Innscor Africa Limited Press Release

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

OUR PASSION FOR **VALUE CREATION**

SALIENT FEATURES

	USD
Revenue	512 996 433
Operating profit	46 133 930
Profit before tax	31 818 033
Basic earnings per share (cents)	2.50
Headline earnings per share (cents)	2.54
Cash generated from operations	9 583 603

FINANCIAL

The Group's Financial Statements published at the last financial year-end included fair value adjustments arising from the consolidation of National Foods Holdings Limited and Irvine's Zimbabwe (Private) Limited, which were accounted for as subsidiaries with effect from 1 July 2013. In the interests of consistency, the Board has restated the interim results at the 31st of December 2013 to comply with the above changes. This restatement has had the effect of increasing basic earnings per share in the comparative prior period from the previously reported 3.00 US cents to 9.94 US cents, whilst headline earnings per share for the same period reduces marginally from the previously reported 2.75 US cents to 2.73 US cents. All other comparative statements remain unchanged.

The six months under review have been extremely difficult for the Group, characterised by management challenges at operations level, a deteriorating trading environment and consequent reduction in disposable incomes. The Group recorded revenue of USD 512.996 million, an operating profit of USD 46.134 million and a profit before tax of USD 31.818 million. Headline earnings per share declined marginally over the comparative prior period to 2.54 US cents.

The consolidation of National Foods and Irvine's has changed the working capital profile of the Group. In this regard additional funding was taken onto the Statement of Financial Position during the period under review primarily to fund strategic reserves of key raw materials such as maize, wheat and soya's. Consequently, this led to an increase in working capital, the result of which was that cash generated from operating activities for the period under review was USD 9.584 million; these positions will unwind over the second six months of the financial year, resulting in a correction of cash generation.

As reported in the Group's 2014 Annual Report, the Competition and Tariff Commission is seeking to penalise the Group for not formally notifying it when the Group became a significant shareholder in National Foods Holdings Limited. During the period under review, the Group paid an amount of USD 2.550 million into a trust pending conclusion of the matter which is currently before the courts. The Board has received legal opinion that the penalty being sought is unjustified and inappropriate, and accordingly this amount is currently warehoused on the Group's Statement of Financial Position.

During the period under review, and following completion of its strategic refocusing programme, the Group has restructured the reporting of its operations into four core silos being Light Manufacturing, Logistics & Distribution, Quick Service Restaurants and Retail & Wholesale. The abridged segment reporting note has been adjusted to show the Group's results in this new format together with appropriate comparative information.

OPERATIONS

Light Manufacturing

The main operations in this reporting silo are National Foods, Colcom, Irvines, Bakeries, Capri and Natpak.

Tonnage at National Foods was similar to that achieved in the comparative prior period at 259,000 metric tonnes; however a change in sales mix emanating from reduced maize meal sales had a negative impact on margins and consequently operating profit which was slightly behind that recorded in the comparative prior period. With respect to the other divisions, stockfeeds showed a slight reduction in profitability, but there were improved performances from both the flour and FMCG units. In excess of USD 11 million was deployed to secure strategic raw material supply during the period under review and this should provide the operation with an ability to trade strongly in the second half of the financial year. The business continues to actively pursue opportunities to diversify its income streams through expansion into new and adjacent categories.

Colcom recorded a pleasing set of results for the period under review with operating profit increasing by 22% over the comparative prior period. Although overall volumes declined by 6% over the same period, an improved sales mix and rationalised product range gave rise to improved margins. Efficiencies at both the farm and the processing plant also continued to improve. The investment into an auxiliary pig production unit is on course and the additional pig supply from this facility is expected to come on line in July 2015, and will increase internal pig producing capacity by approximately 28% per annum. At AMP, a new factory was commissioned in December 2014, this will increase processing capacity and support the growing network of Texas outlets, whilst the new Colcom Foods pie line at the Coventry Road facility is due for commissioning by the end of the current financial year.

At Irvine's, frozen chicken and day old chick volumes grew 20% and 9% respectively, whilst table egg volumes declined by 7% against the comparative prior period. Savings made in operating costs over the comparative prior period could not however compensate for reduced margins which arose from lower average selling prices and changes in sales mix; this resulted in operating profits being 6% behind those achieved in the comparative prior period. Investment continues into increased hatching egg breeding facilities with the aim of being self-sufficient in hatching eggs early in the new financial year. Progress with the new feed mill continues, with commissioning due to start in the final quarter of the current financial year.

