Unaudited Financial Results of Innscor Africa Limited

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

INNSCOR Africa Limited

OUR PASSION FOR **VALUE CREATION**

SALIENT FEATURES*

	USD
Revenue	525 204 383
Operating profit	47 311 344
Profit before tax	34 891 589
Basic earnings per share (cents)	3.00
Headline earnings per share (cents)	2.75
Cash generated from operations	50 973 182
Total dividend declared per share (cents)	0.60

** Movements from the comparative period are not shown due to a change in the method of accounting for National Foods and Irvine's in the current period.*

FINANCIAL

Due to a change in governance structures, the Group has consolidated the results of National Foods Holdings Limited and Irvine's Zimbabwe (Private) Limited for the interim period ending 31 December 2013. These businesses were previously equity accounted. The Group's shareholding in both these entities remains unchanged from the prior year.

The Group has experienced an extremely challenging first six months, and whilst this is due in part to the overall depressed economic activity being experienced, it is also due to poor control of overhead in certain core businesses, with the effect being compounded by lower margins being realised.

The Group recorded revenue of USD 525.20 million, an operating profit of USD 47.31 million and a profit before tax of USD 34.89 million. Basic earnings per share declined to 3.00 US cents, whilst headline earnings per share amounted to 2.75 US cents.

Notwithstanding the depressed operating results, the Group continued to produce strong free cash flow, with cash generated after operating activities amounting to USD 50.97 million for the six months under review. This cash, together with additional borrowings, was mainly deployed towards ongoing fixed asset expansion programmes.

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.

The Bakery operations produced a disappointing result, with volumes declining by 10% over the comparative period. As a result of current market conditions, production in Harare will now be consolidated at the Graniteside facility which houses the four most recent lines; the remaining site in Harare will be moved onto a care and maintenance programme until such time as demand improves. In addition, the business is currently undergoing an extensive review of its overhead base so that profit efficiencies are restored to expected levels. During the month of December 2013, the business successfully commissioned its new pie plant at the Simon Mazorodze Road site and the operation has started positively with budgeted profitability being achieved in the first two months of operation.

In the Zimbabwe Fast Food operations, customer counts were similar to those achieved in the comparative period, but profitability was negatively affected by lower margins and increased overhead costs. A revision of product pricing was undertaken in the latter part of the period, and this has resulted in subsequent improvements in margins. As with the Bakery operations, a review of the overhead drivers of the business is also currently underway and should result in improved efficiencies going forward. The expansion programme continued during the period with a net of 6 counters opening in Harare, 3 counters in Chegutu and 1 in Mutare. Additional outlets are planned in the second six months in Harare, Mvuma and Masvingo.

Regionally, customer counts increased by 5% over the comparative prior period, and this resulted in similar growths in revenue and profitability. The continued expansion and re-assessment programme has seen 6 counters added in Kenya, 4 in the Democratic Republic of Congo, which is a new territory for the Group's brands, and 2 in Swaziland, which is a franchised territory; 3 counters were closed in Senegal. As previously advised, the franchise arrangement in Nigeria was terminated at the end of December 2013, and strategies to re-enter this market are currently being investigated. A total of 176 counters were operational across the regional territories outside of Zimbabwe at the end of the period under review, with a further 23 due for opening during the second half of the current financial year.

Milling & Protein

This reporting division has been created to take account of the changes in governance structures referred to above. The division consists of National Foods, Colcom and Irvine's.

National Foods produced a reasonable set of results with 257,000 metric tonnes of product being sold representing a 7% growth over the comparative prior period. Whilst margins remained under considerable pressure in the reporting period, the business was able to cushion the effects of this to reasonable levels through strategic procurement of key raw materials sufficient to fulfil market demand in the foreseeable future. Overall profitability was slightly reduced as compared to the comparative prior period due mainly to the comparative numbers including profits on disposal of non-core properties and plant. The business continued to re-equip its core manufacturing platform as part of its long-term modernisation plan which will see the mechanisation and automation of a number of processes; this resulted in improved operational efficiencies being achieved.

