit for the year and headline earnings | | |
| Net profit attributable to ordinary equity holders of the parent | 7 529 867 | 12 402 398 |
| **Adjusted for capital items:** | | |
| Profit/(Loss) on disposal of property, plant and equipment | — | (61 165) |
| Tax effect of adjustments | — | 15 120 |
| Financial loss arising from other assets write down | (790 588) | — |
| Tax effect on financial loss | 195 434 | — |
| Headline earnings | **6 934 713** | **12 356 353** |
| Basic and diluted earnings per share (cents) | 11.01 | 18.13 |
| Headline earnings per share (cents) | 10.14 | 18.06 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | Land & Buildings US$ | Plant, machinery & equipment US$ | Motor vehicles US$ | Capital Work in progress* US$ | Total US$ |
|---|---|---|---|---|---|
| **8. PROPERTY, PLANT AND EQUIPMENT** | | | | | |
| **At 30 June 2023** | | | | | |
| **Valuation** | | | | | |
| At the beginning of the year | 38 896 503 | 20 081 561 | 1 583 011 | 11 006 352 | 71 567 427 |
| Additions | 720 822 | 3 749 805 | 320 244 | 15 336 562 | 20 127 433 |
| Exchange differences | (895) | — | — | — | (895) |
| Transfer from capital work in progress | — | 5 802 887 | — | (5 802 887) | — |
| Reclassification to investment property | (1 502 676) | — | — | — | (1 502 676) |
| **At end of the year** | **38 113 754** | **29 634 253** | **1 903 255** | **20 540 027** | **90 191 289** |
| **Depreciation** | | | | | |
| At beginning of the year | — | — | — | — | — |
| Charge for the year | (981 072) | (2 555 663) | (454 778) | — | (3 991 513) |
| **At end of the year** | **(981 072)** | **(2 555 663)** | **(454 778)** | **—** | **(3 991 513)** |
| **Carrying amount** | **37 132 682** | **27 078 590** | **1 448 477** | **20 540 027** | **86 199 776** |
| **At 30 June 2022** | | | | | |
| **Valuation** | | | | | |
| At the beginning of the year | 37 235 352 | 33 065 748 | 2 748 146 | 4 606 792 | 77 656 038 |
| Additions | — | 2 255 957 | 706 745 | 9 334 500 | 12 297 202 |
| Disposals | — | (3 528) | (189 141) | — | (192 669) |
| Exchange differences | (2 222) | — | — | — | (2 222) |
| Transfer from capital work in progress | — | 2 934 940 | — | (2 934 940) | — |
| Revaluation gain/(loss) | 8 671 268 | 317 237 | 16 892 | — | 9 005 397 |
| Accumulated depreciation elimination on revaluation | (7 007 895) | (18 488 793) | (1 699 631) | — | (27 196 319) |
| **At end of the year** | **38 896 503** | **20 081 561** | **1 583 011** | **11 006 352** | **71 567 427** |
| **Depreciation** | | | | | |
| At beginning of the year | (6 311 455) | (16 233 114) | (1 590 025) | — | (24 134 594) |
| Charge for the year | (696 440) | (2 257 360) | (301 420) | — | (3 255 220) |
| Disposals | — | 1 681 | 191 814 | — | 193 495 |
| Accumulated depreciation elimination on revaluation | 7 007 895 | 18 488 793 | 1 699 631 | — | 27 196 319 |
| **At end of the year** | **—** | **—** | **—** | **—** | **—** |
| **Carrying amount** | **38 896 503** | **20 081 561** | **1 583 011** | **11 006 352** | **71 567 427** |

* Capital work in progress was stated at cost.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

**8. PROPERTY, PLANT AND EQUIPMENT** (continued)

## 8.1 Valuation of property, plant and equipment

Property, plant and equipment is stated at revalued amounts, being the fair value at the date of revaluation (30 June 2022), less subsequent accumulated depreciation and impairment losses. The valuation of the property, plant and equipment was performed by Integrated Properties, an independent valuation company. Integrated Properties is a member of the Valuers Council of Zimbabwe and has appropriate qualifications and experience in the valuation, plant and equipment. The valuation conforms to International Valuation Standards and was based on the approach detailed below.

The fair value of commercial and industrial land, buildings, plant, machinery and furniture and fittings was determined based on the cost approach due to lack of comparable data as the assets are of a specialised nature.

The fair value for Motor vehicles was based on the depreciated replacement cost which was determined based on market comparable data, the condition of the asset, estimated remaining useful life, amongst other factors. The market comparable data reflects recent arms' length transaction prices for similar assets adjusted for the use/condition, location, size and quality of finishes.

**Significant unobservable data utilised in the valuation**

The following significant unobservable level 3 inputs were applied in arriving at the fair values at 30 June 2022.

| Asset Class | Valuation technique | Significant unobservable inputs | Range | Sensitivity |
|---|---|---|---|---|
| **Land and buildings** | Combination of Market & Cost approach | Market rentals per m² | US1.00 - US$25.00 | Increase/(decrease) in price per square metre results in an increase/(decrease) in fair value by US$1 439 219 |
| | | Capitalisation rate | 13% - 15% | Increase/(decrease) in capitalisation rate results in an increase/(decrease) in fair value by US$5 714 |
| | | Estimated remaining useful life | 40 years | A 10% increase/(decrease) in the useful lives of the assets results in an increase/(decrease) in fair value of US$3 203 980 |
| **Plant and machinery** | | Cost of replacing the asset | 10% | Increase/(decrease) in cost of replacing the asset results in an increase/(decrease) in fair value of US$2 596 136 |
| | | Estimated remaining useful life | 5 -20 years | A 10% increase/(decrease) in the useful lives of the assets results in an increase/(decrease) in fair value of US$223 090 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

**8. PROPERTY, PLANT AND EQUIPMENT** (continued)

If property, plant and equipment was measured using cost model, the carrying amounts would be as follows:

| | Land & Buildings US$ | Plant, machinery & equipment US$ | Motor vehicles US$ | Total US$ |
|---|---|---|---|---|
| **Carrying amount at 30 June 2022** | **30 225 235** | **19 764 324** | **1 566 119** | **51 555 678** |

**8.2 Fair value measurement**

**Quantitative disclosures fair value measurement hierarchy for assets:**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$ | Significant observable inputs (Level 2) US$ | Significant unobservable inputs (Level 3) US$ | Fair value US$ |
| **As at 30 June 2023** | | | | |
| **Property, plant and equipment measured at fair value** | | | | |
| Land and Buildings | — | — | — | — |
| Plant and machinery | — | — | — | — |
| Motor vehicles | — | — | — | — |
| **Total** | **—** | **—** | **—** | **—** |
| **As at 30 June 2022** | | | | |
| Land and Buildings | — | 7 252 000 | 31 644 503 | 38 896 503 |
| Plant and machinery | — | — | 20 081 561 | 20 081 561 |
| Motor vehicles | — | 1 583 011 | — | 1 583 011 |
| **Total** | **—** | **8 835 011** | **51 726 064** | **60 561 075** |

| | 2022 US$ |
|---|---|
| **8.3 Reconciliation of carrying amount of Level 3 assets** | |
| **Carrying amount as at 30 June 2022** | **42 737 559** |
| Level 3 revaluation gain recognised due to change in accounting policy | 8 988 505 |
| **Fair value at 30 June 2022** | **51 726 064** |

The Group changed accounting policy at 30 June 2022 with respect to the measurement of property, plant and equipment from cost to revaluation model on a retrospective basis.

**8.4 Encumbrances**

None of the asset categories above had been pledged to secure borrowings of the Group in the current year (2022: Nil).





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **9. INVESTMENT PROPERTY** | | |
| **Carrying amount at the beginning of the year** | — | — |
| Reclassification from property, plant and equipment* | 1 502 676 | — |
| Additions | — | — |
| Disposal | — | — |
| Gain from fair value adjustments | — | — |
| **Carrying amount at the end of the year** | **1 502 676** | **—** |
| **Comprising:** | | |
| Freehold property | **1 502 676** | **—** |

The fair value of freehold property leased to third parties under operating leases is US$1 502 676 (2022: nil).

The carrying amount of investment property is the fair value of property as determined by Integrated Properties, an independent professional valuer, with appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Fair values are determined with regards to recent market transactions for similar properties in the same location as the investment property. The Company's current lease arrangements, which are entered into on an arm's length basis, and which are comparable to those for similar properties in the same location, are taken into account. Investment properties were fair valued using the market approach. The fair value of the Group's properties are categorised into Level 2 of the fair value hierarchy.

