our passion for value creation

INNSCOR
Africa Limited

THE DIRECTORS ARE PLEASED TO PRESENT THE

Audited Financial Results of Innscor Africa Limited for the year ended 30 June 2010

FINANCIAL

The 2010 financial year represented the first full year of operating in the multi-currency environment for the Group. After the initial period of growth in macroeconomic activity which occurred from the onset of dollarisation up to December 2009, the operating environment in the second six months of the Group's 2010 financial year has seen this activity being somewhat restrained. Overall, however, the financial year has been an exciting one for the Group, with most businesses showing strong volume growth.

During the year under review, the Group's continuing operations achieved a turnover of USD 403.49 million, an operating profit of USD 29.11 million and a profit before tax of USD 26.59 million; whilst basic earnings per share amounted to 2.92 US cents.

Cash generation from operating activities continued to be strong for the Group, and amounted to USD 24.91 million for the year. A significant portion of these funds was applied to expansion projects across the Group's businesses as well as to cover fixed asset refurbishment and maintenance commitments.

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

At the time of finalisation of the Group's 2009 Financial Statements, guidance for deferred tax had not yet been issued and consequently no deferred tax had been provided for on the opening fixed assets held at the point of dollarisation. The Board has now taken the decision to provide for deferred tax on the full balance sheet liability method in respect of these fixed assets, and the relevant prior period balance sheet figures have been adjusted accordingly.

For the reasons fully outlined in the prior year's financial statements, the comparative figures for the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity were qualified due to complications arising on translation of Zimbabwe dollar transactions prior to the adoption of multi-currencies in February 2009. The Statement of Financial Position however was not qualified as those balances were not affected by the translation complications. Consequently, the directors advise caution in comparing current financial information contained in the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity with those of prior year, as such comparison could be misleading.

OPERATIONS

FMCG BUSINESSES

Milling and Manufacturing Silo

This silo comprises our subsidiary companies; Innscor Bread, Colcom Holdings Limited, Innscor Appliance Manufacturing (Capri and WRS), Innscor Snack Foods, and our associate investments in National Foods Holdings Limited and Irvine's Zimbabwe (Pvt) Ltd. The silo reported turnover for the year of USD 90.43 million, with profit before tax amounting to USD 10.26 million. The Snack Foods Company was the only business that did not contribute to the silo's profitability.

Within the Innscor Bread operations, a completely upgraded make-up plant was commissioned in each of Harare and Bulawayo during the year and a second plant in Harare was commissioned during July 2010. The total investment of USD 4 million in these three plants to upgrade to the latest in world-class baking technology has increased capacity to 250,000 loaves per day, and resulted in a significant improvement in plant efficiencies and product quality. The Bakers Inn brand will continue to focus on the value-added segment of the market, and further technology investment into this operation will continue in the 2011 financial year.

Colcom continued to perform well in the second half of the year with overall turnover in the second six months of the financial year approximating that of the first six months. Slaughter weights achieved in this second six months increased by 6% as compared to the first six months as a result of improved animal performance. The business has recently embarked on various plant upgrades that will result in increased production and cost efficiencies.

Volumes achieved in the second six months of the financial year within the Innscor Appliance Manufacturing businesses increased by 83% compared to the first half of the year, as production bottlenecks that had been experienced were cleared. New refrigerator and chest freezer finishes will be introduced into the market during the course of the new financial year. WRS televisions continue to be well received in the market and prices continue to improve with changes that have been implemented in the production process and supplier arrangements. New entry-level products will be launched in the second quarter of the 2011 financial year to compete with informal "grey" market imports.

The Snack Food Businesses posted a loss during the year. The businesses re-organisation process implemented in February immediately yielded improved gross profit margins, and the business should return a profit by the end of the first quarter of the 2011 financial year, as volumes recover to critical mass.

National Foods' total volumes increased by around 13% in the second six months to 159,000 tonnes as compared to the first half of the financial year. During the course of the second six months, the company closed its Oils and Meals division which had been recording significant losses due to extremely low capacity utilisation and exceptionally high repairs and maintenance requirements. Oil and meal requirements are currently being satisfied through toll agreements. Good progress has been made on correcting the internal control weaknesses and inefficiencies that were identified in the early part of the financial year and a positive return is expected from this business in the 2011 financial year as its core businesses close the gap to operate at their respective ideal models.

Irvine's Zimbabwe (Pvt) Ltd continued to contribute strongly to the Group's results, with production continuing to improve. Chicken sales increased by 21% from the first half of the financial year to the second six months of the current financial year and egg sales increased by 28% over the same period. The company continues to invest aggressively into both day old chick production as well as poultry processing, and as a result, further production increases will occur in both these parts of the operation in the second half of the new financial year.

