Unaudited Financial Results of Innscor Africa Limited

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

INNSCOR Africa Limited

OUR PASSION FOR **VALUE CREATION**

SALIENT FEATURES

	USD			
Revenue	337 837 909	▲	6 %	
Operating profit	34 168 724	▼	11 %	[▲ 3 %*]
Profit before tax	32 149 629	▼	7 %	[▲ 9 %*]
Headline earnings per share (cents)	3.68	▲	14 %	
Interim dividend declared per share (cents)	0.80	▲	7 %	

* Growth shown excludes profit on disposal of a portion of the Group's shares in National Foods in the prior period amounting to USD 5.08 million.

FINANCIAL

The Group performed reasonably well during the first six months of the new financial year, notwithstanding a fairly constrained trading environment.

During the period under review, the Group recorded revenue of USD 337.84 million, an operating profit of USD 34.17 million and a profit before tax of USD 32.15 million. Basic earnings per share declined from 4.15 US cents in the comparative period to 3.70 US cents, due mainly to the fact that the comparative period results included a profit of USD 5.08 million realised on the disposal of a portion of the Group's shares in National Foods. Headline earnings per share however increased by 14% to 3.68 US cents.

The Group generated USD 24.92 million from operating activities and this was after taking account of an increase of USD 3.24 million in the instalment debtors' book at TV Sales & Home. The Group continued with its aggressive capital expansion programme to which the bulk of the cash generated, as well as additional borrowings was applied.

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

OPERATIONS

Bakeries & Fast Foods

This reporting division comprises the Group's Bakery operations which are based in Zimbabwe as well as all the Fast Food operations across the African continent.

Volumes in the Bakery operations increased by 30% as measured against the comparative period. Two new additional bread lines, each with a capacity of 80,000 loaves per day, have recently been installed at the new, state of the art facility in Graniteside, and were commissioned during February 2013; this brings total current installed capacity to around 560,000 loaves per day. The production and cost efficiencies attained through operating on this site are expected to be further enhanced as additional lines are added, and to this end the business has committed to a further two lines, each again with an 80,000 loaf per day capacity, due for commissioning in the early part of 2014. Expansion projects also continue on the confectionery side of the operation with a fully automated pie plant due for commissioning at the Simon Mazorodze Road site in August 2013.

After a slow start to the financial year, customer counts within the Fast Foods operations in Zimbabwe improved, particularly toward the latter part of the period under review, as new product offerings were added and new pricing strategies were adopted. Overall, the business experienced a 5% growth in customer count against the comparative period. The store network continued to expand with 5 new counters being opened in Harare during the current period and 2 in Zvishavane. The refurbishment programme also continued, with two food courts in Harare and one in Bulawayo receiving upgrades. Additional counters are currently in varying stages of progress in Harare, Chegutu, Chivhu, Kwe Kwe and Masvingo, and these include a new Fish concept, operating under the Fish Inn brand, with the first outlet scheduled to open in April 2013. A new point of sale system is also in the process of implementation and this will assist in reducing "above-site" overhead costs and improve profitability within the business.

Regionally, customer counts in the Fast Foods operations increased by 3% against the comparative period, and the overall results achieved were pleasing. As in Zimbabwe, the expansion programme continued with 8 counters being opened in Kenya and 2 in Zambia. In the franchised operations, 1 outlet in each of Swaziland and Lesotho was opened, whilst 1 outlet in Nigeria was closed. Inclusive of the franchised markets of Nigeria, Malawi, Lesotho and Swaziland, the number of counters operating in the region amounted to 208 at the end of December 2012. 18 new counters are planned to open before the end of the current financial year across Kenya, Zambia, Senegal and Swaziland.

Distribution Group Africa

This reporting division consists of the Distribution Group Africa operations which operate in Zimbabwe, Zambia and Malawi.

The Distribution Group Africa Zimbabwe business houses various leading brands such as Colgate, Kellogg's, Johnson & Johnson and Tiger Brands. Volume growth of 16% was recorded against the comparative period but this was somewhat negated by a differing mix of products, which lowered average selling price. The strategy of focusing on higher volume products with good margin, resulted in much improved efficiencies being achieved at the profit line. Rand fluctuations were well managed, and this allowed for competitive pricing into the market to be maintained throughout the period.