Colcom recorded an overall 17% increase in volumes over the comparative prior period. In the core pork operations, volumes were down by 33% against the comparative period, but this was due mainly to a rationalisation of product lines. This decline was more than compensated for by the doubling of volumes recorded at Associated Meat Packers (AMP), primarily through its "Texas" branded outlets. After excluding the one-off charges to the comparative period income statement, overall profitability growth was still marginally positive, notwithstanding an unfavourable livestock fair value adjustment processed in the current period. The lack of correlation between growth in revenue and profit is primarily a result of margin pressure on product, with the market unable to accommodate price increases on the one hand and pig producers facing viability challenges on the other. This stems mainly from the uncontrollable cost of imported maize, necessitated by inadequate local production. The commissioning of new processing equipment due for December 2013 was delayed to March 2014. Once installed, this equipment should allow for significantly improved product quality and efficiencies to be achieved.

Irvine's recorded strong growth in both volume and profitability. These results were achieved on the back of growth in poultry sales, which increased by 15% over the comparative prior period, and day old chick sales which increased by 14%. The operation is at capacity in table egg production, and volumes were therefore similar in this category. The business continues to invest in new feeding, drinking and processing equipment, which should continue to improve both production and factory efficiency levels. As with Colcom, the performance of this business is very much linked to the ability to source maize locally, and at a cost that allows acceptable onward pricing to the consumer.

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 operations house a number of leading brands such as Colgate, Kellogg's, Johnson & Johnson and Tiger Brands. The business performed reasonably well during the period under review, witnessing an 18% growth in volumes, although this was due mainly to a differing mix of product, and therefore only resulted in a 6% growth in revenue compared to the comparative prior period. Slightly lower margins resulted in similar profitability levels being achieved.

The Regional Distribution businesses which operate in Zambia and Malawi recorded a poor result with revenue declining by 13% over the comparative prior period. Revenue reduction in Zambia was attributable somewhat to the industrial action in the supermarket retail space, whilst in Malawi currency shortages continued to stifle the general trading environment. Margins also declined, and although ameliorated somewhat by overhead reduction, trading profits declined by 27%.

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 the SPAR Corporate retail operations in Zimbabwe, overall customer counts increased by 33% over the comparative prior period with two additional corporate stores, Joina City SPAR and Borrowdale Brooke SPAR, compensating for the loss of Arundel SPAR. The restructuring programme implemented in the previous financial year at the SPAR Corporate Store retail operations resulted in some improvements with an overall break-even position being achieved, after including set-up costs for the two new stores.

The SPAR Distribution Centre achieved very disappointing results for the period under review. Revenue declined by 5% over the comparative prior period as a number of independent stores struggled to maintain any trading momentum and this resulted in sporadic selling patterns. Margins also reduced significantly and, with a similar overhead base, the operation posted a loss for the period. A full remodelling process has commenced within the business, and significant changes are expected to be made in how the operation functions; these changes will focus on rationalising the range of products carried as well as the overall organisational structure.

The SPAR Corporate retail operations in Zambia recorded improved results on the back of a 7% growth in revenue; efficiency at profit level also improved. A number of sites for additional stores are currently being investigated which will add to the existing network of 6 corporate stores and 7 independent stores.

Household Goods

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

TV Sales & Home recorded good revenue growth of 14% as compared to the comparative prior period; this was on the back of 4 additional store openings as well as a revised instalment credit offering which was increased to 24 months from 12 months. The 6-month revolving credit scheme which was introduced in the latter part of the previous financial year continues to perform well and has had the desired effect of increasing sales on smaller appliances and mobile devices. Collections remain good on both debtor books. The new stores opened in Harare (2), Chitungwiza and Gweru during the period under review brought the network to 31 as at the end of the current reporting period; with an additional 3 stores planned for opening during the second six months of the current financial year for Machipisa, Rusape and Zvishavane.

