INNSCOR
Africa Limited

our passion for value creation

THE DIRECTORS ARE PLEASED TO PRESENT THE

Audited Financial Results of Innscor Africa Limited for the year ended 30 June 2008

COMMENTARY ON HISTORICAL COST FINANCIAL INFORMATION

FINANCIAL

Unless otherwise stated, the values in this report are denominated in new currency. During the period under review, the Group achieved a turnover growth of 17.3 million percent to $49,752,514. Operating profit increased from $92 in the prior year to $24,869,373 in the current year representing a growth of 27.0 million percent, and the profit before taxation increased by 92.0 million percent to $226,289,116 assisted by fair value adjustments of $184,939,328.

Basic earnings per share, exclusive of fair value adjustments, grew by 54.2 million percent to 5.53 cents per share. For the prior year, the Group had reported earnings per share, exclusive of fair value adjustments, in old currency of $1,019.57 per share.

OPERATIONS

ZIMBABWE

Agro-Processing

This sector comprises Colcom Holdings Limited and the Niloticus crocodile ranching operations. The sector recorded a turnover for the year of $22,629,747 and a profit before taxation of $138,731,616, after taking into account fair value adjustments.

Colcom registered an increase in local pork sales volumes of 9% over the previous year. Towards the end of the current year, pig supplies from contract growers declined significantly; resulting from a combination of controlled pricing and poor availability of stockfeeds which has negatively affected national pig production. This reduction in supply was however negated by increased pig flows through the outgrower project which delivered in excess of 3,600 pigs in the final quarter of the year. Export volumes, inclusive of toll processing declined by 10% over the previous year; but this is expected to increase with more stable pig deliveries from the outgrower project. The Ostriches division at Colcom processed in excess of 5,700 birds in the year, with a similar number projected for processing in the 2009 financial year.

As highlighted in our interim report, the Niloticus crocodile ranching operations had delayed the commencement of its annual culling period to January 2008; this strategy was followed in order to increase the average size of the skin being achieved which in turn enhances the price per skin achieved. The full off-take of 51,605 crocodiles was achieved by the middle of August 2008 and resulted in an increase in skin size per crocodile of 10% over the previous year; a significant achievement. It is important to note that whilst the crocodiles have been subjected to fair value adjustments in the balance sheet at year-end; the cash flow for around 80% of this off-take had not been receipted by the close of the financial year, as skins were still in the cull process. The off-take numbers, average skin size and average price achieved per crocodile recorded for this cull will all be at the highest level ever attained by the operation. It is estimated that around 54,000 skins will be produced in the cull that commences in January 2009.

Manufacturing

This sector comprises our four bakery plants, our subsidiary companies, Innscor Appliance Manufacturing (Capri), WRS, Bakaya Hardwoods, Innscor Transport, Herbies (Puff Plant), The Biscuit Company (Iris), Breathaway (Zapsnacks), Innscor Credit Retail (TV Sales and Hire) and our associate investment in National Foods Holdings Limited. The sector produced turnover of $1,037,101 for the year and after the benefit of fair value adjustments and equity accounted earnings, attained a profit before taxation of $24,663,444.

The period under review was characterised by raw material shortages with the bakery plants losing a significant number of production days due to acute shortages of flour. Price controls were a further hindrance.

Price controls and raw material availability seriously affected the earnings of our associate company, National Foods, in the past twelve months.

Price monitoring also impacted heavily on the results of our appliance businesses, Capri and WRS as well as TV Sales and Hire.

Significant capital investments were made during the year in the new Timber processing business, Bakaya Hardwoods, and exports are expected to commence by the end of the first quarter of the 2009 financial year.

Distribution

Our distribution businesses in Zimbabwe posted turnover of $157,051, and after including fair value adjustments, a profit before taxation of $10,528,798 was attained for the year.

Volumes declined by 48% in the year, and the business has been required to focus heavily on cost control measures as well as looking at strategies to reduce its working capital cycle. Despite the drop in volumes, relationships with both local and external agencies were well managed and continue to be sound.

Retail

This sector comprises the SPAR Distribution Centre in Harare, SPAR Corporate Retail Operations in Harare, Bulawayo and Mutare and Freshpro. The sector recorded turnover of $1,336,698 whilst profit before taxation for the year amounted to $5,019,639 after accounting for fair value adjustments.