The Distribution Group Africa business operating in Zambia continued to increase market share within both the formal and informal retail markets and volumes increased by 7% against the comparative period. Trading conditions remained depressed in Malawi, with continuing depreciation of the local currency. This resulted in volumes in this country declining by 28% against the comparative period, with a small loss being posted. Management continue to review the business with balance sheet defence remaining the main focus.

SPAR

This reporting division consists of the SPAR Corporate Store retail operations in Zimbabwe, the SPAR Distribution Centre in Harare and the SPAR Corporate Store retail operations in Zambia.

In Zimbabwe, the SPAR Corporate Store rationalisation programme implemented in the last financial year started to produce positive results during the period. Mutare SPAR continued to trade well, whilst the three largest stores in Harare being Groombridge SPAR, Arundel SPAR and The Village SPAR are now consistently posting positive trading profits. Letombo SPAR is currently undergoing refurbishment and was due for re-opening in early March as a new concept store focusing on specific product lines and services, and offering the consumer an exciting, low-cost retail alternative. In reorganising the stores, certain asset impairment and other non-recurring re-structure costs of approximately USD 0.5 million were charged to the income statement during the current period. The further rationalisation of a number of functional synergies that exist between the Corporate store head office and the SPAR Distribution Centre continues and should allow for further cost reduction in both units. The new "My Club" loyalty programme, that started earlier in the year, has yielded encouraging results both in customer count and basket sizes.

The SPAR Distribution Centre is one of the two franchise holders of the SPAR brand in the country responsible for servicing all SPAR retail operations in the Eastern Region of the Country. At the end of December 2012, the business was supporting a total of 44 stores operating under the SPAR, SPAR Express, SaveMor and TOPS brands. Whilst the business remained profitable, results were disappointing, being affected by the closure of some of the larger independent stores due to brand non-compliance, and were significantly lower than those posted in the comparative period.

The SPAR Corporate Store retail business in Zambia posted improved results during the period under review as the two newer stores in Lusaka began to contribute to the overall results. The current network consists of 6 Corporate stores and 6 franchised stores, with an additional franchised store due for opening in March 2013.

Colcom

Colcom recorded a disappointing result for the period under review. Whilst overall volumes showed a 25% growth against the comparative period, this was largely high-volume and low-margin product. Equipment failures also had a negative impact on the results and significantly affected production in the latter part of the period, resulting in lost revenue at a critical stage of the operation's traditional trade cycle.

During November 2012, Colcom's Board of Directors brought to the attention of its shareholders that the control and governance environment of the Company had been compromised. A forensic audit was initiated, and this process, which is now complete, resulted in the termination of a number of contracts with employees across all levels of the operation. Certain changes have been made at both board and senior management level in order to re-establish both operational and financial controls as well as to enhance governance procedures. As a result of these various processes, provision has been made for approximately USD 1.3 million in the current income statement; this is mainly ascribable to stock obsolescence and doubtful debts.

Despite the challenges faced, Colcom's strategy has been reset and management is committed to achieving the clear objectives defined by its Board and shareholders and to return the company to the levels of profitability expected of it. The operation has secured its stockfeed requirements for the remaining part of the financial year, whilst capital investment will be made where necessary and appropriate in order to restore and improve production levels and efficiencies.

Household Goods

This reporting division consists of TV Sales & Home and Capri.

Volumes at TV Sales & Home were relatively similar to those recorded in the comparative period, however a higher mix of furniture sales resulted in reasonable revenue growth being recorded. Towards the end of the current period, an additional 4 stores were opened in Harare, whilst a further 3 stores were opened in Karoi, Hwange and Marondera. The full impact of these stores should be felt in the second half of the financial year. Collections on the debtors' book remained good during the period.

