

Abridged Circular to Shareholders

Relating to and seeking approvals for:

The delisting of National Foods Holdings Limited from the Victoria Falls Stock Exchange, and an Offer by National Foods Holdings Limited to its Shareholders to acquire their Shares via a Share Buyback

and incorporating

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

Notice of an Extraordinary General Meeting of the members of National Foods Holdings Limited, to be held physically at the National Foods Holdings Limited Head Office at Gloria House, 10 Stirling Road, Workington, Harare on Wednesday, 18 December 2024 at 0915 hours. The notice was published on Wednesday, 27 November 2024 in accordance with the Listings Requirements of the Victoria Falls Stock Exchange ("VFEX") and the Companies and Other Business Entities Act (Chapter 24:31) of Zimbabwe, as set out at the end of this Document. Shareholders are asked to complete and return the attached form of proxy in accordance with the instructions printed thereon by 0915 hours, on Monday, 16 December 2024.

Lead Financial Advisors



Sponsoring Brokers



Legal Advisors



Transfer Secretaries



- Action Required:**
- Read this Document in its entirety. If you are in doubt as to the action you should take, you should immediately seek advice from an independent stockbroker, bank manager, legal practitioner, accountant, or any other professional advisors of your choice;
 - Attend and vote at the EGM to be held on Wednesday, 18 December 2024;
 - Shareholders who are unable to attend the EGM, but who wish to be represented thereat, should complete, and sign the Proxy Form included with this Document and ensure it is lodged at the registered offices of National Foods situated at, Gloria House, 10 Stirling Road, Workington, Harare, so that it is received by the Transfer Secretaries by 0915 hours, on Monday, 16 December 2024; and
 - A director, officer or senior employee of National Foods shall not be appointed as a proxy for a Shareholder.

Date of issue of this document: Wednesday, 27 November 2024

1. OVERVIEW OF THE PROPOSED TRANSACTION

1.1. The Offer and its Terms

National Foods has proposed a voluntary delisting from the VFEX, with the Delisting to be accompanied by a Share repurchase offer ("the Offer") (together "the Proposed Transaction") of up to a maximum of 13,647,198 ordinary Shares in issue, constituting 20% of the Company's issued ordinary Shares. The Offer provides an opportunity for Shareholders to sell their ordinary shares at a consideration of US\$1.71 per share ("the Offer Consideration"). This move allows Shareholders who prefer not to hold private Shares in National Foods to exit their investments prior to the Delisting. Following the completion of the Offer, National Foods will proceed with the Delisting, thereby transitioning to a privately held entity.

The Offer opens for acceptance at 0900hrs on the Opening Date, Friday, 20 December 2024 and will close at 1600hrs on the Closing Date, Friday, 17 January 2025. The share repurchase prior to the Delisting of the Company will be executed on Wednesday, 29 January 2025. The Offer Consideration will be transferred to Shareholders' designated bank account via bank transfer seven business days following the transfer of Shareholders' Shares to National Foods on the VFEX. The amount will be disbursed after deducting any relevant statutory taxes and fees.

National Foods plans to purchase its Shares from Shareholders who choose not to participate in the initial share buyback after the initial Offer has been executed on the VFEX and following its Delisting. Shareholders are encouraged to contact National Foods directly for further information regarding the repurchase of shares.

1.2. Impact on Earnings Per Share and Net Asset Value

The table below shows the impact of the share buyback of 20% of the Company's issued ordinary Shares on Earnings per Share and Net Asset Value:

	Reflecting values as at 30 June 2024		
	Prior to Share Repurchase	Share repurchase	After Share repurchase
Number of shares in issue	68,235,992	13,647,198	54,588,794
Basic Earnings per share (US\$)	0.2011	n/a	0.2520
NAV (US\$)	117,062,000	23,336,709	93,725,291
NAV per share (US\$)	1.71	n/a	1.71

1.3. Rationale of the Proposed Transaction

- Delisting National Foods will grant the Company increased flexibility to streamline its operations and concentrate on long-term strategic objectives.
- The Company no longer requires capital from public equity markets in the near term, reducing the advantages of maintaining a VFEX listing.
- A significant portion of National Food's shares, specifically 75.18%, is held by two major Shareholders, limiting the influence and participation of smaller retail investors, further supporting the rationale for Delisting.
- The Delisting will enable National Foods to redirect spending on substantial regulatory and compliance expenses to initiatives that are more closely aligned with the Company's needs.
- The proposed share repurchase offer provides an opportunity for Shareholders to access the full value of their Shares and address the liquidity constraints associated with the shares' limited trading activity on the VFEX.