* In 2022 investment property was included in property, plant and equipment erroneously. This has been corrected in 2023 by reclassifying these properties from property, plant and equipment. There has been no restatement of the comparative information as the misclassification was considered to be immaterial.

Quantitative disclosures fair value measurement hierarchy for assets:

| | Fair value measurement using | | | Fair value |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) US$ | Significant observable inputs (Level 2) US$ | Significant unobservable inputs (Level 3) US$ | US$ |
| **As at 30 June 2023** | | | | |
| **Investment property measured at fair value** | | | | |
| Office, retail, residential and industrial buildings | — | 1 502 676 | — | 1 502 676 |
| **As at 30 June 2022** | | | | |
| **Investment property measured at fair value** | | | | |
| Office, retail and industrial buildings | — | — | — | — |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **10. GOODWILL** | | |
| Net carrying amount at the beginning of the year | 379 105 | 379 105 |
| Impairment | (54 602) | — |
| Net carrying amount at the end of the year | 324 503 | 379 105 |
| Gross carrying amount | 379 105 | 379 105 |
| Accumulated impairment losses | (54 602) | — |

During the year ended 30 June 2023 management impaired the goodwill by US$54 602 to reflect the correct goodwill on date of change in functional currency.

## 11. INVESTMENT IN ASSOCIATES

The Group has the following investment:

### 11.1 National Foods Logistics

The Group acquired a 50% interest in National Foods Logistics on 1 April 2018. National Foods Logistics is a private entity that is not listed on any public exchange and is responsible for the distribution of National Foods' product to the market. The Group's interest is accounted for using the equity method in the consolidated financial statements. National Foods Logistics is incorporated in Zimbabwe and its principle place of business is in Harare, Zimbabwe.

#### 11.1.1 Net assets acquired at acquisition date

National Foods Logistics had nil assets as at the acquisition date. A cash consideration of US$750 000 was paid by the Group for a 50% stake in the associate.

#### 11.1.2 Summarised financial information of associate

The following table illustrates the summarised financial information of National Foods Logistics financial statements:

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **Income Statement** | | |
| Revenue | 11 422 366 | 11 370 269 |
| Profit after tax | 656 746 | 660 957 |
| Group's share of profit - 50% | 328 373 | 330 478 |
| Other Comprehensive income | — | 47 675 |
| **Total comprehensive income** | **328 373** | **378 154** |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 11. INVESTMENT IN ASSOCIATES (continued)

### 11.1 National Foods Logistics (continued)

#### 11.1.2 Summarised financial information of associate (continued)

The following table illustrates the summarised financial information of National Foods Logistics financial statements:

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **Statement of Financial Position** | | |
| Non current assets | 3 242 125 | 2 526 369 |
| Current assets | 1 336 966 | 1 168 670 |
| Non current liabilities | (76 316) | (69 062) |
| Current liabilities | (785 789) | (565 737) |
| Equity | 3 716 986 | 3 060 240 |
| Group's share of equity - 50% | 1 858 493 | 1 530 120 |
| Group's carrying amount of investment | 1 858 493 | 1 530 120 |

### 11.2 Disposal of Investment in Pure Oil

National Foods Limited disposed its 40% stake in Pure Oil Industries in June 2022 at cost (US$11 900 000). The core business of the associate was the production of edible oils, soya and cotton meals, margarine and soap. Pure Oil initially performed strongly as there was limited competition within the market. In recent periods the performance has deteriorated due to the entrance of numerous strong players and general commoditisation of the category. This prompted the disposal of the associate in June 2022.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **11.3 Reconciliation of movements in associates** | | |
| Balance at the beginning of the year | 1 530 120 | 12 809 938 |
| (Disposal)/Purchase of associates (note 11.3) | — | (11 900 043) |
| Total equity accounted earnings | 328 373 | 1 021 946 |
| Equity accounted earnings - Pure Oil | — | 691 468 |
| Equity accounted earnings - National Foods Logistics | 328 373 | 330 478 |
| Share of revaluation surplus | — | 17 945 |
| Loan to/(from) associates | — | (48 551) |
| Dividend received from associates | — | (335 225) |
| **Balance at the end of the year** | **1 858 493** | **1 530 120** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **12. OTHER ASSETS AND LIABILITIES** | | |
| **12.1 Other assets** | | |
| The other assets balance comprises of: | | |
| **Debt instruments at amortised cost** | | |
| **Current** | | |
| Disposal proceeds receivable | 1 360 455 | 9 933 363 |
| Other receivable | 604 917 | — |
| **Total** | **1 965 372** | **9 933 363** |
| **Non-Current** | | |
| Zimra receivable | 2 737 895 | — |
| Debenture | 2 020 000 | — |
| Loan receivable | 1 801 392 | 1 861 865 |
| Disposal proceeds receivable | — | 1 966 637 |
| Treasury bills* | 477 792 | 462 396 |
| **Total** | **7 037 079** | **4 290 898** |
| **Total other assets** | **—** | **—** |
| Total current | 1 965 372 | 9 933 363 |
| Total non-current | 7 037 079 | 4 290 898 |
| | **9 002 451** | **14 224 261** |

* The Group has foreign legacy liabilities amounting to US$1 199 236, being foreign liabilities that were due and payable on 22 February 2019 when the authorities promulgated SI33/2019 which introduced the ZW$ currency. The foreign liabilities were registered and approved by the Reserve Bank of Zimbabwe, ("RBZ") and the Group transferred to the RBZ the ZW$ equivalent of the foreign liabilities based on an exchange rate of US$/ZW$, 1:1 in line with Exchange Control Directives RU102/2019 and RU28/2019. In September 2022, RBZ issued Treasury Bills (TBs) in respect of the deposit made by the Group. The Treasury Bills were issued at face value, with zero interest and have differing maturity tenures ranging from August 2025 to November 2042. In compliance with IFRS 9, the legacy debt was derecognised and the treasury bills were recognised. Management engaged an external valuer to determine the fair value of the TBs at initial recognition. Treasury Bills are traded on an Over the counter (OTC) market which is a secondary market that is less regulated, less transparent and less liquid. In a secondary market, zero coupon bonds are traded at discount rates agreed by the counter parties. The valuer gathered information on the prevailing discount rates and discounted the treasury bills to determine the fair value. Subsequently, the treasury bills are measured at amortised cost using the effective interest rate of 12%. The Group is confident that the Government will honour the treasury bills due to the sovereign nature of the instrument and will continue to provide the necessary support.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | Average Interest rate | Maturity | 2023 US$ | 2022 US$ |
|---|---|---|---|---|
| **12. OTHER ASSETS AND LIABILITIES** (continued) | | | | |
| **12.2 Borrowings** | | | | |
| **Current interest-bearing loans and borrowings** | 11% - US$ loans (2022: 11%)<br>85% - ZW% loans (2022: 47%) | 2024 | | |
| Bank loans | | | 14 782 568 | 14 735 910 |
| **Total current interest-bearing loans and borrowings** | | | **14 782 568** | **14 735 910** |
| **Reconciliation of bank borrowings** | | | | |
| Opening balance | | | 14 735 910 | 7 898 681 |
| Repayment | | | (2 645 108) | (873 659) |
| Proceeds from borrowings | | | 2 691 766 | 7 710 888 |
| **Closing balance** | | | **14 782 568** | **14 735 910** |
| Undrawn facilities | | | 4 380 577 | 5 244 601 |
| | | | **4 380 577** | **5 244 601** |
| **13. INVENTORIES** | | | | |
| Raw materials | | | 28 907 907 | 28 535 529 |
| Finished goods | | | 12 029 885 | 13 074 093 |
| Consumable stores | | | 6 149 704 | 5 415 970 |
| Allowance for obsolete stocks | | | (47 070) | (26 270) |
| | | | **47 040 426** | **46 999 322** |

During 2023, US$9 394 (2022: US$26 521) was recognised as an expense in cost of sales for inventories written down to their net realisable value and US$271 506 158, (2022: US$209 588 642) was recognised for inventories consumed.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **14. TRADE AND OTHER RECEIVABLES** | | |
| Trade receivables | 23 121 551 | 13 909 327 |
| Allowance for credit losses | (876 270) | (589 472) |
| Net trade receivables | 22 245 281 | 13 319 855 |
| Prepayments | 8 807 821 | 16 763 046 |
| Other receivables* | 3 974 233 | 3 633 494 |
| | **35 027 335** | **33 716 395** |