Capri maintained its pleasing growth path with volumes increasing by 42% over the comparative period. The business continues to improve its product aesthetics whilst further reductions in its manufacturing costs have also been achieved. The new refrigeration plant is still scheduled for commissioning by the end of the current financial year, and this will allow for a further enhanced product to be manufactured, as well as extremely competitive pricing for both the local and regional markets.

Associate and Other Businesses

National Foods recorded volumes of 241,000 metric tonnes in the first half of the financial year, representing an increase of 24% over the comparative period. This volume increase combined with improved margins, better cost control and profits from the disposal of non-core property and plant resulted in significantly improved profitability. The business applied all of its operating cash profit and took on additional debt to finance strategic positions in its core raw materials, particularly maize, and is now well-positioned to meet market demands in the second half of the financial year, when these positions are expected to unwind.

Irvine's posted a strong set of results with revenue growth being driven by a 10% increase in volumes of day-old chicks. Factory efficiencies also continued to improve and contributed to better profitability efficiencies. As with Colcom and National Foods, much of the operating cash profit generated by the business has been applied to securing the operation's stockfeed requirements for the second half of the financial year.

With effect from 1 July 2012, the Group increased its shareholding in NatPak from 40% to 66.67%. There is a large requirement for packaging across the Group and NatPak is therefore seen as having tremendous growth potential in this regard as it diversifies its product range. The business is now contributing positively to the Group's profitability and is producing meaningful volumes of block-bottom bags, with demand on the increase for open mouth bags.

PROSPECTS

Considerable improvement has been made during the period in unlocking and utilising the vast synergies that exist within the Group and further advancements in this area will continue to improve profit efficiency as existing business models and processes are challenged and improved.

The production of free cash flow is an important performance criterion within the Group's businesses and its performance in this regard has allowed it to continue with a number of structured expansion programmes. The Group is confident that this will result in continued growth and sustainable, long-term profitability.

DIVIDEND

The Board has declared an interim dividend of 0.80 US cents per share payable on or about 5 April 2013 to shareholders registered in the books of the Company by noon on 22 March 2013. The transfer books and register of members will be closed from 23 March 2013 to 31 March 2013, both days inclusive.

DIRECTORATE

Mr T.W. Brown retired from the Group as Chief Executive Officer and as a Director of the Company with effect from 31 December 2012. Tribute is paid to Mr Brown for his dedicated services to the Group over the past twenty-seven years.

Mr J. Koumides who has been a member of the current Board in both an executive and non-executive role for the past nine years was appointed Group Chief Executive Officer with effect from 1 January 2013.

Mr B.S. Dionisio was appointed to the Board on 23 November 2012 as an executive Director responsible for operations. Mr Dionisio is a founding shareholder of the Group and has extensive knowledge of its operations.

D.L.L. MORGAN
Chairman
22 February 2013

Unaudited Financial Results of Innscor Africa Limited

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

INNSCOR Africa Limited

OUR PASSION FOR **VALUE CREATION**

Abridged Group Statement Of Comprehensive Income

	6 Months Ended 31 Dec 2012 unaudited USD	6 Months Ended 31 Dec 2011 unaudited USD
Revenue	337 837 909	319 509 569
Operating profit before depreciation and amortisation	34 168 724	38 278 409
depreciation and amortisation	(6 912 286)	(5 257 690)
Operating profit before interest and fair value adjustments	27 256 438	33 020 719
fair value adjustments	338 017	(128 410)
Profit before interest and tax	27 594 455	32 892 309
net interest	(1 398 485)	(1 770 570)
equity accounted earnings	5 953 659	3 373 002
Profit before tax	32 149 629	34 494 741
tax	(6 197 739)	(6 938 590)
Profit for the period	25 951 890	27 556 151
Other comprehensive income - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations	(370 157)	(121 391)
Other comprehensive income for the period, net of tax	(370 157)	(121 391)
Total comprehensive income for the period	25 581 733	27 434 760
Profit for the period attributable to:		
equity holders of the parent	20 034 582	22 480 232
non-controlling interests	5 917 308	5 075 919
	25 951 890	27 556 151
Total comprehensive income for the period attributable to:		
equity holders of the parent	19 748 825	22 381 202
non-controlling interests	5 832 908	5 053 558
	25 581 733	27 434 760
Earnings per share (cents)		
Basic earnings per share	3.70	4.15
Diluted basic earnings per share	3.70	4.15
Headline earnings per share	3.68	3.24
Diluted headline earnings per share	3.68	3.24