Distribution and Wholesale Silo

This reporting silo comprises the SPAR Distribution Centre in Harare, Distribution Group Africa and Innscor Transport. The silo reported turnover for the year of USD 62.45 million, with profit before tax amounting to USD 1.68 million. All businesses within the silo, except Innscor Transport were profitable in the current year.

The SPAR Distribution Centre is one of the two franchise holders of the SPAR brand in the country responsible for servicing SPAR supermarkets, KwikSpar supermarkets and SaveMor retail outlets in the Eastern region. Turnover during the second half of the year improved by 26% compared to the first six months, and was mainly attributable to improved product range availability, increased retailer loyalty, intensified sales promotions and marketing campaigns launched to improve store standards and brand visibility. The SPAR Distribution Centre was supporting 40 SPAR and KwikSpar member stores and 14 SaveMor branded stores at 30 June 2010.

Distribution Group Africa holds the distribution rights to some of the world's leading fast moving consumer goods brands in Zimbabwe. It comprises of Innscor Distribution, Comox Trading, Zimbabwe Professional Marketing and Eagle Agencies. Whilst volumes remained strong, driven by the recovery and recapitalisation of the retail sector as well as the improvement in the inbound supply chain, the working capital model of the operation was hampered by the inability of debtors to keep to set trading terms.

A major vehicle refurbishment exercise was undertaken at Innscor Transport during the course of the second half of the financial year, and whilst volumes increased by 12% in the second half of the year compared to the first half, the operation posted a loss for the year.

Retail Silo

This reporting silo comprises the Fast Foods operations, the SPAR Corporate Store retail operations and TV Sales and Home. The silo reported turnover for the year of USD 147.54 million, with profit before tax amounting to USD 9.46 million. The SPAR Corporate retail operations were the only businesses that did not contribute to the silo's profitability.

The Fast Foods businesses posted a strong performance despite the number of customers decreasing marginally by 2% in the second half of the year compared to the first half of the year. This was mainly attributable to shop renovations and upgrades that began to be undertaken in the period.

During the second half of the year a number of upgraded counters were commissioned, namely the Chicken Inn, Bakers Inn and Creamy Inn counters at the First Street complex, the Chicken Inn and Creamy Inn West End complex counters, as well as Nando's Marimba; Dial-A-Delivery services were also re-introduced at Pomona during the year. During the early part of the new financial year a new complex, containing all our main home-grown brands, was opened in Masvingo, whilst work on a new complex in Chinhoyi has recently commenced.

The SPAR Corporate stores experienced a decline in customer counts of 3% but an increase of 4% in turnover in the second half of the year compared to the first six months. Overall, the profitability of the Corporate Stores was adversely affected by shortcomings in certain financial and management controls that were identified in a number of stores and which resulted in write-offs being processed during the second half of the year. Corrective measures have been identified and are in the process of being implemented.

At TV Sales and Home, turnover grew by 5% in the second half of the year compared to the first half of the year. An all-round renovation exercise on all shops was completed during the year, improving the look and feel of all outlets. Credit has continued to be the focus of the business, with credit sales now approaching 50% of total turnover.

NILOTICUS

Niloticus, the crocodile ranching operation based in Kariba, reported turnover for the financial year of USD 11.78 million, with a loss before tax amounting to USD 1.62 million. Reduced livestock levels following the destocking exercise in the last financial year together with reduced average skin prices resulted in a fair value charge of USD 1 million. The business culled 63,500 animals during the year.

Niloticus remains one of the world's leading producers of exotic skins. The Board has deemed that for the business to capitalise on its achievements to date and for it to continue to advance, that it would be better suited for the operation to function as a stand-alone entity with renewed and specific focus. In pursuit therefore of this objective, the Board has made a decision to unbundle the Niloticus operations in the new financial year, subject to the appropriate approvals being granted, through a "dividend in specie" to existing Innscor Africa Limited shareholders, that will ultimately see the business separately listed on the Zimbabwe Stock Exchange.

In accordance with International Financial Reporting Standards, the results of this operation have been disclosed as a discontinuing operation in the Group's financial statements.

REGIONAL BUSINESSES

Innscor Zambia

The main businesses in Zambia are the SPAR retail operations and the Distribution business. Overall, the businesses reported turnover for the year of USD 69.30 million and a profit before tax of USD 0.37 million.

The SPAR Zambia business continued to advance on the improvements made in the first half of the financial year. The operations posted an operating profit before depreciation and amortisation of around USD 500,000 (this compared to the loss of USD 2 million posted in the previous financial year); although after interest and depreciation charges, a loss before tax was posted. Certain rationalisation processes were undertaken during the year which saw the outlets at Livingstone and Chawama disposed of, although both remained as franchised outlets.