1.4. Benefits to Shareholders of Accepting the Offer

- The opportunity to sell Shares at a price reflecting their true value addresses the challenges of low liquidity and limited trading on the VFEX.
- The Offer provides a clear and structured mechanism for selling Shares, eliminating the complexities of trading in a less active market.
- Exiting National Foods allows for the reallocation of capital to other investment opportunities that may be more appealing.
- Shareholders will benefit from the exemption of Capital Gains Tax on the disposal of their Shares through the VFEX.

1.5. Assurance to Shareholders Who Remain in the Delisted Entity

- The existing governance structures will remain intact, ensuring that National Foods continues to uphold the same high standards of corporate governance and financial reporting.
- A regular and consistent flow of dividends, as always, contingent on the performance of the Company and at the discretion of the Board.
- Remaining invested in the delisted entity enables Shareholders to fully participate in the long-term growth potential of National Foods without the pressures of public market fluctuations.
- The Board is dedicated to maintaining open lines of communication with Shareholders, providing updates on the Company's performance and strategic direction.
- Once delisted, National Foods commits to purchasing its shares from Shareholders who may wish to sell their Shares following the initial Offer.

1.6. Directors' Intentions Regarding the Authority to Repurchase Shares

The Board of Directors intends to exercise the authority sought at an appropriate time in the future, on an ongoing basis, provided that the Company's cash reserves exceed its operational requirements.

The Directors further confirm that:

- The Company and the Group will, in the ordinary course of business, be able to pay their debts as they become due for a period of 12 months after the date of the notice of the extraordinary general meeting;
- The assets of the Company and the Group will exceed their liabilities for the same period, with such assets and liabilities recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;
- The ordinary capital and reserves of the Company and the Group will be sufficient for a period of 12 months after the date of the notice of the annual general meeting; and
- The working capital of the Company and the Group will be adequate for a period of 12 months after the date of the notice of the extraordinary general meeting.

2. OVERVIEW OF NATIONAL FOODS HOLDINGS LIMITED

2.1. History of National Foods Holdings Limited

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

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

2.2. National Foods Holdings Limited Group Structure



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3. TIMETABLE FOR THE PROPOSED TRANSACTION

Important Dates	
National Foods EGM Notice and announcement published	Wednesday, 27 November 2024
Voting Record Date, share register closed (1600 hours)	Friday, 13 December 2024
Last day of lodging Proxy Forms (0915 hours)	Monday, 16 December 2024
National Foods EGM (0915 hours)	Wednesday, 18 December 2024
Publication of Results of National Foods EGM	Thursday, 19 December 2024
Opening Date of the Offer to Shareholders	Friday, 20 December 2024
Closing Date of the Offer to Shareholders	Friday, 17 January 2025
Transfer of Shares to National Foods on the VFEX	Wednesday, 29 January 2025
Termination of National Foods VFEX Listing	Friday, 31 January 2025

4. CONDITIONS PRECEDENT

The Proposed Transaction is subject to the following conditions being satisfactorily completed or lawfully waived:

- The passing by the Shareholders of National Foods of the resolutions pertaining to the Proposed Transaction at the EGM to be held on Wednesday, 18 December 2024.
- The RBZ Exchange Control approval of payment of the Offer Consideration to Non-Resident Shareholders.