Notwithstanding improved production efficiencies, better product quality and lower pricing to the consumer, volumes at Capri were extremely depressed during the period under review, being 12% behind those recorded in the comparative prior period. In order to counter the existing unfavourable local market conditions, exports to neighbouring territories commenced during December 2013; initial demand for the product in these markets has been very strong. Commissioning of the new refrigerator plant has been rescheduled towards the end of the current financial year, primarily due to the need to manage gearing to acceptable levels in the business.

Other Businesses

Insofar as some of the other smaller businesses are concerned, NatPak, the Group's packaging operation, showed good volume growth resulting in revenue increasing by 7% over the comparative prior period, with profit efficiencies increasing further as a result of good overhead control. The new bread bag wicketing line was commissioned on schedule towards the end of the period under review and is now supplying the bakery operations with its bag requirements.

With effect from 1 July 2013, the Group acquired a controlling interest in Bedra (Private) Limited, this business produces the "Revive" brand of dairy fruit drinks and is seen as a synergistic line in respect of the Group's distribution and retail channels.

PROSPECTS

With constrained trading conditions currently prevailing locally, it is very important for a number of the Group's business models to be challenged and revised where necessary. This will be a major focal point in the forthcoming period, and management will work to ensure that overhead bases are adjusted accordingly and are able to withstand any necessary gross margin adjustments. In order to enhance this process, the Group will look to centralise a number of the large expense lines that are common across the different business units.

The environment also demands that strict control is exercised on both debtor collections as well as on levels of borrowing, and this will be another area of close management.

The Group is a large user of grains, particularly maize, and is currently heavily reliant on expensive, imported product due to insufficient local production to meet demand. The Group will work on solutions to be able to ensure that more of its main grain inputs are acquired locally; this will ensure lower prices to the local consumer in a range of products and could potentially result in export opportunities over time.

The Group will look to continue with its regional expansion programmes as it seeks to increase the share of the revenues and profits generated from operations outside Zimbabwe; this objective being in pursuit of its ultimate goal of being a truly pan-African organisation.

DIVIDEND

The Board has declared an interim dividend of 0.60 US cents per share payable on or about 4th April 2014 to shareholders registered in the books of the Company by noon on 21st March 2014. The transfer books and register of members will be closed from 22nd March 2014 to 23rd March 2014, both days inclusive.

In line with the Group's indigenisation transaction, approved by shareholders on 24th January 2014, the Directors have also declared a dividend totalling USD 162 000 to Innscor Africa Employee Share Trust (Pvt) Ltd.

D.L.L. MORGAN
Chairman
21 February 2014

Unaudited Financial Results of Innscor Africa Limited

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

INNSCOR Africa Limited

OUR PASSION FOR **VALUE CREATION**

Abridged Group Statement Of Profit Or Loss And Other Comprehensive Income

	6 Months Ended 31 Dec 2013 unaudited	6 Months Ended 31 Dec 2012 unaudited
	USD	USD
Revenue	**525 204 383**	**337 837 909**
Operating profit before depreciation and amortisation	**47 311 344**	**34 168 724**
depreciation and amortisation	(10 721 250)	(6 912 286)
Operating profit before interest and fair value adjustments	**36 590 094**	**27 256 438**
fair value adjustments	934 582	338 017
Profit before interest and tax	**37 524 676**	**27 594 455**
net interest	(3 549 449)	(1 398 485)
equity accounted earnings	916 362	5 953 659
Profit before tax	**34 891 589**	**32 149 629**
tax	(8 156 402)	(6 197 739)
Profit for the period	**26 735 187**	**25 951 890**
Other comprehensive income - to be recycled to profit or loss		
exchange differences arising on the translation of foreign operations	(316 997)	(370 157)
Other comprehensive income for the period, net of tax	**(316 997)**	**(370 157)**
Total comprehensive income for the period	**26 418 190**	**25 581 733**
Profit for the period attributable to:		
equity holders of the parent	16 249 588	20 034 582
non-controlling interests	10 485 599	5 917 308
	26 735 187	**25 951 890**
Total comprehensive income for the period attributable to:		
equity holders of the parent	16 056 918	19 748 825
non-controlling interests	10 361 272	5 832 908
	26 418 190	**25 581 733**
Earnings per share (cents)		
Basic earnings per share	**3.00**	**3.70**
Headline earnings per share	**2.75**	**3.68**
Diluted earnings per share	**3.00**	**3.70**
Diluted headline earnings per share	**2.75**	**3.68**