Volumes at the Group's bakery operations declined 2% over the comparative prior period and this together with retrenchment and restructuring costs of USD 1.838 million which arose on the consolidation of the Harare bread lines to the Shepperton Road site, resulted in a 29% reduction in operating profit. A further result of the consolidation process was a fixed asset impairment charge of USD 0.314 million. Management remains confident that the intensive recovery programmes it has in place to further reduce costs and to drive sales volumes will have a positive impact on the second half of the financial year.

Capri reported a good set of results on the back of a 38% increase in sales volumes versus the comparative prior period. Further gains were made in raw material and overhead cost reductions and this translated to a 67% increase in operating profit. Competitively priced exports into the region continue with regional distributors increasing their customer bases and coverage. The new refrigerator line is currently being commissioned and production from this facility should commence in the third quarter of the current financial year.

Natpak recorded volume growth of 28% against the comparative prior period, although overall margins were somewhat reduced due to a change in sales mix; overall operating profit increased by 14% over the same period. Volumes continue to grow in flexible packaging and the operation remains on course to commission its new extrusion and printing lines towards the end of the third quarter of this financial year.

Logistics And Distribution

This reporting silo consists of the Group's distribution businesses in Zimbabwe, Zambia and Malawi. The businesses are involved in the distribution of FMCG products through agency agreements with multi-nationals and other significant blue chip manufacturers. The services offered include sales, warehousing, distribution, clearing and merchandising.

The Zimbabwean operations performed reasonably well during the period under review notwithstanding depressed consumer demand. Revenue was 27% ahead of the comparative prior period, although margins were reduced, resulting in only a small increase in operating profit. Operationally, measures are underway to re-align the business into distinct focus areas of agency business, inbound and outbound logistics, and services such as merchandising and clearing. The Group moves a considerable amount of product in its various markets and management expects significant savings to be achieved through utilising the Group's internal capacity and capability.

The regional operations reported a mixed set of results with Zambia showing double digit revenue growth buoyed by an increase in the formal retail sector and the introduction of new product lines such as Capri freezers from Zimbabwe. Growth was registered across existing agencies with the notable achievement being the award of the Distributor of the Year 2014 for Africa by Johnson & Johnson beating 18 other countries. Margins were in line with the comparative prior period which when coupled with the revenue growth resulted in a 51% increase in operating profit. In Malawi, revenue growth was constrained by the further weakening of the local currency and continually declining disposable incomes. The business however retained all agencies and is well placed to take advantage of any upturn in the Malawi economy.

Quick Service Restaurants

This reporting silo consists of the Group's Fast Food operations in Zimbabwe and across the African continent.

Customer counts within the Fast Food operations in Zimbabwe were 2% below those recorded in the comparative prior period, although consistent improvements in counts were recorded month on month throughout the period, with a particularly strong December trading month. The process of centralising the Fast Food operations is largely complete and the above-site cost savings achieved from this initiative resulted in operating profits increasing by 19% over the same period. In our ongoing optimisation efforts, 7 underperforming counters were closed in Harare during the period whilst the Emerald Hill complex was closed for refurbishment and is due to re-open shortly.

Regionally, we opened an average of just over 1 counter per week during the period under review and customer counts increased by 5% over the comparative prior period, whilst improved operating leverage resulted in a 27% increase in operating profit over the same period. A further 3 new counters were added in Swaziland which is a franchised territory. The target of 55 additional regional counters for the 2015 financial year remains a tangible goal and a further pipeline of growth for the 2016 financial year is currently being established.

Retail And Wholesale

This reporting division consists of TV Sales & Home, the SPAR Corporate Store Retail operations in Zimbabwe and Zambia and SPAR Distribution Centre in Harare.

After a sub-optimal start to the financial year, TV Sales & Home recorded a 4% revenue growth over the comparative prior period. This growth was however achieved at the expense of average selling price and margin, which itself was affected by increased import duties on furniture and a thriving and competitive grey market; these factors together with higher operating costs saw operating profit declining by 17% over the same period. An additional 2 stores were opened in Harare, and 1 in Bindura during the period under review. The instalment debtors' book increased by 23% in the period and collections remain good.

The SPAR Corporate Store Retail Operations showed a marginal decline in like for like revenue over the comparative prior period. However, following a number of restructuring initiatives undertaken over the past 18 months a trading profit of USD 0.739 million was achieved compared to a small loss over the same period. Having implemented more optimal structures and systems for this business, investigations are now underway to increase the network with additional corporate outlets.