5. CORPORATE GOVERNANCE

5.1. Introduction

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

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

5.2. Board of Directors

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

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

5.3. Directors' Interests

As at 30 June 2024, the Directors held directly or indirectly the following Shares in the Company:

At 30 June 2024, the directors held directly and directly the following number of Shares:	Group 30 June 2024 # of shares	Group 30 June 2023 # of shares
M. Lashbrook	231	231

6. LITIGATION STATEMENT

Other than the ongoing legal challenge in respect of the Zimbabwe Revenue Authority ("ZIMRA") matter, the Group is not involved in any other material litigation or arbitration proceedings which may have, or which have had, during the twelve months preceding the date of this Circular, a significant effect on the financial position and would have material adverse effect to the assets, business and prospects of National Foods nor is the Company aware that any such proceedings are pending or threatened. Shareholders have been kept regularly updated on the ZIMRA matter in the scheduled financial reports of the Company. As previously advised this matter relates to assessed additional Income Tax, penalty and interest amounting to USD4,486,345 for the periods 2019 to 2021 against National Foods for amounts that had either already been settled in Zimbabwe Dollars, but which ZIMRA deemed should have been paid exclusively in foreign currency, or additional matters for which the Company believes it has no liability to ZIMRA. Further details on this can be provided to Shareholders in the Report on Litigation Matters which is available for inspection.

7. REGULATORY ISSUES

The VFEX approved the distribution of this Circular on Tuesday, 26 November 2024.

8. DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

The public may inspect this Circular and the documents available as listed below between 0800 hours and 1600 hours on Monday, 2 December 2024 and Tuesday, 17 December 2024 at the Sponsoring Brokers', and National Foods's Registered Offices:

- National Foods Board Approval of the Proposed Transaction;
- The Memorandum of Association of the Company;
- The Articles of Association of the Company;
- The Audited Financial Statements for the three financial years ended 30 June 2022, 30 June 2023, and 30 June 2024 for National Foods Holdings Limited;
- The Report on Litigation Matters; and
- The written consent letters from experts.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of National Foods collectively, and individually accept full responsibility for the accuracy of the information provided in this Circular and certify that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading. They have made all reasonable enquiries to ascertain such facts, and that this Circular contains all information required by law and the Victoria Falls Stock Exchange ("VFEX") listing requirements, except for those specific requirements from which the Company has sought and received exemptions.

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 30 June 2024

	2024 US\$	2023 US\$	2022 US\$
Revenue	359,355,740	343,577,747	282,301,044
Cost of sales	(277,716,498)	(271,506,158)	(209,588,642)
Gross profit	81,639,242	72,071,589	72,712,402
Other income	386,770	448,085	615,420
Operating expenses	(57,679,142)	(49,166,531)	(45,368,672)
Operating profit before depreciation amortisation and fair value adjustments	24,346,870	23,353,143	27,959,150
Financial income/(loss)	868,635	(5,085,818)	(4,753,276)
Depreciation & amortisation	(4,990,729)	(4,121,541)	(3,335,688)
Operating profit before interest and tax	20,224,776	14,145,784	19,870,186
Interest income	1,096,327	477,000	193,673
Interest expense	(2,596,524)	(5,184,135)	(5,455,556)
Equity accounted earnings	339,223	328,373	1,021,946
Profit before tax	19,063,802	9,767,022	15,630,249
Taxation	(5,307,616)	(2,237,155)	(3,227,851)
Profit for the year	13,756,186	7,529,867	12,402,398
Other comprehensive Income - not to be recycled to profit and loss at a future point in time			
Surplus on revaluation of property, plant and equipment	—	—	9,005,397
Share of other comprehensive income of associates, net of tax	—	—	17,945
Income tax on revaluation surplus	—	—	(2,206,614)
Total comprehensive income for the year	—	—	19,219,126
Profit for the year attributable to equity holders of the parent	13,756,186	7,529,867	12,402,398
Total comprehensive income for the year attributable to equity holders of the parent	13,756,186	7,529,867	19,219,126
Basic and diluted earnings per share	20.11	11.01	18.13