The beginning of the 2008 financial year saw the introduction of sustained price controls and monitoring. There followed a difficult trading environment and volumes declined towards the end of the first half of the financial year. Volumes recovered somewhat in the second half of the year; but year-on-year declines were still recorded in the Distribution Centre and SPAR Bulawayo. The shortage of local products has required an increased supply of imported goods into the retail outlets.

Fast Foods

Our Fast Foods stores, of which there were 166 in Zimbabwe at the end of the financial year, and the local Franchising operations recorded turnover for the year of $1,208,684 whilst profit before taxation amounted to $12,952,616 after accounting for fair value adjustments.

Product supply constraints, power outages, cash shortages and declining disposable incomes saw customer counts declining 4% on the previous year in the Fast Foods outlets whilst the Bakery retail outlets recorded a 31% decrease in customer counts resulting from an acute shortage of raw material inputs.

Three new-look Chicken Inns were opened in Harare and a trial convenience store was opened at Chisipite. A further three convenience retail stores are currently under construction following on the success of the Chisipite store. Construction is at an advanced stage on five branded counters in Victoria Falls and these are expected to open towards the end of the first quarter of the new financial year. The new financial year will also witness the commencement of a refurbishment programme of our home grown branded counters in line with international standards. Plans are currently underway for the opening of food courts in Masvingo, Kwekwe and Beitbridge in the 2009 financial year.

The relationship with OK Zimbabwe will also see two new in-store bakeries being opened in the new financial year.

REGION

Our regional operations comprise Fast Food outlets, Distribution operations and SPAR Zambia. The region posted turnover of USD 85.5 million, a 61% increase against the prior year, whilst profit before taxation for the year amounted to USD 5.4 million (up 69%) after accounting for earnings in associate companies.

SPAR Zambia Limited registered solid performance in the year under review with turnover growing by 74% to USD 67.2 million. The roll-out of corporate stores in Zambia continued and there were six operating stores in place at year-end. A further store, being SPAR Chawama, was opened in August 2008 and there are plans for a further three more stores to be opened in 2009 along with another bakery.

The Distribution businesses in Zambia and Malawi are an important cog in the backward integration plan for Zambia, providing increased product to the growing SPAR network. The business added the Parmalat (in Malawi), Bokomo and Datlabs agencies. It is now the leading distributor in the growing economies of Zambia and Malawi and the benefits of its performance is reflected by their significant contribution to the Group's regional performance.

The financial performance of the regional food businesses continue to improve and including franchised operations, the number of counters at financial year-end in the region totalled 173.

ACCOUNTING STANDARDS

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

Inflation-adjusted accounts have not been presented at this point but will be included in the Group's 2008 annual report.

PROSPECTS

The inflation spiral continued to negatively affect the trading environment in Zimbabwe. During the past year, significant time was spent with our local businesses in ensuring that strategies were implemented that resulted in real growth in the underlying value of their balance sheets and our businesses are now well-positioned for a recovery in the local economy. Retention and growth of real balance sheet value will continue to be of prime focus in the ensuing year. In addition, our management remain alert to new investment opportunities to enhance our Fast Moving Consumable Goods (FMCG) chain in Zimbabwe.

In Zambia, we continue to grow our retail network and creating the demand for product from our distribution businesses. Our newly-installed Zambia management team based in Lusaka will allow for enhanced focus on this growing collection of businesses and ensure that the necessary growth in distribution and manufacturing businesses is achieved to complement this retail sector growth and successfully achieve our goal of replicating the FMCG chain that has been built in Zimbabwe.

Investigations are at varying stages in Kenya, Ghana and Malawi to increase our retail coverage before embarking on a similar programme of backward integration which has commenced in Zambia.

DIVIDEND DECLARATION

In view of the current local trading environment, the Board has deemed it necessary to conserve its resources and therefore feel that it is inappropriate to declare a dividend for the year.

DIRECTORATE

Mr MJ Fowler has been appointed to the position of Deputy Chairman, which he will undertake in an executive role with effect from 1 September 2008. Mr TW Brown has been appointed as Group Chief Executive Officer effective from that same date. Mrs PT Murombedzi resigned from the Board on 1 July 2008. The Board expresses its gratitude to her for her contributions during her tenure of office.