The SPAR Distribution Centre posted a 20% decline in revenue compared to the comparative prior period, as trade with independent retailers remained suppressed. Despite the reduced revenue, the trading loss reduced to USD 0.139 million from a comparative prior period loss of USD 1.395 million as the cost rationalisation programmes initiated at the end of the previous financial year started to bear fruit. Further initiatives continue to be investigated with improved efficiencies and cost reductions expected.

The SPAR Corporate Store retail operations in Zambia saw a further increase in the SPAR footprint across Zambia with the opening of the first corporate store in Ndola. This takes the Zambia network to 15 stores, 8 of which are corporate stores and a further 7 being franchised stores. Revenue for the first six months was similar to that achieved in the comparative prior period whilst operating profit reduced by 22%, mainly as a result of pre-opening costs for the Ndola store.

PROSPECTS

There is no doubt that the declining local macro conditions will continue to challenge our management and businesses to constantly revisit their operating models and find ways of becoming more efficient. The numerous restructuring activities that were embarked on by the Group in the last financial year are beginning to have a positive effect on the Group's results, although further work is needed in a number of operations to ensure the desired returns are met.

The recent management reorganisation programme has now capacitated the Group with the appropriate structure and skill required to ensure both a sustainable, long-term growth path and for specific focus to be given to addressing shortcomings and inefficiencies inherent in the existing business models. It is vitally important for the Group to look to capitalise on its growing African platform, and this will be an important part of its future growth strategy and desire to be a pan-African organisation.

DIVIDEND

The Board has declared an interim dividend of 0.55 US cents per share payable on or about the 2nd of April 2015, to shareholders registered in the books of the Company by noon on the 20th of March 2015. The transfer books and register of members will be closed from the 21st of March to the 22nd of March 2015, both days inclusive.

The Board has also declared a dividend totalling USD 148,000 to the Innscor Africa Employee Share Trust (Pvt) Ltd.

APPRECIATION

Along with the rest of the Board, I wish to record my sincere appreciation to my predecessor, Mr David Morgan, for his considerable service to the Group and I wish him a happy and healthy retirement.

A.B.C. CHINAKE
Chairman
20 February 2015

DIRECTORS: *A.B.C. Chinake (Chairman), A. Fourie (Chief Executive Officer), B.S. Dionisio, G. Gwainda, *M.J. Fowler, *Z. Koudounaris, J. Koumides, J.P. Schonken, *T.N. Sibanda (*Non Executive)

Innscor Africa Limited Press Release

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

INNSCOR Africa Limited

OUR PASSION FOR **VALUE CREATION**

Abridged Group Statement Of Profit Or Loss and Other Comprehensive Income

	6 Months Ended 31 Dec 2014 unaudited	6 Months Ended 31 Dec 2013 Restated
	USD	USD
Revenue	**512 996 433**	**525 204 383**
Operating profit before depreciation and amortisation	**46 133 930**	**45 920 178**
impairment and derecognition of plant and equipment	(314 091)	-
depreciation and amortisation	(12 640 805)	(10 921 525)
Operating profit before interest and fair value adjustments	**33 179 034**	**34 998 653**
fair value adjustments	192 817	934 582
fair value adjustments on obtaining control of subsidiaries	-	39 033 279
Profit before interest and tax	**33 371 851**	**74 966 514**
net interest	(2 892 653)	(3 549 449)
equity accounted earnings	1 338 835	916 362
Profit before tax	**31 818 033**	**72 333 427**
tax	(8 039 909)	(8 104 831)
Profit for the period	**23 778 124**	**64 228 596**
Other comprehensive income - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations	(128 303)	(316 997)
Other comprehensive income for the period, net of tax	**(128 303)**	**(316 997)**
Total comprehensive income for the period	**23 649 821**	**63 911 599**
Profit for the period attributable to:		
equity holders of the parent	13 564 602	53 835 461
non-controlling interests	10 213 522	10 393 135
	23 778 124	**64 228 596**
Total comprehensive income for the period attributable to:		
equity holders of the parent	13 491 410	53 569 759
non-controlling interests	10 158 411	10 341 840
	23 649 821	**63 911 599**
Earnings per share (cents)		
Basic earnings per share	**2.50**	**9.94**
Headline earnings per share	**2.54**	**2.73**
Diluted earnings per share	**2.50**	**9.94**
Diluted headline earnings per share	**2.54**	**2.73**