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As at 30 June 2024

	2024 US\$	2023 US\$	2022 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	94,842,874	86,199,776	71,567,427
Investment in associates	2,197,716	1,858,493	1,530,120
Goodwill	324,503	324,503	379,105
Investment property	1,502,676	1,502,676	—
Other financial assets	7,828,040	7,037,079	4,290,898
Right of use assets	604,917	143,354	273,382
107,300,635	97,065,881	78,040,932	
Current assets			
Cash & cash equivalents	7,663,616	3,810,383	2,114,274
Other financial assets	604,917	1,965,372	9,933,363
Inventories	36,428,366	47,040,426	46,999,322
Trade and other receivables	38,701,615	35,027,335	33,716,395
Current tax receivable	113,130	397,317	—
83,511,644	88,240,833	92,763,354	
83,511,644	88,240,833	92,763,354	
Total assets	190,812,279	185,306,714	170,804,286
EQUITY AND LIABILITIES			
Equity			
Issued share capital	682,360	684,001	684,001
Non-distributable reserves	37,137,697	37,137,697	37,137,697
Treasury shares	1,641	—	—
Distributable reserves	79,240,199	68,825,785	67,349,353
Total Equity	117,061,897	106,647,483	105,171,051
Non-current liabilities			
Deferred tax liability	12,852,292	10,408,006	9,360,113
Lease liability	363,961	—	32,942
13,216,253	10,408,006	9,393,055	
Current liabilities			
Trade and other payables	45,251,696	53,368,460	38,614,452
Current portion of lease liability	241,200	100,197	257,243
Borrowings	15,041,233	14,782,568	14,735,910
Current tax liabilities	—	—	2,299,179
Shareholders for dividends	—	—	333,396
60,534,129	68,251,225	56,240,180	
Total equity and liabilities	190,812,279	185,306,714	170,804,286

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CONSOLIDATED STATEMENTS OF CASHFLOWS for the year ended 30 June 2024

	2024 US\$	2023 US\$	2022 US\$
OPERATING ACTIVITIES			
Cash generated from operations	27,556,506	13,251,346	24,074,419
Working capital changes	(3,383,269)	13,105,772	(8,295,118)
Operating cashflow	24,172,236	26,357,118	15,779,301
Interest received	1,023,493	—	—
Interest paid	(2,596,524)	(4,707,135)	(5,261,883)
Income tax paid	(2,579,143)	(3,885,758)	(4,474,168)
Net cash inflows/(outflows) from operating activities	20,020,062	17,764,225	6,043,250
INVESTING ACTIVITIES			
Purchase of property, plant and equipment to maintain operations	(1,510,618)	(2,217,102)	(1,381,435)
Purchase of property, plant and equipment to expand operations	(12,052,280)	(17,910,331)	(10,915,767)
Loans to associate	—	—	(48,551)
Increase/(decrease) in other assets	(790,960)	—	(1,893,997)
Proceeds on sale of other investments	1,360,455	10,539,545	—
Proceeds on disposal for property, plant and equipment	75,535	—	61,165
Dividends received from associate	—	—	335,225
Net cash outflows from investing activities	(12,917,867)	(9,587,888)	(13,843,360)
FINANCING ACTIVITIES			
Proceeds from borrowings and overdrafts	6,567,429	2,691,766	7,710,888
Repayment of borrowings	(6,308,764)	(2,645,108)	(873,659)
Lease liability repayments	(158,116)	(190,696)	(169,600)
Share buy back	(215,887)	—	—
Dividends paid	(3,125,885)	(6,386,801)	(5,735,018)
Net cash (outflows)/ inflows from financing activities	(3,241,223)	(6,530,839)	932,611
Increase in cash and cash equivalents	3,860,971	1,645,498	(6,867,499)
Net foreign exchange difference	(7,738)	50,611	—
Cash and cash equivalents at beginning of the year	3,810,383	2,114,274	8,981,773
Cash and cash equivalents at the end of the year	7,663,616	3,810,383	2,114,274

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2024

	Share Capital US\$	Revaluation Reserve US\$	Distributable Reserves US\$	Treasury Shares US\$	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	—	—	(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
Dividend declaration	—	—	(6,053,435)	—	(6,053,435)
Balance at 30 June 2023	684,001	37,137,697	68,825,785	—	106,647,483
Profit for the year	—	—	13,756,186	—	13,756,186
Other comprehensive income	—	—	—	—	—
Total comprehensive income	—	—	13,756,186	—	13,756,186
Share buy back	(1,641)	—	(215,887)	1,641	(215,887)
Dividend declaration	—	—	(3,125,885)	—	(3,125,885)
Balance at 30 June 2024	682,360	37,137,697	79,240,199	1,641	117,061,897