Our regional Distribution businesses continued to operate well as the leading distributors in Zambia and Malawi with volumes increasing by 19% compared to the same period last year, as additional brands were added to the operation's portfolio.

Regional Fast Foods

Our regional Fast Foods operations consist of counters in Kenya, Ghana, Zambia, and Senegal, as well as the regional franchising arm, where Nigeria is our largest franchised market. Overall, the businesses reported turnover for the year of USD 33.072 million and a profit before tax of USD 1.79 million.

Other than Senegal, which was in a break-even position, all operations in the Region were profitable and showed strong customer count growth compared to the previous financial year. The business intends opening a number of new outlets in Zambia, Ghana and Kenya during the 2011 financial year. By June 2010, the number of counters being operated in the region totalled 200, including franchised operations.

PROSPECTS

In our manufacturing business in Zimbabwe, there are a number of exciting plant upgrade projects which have either been completed or are close to completion. These production enhancements will allow the businesses in this silo to continue to improve product quality as well as improve cost efficiencies. At National Foods, work continues on right-sizing the operation, focusing on core operations, and improving systems, and we expect the operation to contribute positively to profit in the 2011 financial year.

In the Distribution Silo, the significant trading volumes experienced at the SPAR Distribution Centre have now outgrown the existing warehousing facilities, and the coming year will see the operation focusing on consolidating its operations at a larger facility which will result in an improved distribution solution. A new stock and ordering system is also currently being implemented which will link individual stores directly to the Distribution Centre and allow for improved product flow.

In the Retail Silo, we will continue to expand the number of Fast Food counters in the country. In addition to adding new counters within our main existing markets in Harare and Bulawayo during the course of the next year, additional complexes will be added to outlying towns, with Masvingo having already opened in July 2010; complexes in Chinhoyi, Kwe Kwe and Beit Bridge will all be added to the Group's Fast Food network during the course of the new financial year. In addition to these new complexes, existing stores will continue to be upgraded to the new specification.

We see SPAR Corporate Supermarkets as a key part of our retail operations and our focus in the coming year will be to build on the very strong turnovers generated by these stores and ensure that our systems and management controls convert this turnover into profitability and cash return.

Regionally, we will continue to grow our Fast Food operations in the territories we currently operate in, whilst in Zambia we will continue to build on the improvements registered in our SPAR supermarket operations.

Since its listing in 1998, Innscor Africa Limited has continually diversified into businesses which were able to fuel its growth in an economy which suffered from the effects of massive hyperinflation. This has led the Group to having a significant number of differing businesses in its portfolio. Given the dramatic change to the macroeconomic environment, the Board feels that it is now the time for certain of its businesses to be restructured in order to give those businesses the specific focus and drive that they now require and which will result in sustainable long-term business models being built for each business. Therefore as previously indicated, the Niloticus crocodile operation will be restructured into a stand-alone entity and, subject to the appropriate approvals being granted, be separately listed on the Zimbabwe Stock Exchange via a "dividend in specie" to all Innscor Africa Limited shareholders; details and timings of this transaction will be advised in due course.

DIVIDEND

The Board has declared a final dividend of 0.4 US cents per share payable on or about 8 October 2010 to shareholders registered in the books of the Company by noon on 24 September 2010. The transfer books and register of members will be closed from 25 September 2010 to 2 October 2010, both days inclusive. This brings the total dividend in respect of the 2010 financial year to 0.8 US cents per share.

DLL MORGAN
Chairman
27 August 2010

SALIENT FEATURES (From Continuing Operations)

	USD
Revenue	403 488 611
Operating profit	29 114 780
Profit before tax	26 594 556
Basic earnings per share (cents)	2.92

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Year Ended 30 June 2010 audited USD	Year Ended 30 June 2009 audited RESTATED USD
Continuing Operations		
Revenue	403 488 611	254 836 032
Operating profit before depreciation and amortisation	29 114 780	13 828 816
depreciation and amortisation	(6 572 216)	(5 712 662)
Operating profit before interest and fair value adjustments	22 542 564	8 116 154
fair value adjustments	308 168	806 018
monetary adjustment	-	(2 080 206)
Profit before interest and tax	22 850 732	6 841 966
net interest	(441 505)	(365 169)
equity accounted earnings	4 185 329	3 191 494
Profit before tax from continuing operations	26 594 556	9 668 291
tax	(4 961 624)	1 209 780
Profit for the year from continuing operations	21 632 932	10 878 071
Discontinuing Operations		
(loss)/profit after tax for the year from discontinuing operations	(824 888)	631 707
Profit for the year from continuing and discontinuing operations	20 808 044	11 509 778
Other comprehensive income		
exchange differences arising on the translation foreign operations	(153 634)	(210 800)
Other comprehensive income for the year, net of tax	(153 634)	(210 800)
Total comprehensive income for the year	20 654 410	11 298 978
Profit for the year from continuing and discontinuing operations attributable to:		
equity holders of the parent	14 990 629	9 728 560
non-controlling interests	5 817 415	1 781 218
	20 808 044	11 509 778
Total comprehensive income for the year from continuing and discontinuing operations attributable to:		
equity holders of the parent	14 901 752	9 599 972
non-controlling interests	5 752 658	1 699 006
	20 654 410	11 298 978
Earnings per share (cents)		
from continuing and discontinuing operations - basic earnings per share	2.77	1.80
from continuing operations - basic earnings per share	2.92	1.57