Abridged Group Statement Of Financial Position

	At 31 Dec 2014 unaudited	At 30 June 2014 audited
	USD	USD
ASSETS		
Non-current assets		
property, plant and equipment	232 870 866	228 891 391
deferred tax assets	10 274 029	10 389 695
other non-current assets	56 558 354	56 410 175
	299 703 249	**295 691 261**
Current assets		
inventories	118 838 543	105 231 782
trade and other receivables	117 138 257	94 850 142
cash and cash equivalents	32 648 603	37 118 340
other current assets	13 976 404	15 356 839
	282 601 807	**252 557 103**
Total assets	**582 305 056**	**548 248 364**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	5 415 934	5 415 934
class A ordinary share capital	10	10
non-distributable reserves	(5 367 320)	(5 294 128)
distributable reserves	217 689 593	208 458 801
	217 738 217	208 580 617
non-controlling interests	113 546 926	108 269 714
Total shareholders' equity	**331 285 143**	**316 850 331**
Non-current liabilities		
deferred tax liabilities	32 637 863	33 225 358
interest-bearing borrowings	14 934 738	17 263 414
	47 572 601	50 488 772
Current liabilities		
interest-bearing borrowings	69 538 703	46 806 665
trade and other payables	130 412 834	132 138 928
current tax liabilities	3 495 775	1 963 668
	203 447 312	180 909 261
Total liabilities	**251 019 913**	**231 398 033**
Total equity and liabilities	**582 305 056**	**548 248 364**

Abridged Group Statement Of Cash Flows

	6 Months Ended 31 Dec 2014 unaudited	6 Months Ended 31 Dec 2013 unaudited
	USD	USD
Cash generated from operating activities	**9 583 603**	**50 973 182**
net interest paid	(2 892 653)	(3 549 449)
tax paid	(6 979 633)	(5 376 769)
Total cash (utilised in)/available from operations	**(288 683)**	**42 046 964**
Investing activities	**(15 516 604)**	**(29 006 356)**
Net cash (outflow)/inflow before financing activities	**(15 805 287)**	**13 040 608**
Financing activities	**11 335 550**	**(5 421 410)**
Net (decrease)/increase in cash and cash equivalents	**(4 469 737)**	**7 619 198**
Cash and cash equivalents at the beginning of the period	**37 118 340**	**23 183 804**
Cash and cash equivalents at the end of the period	**32 648 603**	**30 803 002**

Abridged Group Statement Of Changes In Equity

	Ordinary Share Capital	Class A Ordinary Share Capital	Non-Distributable Reserves	Distributable Reserves	Total	Non-Controlling Interests	Total
	USD	USD	USD	USD	USD	USD	USD
Balance at 30 June 2014	**5 415 934**	**10**	**(5 294 128)**	**208 458 801**	**208 580 617**	**108 269 714**	**316 850 331**
Profit for the period	-	-	-	13 564 602	13 564 602	10 213 522	23 778 124
Other comprehensive income	-	-	(73 192)	-	(73 192)	(55 111)	(128 303)
Dividends paid	-	-	-	(4 142 654)	(4 142 654)	(3 465 303)	(7 607 957)
Transactions with owners in their capacity as owners	-	-	-	(191 156)	(191 156)	(1 415 896)	(1 607 052)
Balance at 31 December 2014	**5 415 934**	**10**	**(5 367 320)**	**217 689 593**	**217 738 217**	**113 546 926**	**331 285 143**