Abridged Group Statement Of Financial Position

	At 31 Dec 2012 unaudited USD	At 30 June 2012 audited USD
ASSETS		
Non-current assets		
property, plant and equipment	126 747 981	104 655 139
deferred tax assets	6 685 804	6 314 666
other non-current assets	48 409 951	47 492 441
	181 843 736	158 462 246
Current assets		
cash and cash equivalents	26 472 688	22 455 567
other current assets	127 126 241	105 635 932
	153 598 929	128 091 499
Total assets	335 442 665	286 553 745
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	5 415 934	5 415 934
non-distributable reserves	28 749 411	29 035 168
distributable reserves	112 406 763	97 965 286
	146 572 108	132 416 388
non-controlling interests	34 643 394	28 062 807
Total shareholders' equity	181 215 502	160 479 195
Non-current liabilities		
deferred tax liabilities	13 724 367	12 106 382
interest-bearing borrowings	4 702 990	4 083 834
	18 427 357	16 190 216
Current liabilities		
interest-bearing borrowings	48 671 578	34 508 129
trade and other payables	85 370 911	72 529 319
current tax liability	1 757 317	2 846 886
	135 799 806	109 884 334
Total liabilities	154 227 163	126 074 550
Total equity and liabilities	335 442 665	286 553 745

Abridged Group Statement Of Cash Flows

	6 Months Ended 31 Dec 2012 unaudited USD	6 Months Ended 31 Dec 2011 unaudited USD
Cash generated from operating activities	24 917 285	27 007 310
net interest paid	(1 398 485)	(1 770 570)
tax paid	(6 025 942)	(4 102 834)
Total cash available from operations	17 492 858	21 133 906
Investing activities	(20 308 448)	(5 750 359)
Net cash (outflow)/inflow before financing activities	(2 815 590)	15 383 547
Financing activities	6 832 711	(9 737 462)
Net increase in cash and cash equivalents	4 017 121	5 646 085
Cash and cash equivalents at the beginning of the period	22 455 567	17 788 630
Cash and cash equivalents at the end of the period	26 472 688	23 434 715

Abridged Group Statement Of Changes In Equity

	Share Capital USD	Non-Distributable Reserves USD	Distributable Reserves USD	Total USD	Non-controlling Interests USD	Total USD
Balance at 30 June 2012	5 415 934	29 035 168	97 965 286	132 416 388	28 062 807	160 479 195
Profit for the period	-	-	20 034 582	20 034 582	5 917 308	25 951 890
Other comprehensive income	-	(285 757)	-	(285 757)	(84 400)	(370 157)
Dividends paid	-	-	(5 415 934)	(5 415 934)	(1 436 603)	(6 852 537)
Transactions with owners in their capacity as owners	-	-	(177 171)	(177 171)	2 184 282	2 007 111
Balance at 31 December 2012	5 415 934	28 749 411	112 406 763	146 572 108	34 643 394	181 215 502