* Other receivables mainly consists of VAT receivable and service prepayments.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **14. TRADE AND OTHER RECEIVABLES** (continued) | | |
| **14.1 Trade receivables** | | |
| Trade receivables disclosed above are classified as at amortised cost and are therefore measured at amortised cost. | | |
| Refer to note 2.18.3 for the Group's allowance for expected credit losses policy. | | |
| **14.2 Movement in allowance for credit losses of receivables** | | |
| Balance at the beginning of the year | (589 472) | (224 375) |
| Current year allowances | (286 798) | (365 097) |
| Balance at year end | **(876 270)** | **(589 472)** |

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. By nature, the estimation of forward looking variables like macroeconomic factors in the near future is judgemental and subject to uncertainty. In the absence of a reliable correlation between macroeconomic factors and ECL losses, the Group applies expert judgement to decide whether a management overlay provision should be included in the measurement of ECL losses.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **14.3 Ageing of impaired trade and other receivables** | | |
| 0 - 30 days | 22 639 | 352 243 |
| 31 - 60 days | 11 496 | 210 105 |
| 61 - 90 days | 1 615 | 18 348 |
| Over 90 days | 840 520 | 8 776 |
| **Total** | **876 270** | **589 472** |
| Average age on impaired trade and other receivables (days) | 93 | 76 |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **15. ISSUED CAPITAL AND RESERVES** | | |
| **15.1 Issued capital** | | |
| **Authorised** | | |
| 73 000 000 ordinary shares of US$1 cent each | 730 000 | 730 000 |
| **Issued and fully paid** | | |
| 68 400 108 ordinary shares (2022: 68 400 108) of US$ 1 cent each | 684 001 | 684 001 |
| **Unissued shares** | | |
| 4 599 892 (2022: 4 599 892) ordinary shares of US$ 1 cent each | 45 999 | 45 999 |

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

**15.2 Directors' shareholdings**

At 30 June 2023, the Directors held directly or indirectly the following shares in the Company:

| | 2023 Number of shares | 2022 Number of shares |
|---|---|---|
| M. Lashbrook | 231 | 231 |

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **15.3 Revaluation reserves** | | |
| Opening balance | 37 137 697 | — |
| Reclassification from distributable reserves* | — | 30 320 969 |
| Gain on revaluation of property plant and equipment | — | 9 005 397 |
| Share of revaluation surplus from associate | — | 17 945 |
| Tax on revaluation surplus | — | (2 206 614) |
| **Closing balance** | **37 137 697** | **37 137 697** |

* The reclassification was effected to correct the revaluation reserve whichwas determined by comparing the inflation adjusted property, plant and equipment balance converted at the closing rateon date of change in currency to the revalued amount as at 30 June 2022. Refer to Note 1.4.2

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **15. ISSUED CAPITAL AND RESERVES** (continued) | | |
| **15.4 Distributable reserves** | | |
| Opening balance | 67 349 353 | 88 706 501 |
| Profit for the year | 7 529 867 | 12 402 398 |
| Reclassification to revaluation reserve | — | (30 320 969) |
| Dividend declared | (6 053 435) | (3 438 577) |
| **Closing balance** | **68 825 785** | **67 349 353** |
| **16. DIVIDEND** | | |
| **Declared and paid during the year:** | | |
| Final dividend for 2022: US$54.16 cents per share (2021: US$16.85 cents per share) | 3 704 393 | 1 152 355 |
| Interim dividend for 2023: US$2.90 cents per share (2022: US$3.39 cents per share) | 2 349 042 | 2 286 222 |
| Total dividends declared and or paid | 6 053 435 | 3 438 577 |
| Settlement of prior year shareholders for dividends | 333 366 | 2 296 441 |
| **Total dividends paid** | **6 386 801** | **5 735 018** |
| **Proposed and approved (not recognised as a liability at 30 June 2023)** | | |
| Final dividend for 2023: US$1.15 cents per share (2022: US$5.95 and ZW$1,103 cents per share) | 786 601 | 4 411 807 |
| **SHAREHOLDERS FOR DIVIDEND** | | |
| Opening balance | 333 396 | 2 629 838 |
| Dividend paid | (6 386 801) | (5 735 019) |
| Dividend declared | 6 053 405 | 3 438 577 |
| **Closing balance** | **—** | **333 396** |
| **17. TRADE AND OTHER PAYABLES** | | |
| Trade payables | 50 389 823 | 31 350 793 |
| Contract liabilities | — | 47 467 |
| Leave pay allowance | 345 272 | 444 945 |
| Other payables | 2 633 365 | 6 771 247 |
| | **53 368 460** | **38 614 452** |

Other payables comprises of accruals and income received in advance. The full amount relating to the contract liabilities brought forward from prior year was recognised as revenue in the current year (2023: US$ 47 468, 2022: US$ 227 845).

**Terms and conditions of the above financial liabilities**

Trade payables are non-interest bearing and are normally settled within a 30 - 60 day term.

Other payables are non-interest bearing and terms range between 30 and 90 days.

| | | |
|---|---|---|
| **17.1 Contract Liabilities** | | |
| Short term advances from customers | — | 47 467 |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **18. CASH FLOW INFORMATION** | | |
| **18.1 Cash generated from operations** | | |
| Profit before tax | 9 767 022 | 15 630 249 |
| Interest income | (477 000) | (193 673) |
| Interest expense | 5 184 135 | 5 455 556 |
| Depreciation | 4 121 541 | 3 335 688 |
| Allowance for obsolete inventory | 9 394 | 26 521 |
| Allowance for credit losses (Note 14.2) | 286 798 | 365 097 |
| Unrealised foreign exchange loss | (50 611) | 536 696 |
| Other assets | (5 317 737) | — |
| Financial loss | 56 177 | 1 396 |
| Profit on disposal of property, plant and equipment | — | (61 165) |
| Equity accounted earnings | (328 373) | (1 021 946) |
| | **13 251 346** | **24 074 419** |

The Group recognised net exchange differences of US$50 611 (2022: US$17 754) in the current year. These amounts were not disclosed in the prior year financials. The Group resolved to correct the disclosure prospectively in the current year as the net exchange differences relating to the prior year are not material.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **18.2 Working capital changes** | | |
| (Increase) in inventories | (50 498) | (3 306 210) |
| (Increase)/decrease in accounts receivable | (1 597 738) | 1 204 235 |
| Increase/(decrease) in accounts payable | 14 754 008 | (6 193 143) |
| | **13 105 772** | **(8 295 118)** |
| **18.3 Financing activities** | | |
| Opening balance | (2 237 155) | (3 227 851) |
| Movement in tax liability | (2 299 179) | (372 856) |
| Movement in deferred tax liability | 1 047 893 | 9 081 557 |
| Tax liability disposed of on disposal of subsidiary | — | — |
| Acquisition of subsidiary | — | — |
| Other | — | — |
| Monetary loss | — | — |
| | **(3 488 441)** | **5 480 850** |
| **18.4 Cash and cash equivalents at end of year** | | |
| Cash at bank | 3 730 129 | 2 010 976 |
| Cash on hand | 80 254 | 103 298 |
| | **3 810 383** | **2 114 274** |

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **19. CAPITAL COMMITMENTS** | | |
| **Capital expenditure commitments** | | |
| Authorised and contracted for | 3 587 000 | 7 310 000 |
| Authorised but not contracted for | 7 891 000 | 10 320 000 |
| | **11 478 000** | **17 630 000** |

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

## 20. PENSION SCHEMES

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

### 20.1 National Foods Pension Fund

This is a defined contribution fund, administered by an insurance company which covers eligible employees. Contributions are at the rate of 17.5% of pensionable emoluments of which members pay 7%, (2023: US$225 927, 2022: US$256 093). These amounts are included in the staff costs shown under note 5.2

### 20.2 National Social Security Authority Scheme

This is a defined contribution scheme established under the National Social Security Authority Act (1989). Contributions by employees are 4.5% per month of pensionable monthly emoluments, up to a maximum contribution legislated from time to time.