Abridged Group Statement Of Financial Position

	At 31 Dec 2013 unaudited	At 30 June 2013 audited
	USD	USD
ASSETS		
Non-current assets		
property, plant and equipment	206 331 618	139 615 506
deferred tax assets	8 002 987	7 926 277
other non-current assets	23 287 483	56 212 460
	237 622 088	**203 754 243**
Current assets		
cash and cash equivalents	30 803 002	23 183 804
other current assets	243 485 607	121 637 589
	274 288 609	**144 821 393**
Total assets	**511 910 697**	**348 575 636**
EQUITY AND LIABILITIES		
Capital and reserves		
ordinary share capital	5 415 934	5 415 934
non-distributable reserves	28 425 395	28 618 065
distributable reserves	134 226 672	123 393 018
	168 068 001	157 427 017
non-controlling interests	95 575 511	35 379 079
Total shareholders' equity	**263 643 512**	**192 806 096**
Non-current liabilities		
deferred tax liabilities	27 400 504	16 642 460
interest-bearing borrowings	14 699 036	2 965 392
	42 099 540	19 607 852
Current liabilities		
interest-bearing borrowings	65 057 406	51 440 923
trade and other payables	137 978 549	84 148 881
current tax liability	3 131 690	571 884
	206 167 645	136 161 688
Total liabilities	**248 267 185**	**155 769 540**
Total equity and liabilities	**511 910 697**	**348 575 636**

Abridged Group Statement Of Cash Flows

	6 Months Ended 31 Dec 2013 unaudited	6 Months Ended 31 Dec 2012 unaudited
	USD	USD
Cash generated from operating activities	**50 973 182**	**24 917 285**
net interest paid	(3 549 449)	(1 398 485)
tax paid	(5 376 769)	(6 025 942)
Total cash available from operations	**42 046 964**	**17 492 858**
Investing activities	**(29 006 356)**	**(20 308 448)**
Net cash inflow/(outflow) before financing activities	**13 040 608**	**(2 815 590)**
Financing activities	**(5 421 410)**	**6 832 711**
Net increase in cash and cash equivalents	**7 619 198**	**4 017 121**
Cash and cash equivalents at the beginning of the period	**23 183 804**	**22 455 567**
Cash and cash equivalents at the end of the period	**30 803 002**	**26 472 688**

Abridged Group Statement Of Changes In Equity

	Share Capital	Non-Distributable Reserves	Distributable Reserves	Total	Non-Controlling Interests	Total
	USD	USD	USD	USD	USD	USD
Balance at 30 June 2013	**5 415 934**	**28 618 065**	**123 393 018**	**157 427 017**	**35 379 079**	**192 806 096**
Profit for the period	-	-	16 249 588	16 249 588	10 485 599	26 735 187
Other comprehensive income	-	(192 670)	-	(192 670)	(124 327)	(316 997)
Dividends paid	-	-	(5 415 934)	(5 415 934)	(3 356 079)	(8 772 013)
Transactions with owners in their capacity as owners	-	-	-	-	53 191 239	53 191 239
Balance at 31 December 2013	**5 415 934**	**28 425 395**	**134 226 672**	**168 068 001**	**95 575 511**	**263 643 512**