DLL MORGAN
Chairman
28 August 2008

SALIENT FEATURES - Historical Cost (New Currency)

Turnover	$49 752 514	17.3 million %
Operating profit	$24 869 373	27.0 million %
Profit before taxation	$226 289 116	92.0 million %
Basic earnings per share (cents)	27.83	94.5 million %
Basic earnings per share exclusive of fair value adjustments (cents)	5.53	54.2 million %

GROUP INCOME STATEMENT

Historical Cost (New Currency)	Year Ended 30 June 2008 audited	Year Ended 30 June 2007 audited
	Z$	Z$
Turnover	49 752 514	287
Operating profit before depreciation and amortisation	24 869 373	92
depreciation and amortisation	(309 873)	(1)
Operating profit before interest	24 559 500	91
net interest received/(paid)	119 533	(6)
equity accounted earnings	16 670 755	11
fair value adjustments	184 939 328	150
Profit before taxation	226 289 116	246
taxation	(56 727 707)	(66)
Profit after taxation	169 561 409	180
Attributable to:		
shareholders of the holding company	148 346 733	156
minority interest	21 214 676	24
	169 561 409	180
EARNINGS PER SHARE (CENTS)		
Basic earnings per share	27.83	0.00
Basic earnings per share exclusive of fair value adjustments	5.53	0.00

GROUP BALANCE SHEET

Historical Cost (New Currency)	Year Ended 30 June 2008 audited	Year Ended 30 June 2007 audited
	Z$	Z$
ASSETS		
Non-current assets		
property, plant and equipment	36 882 751	108
other non-current assets	111 251 207	34
	148 133 958	142
Current assets		
cash resources	54 055 814	120
other current assets	181 054 167	405
	235 109 981	525
Total assets	383 243 939	667
EQUITY AND LIABILITY		
Capital and reserves		
ordinary share capital	-	-
non-distributable reserves	42 050 077	77
distributable reserves	148 346 892	159
	190 396 969	236
minority interests	37 208 671	53
Total shareholders' equity	227 605 640	289
Non-current liabilities		
deferred tax liability	47 263 122	47
interest bearing borrowings	12 859 424	45
	60 122 546	92
Current liabilities		
interest bearing borrowings	1 782 951	27
trade and other payables	85 413 353	247
current tax liability	8 319 449	12
	95 515 753	286
Total liabilities	155 638 299	378
Total equity and liabilities	383 243 939	667

GROUP CASH FLOW STATEMENT

Historical Cost (New Currency)	Year Ended 30 June 2008 audited	Year Ended 30 June 2007 audited
	Z$	Z$
Cash generated from operating activities	14 262 110	63
net interest received/(paid)	119 533	(6)
taxation	(270 008)	(6)
Total cash available from operations	14 111 635	51
Investing activities	(4 311 816)	(48)
Dividends paid:	(236 226)	(5)
by holding company	(2)	(3)
by subsidiaries to minority shareholders	(236 224)	(2)
Net cash inflow/(outflow) before financing activities	9 563 593	(2)
Financing activities	1 402 801	48
Net increase in cash	10 966 394	46
FCTR arising on translation of foreign entities' cash balances	43 089 300	74
Cash balance at 30 June 2007	120	-
Cash balance at 30 June 2008	54 055 814	120

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Historical Cost (New Currency)	Year Ended 30 June 2008 audited	Year Ended 30 June 2007 audited
	Z$	Z$
Changes in share capital	-	-
Changes in non-distributable reserves	42 050 000	84
arising on the translation of foreign subsidiaries	42 050 000	84
Changes in distributable reserves	148 346 733	151
Net profit attributable to holding company shareholders	148 346 733	156
Dividends declared		
- prior year final	-	-
- current year interims	-	(5)
Changes in minority interest	37 208 618	53
Shareholders' equity at 30 June 2007	289	1
Shareholders' equity at 30 June 2008	227 605 640	289

SUPPLEMENTARY INFORMATION

Historical Cost (New Currency)	Year Ended 30 June 2008 audited	Year Ended 30 June 2007 audited
	Z$	Z$
1 Depreciation	309 873	1
2 Capital expenditure for the period	763 052	40
3 Future lease commitments		
Payable within one year	286 932 172	4
Payable two to five years	2 010 490 857	6
Payable after five years	140 365 931	632
4 Commitments for capital expenditure		
Contracts and orders placed	-	-
Authorised by Directors but not contracted	2 338 827 900	17
	2 338 827 900	17

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

Directors: *D.L.L. Morgan (Chairman), M.J. Fowler (Deputy Chairman), T.W. Brown (Chief Executive), *Z. Koudounaris, *J. Koumides, J.P. Schonken, *T.N. Sibanda, J.D. Vezey. (*Non Executive)