## 21. RELATED PARTY TRANSACTIONS

**21.1** The financial statements include the financial statements of National Foods Holdings Limited, subsidiaries and associates listed in the table below. Innscor Africa Limited and Tiger Brands Limited remain National Foods Holdings Limited's major shareholders with equal shareholding of 37.45% (2022: 37.45%)

| Name | Country of incorporation | 2023 Equity Interest | 2022 Equity Interest |
|---|---|---|---|
| **Subsidiaries** | | | |
| National Foods Limited | Zimbabwe | 100% | 100% |
| National Foods Properties Limited | Zimbabwe | 100% | 100% |
| Botswana Milling and Produce Company (Proprietary) Limited | Botswana | 100% | 100% |
| Red Seal Manufacturers (Proprietary) Limited | Botswana | 100% | 100% |
| Clairedelune Investments (Pvt) Ltd | Zimbabwe | 100% | 100% |
| **Associates** | | | |
| National Foods Logistics | Zimbabwe | 50% | 50% |
| **Dormant Companies** | | | |
| Harris Maize Milling and Produce Company (Private) Limited | Zimbabwe | 100% | 100% |
| Palte-Harris (Private) Limited | Zimbabwe | 100% | 100% |
| Natpak Zimbabwe (Private) Limited | Zimbabwe | 100% | 100% |
| Bakery Products (Private) Limited | Zimbabwe | 100% | 100% |
| Speciality Animal Feed Company Limited | Zimbabwe | 100% | 100% |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **21. RELATED PARTY TRANSACTIONS** (continued) | | |
| **21.2 Transactions entered into with related parties** | | |
| **Purchase of trading stocks, raw materials and services** | | |
| Innscor Africa Limited Group companies | 144 882 633 | 54 171 135 |
| Pure Oil Industries (Private) Limited | — | 387 353 |
| National Foods Logistics | 10 269 182 | 11 066 260 |
| **Sale of goods and Services** | | |
| Innscor Africa Limited Group companies | 91 538 705 | 89 897 120 |
| **Interest and Management Fees** | | |
| Innscor Africa Limited Group companies | | |
| - Management fees | 621 609 | 1 205 253 |
| **Interest and Management Fees** | | |
| Tiger Brands Limited | | |
| - Technical fees | 240 000 | 240 000 |
| **21.3 Balances (due to) related parties** | | |
| Innscor Africa Limited Group companies | (45 817 861) | (13 624 989) |
| National Foods Logistics | (207 316) | (200 948) |
| **21.4 Balances from related parties** | | |
| Innscor Africa Limited Group companies | 7 620 871 | 4 805 287 |

### 21.5 Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arms length transactions. Outstanding balances at year end are unsecured , interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2023 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2022: US$ nil). This assessment is undertaken each financial year through examining the financial position of each related party and the market in which the related party operates.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **21.6 Contingent liabilities** | | |
| **Guarantees** | | |
| The contingent liabilities relate to bank guarantees provided in respect of associate company borrowings as at 30 June 2023. | 24 529 730 | 19 991 679 |
| | **24 529 730** | **19 991 679** |
| **21.7 Directors emoluments** | | |
| Aggregate amounts paid by the Company and its subsidiaries to directors of the Company for: | | |
| Directors' fees | 52 681 | 87 861 |
| | **52 681** | **87 861** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **21. RELATED PARTY TRANSACTIONS** (continued) | | |
| **21.8 Key management remuneration** | | |
| Key management consists of the executive committee members and business units' managing executives. | | |
| Aggregate short term employee benefits paid by the Company and its subsidiaries to key management of the Company | 2 427 666 | 4 885 914 |
| Pension Contributions | 73 584 | 70 104 |
| | **2 501 250** | **4 956 018** |

## 22. Leases

**Group as a lessee**

The Group entered into a leasing arrangement for a building that houses the Snacks and Biscuits operations in Willowvale under a 5 year lease with a renewal option. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The group did not have any low value leases and short term leases recognised during the year.

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

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **22.1 Right of use asset** | | |
| Opening carrying amount | 273 382 | 322 481 |
| Remeasurement | — | 31 369 |
| Depreciation expense | (130 028) | (80 468) |
| **Carrying amount at 30 June** | **143 354** | **273 382** |
| Set out below are the carrying amounts of lease liabilities and the movements during the period: | | |
| **22.2 Lease liability** | | |
| At beginning of the year | 290 185 | 312 160 |
| Remeasurement | (35 137) | 73 869 |
| Accretion of interest | 35 845 | 105 179 |
| Payments | (190 696) | (169 600) |
| Exchange difference | — | (31 423) |
| **At end of the year** | **100 197** | **290 185** |
| Current | 100 197 | 257 243 |
| Non-current | — | 32 942 |
| | **100 197** | **290 185** |





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 22. Leases (continued)

### 22.2 Lease liability (continued)

**Group as a lessor**

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

Rental income recognised by the Group during the year is US$3 431 010, US$ (2022: US$3 175 048)

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2023 are as follows:

| | 2023 US$ | 2022 US$ |
|---|---|---|
| Within one year | 193 942 | 173 163 |
| After one year but not more than 5 years | 272 475 | 243 281 |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1 Capital Management

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

The Group monitors capital using a gearing ratio, which is debt divided by the sum of total equity and debt. The target ratio is a debt equity ratio that is no higher than 30%.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| Interest bearing borrowings | 14 782 568 | 14 993 153 |
| lease liabilities | 100 197 | 290 185 |
| Less cash and cash equivalents | (3 810 383) | (2 114 274) |
| **Net Debt** | **11 072 382** | **13 169 064** |
| **Total Equity** | **106 647 483** | **105 171 051** |
| Gearing ratio | 9.4% | 11.1% |

### 23.2 Financial risk management

The Group's principal financial instruments comprise interest-bearing borrowings, overdrafts, financial assets, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations or to achieve a return on surplus short-term funds. The Group has various other financial assets and financial liabilities such as trade receivables and trade payables, which arise directly from its operations.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Financial risk managemen (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and the Group's management of these are summarised below:

#### 23.2.1 Credit risk

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

Cash resources are placed with various approved financial institutions subject to approved limits. All these institutions are of a high standing. The Group's maximum exposure to credit risk on cash resources as at 30 June 2023 and 2022 is the carrying amount as outlined in note 18.3.

**Other Financial Instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Group assessed the exposure and concluded that the risk was low and not material.

**Trade receivables and contract assets**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits defined in accordance with this assessment. The Group obtains collateral security from debtors, where necessary. This is done after assessing the customers' ability to honour their obligations and the level of exposure. Collateral can be bank guarantees, holding company guarantees, properties, listed shares or other assets. There was no collateral held to cover credit risk as at 30 June 2023.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.A trade receivable is considered in default when the customer account is 180 days past due or there exsists evidence indicating that the asset is credit-impaired. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are granted short term credit terms.





# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Financial risk managemen (continued)

#### 23.2.1 Credit risk (continued)

| | <30 days US$$ | 30-60 days US$$ | 61-90 days US$$ | >91 days US$$ | Total US$$ |
|---|---|---|---|---|---|
| **30 June 2023** | | | | | |
| Expected credit loss rate | 0.1% | 0.7% | 2.8% | 29.3% | |
| Estimated total gross carrying amount at default | 18 530 119 | 1 670 412 | 57 115 | 2 863 905 | 23 121 551 |
| Expected credit loss | 22 639 | 11 496 | 1 615 | 840 520 | 876 270 |
| **30 June 2022** | | | | | |
| Expected credit loss rate | 4.2% | 4.2% | 4.2% | 4.2% | |
| Estimated total gross carrying amount at default | 8 311 618 | 4 957 692 | 432 955 | 207 062 | 13 909 327 |
| Expected credit loss | 352 243 | 210 105 | 18 349 | 8 775 | 589 472 |

#### 23.2.2 Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The ability of the Group to settle its foreign creditors remained a key consideration, although with the support of the Reserve Bank of Zimbabwe, as well as some respite in respect of foreign liquidity on the back of tobacco inflows, the Group's position with its foreign creditors normalised by year end. Note 12.2 sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

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

| | Less than 3 months US$ | 3-12 Months US$ | 1 - 5 years US$ | Total US$ |
|---|---|---|---|---|
| **Year ended 30 June 2023** | | | | |
| **Liabilities** | | | | |
| Borrowings | 3 695 642 | 11 086 926 | — | 14 782 568 |
| Trade payables and other payables (excludes income received in advance) | 53 023 188 | — | — | 53 023 188 |
| Lease liabilities | 100 197 | — | — | 100 197 |
| | **56 819 027** | **11 086 926** | **—** | **67 905 953** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Financial risk managemen (continued)