Supplementary Information

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Operating Segments

	Bakeries and Fast Foods	Distribution Group Africa	Milling & Protein	SPAR	Household Goods	Other Businesses	Corporate Services	Intersegment Adjustments	Total
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Revenue									
31 December 2013	139 721 980	47 495 922	241 017 839	86 928 711	28 310 241	8 952 041	992 354	(28 214 705)	525 204 383
31 December 2012	137 801 347	47 240 177	29 966 340	88 532 959	27 165 369	6 352 321	779 396	-	337 837 909
Operating profit/(loss) before depreciation and amortisation									
31 December 2013	14 926 829	3 859 172	20 158 493	(153 835)	6 042 295	912 848	1 565 542	-	47 311 344
31 December 2012	19 984 248	4 365 534	1 808 522	1 794 544	6 070 217	790 396	(644 737)	-	34 168 724
Depreciation and amortisation									
31 December 2013	5 273 008	447 587	3 042 847	1 231 523	242 604	320 822	162 859	-	10 721 250
31 December 2012	3 783 660	394 999	767 221	1 297 748	231 740	272 674	164 244	-	6 912 286
Equity accounted earnings									
31 December 2013	81 118	36 340	80 976	-	-	183 695	534 233	-	916 362
31 December 2012	72 360	-	159 938	-	-	4 772 232	949 129	-	5 953 659
Profit/(loss) before tax									
31 December 2013	8 724 542	3 334 392	17 265 427	(1 826 194)	5 568 620	629 724	1 195 078	-	34 891 589
31 December 2012	15 736 000	3 794 156	1 581 178	279 425	5 569 909	5 142 608	46 353	-	32 149 629
Segment assets									
31 December 2013	133 694 173	40 959 991	215 359 872	47 806 943	41 789 862	11 944 891	75 310 381	(54 955 416)	511 910 697
30 June 2013	102 190 684	35 988 919	37 258 306	46 377 736	39 768 087	49 755 402	71 287 003	(34 050 501)	348 575 636
Segment liabilities									
31 December 2013	78 544 915	21 351 932	82 598 340	31 526 179	17 542 983	6 955 734	64 702 518	(54 955 416)	248 267 185
30 June 2013	52 005 029	19 042 302	10 525 927	28 981 743	19 072 691	3 380 503	56 811 846	(34 050 501)	155 769 540
Capital expenditure									
31 December 2013	15 285 523	298 915	6 751 278	528 471	941 011	789 086	87 168	-	24 681 452
31 December 2012	21 444 695	1 015 174	2 452 987	760 460	1 188 230	-	39 811	-	26 901 357

	6 Months Ended 31 Dec 2013 unaudited	6 Months Ended 31 Dec 2012 unaudited
	USD	USD
3 Depreciation	**10 666 263**	**6 855 774**
4 Capital expenditure for the period	**24 681 452**	**26 901 357**
5 Future lease commitments		
Payable within one year	15 909 238	8 073 981
Payable two to five years	46 453 017	25 404 369
Payable after five years	30 013 752	10 583 369
	92 376 007	**44 061 719**
6 Commitments for capital expenditure		
Contracts and orders placed	6 289 599	33 832 961
Authorised by Directors but not contracted	20 676 238	5 463 727
	26 965 837	**39 296 688**

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 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 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.

Reconciliation of basic earnings to headline earnings		
Profit for the period attributable to equity holders of the parent	16 249 588	20 034 582
Adjustment for capital items (gross of tax):		
Loss on disposal of plant and equipment	8 083	215 835
Gain on bargain purchase of subsidiary	(1 391 166)	(381 047)
Tax effect on adjustments	(1 241)	44 850
Non-controlling interests' share of adjustments	2 852	11 961
Headline earnings attributable to ordinary shareholders	**14 868 116**	**19 926 181**
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)	3.00	3.70
Headline earnings per share (cents)	2.75	3.68
Diluted basic earnings per share (cents)	3.00	3.70
Diluted headline earnings per share (cents)	2.75	3.68

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

Guarantees	**13 200 000**	**-**

The contingent liabilities relate to bank guarantees provided in respect of associate companies as at 31 December 2013.