Supplementary Information

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

	Bakeries and Fast Foods USD	Distribution Group Africa USD	SPAR USD	Colcom USD	Household Goods USD	Associate and Other Businesses USD	Corporate Services USD	Intersegment Adjustments USD	Total USD
Revenue									
31 December 2012	137 801 347	47 240 177	88 532 959	29 966 340	27 165 369	6 352 321	779 396	-	337 837 909
31 December 2011	118 479 852	48 557 224	102 349 576	25 330 011	23 786 981	723 499	282 426	-	319 509 569
Operating profit/(loss) before depreciation and amortisation									
31 December 2012	19 984 248	4 365 534	1 794 544	1 808 522	6 070 217	790 396	(644 737)	-	34 168 724
31 December 2011	18 273 359	3 434 011	3 062 535	3 719 547	5 494 822	151 152	4 142 983	-	38 278 409
Depreciation and amortisation									
31 December 2012	3 783 660	394 999	1 297 748	767 221	231 740	272 674	164 244	-	6 912 286
31 December 2011	2 615 739	360 379	1 427 396	531 509	175 762	261	146 644	-	5 257 690
Equity accounted earnings									
31 December 2012	72 360	-	-	159 938	-	4 772 232	949 129	-	5 953 659
31 December 2011	50 402	-	-	243 754	-	2 772 224	306 622	-	3 373 002
Profit before tax									
31 December 2012	15 736 000	3 794 156	279 425	1 581 178	5 569 909	5 142 608	46 353	-	32 149 629
31 December 2011	14 982 483	2 802 195	390 631	3 518 958	4 904 455	2 915 042	4 980 977	-	34 494 741
Segment assets									
31 December 2012	95 461 667	34 872 909	46 104 155	37 326 674	36 268 608	47 404 121	70 507 576	(32 503 045)	335 442 665
30 June 2012	81 574 482	33 427 154	40 397 721	35 796 501	30 184 165	38 994 044	59 431 490	(33 251 812)	286 553 745
Segment liabilities									
31 December 2012	49 250 757	20 329 474	28 140 570	11 214 091	18 562 443	4 558 726	54 674 147	(32 503 045)	154 227 163
30 June 2012	45 429 707	20 517 354	28 615 885	9 810 318	16 122 857	1 219 704	37 610 537	(33 251 812)	126 074 550
Capital expenditure									
31 December 2012	21 444 695	1 015 174	760 460	2 452 987	1 188 230	-	39 811	-	26 901 357
31 December 2011	11 016 115	497 660	1 932 299	1 974 106	264 077	6 777	5 903 239	-	21 594 273

	6 Months Ended 31 Dec 2012 unaudited USD	6 Months Ended 31 Dec 2011 unaudited USD
3 Depreciation	6 855 774	5 215 103
4 Capital expenditure for the period	26 901 357	21 594 273
5 Future lease commitments		
Payable within one year	8 073 981	8 786 141
Payable two to five years	25 404 369	21 845 226
Payable after five years	10 583 369	16 280 861
	44 061 719	46 912 228
6 Commitments for capital expenditure		
Contracts and orders placed	33 832 961	7 645 522
Authorised by Directors but not contracted	5 463 727	7 013 350
	39 296 688	14 658 872

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

7 Earnings per share

Basic earnings basis

The calculation is based on the profit attributable to equity holders of the parent and number of shares in issue for the period.

Fully diluted earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the number of shares in issue after adjusting to assume conversion of share options not yet exercised and convertible instruments.
There were no instruments with a dilutive effect at the end of the reporting period.

Headline earnings basis

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 their related tax effects and share of non-controlling interests as applicable.

	6 Months Ended 31 Dec 2012 unaudited USD	6 Months Ended 31 Dec 2011 unaudited USD
Reconciliation of basic earnings to headline earnings		
Profit for the period attributable to equity holders of the parent	20 034 582	22 480 232
Adjustment for capital items (gross of tax):		
Profit on disposal of subsidiaries and associates	-	(5 022 937)
Loss on disposal of property, plant and equipment	215 835	8 218
Gain on bargain purchase of subsidiary	(381 047)	-
Tax effect on adjustments	44 850	115 156
Non-controlling interests share of adjustments	11 961	(24 508)
Headline earnings attributable to ordinary shareholders	19 926 181	17 556 161
Number of shares in issue		
Number of ordinary shares in issue	541 593 440	541 593 440
Weighted average number of ordinary shares in issue	541 593 440	541 593 440
Basic earnings per share (cents)	3.70	4.15
Diluted basic earnings per share (cents)	3.70	4.15
Headline earnings per share (cents)	3.68	3.24
Diluted headline earnings per share (cents)	3.68	3.24

8 Events after the reporting date

There have been no significant events after reporting date at the time of issuing this press release.

9 Contingent liabilities

The Group had no contingent liabilities at 31 December 2012.