#### 23.2.2 Liquidity risk (continued)

| | Less than 3 months US$ | 3-12 Months US$ | 1 - 5 years US$ | Total US$ |
|---|---|---|---|---|
| **Year ended 30 June 2023** | | | | |
| **Assets** | | | | |
| Trade and other receivables | | | | |
| (excluding VAT and Prepayments) | 20 221 896 | 2 023 385 | — | 22 245 281 |
| Other assets | 1 965 372 | — | 7 495 646 | 9 461 018 |
| Cash and cash equivalents | 3 810 383 | — | — | 3 810 383 |
| | **25 997 651** | **2 023 385** | **7 495 646** | **35 516 682** |
| **Liquidity gap** | **30 821 376** | **9 063 541** | **(7 495 646)** | **32 389 271** |
| **Year ended 30 June 2022** | | | | |
| **Liabilities** | | | | |
| Borrowings | 5 894 364 | 8 841 546 | — | 14 735 910 |
| Trade payables and other payables | | | | |
| (excludes income received in advance) | 38 122 040 | — | — | 38 122 040 |
| Lease liabilities | 257 243 | — | 36 895 | 294 138 |
| | **44 273 647** | **8 841 546** | **36 895** | **53 152 088** |
| **Assets** | | | | |
| Trade and other receivables | | | | |
| (excluding VAT and Prepayments) | 13 121 568 | 198 287 | — | 13 319 855 |
| Other assets | 9 933 363 | — | 4 514 322 | 14 447 685 |
| Cash and cash equivalents | 2 114 274 | — | — | 2 114 274 |
| | **25 169 205** | **198 287** | **4 514 322** | **29 881 814** |
| **Liquidity gap** | **19 104 442** | **8 643 259** | **(4 477 427)** | **23 270 274** |

The Group settles its obligations to suppliers in accordance with agreed terms although payments to some foreign creditors were delayed as a result of foreign currency shortages. As disclosed in note 13 the Group holds enough inventory to cover the gap between trade payables and cash balances within the next 12 months. Prepayments as disclosed in note 14 will also increase liquidity when the stocks are received and sold. This is address the liquidity gap in the subsequent periods. For the periods beyond 12 months, the Group reasonably expects to be able to generate enough cash to cover its all its obligations as they fall due.

#### 23.2.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments.





Notes to the Consolidated Financial Statements (continued)
for the year ended 30 June 2023

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Financial risk managemen (continued)

#### 23.2.3 Market risk (continued)

##### 23.2.3.1 Interest risk

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

The Group manages its interest rate risk by having a balanced portfolio of short term loans and borrowings with variable interest rates. At 30 June 2023, the Group's borrowings are at an average rate of interest of 10% and 83% for US$ loans and ZW$ loans respectively (2022: 9% and 48%) as shown in note 12.2.

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

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

- The sensitivity of the interest expense on profit or loss item is the effect of the assumed changes in market interest rates. This is based on the financial assets and financial liabilities held at 30 June 2023 and 2022.
- The sensitivity of equity is calculated by considering the effect of any associated net investment in a foreign operation at 30 June 2023 for the effects of the assumed changes of the interest rate.
- There were no such instruments held by the Group at the end of the financial reporting period

The following table demonstrates the profit before tax sensitivity to a reasonable possible change in interest rates on loans receivable.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| **Effect on profit before tax** | | |
| Increase of 3% | (31 914) | (329 511) |
| Decrease of 3% | 31 914 | 329 511 |

##### 23.2.3.2 Foreign currency risk

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

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

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

| | 2023 US$ | 2022 US$ |
|---|---|---|
| South African Rand | 96 676 | 284 612 |
| Botswana Pula | 137 029 | — |
| Zimbabwean dollar | 677 365 | (9 649 584) |
| **Total** | **911 070** | **(9 364 972)** |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Financial risk managemen (continued)

#### 23.2.3 Market risk (continued)

#### 23.2.3.2 Foreign currency risk (continued)

The Group is primarily exposed to the Zimbabwean dollar, Rand and Botswana Pula. The following table details the Group's sensitivity to a 50% strengthening in the US$ against the Zimbabwean dollar and 10% for the Rand and Botswana Pula (2022: 50% Zimbabwean dollar and 10% for the Rand and Botswana Pula). The sensitivity analysis includes any outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 50% and 10% fluctuation of the relevant currencies. A positive number below indicates an increase in profit and equity where the US$ strengthens against the relevant currency. For a weakening of the US$ against the relevant currencies there would be a comparable inverse impact on the profit and equity. The Group's exposure to foreign currency changes for all other currencies is not material.

| | 2023 US$ | 2022 US$ |
|---|---|---|
| South African Rand | 9 668 | 28 461 |
| Botswana Pula | 13 703 | — |
| Zimbabwean dollar | 338 682 | (4 824 792) |

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

## 24. SEGMENTAL ANALYSIS

### 24.1 Operating segment information

For management purposes the Group is organised into business units based on their products and services and has resulted in two reportable operating segments as follows:

**Milling and Manufacturing**

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

**Properties**

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

Profit before tax is used to measure segment performance.






# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023


## 24. SEGMENTAL ANALYSIS (continued)

### 24.1 Operating segment information (continued)

**Segment revenues and results**

| | Milling and Manufacturing US$ | Properties US$ | Intersegment adjustments US$ | Group US$ |
|---|---|---|---|---|
| **Year ended 30 June 2023** | | | | |
| **Segment revenue** | | | | |
| External customers | 343 404 584 | 173 163 | — | 343 577 747 |
| Internal | — | 3 257 847 | (3 257 847) | — |
| **Total revenue** | **343 404 584** | **3 431 010** | **(3 257 847)** | **343 577 747** |
| Operating profit | 11 570 142 | 2 575 642 | — | 14 145 784 |
| Interest income | 433 419 | 111 574 | (67 993) | 477 000 |
| Interest expense | (5 243 730) | (8 398) | 67 993 | (5 184 135) |
| Equity accounted earnings | 328 373 | — | — | 328 373 |
| **Profit before tax** | **7 088 204** | **2 678 818** | **—** | **9 767 022** |
| Segment assets | 175 397 673 | 9 909 041 | — | 185 306 714 |
| Segment liabilities | (74 392 725) | (4 266 506) | — | (78 659 231) |
| **Net segment assets** | **101 004 948** | **5 642 535** | **—** | **106 647 483** |
| Depreciation charge for the year | 3 158 216 | 963 325 | — | 4 121 541 |
| Capital expenditure | 19 323 256 | 804 177 | — | 20 127 433 |
| Number of employees | 1 732 | — | — | 1 732 |
| **Year ended 30 June 2022** | | | | |
| **Segment revenue** | | | | |
| External customers | 282 175 400 | 125 644 | — | 282 301 044 |
| Internal customers | — | 3 049 404 | (3 049 404) | — |
| **Total revenue** | **282 175 400** | **3 175 048** | **(3 049 404)** | **282 301 044** |
| Operating profit | 17 695 356 | 2 174 830 | — | 19 870 186 |
| Interest income | 181 742 | 15 155 | (3 224) | 193 673 |
| Interest expense | (5 455 711) | (3 069) | 3 224 | (5 455 556) |
| Equity accounted earnings | 1 021 946 | — | — | 1 021 946 |
| **Profit before tax** | **13 443 333** | **2 186 916** | **—** | **15 630 249** |
| Segment assets | 147 540 962 | 23 263 324 | — | 170 804 286 |
| Segment liabilities | (65 318 040) | (315 195) | — | (65 633 235) |
| **Net segment assets** | **82 222 922** | **22 948 129** | **—** | **105 171 051** |
| Depreciation charge for the year | 2 631 126 | 704 562 | — | 3 335 688 |
| Capital expenditure | 11 548 415 | 748 787 | — | 12 297 202 |
| Number of employees | 1 587 | — | — | 1 587 |

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2023

**24. SEGMENTAL ANALYSIS** (continued)

**24.2 Geographical Information**

The Group's trading operations are entirely housed in Zimbabwe. The Botswana Milling and Produce Company has no trading activities and holds non current assets worth US$ 12 403 (2022: US$ 11 762). As such no further geographical information has been presented. Red Seal Manufacturers has no trading activities.

**25. Events after the reporting date**

**Final dividend declaration**

The Board is pleased to declare a final dividend of US$1.15 cents per share (2022: US$ 5.95 cents per share) in respect of all ordinary shares of the Company. This dividend is in respect of the financial year ended 30th June 2023 and will be payable to all shareholders of the Company registered at the close of business on the 27th of November 2023.