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Year Ended 30 June 2010 audited USD	Year Ended 30 June 2009 audited RESTATED USD
Cash generated from operating activities	24 911 967	9 038 103
net interest paid	(1 073 891)	(513 397)
tax	(6 592 426)	(2 601 977)
Total cash available from operations	17 245 650	5 922 729
Investing activities	(18 311 528)	(12 087 380)
Net cash outflow before financing activities	(1 065 878)	(6 164 651)
Financing activities	3 904 845	9 284 175
Net increase in cash and cash equivalents	2 838 967	3 119 524
Cash and cash equivalents at 30 June 2009	14 394 950	11 275 426
Cash and cash equivalents at 30 June 2010	17 233 917	14 394 950
Cash and cash equivalents comprise		
cash and cash equivalents attributable to continuing operations	16 274 303	14 209 411
cash and cash equivalents attributable to discontinuing operations	959 614	185 539
	17 233 917	14 394 950

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

	At 30 June 2010 audited USD	At 30 June 2009 audited RESTATED USD
ASSETS		
Non-current assets		
property, plant and equipment	53 022 159	57 352 244
other non-current assets	36 394 472	33 543 675
	89 416 631	90 895 919
Current assets		
cash and cash equivalents	16 274 303	14 209 411
other current assets	67 327 456	74 708 630
	83 601 759	88 918 041
assets classified as held for sale	39 625 904	3 029 857
Total assets	212 644 294	182 843 817
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	5 415 934	-
non-distributable reserves	45 766 011	51 655 347
distributable reserves	62 523 181	49 697 907
	113 705 126	101 353 254
non-controlling interests	18 974 156	16 486 093
Total shareholders' equity	132 679 282	117 839 347
Non-current liabilities		
deferred tax liability	4 480 455	7 367 689
interest bearing borrowings	6 712 188	851 406
	11 192 643	8 219 095
Current liabilities		
interest bearing borrowings	8 473 930	13 043 697
trade and other payables	48 676 967	39 558 546
current tax liability	876 103	1 637 737
	58 027 000	54 239 980
liabilities directly associated with assets classified as held for sale	10 745 369	2 545 395
Total liabilities	79 965 012	65 004 470
Total equity and liabilities	212 644 294	182 843 817

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

	Year Ended 30 June 2010 audited USD	Year Ended 30 June 2009 audited RESTATED USD
Changes in share capital	5 415 934	-
transfer of redenominated share capital	5 401 184	-
share options exercised	14 750	-
Changes in non-distributable reserves	(5 889 336)	(61 388)
transfer of redenominated share capital	(5 401 184)	-
arising on the translation of foreign operations	(88 877)	(128 588)
share options exercised	-	67 200
arising on the restructuring of the Group and on the consolidation of subsidiaries	(399 275)	-
Changes in distributable reserves	12 825 274	9 728 560
net profit attributable to equity holders of the parent from continuing and discontinuing operations	14 990 629	9 728 560
interim dividend paid	(2 165 355)	-
Changes in non-controlling interests	2 488 063	1 275 094
Shareholders' equity at 30 June 2009	117 839 347	106 897 081
balance previously reported	124 509 510	113 567 244
deferred tax prior period adjustment	(6 670 163)	(6 670 163)
Shareholders' equity at 30 June 2010	132 679 282	117 839 347

SUPPLEMENTARY INFORMATION

		Year Ended 30 June 2010 audited USD	Year Ended 30 June 2009 audited RESTATED USD
1	**Depreciation**	6 551 981	5 700 949
2	**Capital expenditure for the year**	20 080 610	10 569 499
3	**Future lease commitments**		
	Payable within one year	5 916 608	5 477 126
	Payable two to five years	15 199 495	11 990 706
	Payable after five years	8 689 491	4 113 759
		29 805 594	21 581 591
4	**Commitments for capital expenditure**		
	Contracts and orders placed	-	-
	Authorised by Directors but not contracted	36 886 498	18 276 344
		36 886 498	18 276 344

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