Supplementary Information

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

	Light Manufacturing	Logistics & Distribution	Quick Service Restaurants	Retail & Wholesale	* Corporate Services	Intersegment adjustments	Total
	USD	USD	USD	USD	USD	USD	USD
Revenue							
31 December 2014	295 627 266	60 193 187	78 376 738	93 304 121	1 311 782	(15 816 661)	512 996 433
31 December 2013	298 736 502	47 495 922	82 347 169	108 278 220	1 607 053	(13 260 483)	525 204 383
Operating profit/(loss) before depreciation and amortisation							
31 December 2014	27 042 216	4 177 657	10 512 430	5 486 622	(1 084 995)	-	46 133 930
31 December 2013	28 111 480	3 859 172	9 002 062	4 663 501	283 963	-	45 920 178
Depreciation and amortisation							
31 December 2014	7 310 730	580 727	3 048 515	1 341 185	359 648	-	12 640 805
31 December 2013	6 058 910	447 587	2 662 057	1 365 322	387 649	-	10 921 525
Equity accounted earnings							
31 December 2014	175 998	14 520	93 558	-	1 054 759	-	1 338 835
31 December 2013	80 976	36 340	81 118	-	717 928	-	916 362
Profit/(loss) before tax							
31 December 2014	18 548 482	3 301 695	7 070 090	3 764 310	(866 544)	-	31 818 033
31 December 2013	21 335 036	3 334 393	5 962 292	2 796 273	38 905 433	-	72 333 427
Segment assets							
31 December 2014	332 460 246	50 467 765	65 659 018	80 959 097	123 306 006	(70 547 076)	582 305 056
30 June 2014	324 032 405	41 356 791	62 287 306	74 035 135	114 491 862	(67 955 135)	548 248 364
Segment liabilities							
31 December 2014	133 279 959	27 992 159	39 175 964	50 272 924	70 845 983	(70 547 076)	251 019 913
30 June 2014	131 556 604	20 420 969	38 530 581	44 846 418	63 998 596	(67 955 135)	231 398 033
Capital expenditure							
31 December 2014	9 342 211	525 812	3 546 997	1 771 648	2 224 114	-	17 410 782
31 December 2013	16 852 738	298 916	6 547 951	728 585	253 262	-	24 681 452

* This includes Group Corporate Services, Tourism and Commodity Trading results

	6 Months Ended 31 Dec 2014 unaudited	6 Months Ended 31 Dec 2013 unaudited
	USD	USD
3 Depreciation	**12 623 603**	**10 666 263**
4 Capital expenditure for the period	**17 410 782**	**24 681 452**
5 Future lease commitments		
Payable within one year	16 528 023	15 909 238
Payable two to five years	36 886 589	46 453 017
Payable after five years	32 932 931	30 013 752
	86 347 543	**92 376 007**
6 Commitments for capital expenditure		
Contracts and orders placed	11 848 450	6 289 599
Authorised by Directors but not contracted	14 433 090	20 676 238
	26 281 540	**26 965 837**
The capital expenditure is to be financed out of the Group's own resources and existing borrowing facilities.		
7 Security		
Net book value of property, plant, equipment, motor vehicles, inventories and accounts receivables pledged as security for interest-bearing borrowings	**23 800 933**	**22 583 107**

8 Earnings per share

Basic earnings basis

The calculation is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary 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 weighted average number of ordinary shares in issue after adjusting to assume conversion of share options, only if the average market price of ordinary shares during the period exceeds the exercise price of such options. The share options arising from the Group's indigenisation transaction have no 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 2014	6 Months Ended 31 Dec 2013
Reconciliation of basic earnings to headline earnings:		
Profit for the period attributable to equity holders of the parent	13 564 602	53 835 461
Adjustment for capital items (gross of tax):		
Impairment and derecognition of plant and equipment	314 091	-
(Profit)/loss on disposal of property, plant and equipment	(130 237)	8 083
Loss on disposal of unquoted investments	23 870	-
Fair value adjustments on obtaining control of subsidiaries	-	(39 033 279)
Tax effect on adjustments	(53 489)	(1 241)
Non-controlling interests' share of adjustments	28 361	2 852
Headline earnings attributable to ordinary shareholders	**13 747 198**	**14 811 876**
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)	2.50	9.94
Headline earnings per share (cents)	2.54	2.73
Diluted basic earnings per share (cents)	2.50	9.94
Diluted headline earnings per share (cents)	2.54	2.73

9 Events after the reporting date

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

10 Contingent liabilities

Guarantees

	6 Months Ended 31 Dec 2014	6 Months Ended 31 Dec 2013
The contingent liabilities relate to bank guarantees provided in respect of associate companies as at 31 December 2014.	**23 400 000**	**13 200 000**

The Competition and Tariff Commission of Zimbabwe is seeking to penalise the Group for not formally notifying it when the Group became a significant shareholder in National Foods Holdings Limited. During the period under review, the Group paid an amount of USD 2 550 149 into a trust pending conclusion of the matter which is currently before the courts. The Board has received legal opinion that the penalty being sought is unjustified and inappropriate, and accordingly this amount is currently warehoused on the Group's Statement of Financial Position.