**26. Going Concern**

The Directors have assessed the ability of the Group to continue as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.





# Statement of Directors' Responsibility

The Directors of the Company are required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) to maintain adequate accounting records and to prepare financial statements that present a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit and cash flows for the year. In preparing the accompanying financial statements, International Financial Reporting Standards have been followed. Suitable accounting policies have been used and consistently applied, and reasonable and prudent judgements and estimates have been made.

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

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

The Board recognises and acknowledges its responsibility for the Company's systems of internal financial control. The Company maintains internal controls and systems that are designed to safeguard its assets, prevent and detect errors and fraud and ensure the completeness and accuracy of its records. The Company's Audit Committee has met the external auditors to discuss their reports and the results of their work, which includes assessments of the relative strengths and weaknesses of key control areas.

The financial statements for the year ended 30 June 2023, which appear on pages 142 to 143 have been approved by the Board of Directors and are signed on its behalf by:

**T. Moyo**
Chairman
Harare
26 September 2023

**M. Lashbrook**
Chief Executive Officer

Deloitte.

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Harare
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**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Opinion**

We have audited the accompanying separate financial statements of National Foods Holdings Limited ("the Company"), set out on pages 142 to 143 which comprise the separate statement of financial position for the year ended 30 June 2023, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company for the year ended 30 June 2023 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 opinion**

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 Separate 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 separate 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 opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters are addressed in the context of our audit of the separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have not determined any key audit matters to be communicated in our report.

**Other information**

The directors are responsible for the other information. The other information comprises the statement of Directors' responsibilities, as required by the Companies and Other Business Entities Act (Chapter 24:31), which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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.

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error. In preparing the separate financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

MAKING AN IMPACT THAT MATTERS since 1845







**INDEPENDENT AUDITOR'S REPORT**
**ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS**
**TO THE SHAREHOLDERS OF NATIONAL FOODS HOLDINGS LIMITED**

**Auditor's responsibilities for the audit of the separate financial statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**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)

The separate financial statements of the Company are properly drawn up in accordance with the Act and give a true and fair view of the state of the Company's affairs as at 30 June 2023.

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

**DELOITTE & TOUCHE**
**CHARTERED ACCOUNTANTS (ZIMBABWE)**
**PER: LAWRENCE NYAJEKA**
**REGISTERED AUDITOR**
**PAAB PRACTICE CERTIFICATE NUMBER: 0598**

**DATE: 28 September 2023**

# Company Statement of Financial Position

as at 30 June 2023

| | Note | 2023 US$ | 2022 US$ |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Investment in subsidiary | D | 7 981 742 | 7 981 742 |
| **Total assets** | | **7 981 742** | **7 981 742** |
| EQUITY AND LIABILITIES | | | |
| **Capital and reserves** | | | |
| Share capital | | 684 001 | 684 001 |
| Distributable reserves | E | 7 297 741 | 7 297 741 |
| **Total equity** | | **7 981 742** | **7 981 742** |

**T. Moyo**
Chairman
Harare
26 September 2023

**M. Lashbrook**
Chief Executive Officer





# Notes to the Company Financial Statements

for the year ended 30 June 2023

**A. CORPORATE INFORMATION**

The Company and its subsidiaries are incorporated in Zimbabwe except for Botswana Milling and Produce Company (Proprietary) Limited and Red Seal Manufacturers (Proprietary) Limited which are incorporated in Botswana. Refer to Directorate and Administration Section for additional corporate information. The Company is a dormant entity which comprises of the investments (see Note D) and the historical financial statements have remained unchanged since 2009.

**B BASIS OF PREPARATION**

The Company statement of financial position has been prepared in accordance with International Financial Reporting standards (IFRS), except for the impact of IAS 21 (The effects of changes in foreign exchange rates).

The accounting policies are similar to those applied in the Group's consolidated financial statements. The Company statement of financial statements have been prepared for inclusion in the Group's annual report, wherein the Group's consolidated financial statements have been presented, in order that it may be presented together with the consolidated financial statements at the Group's annual general meeting as required by Section 186 of the Companies and Other Business Entities act (chapter 24.31). As a result, the Company statement of financial position may not be suitable for any other purpose if read in isolation.

The company is a dormant entity with no transactions in the current and prior years. As a result there is no statement of comprehensive income, statement of cashflows and statement of changes in equity to present.

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES**

The summary of significant accounting policies and other explanatory notes relevant to the Company statement of financial position are similar in all material respect to those applied to the Group's consolidated financial statements.

**D. INVESTMENT IN SUBSIDIARIES**

Details of all subsidiaries are provided in the Group Structure included on Page 8. The Investment is an interest in National Foods Limited, National Foods Properties Limited, Botswana Milling & Produce Company (Proprietary) Limited and Dormant Companies.

**E. DISTRIBUTABLE RESERVES**

The distributable reserves arose from the conversion of subsidiary US$ equity to ZW$ reporting currency.

**F. GOING CONCERN**

The Directors have assessed the ability of the Company to continue as a going concern and believe that the preparation of these financial statements on a going concern basis is appropriate.

**I. CHANGE IN FUNCTIONAL CURRENCY**

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

The Company Statement of Financial position is presented in United States Dollars ("US$"), which is the functional and presentation currency of the Group. The Group changed its functional currency from Zimbabwe Dollars (ZWL) to United States Dollars ("US$") with effect from 1 July 2022.

IAS 21 requires that when translating financial statements prepared under IAS 29 ("Financial Reporting in Hyperinflationary Economies") into a different presentation and functional currency an entity applies a closing rate at the date of the most recent statement of financial position (30 June 2022). The Statement of Financial Position has been translated at the closing rate in line with the IFRS requirement.





# GRI Content Index

| GRI Standard | Disclosure | Page number(s) and/or URL(s) | Omission: Part Omitted | Omission: Reason | Omission: Explanation |
|---|---|---|---|---|---|
| GRI 101: Foundation 2016 | | | | | |
| General Disclosures | | | | | |
| | ORGANISATIONAL PROFILE | | | | |
| | 102-1 NAME OF THE BUSINESS | Cover page | | | |
| | 102-2 ACTIVITIES, BRANDS, PRODUCTS, AND SERVICES | 6 - 11 | | | |
| | 102-3 LOCATION OF HEADQUARTERS | 153 | | | |
| | 102-4 LOCATION OF OPERATIONS | 153 | | | |
| | 102-5 OWNERSHIP AND LEGAL FORM | 8 - 9 | | | |
| | 102-7 SCALE OF THE BUSINESS | 16 | | | |
| | 102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS | 62 | | | |
| | 102-9 SUPPLY CHAIN | 53 | | | |
| | 102-10 SIGNIFICANT CHANGES TO THE BUSINESS AND ITS SUPPLY CHAIN | 53 | | | |
| | 102-11 PRECAUTIONARY PRINCIPLE OR APPROACH | 35 | | | |
| | 102-12 EXTERNAL INITIATIVES | 73-77 | | | |
| GRI 102: General Disclosures 2016 | 102-13 MEMBERSHIP OF ASSOCIATIONS | 13 | | | |
| | 102-14 STATEMENT FROM SENIOR DECISION-MAKER | 18-23 | | | |
| | 102-16 VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOUR | 1 | | | |
| | 102-18 GOVERNANCE STRUCTURE | 26-42 | | | |
| | 102-40 LIST OF STAKEHOLDER GROUPS | 48-49 | | | |
| | 102-41 COLLECTIVE BARGAINING AGREEMENTS | 64 | | | |
| | 102-42 IDENTIFYING AND SELECTING STAKEHOLDERS | 48-49 | | | |
| | 102-43 APPROACH TO STAKEHOLDER ENGAGEMENT | 48 | | | |

# GRI Content Index (continued)

| GRI Standard | Disclosure | Page number(s) and/or URL(s) | Omission | | |
|---|---|---|---|---|---|
| | | | Part Omitted | Reason | Explanation |
| GRI 101: Foundation 2016 | | | | | |
| General Disclosures | | | | | |
| GRI 102: General Disclosures 2016 | ORGANISATIONAL PROFILE | | | | |
| | 102-44 KEY TOPICS AND CONCERNS RAISED | 1 | | | |
| | 102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS. | 8 - 9 | | | |
| | 102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES | 44 | | | |
| | 102-47 LIST OF MATERIAL TOPICS | 46 - 47 | | | |
| | 102-50 REPORTING PERIOD | 3 | | | |
| | 102-51 DATE OF MOST RECENT REPORT | 3 | | | |
| | 102-52 REPORTING CYCLE | 3 | | | |
| | 102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT | 3 | | | |
| | 102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS | 3 | | | |
| | 102-55 GRI CONTENT INDEX | 145 | | | |
| | 102-56 EXTERNAL ASSURANCE | 87 | | | |





