INNSCOR Africa Limited

Interim Report for the 6 Months ended 31 December 2008

FINANCIAL

Due to the significant levels of inflation recorded in the six months to 31 December 2008, the Directors are of the opinion that the presentation of financial statements in Zimbabwe Dollars for this period will not allow for any meaningful explanation or analysis.

Following the recent budget and monetary policy announcements which saw the liberalisation of the economy and the approval for companies to trade in multi-currencies from 1 February 2009, it is the intention of the Group to report its annual results to shareholders in an appropriate framework at year-end.

Consequently this interim report is limited to operational information.

OPERATIONS

During the course of the last six months the Group undertook an internal restructuring exercise that allows for the clear and separate accountability of our Fast Moving Consumer Goods (FMCG) businesses and our export businesses in Zimbabwe. In the region, the restructure allows for the separate identification of our businesses in Zambia and then additionally, our Fast Foods businesses in the rest of the region.

With effect from 1 July 2008, the Group reacquired a controlling interest in the Regional Fast Foods businesses, meaning that the Fast Food operations in Zambia, Kenya, Ghana and Senegal, which were previously equity-accounted, are now being consolidated into the Group results.

FMCG BUSINESSES

Milling and Manufacturing Silo

This reporting silo comprises our four bakery plants, our subsidiary companies Colcom Holdings Limited, Innscor Appliance Manufacturing (Capri), WRS, Herbies (Puff Plant), The Biscuit Company (Iris), Breathaway (Zapsnacks) and our associate investment in National Foods Holdings Limited.

At Colcom, pig deliveries declined 26% over prior year, principally because of the reduction in supplies from contract producers, which were the result of controlled prices and a national shortage of stock feeds.

As a consequence of this decline in pig deliveries and lower slaughter weights, local pork sales volumes declined by 57% compared to the same period in prior year. Export volumes declined 10% over prior year and were then suspended midway through the second quarter. The shortage in local stock feeds required many of the feed inputs to be imported and this caused the export price of pork to be uncompetitive and as a result the export processing facility in Ruwa has been temporarily closed.

Innscor Appliance Manufacturing volumes declined by 70% compared to the same period in prior year, resulting from collapsing consumer disposable incomes. With the advent of FOLIWARS trading, volumes have now started to improve. Component price negotiations with suppliers have commenced to reduce pricing to ensure that the business is able to compete locally against imported product and to resume exports into the region.

Herbies and the Biscuit Company experienced volume declines over the half year, however these did show improvement toward the end of the period.

National Foods showed significant operational improvement during the period under review and again this business benefited from the FOLIWARS system. Total volumes increased by around 31% as against the first six months of prior year to 62 376 metric tonnes, and this growth was particularly evident in the second quarter of the year where the volume increase recorded was 67% against quarter one. Excluding the oils plant, which suffered from acute water shortages, capacity utilisation amongst all the other plants increased to around 30%.

Distribution and Wholesale Silo

This reporting silo comprises Innscor Transport, the SPAR Distribution Centre in Harare and Distribution Group Africa.

Innscor Transport operates in Zimbabwe with Hire, Overnight Express, Fleet Management and Workshop as the operating divisions. Volumes in this business increased 20% compared to the same period last year benefiting from a diversification in operations.

The SPAR Distribution Centre is one of the two franchise holders of the SPAR brand in the country responsible for servicing the SPAR supermarkets, Kwikspar supermarkets and SaveMor Retail outlets in the eastern region. Volumes declined compared to the same period last year in response to the increasingly difficult trading environment particularly during the first quarter. The business acquired a FOLIWARS licence to trade in foreign currency during the second quarter and volumes then increased as the stock supply situation improved.

The SPAR Distribution Centre supported 42 SPAR member stores and 36 SaveMor branded stores. The liberalised trade environment and the resultant competitive nature, requires that the Distribution Centre streamline its product range offering and review its trading model.

Distribution Group Africa comprises Innscor Distribution, Comox Distribution, Medi-Link and Zimbabwe Professional Marketing. Volumes declined by 61% over prior year. The introduction of FOLIWARS trading in the second quarter saw a return to conventional trading and the start of a recovery in volumes. The business is now focusing heavily on achieving the correct pricing and margin structures to enable optimal volumes to be traded. Full trading relationships have been re-established with all key foreign principals representing some of the world's top brands and significant orders were placed in December which will come through in the next quarter's trading.

Retail Silo

This reporting silo comprises the SPAR Corporate Store retail operations, the Fast Foods operations and TV Sales and Home.

Volumes declined across all Spar Corporate Store businesses by an average of 43% being weighed down by a poor first quarter which was characterised by product shortage, hyperinflation and accelerated depreciation of the local currency. However, second quarter volumes increased by an average of 20% over the first quarter in response to FOLIWARS trading which allowed the business to trade in foreign currency and access imported stock.