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of the Shareholders of National Foods Holdings Limited (or “the Company”) is to be held physically at the National Foods Holdings Limited Registered Offices situated at Gloria House, 10 Stirling Road, Workington, Harare on Wednesday, 18 December 2024 at 0915 hours, for the purpose of transacting the following business:

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

SPECIAL RESOLUTION 1 – DELISTING OF NATIONAL FOODS HOLDINGS LIMITED FROM THE VICTORIA FALLS STOCK EXCHANGE

THAT the Company’s shares be removed from the Main Board of the Victoria Falls Stock Exchange through voluntary termination of the listing on the Victoria Falls Stock Exchange in terms of Section 11 of the Victoria Falls Stock Exchange Listing Requirements.

Note that in terms of Section 11 of the Victoria Falls Stock Exchange Listing Requirements, to be effective, this Special Resolution 1 must be passed by not less than 75% of the votes of all Shareholders present or represented by proxy at the EGM, excluding any controlling shareholder, its associates and any party acting in concert.

NOTICE OF EXTRAORDINARY GENERAL MEETING (continued)

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS (continued)

SPECIAL RESOLUTION 2 – SHARE BUY BACK

THAT the Company, as duly authorized by Article 51 A of its Articles of Association, may undertake the purchase of its own ordinary shares, for treasury purposes, in such manner or on such terms as the Directors may from time to time determine, provided that the repurchases on the Victoria Falls Stock Exchange are not made at a price per share greater than five per centum (5%) above the weighted average market value for the ordinary shares for the five (5) business days immediately preceding the date of purchase and also provided that the maximum number of shares authorized to be acquired shall not exceed 13,647,198 ordinary shares, constituting twenty percent (20%) of the Company’s issued ordinary share capital. The price post Delisting will not be less than the price mentioned above.

That the Company is authorised to undertake the repurchase of its own ordinary shares by this special resolution, which resolution shall be valid until the next Annual General Meeting or fifteen (15) months from the date of this resolution, whichever is shorter.

ORDINARY RESOLUTION 1 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS

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

BY ORDER OF THE BOARD

FORM OF PROXY

I / We

Of.....

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

Mr. / Mrs. / Ms. / Dr

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

Of.....

As my/our proxy to vote for me/us on my/our behalf at the EGM of the Company to be held on Wednesday, 18 December 2024, at 0915 hours and at any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the resolutions to be proposed thereat in accordance with the following instructions:

Resolutions	For	Against	Abstain
SPECIAL RESOLUTION 1 – DELISTING OF NATIONAL FOODS HOLDINGS LIMITED FROM THE VICTORIA FALLS STOCK EXCHANGE			
“THAT the Company’s shares be removed from the Main Board of the Victoria Falls Stock Exchange through voluntary termination of the listing on the Victoria Falls Stock Exchange in terms of Section 11 of the Victoria Falls Stock Exchange Listing Requirements.”			
SPECIAL RESOLUTION 2 – SHARE BUY BACK			
“THAT the Company, as duly authorized by Article 51 A of its Articles of Association, may undertake the purchase of its own ordinary shares, for treasury purposes, in such manner or on such terms as the Directors may from time to time determine, provided that the repurchases on the Victoria Falls Stock Exchange are not made at a price per share greater than five per centum (5%) above the weighted average market value for the ordinary shares for the five (5) business days immediately preceding the date of purchase and also provided that the maximum number of shares authorized to be acquired shall not exceed 13,647,198 ordinary shares, constituting twenty percent (20%) of the Company’s issued ordinary share capital. The price post Delisting will not be less than the price mentioned above.			
That the Company is authorised to undertake the repurchase of its own ordinary shares by this special resolution, which resolution shall be valid until the next Annual General Meeting or fifteen (15) months from the date of this resolution, whichever is shorter.”			
ORDINARY RESOLUTION 1 – DIRECTORS AUTHORISED TO GIVE EFFECT TO RESOLUTIONS			
“THAT the directors be and are hereby authorised to do any and all such things as may be necessary to give effect to the above resolutions.”			

Signed this day of 2024 _____

Signature(s) of member: _____