# GRI Content Index (continued)

| GRI Standard | Disclosure | Page number(s) and/or URL(s) | Omission | | |
|---|---|---|---|---|---|
| | | | Part Omitted | Reason | Explanation |
| Material Topics | | | | | |
| 200 series (Economic topics) | | | | | |
| ECONOMIC PERFORMANCE | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 44 | | | |
| | 103-2 The management approach and its components | 44 | | | |
| | 103-3 Evaluation of the management approach | 44 | | | |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 80 | | | |
| | 201-3 Defined benefit plan obligations and other retirement plans | 104 | | | |
| Indirect Economic Impacts | | | | | |
| GRI 203: Indirect Economic Impacts 2016 | 103-1 Explanation of the material topic and its Boundary | 46 | | | |
| | 103-2 The management approach and its components | 45 | | | |
| | 103-3 Evaluation of the management approach | 44 | | | |
| | 203-2 Significant indirect economic impacts | 47 | | | |
| Anti Corruption | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 42 | | | |
| | 103-2 The management approach and its components | 42 | | | |
| | 103-3 Evaluation of the management approach | 42 | | | |
| Procurement Practices | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 53 | | | |
| | 103-2 The management approach and its components | 53 | | | |
| | 103-3 Evaluation of the management approach | 53 | | | |

# GRI Content Index (continued)

| GRI Standard | Disclosure | Page number(s) and/or URL(s) | Omission | | |
|---|---|---|---|---|---|
| | | | Part Omitted | Reason | Explanation |
| **Material Topics** | | | | | |
| **300 series (Environmental topics)** | | | | | |
| **ENERGY** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 58 | | | |
| | 103-2 The management approach and its components | 58 | | | |
| | 103-3 Evaluation of the management approach | 58 | | | |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the business | 58 | | | |
| | 302-2 Energy consumption outside of the business | 58 | | | |
| **Water** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 59 | | | |
| | 103-2 The management approach and its components | 59 | | | |
| | 103-3 Evaluation of the management approach | 59 | | | |
| GRI 303: Water and Effluents 2018 | 303-3 Water withdrawal | 59 | | | |
| **Materials** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 54 | | | |
| | 103-2 The management approach and its components | 54 | | | |
| | 103-3 Evaluation of the management approach | 54 | | | |
| GRI 301 Materials 2016 | 301-1 Materials used by weight or volume | 55 | | | |
| **Supplier Environmental Assessment** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 53 | | | |
| | 103-2 The management approach and its components | 53 | | | |
| **Emissions** | | | | | |
| GRI 103: Management Approach 2016 | 103-3 Evaluation of the management approach | 60 | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 60 | | | |
| | 103-2 The management approach and its components | 60 | | | |
| | 103-3 Evaluation of the management approach | 60 | | | |
| GRI 305: Management Approach 2016 | 305-1 Direct Scope 1 GHG Emissions | 60 | | | |
| | 305-2 Energy Indirect (Scope 2) GHG Emissions. | 60-61 | | | |





# GRI Content Index (continued)

| GRI Standard | Disclosure | Page number(s) and/or URL(s) | Omission | | |
|---|---|---|---|---|---|
| | | | Part Omitted | Reason | Explanation |
| **Material Topics** | | | | | |
| **400 series (Social topics)** | | | | | |
| **EMPLOYMENT** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 62 | | | |
| | 103-2 The management approach and its components | 62 | | | |
| | 103-3 Evaluation of the management approach | 62 | | | |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 63 | | | |
| **Occupational Health and Safety** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 66 | | | |
| | 103-2 The management approach and its components | 66 | | | |
| | 103-3 Evaluation of the management approach | 66 | | | |
| GRI 403: Occupational Health and Safety 2018 | 403-2 Hazard Identification, risk assessment, and incident investigation | 67 | | | |
| | 403-9 Work related injuries | 67 | | | |
| **Training and Education** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 67 | | | |
| | 103-2 The management approach and its components | 67 | | | |
| | 103-3 Evaluation of the management approach | 67-68 | | | |
| **Diversity and Equal Opportunity** | | | | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundary | 70 | | | |
| | 103*-2 The management approach and its components | 70 | | | |
| | 103-3 Evaluation of the management approach | 70 | | | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 70 | | | |

# Shareholders' Analysis

| Shareholding | No. of shareholders | % of holders | Issued shares | % of shares |
|---|---|---|---|---|
| **At 30 June 2023** | | | | |
| 1 - 1 000 | 609 | 57.51% | 194 314 | 0.28% |
| 1 001 - 10 000 | 321 | 30.31% | 1 066 099 | 1.56% |
| 10 001 - 50 000 | 93 | 8.78% | 2 009 161 | 2.94% |
| 50 001 and over | 36 | 3.40% | 65 130 534 | 95.22% |
| | **1 059** | **100.00%** | **68 400 108** | **100.00%** |
| **Shareholders** | | | | |
| Bank And Nominees | 68 | 6.42% | 1,137,726 | 1.66% |
| Deceased Estates | 8 | 0.76% | 8,947 | 0.01% |
| External Companies | 3 | 0.28% | 25,618,665 | 37.45% |
| Insurance Companies/Societes | 7 | 0.66% | 147,054 | 0.21% |
| Pension Fund | 180 | 17.00% | 4,522,158 | 6.61% |
| Resident Inividuals | 556 | 52.50% | 686,247 | 1.00% |
| Non Residents | 76 | 7.18% | 427,174 | 0.62% |
| Investment,Trusts And Companies | 161 | 15.20% | 35,852,137 | 52.42% |
| **Total** | **1 059** | **100.00%** | **68 400 108** | **100.00%** |
| **At 30 June 2022** | | | | |
| 1 - 1 000 | 575 | 56.99% | 192 300 | 0.28% |
| 1 001 - 10 000 | 302 | 29.93% | 979 883 | 1.43% |
| 10 001 - 50 000 | 99 | 9.81% | 2 124 367 | 3.11% |
| 50 001 and over | 33 | 3.27% | 65 103 558 | 95.18% |
| | **1 009** | **100.00%** | **68 400 108** | **100.00%** |
| **Shareholders** | | | | |
| Bank And Nominees | 48 | 4.76% | 748,679 | 1.1% |
| Deceased Estates | 7 | 0.69% | 8,322 | 0.0% |
| External Companies | 3 | 0.30% | 25,622,113 | 37.5% |
| Insurance Companies/Societies | 16 | 1.59% | 3,177,986 | 4.6% |
| Pension Fund | 179 | 17.74% | 4,412,043 | 6.5% |
| Resident Individuals | 521 | 51.64% | 658,348 | 1.0% |
| Non Residents | 80 | 7.93% | 529,161 | 0.8% |
| Investment, Trusts And Companies | 155 | 15.36% | 33,243,456 | 48.6% |
| **Total** | **1,009** | **100.00%** | **68,400,108** | **100.00%** |

**Major shareholders**

| The top ten shareholders of the Company at 30 June | 2023 No. of shares | % | 2022 No. of shares | % |
|---|---|---|---|---|
| Innscor Africa Limited | 25,618,474 | 37.45% | 25,618,474 | 37.45% |
| Tiger Foods Brands Limited - Nnr | 25,618,474 | 37.45% | 25,618,474 | 37.45% |
| National Foods Workers' Trust (Private) Limited | 6,516,464 | 9.53% | 6,516,464 | 9.53% |
| Old Mutual Life Ass Co Zim Ltd | 2,554,617 | 3.73% | 2,617,691 | 3.83% |
| Stanbic Nominees (Private) Limited | 1,998,475 | 2.92% | 1,558,746 | 2.28% |
| National Social Security Authority | 1,404,160 | 2.05% | 1,404,160 | 2.05% |
| Stanbic Nominees (Private) Limited - NNR | 332,142 | 0.49% | 436,489 | 0.64% |
| Standard Chartered Bank nominees | 247,237 | 0.36% | 246,237 | 0.36% |
| Zimbabwe Electricity Ind Pension Fund | 195,511 | 0.29% | 195,511 | 0.29% |
| Delta Beverages Pension Fund | 194,046 | 0.28% | 197,408 | 0.29% |





# Notice of Annual General Meeting

for the year ended 30 June 2023

NOTICE IS HEREBY GIVEN that the Fifty Fourth Annual General Meeting of National Foods Holdings Limited (the 'Company' or 'National Foods') is to be held at National Foods Limited, 10 Stirling Road, Workington, Harare on Tuesday, 14th November 2023 at 08.45 am, for the purpose of transacting the business below. Shareholders may either attend the meeting in person or virtually as per the instructions at the end of this notice.