Four Corporate retail outlets were added to this stable during the period namely Hatfield SPAR, Nelson Mandela SaveMor, Waterfalls SaveMor and Willowmead Junction with two more supermarkets taken on in Bulawayo in early January.

Customer counts in the Fast Foods operations declined as a result of acute cash shortages experienced in this period. The Fast Foods operations only received their FOLIWARS licenses toward the end of November and there was an immediate improvement in the customer count and operational performance in the business. During the period, an OK In-store bakery was opened in Ngezi. The Victoria Falls outlet opened in mid-February, and other counters are on course to be opened in the third quarter.

TV Sales and Home volumes declined 36% compared to the comparative six month period in the prior year. The business started to trade under its FOLIWARS license in the middle of October and this assisted second quarter volumes in recovering by 37% compared to quarter one. The highlight of the operations was the opening of the new brand, "SPAR Good Living". This concept allows the business to forge partnerships with selected SPAR Retail outlets whereby a range of electronic and homeware products are made available for retail in these outlets. The first store was opened in November, and the results are encouraging so far. There are plans to expand this brand into further SPAR outlets in the next few months.

EXPORT BUSINESSES

Niloticus

Culling for the 2009 season was deferred to March 2009. This was done to achieve bigger skins in line with market expectations. 53 800 crocodiles are expected to be culled this season, a slight increase on the 51 000 crocodiles culled in the previous season, although average skin sizes will be significantly improved over last year due to the delay in the cull. The exotic skins market has changed considerably over the last three months due to the global recession and there is some uncertainty in the market as regards pricing and volumes. The production of large, high quality skins by Niloticus should ensure that the business will be able to absorb any resultant price reductions.

Bakaya Hardwoods

Bakaya Hardwoods is the fledgling timber processing business. Flooring and decking processing standards are now in place and exports commenced towards the end of the period.

Shearwater

This adventure tourism business experienced a small drop of 4% in its passenger numbers as compared to the six months to December 2007. The Cholera epidemic, however, had a significant effect on passengers carried in the second quarter, and forecasts obtained from hotels in the Victoria Falls area predict a further drop in numbers in the third quarter.

REGIONAL BUSINESSES

Innscor Zambia

The main businesses in Zambia are the SPAR retail operations, the Distribution business and the Fast Foods operations.

Volumes in the SPAR stores increased by 29% year on year. These improved volumes did not, however, translate to the profit line as the business experienced weak internal controls. Our dedicated management team from Zimbabwe which is now operating out of Lusaka is focusing on the implementation of enhanced systems and the stabilisation of internal controls and this should translate into improved margins in the future. The depreciation of the Zambian Kwacha against the US Dollar has also had a negative impact on results.

Our regional Distribution businesses continued to cement their positions as the leading distributors in Zambia and Malawi. This has translated into both volume and US Dollar increases in turnover and profitability. Growth rates continue to be real or, well above country inflation.

Regional Fast Foods

Our regional Fast Foods operations consist of counters in Kenya, Ghana and Senegal as well as the regional franchising arm.

Our brand loyalty in the region continues to improve resulting in increased customer counts and profitability throughout each country. Seven new counters were opened in Kenya during the period and a number of opportunities are being investigated for new sites.

At the end of the period, the number of counters being operated in the region (including Zambia) totalled 194 including franchised operations.

PROSPECTS

The momentum gained in the second quarter, assisted by the removal of price restrictions and the general freeing up of the economy, has continued into January and February. Particularly pleasing results have been posted by National Foods, the SPAR retail businesses and the Fast Foods businesses in these two months.

The recent restructuring has made management focus energies on where it has identified the core business of the Group; being involved in the components of an integrated FMCG chain in Zimbabwe and in each of the components to identify opportunities to extract maximum profitability through the value-add process in this chain.

In our Manufacturing businesses, pressure could be placed on margins from imported product or other local producers with improved technology and therefore our efficiencies and cost controls will require specific attention, and where necessary capital investment into plant and equipment will be undertaken. The portfolio of world-class and dominant brands within our organisation will be marketed aggressively to take advantage of improved trading conditions which are expected in the ensuing period. From a Retail perspective, in addition to focusing on pricing models and expanding our Retail network, it is important that we improve the leveraging of our brands by investing in both people and the delivery of top-class service standards which the market expects in this newly liberalised economy.

At Niloticus, the global recession means that costs to run the operations must be reduced at all possible levels; this and the fact that Niloticus produces the world's largest and highest quality Nile crocodile skins should allow the operation to sustain this period of global financial uncertainty.

Regionally, our management in Zambia are currently focused primarily on the SPAR operations. These businesses have shown strong turnovers over the past eighteen months, and it is imperative that these performances are now converted to improved profitability.

DIVIDEND

In view of the recent liberalisation of the local economy and the need to ensure that working capital levels are adequately funded to meet trading demands, the Board has deemed it inappropriate to declare an interim dividend.

DLL MORGAN
Chairman
26 February 2009

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)