**Ordinary Business**

**Financial Statements**

1. To receive, consider, approve and adopt the Financial Statements and Reports of the Directors, including in respect of Corporate Governance and the Auditors for the financial year ended 30 June 2023.

**Directorate**

2. To re-elect Directors by individual resolutions in terms of section 201 of the Companies and Other Business Entities Act [Chapter 24:31]. To elect the following Director, Todd Moyo, who retires by rotation in terms of the Articles of Association of the Company, and being eligible, offers himself for re-election.

   Mr. Todd Moyo is a Chartered Accountant by profession being a Fellow Member of the Institute of Chartered Accountants of Zimbabwe (ICAZ) as well as an ordinary member of the South African Institute of Chartered Accountants (SAICA) after completing his Bachelor of Accountancy (Hon.) degree at the University of Zimbabwe. Mr. Moyo was, until recently, the Chief Executive Officer of Datlabs (Private) Limited and was previously the Executive Chairman of the same company. He is currently a Non-Executive Chairman of PPC Zimbabwe and National Foods Holdings Limited. He is also currently a Director of Delta Corporation Limited. Mr. Moyo has extensive experience in manufacturing, distribution, healthcare services, property, food packaging, textile, transport, education, retailing, cement and financial services (banking and insurance), Information Technology and corporate action activities in various corporates in Zimbabwe and South Africa. He has previously served on various boards of listed and unlisted companies including their various committees.

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

   Mr Lovejoy Nyandoro is a Chartered Accountant with several years' experience in accounting and finance. Lovejoy completed his articles of clerkship with Deloitte in 2000 and is a member of the Institute of Chartered Accountants Zimbabwe. Thereafter, Lovejoy Nyandoro worked in the corporate sector before joining the National Foods Group in 2005. He served the Group in various financial and managerial roles and gained broad experience within the organisation. He was appointed to the National Foods Holdings Limited Board in 2016 as Group Finance Director. Lovejoy holds a Bachelor of Accounting Science Honours Degree from the University of South Africa and a Bachelor of Science Mathematics Honours Degree from the University of Zimbabwe.

**Directors' Fees**

3. To approve Directors remuneration for the financial year ended 30 June 2023.

**Auditors Fees and Appointment**

4. a) To approve the fees of the Auditors for the financial year ended 30 June 2023.
   b) To re-appoint Deloitte & Touche (Zimbabwe), who have been Accountants to the Company for 3 years, as Auditors for the Company and to approve their remuneration for the past audit.

**Special Business**

**Approval of Share Buy Back**

5. To consider, and if deemed appropriate to pass with or without amendment, the following special resolution:- That the Company be authorised in advance, in terms of the Companies and Other Business Entities Act (Cap 24:31) - and the Victoria Falls Stock Exchange Listing Requirements, to purchase its own shares, upon such terms and conditions and in such amounts as the Directors of the Company may from time to time determine, which terms and conditions and amounts are specified as follows:-

   i) This Authority shall:
      a) Expire on the date of the Company's Next Annual General Meeting; and
      b) Be a renewable mandate; and
      c) Be subject to the requirements of the regulations of the Victoria Falls Stock Exchange; and

   ii) Acquisitions shall be limited to the following class and aggregate maximum number of shares:
      a) Class of Shares: Ordinary
      b) Aggregate maximum number of shares to be purchased: 20% (twenty percent) of the total number of Ordinary Shares in issue in the financial year of the epurchase.

   iii) The maximum and minimum prices respectively, at which such ordinary shares may be acquired will be the weighted average of the market price at which such ordinary shares are traded on the Victoria Falls Stock Exchange, as determined over the 5 (five) business days immediatelypreceding the date of purchase of such ordinary shares by the company; and

# Notice of Annual General Meeting (continued)

for the year ended 30 June 2023

**Special Business** (continued)

**Approval of Share Buy Back** (continued)

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

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

vi) If during the subsistence of this resolution, the Company is unable to declare and pay a cash dividend, then this resolution shall be of no force and effect.

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

**Approval of Loans to Executive Directors**

6. resolve the following ordinary resolution, with or without amendments "That the Company be and is hereby authorized to make any loan to any Executive Director or to enter into any guarantee or provide any security in connection with a loan to such Executive Director for the purpose of enabling him to properly perform his duty as an officer of the Company as may be determined by the Remuneration Committee of the Board of Directors, provided that the amount of the loan or the extent of the guarantee or security shall not exceed the annual remuneration of that Director."

**Any Other Business**

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

**Appointment of Proxy**

8. In terms of the Companies and Other Business Entities Act (Cap 24:31), a member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote on a poll and speak in his stead. Proxy forms should be forwarded to reach the office of the Company Secretary at least 48 (forty-eight) hours before the commencement of the meeting.

**NOTES:**

Details of the Virtual AGM will be emailed by First Transfer Secretaries (Pvt) Ltd ('FTS') to all Shareholders. Shareholders are advised to update their contact details with the following contact:

**First Transfer Secretaries (Private) Limited**
1 Armagh Avenue
Eastlea, Harare
Telephone: +263 242 782869/72
Email: info@fts-net.com

Shareholders are invited to pre-register on the online portal that will be provided by FTS and submit their proxy forms at least 48 hours before the meeting. In order to ensure full consultations and shareholder participation, all queries/ questions must be submitted to the Company and/or transfer secretaries at least 48 hours before the meeting. All submitted questions will be read out and answered during the meeting by the Chairman and the Directors.

**By Order of The Board**

**Leigh Caroline Howes**
**Group Legal Counsel And Company Secretary**

10 Stirling Road
Workington
Harare
24 October 2023





# Corporate Information

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

**REGISTERED OFFICE (Headquarters)**
Gloria House
10 Stirling Road,
Workington
P O Box 269, Harare.

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

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

**LEGAL ADVISER**
Calderwood Bryce Hendrie and Partners
Central Africa House
Cnr. Jason Moyo Street and Leopald Takawira Avenue.
Bulawayo

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

**AUDITORS**
Deloitte & Touche
Chartered Accountants (Zimbabwe)
West Block, Borrowdale Office Park
Borrowdale Road
Harare

**SUSTAINABILITY ADVISORS**
Black Crystal Consulting Private Limited
33 Bayswater Road
Highlands
Harare
Box 9111 Harare

# Proxy Form

**PROXY FORM - AGM MONDAY 14th November 2023**

I/We ______________________________ of ______________________________

Being the registered owner(s) of ______________________________

ordinary shares in the above named Company hereby appoint ______________________________

of ______________________________ or failing him/her ______________________________

of ______________________________

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday 14th November 2023, at 8.45 am, at Gloria House, Stirling Road, Workington and at any adjournment thereof.

SIGNED this ____________________ day of ____________________ 2023

Signature of Member ______________________________

**NOTE:-**

1. A member of the company is entitled to appoint one or more proxies to act in the alternative to attend and vote and speak instead of him. A proxy need not be a member of the company.
2. Instruments of proxy must be deposited at the registered office of the Company not less than forty eight hours before the time appointed for holding the meeting.

---

# Change of Address

**CHANGE OF NAME / AND OR ADDRESS**

The attention of shareholders is drawn to the necessity of keeping the transfer secretaries advised of any changes in name and / or address

Shareholder's name in full
(Block Capitals Please)

______________________________

______________________________

______________________________

New Address
(Block Capitals Please)

______________________________

______________________________

______________________________

Shareholder's Signature ______________________________



National Foods Holdings Limited

building for the future


Red Seal
Gloria
Trusted Since 1920.
National Foods Stockfeeds
Pearlenta
Ma-Hat-Ma Rice
Better Buy
A Must Buy!
Iris
ZapNax
King
Allegrös
Nutri Active
Smart Carbs
BowWow
KenergY
animax superior
Organica
plant based meal
Mama Africa