

# THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Document is neither a prospectus nor an invitation to the public to subscribe for shares in Inncor Africa Limited but is rather issued to the shareholders of Inncor Africa Limited for the purposes of issuing new shares to selected investors and a waiver of pre-emptive rights from existing shareholders.

## Action required:

If you are in any doubt as to the action you should take, you should immediately seek advice from your stockbroker, bank manager, legal practitioner, accountant or other professional advisor. If you no longer hold any shares in Inncor Africa Limited, you should send this Document, and the accompanying form of proxy, as soon as possible to the stockbroker, bank or other agent through whom the sale of your shareholding in Inncor Africa Limited was effected for onward transmission to the purchaser or transferee.



INNSCOR AFRICA LIMITED

(A public company incorporated in the Republic of Zimbabwe in 1994 on under company registration number 3867/94)

## CIRCULAR TO SHAREHOLDERS

REGARDING

GRANTING AN OPTION TO BENVENUE INVESTMENTS (PRIVATE) LIMITED TO PURCHASE FOR CASH NEW INNSCOR AFRICA LIMITED SHARES

AND

GRANTING AN OPTION TO THE INNSCOR AFRICA LIMITED EMPLOYEE SHARE TRUST TO PURCHASE FOR CASH NEW INNSCOR AFRICA LIMITED SHARES

AND

THE WAIVER OF PRE-EMPTIVE RIGHTS WITH REGARD TO THE PROPOSED OPTIONS

AND

INCREASE THE AUTHORISED SHARE CAPITAL OF INNSCOR AFRICA LIMITED

AND INCORPORATING A

NOTICE CONVENING AN EXTRAORDINARY GENERAL MEETING.

Group Financial Advisors

**IMARA**  
INVESTING  
IN AFRICA

Corporate Finance

Imara Corporate Finance Zimbabwe (Private) Limited

Sponsoring Brokers

**IMARA**  
INVESTING  
IN AFRICA

Imara Edwards Securities  
(Private) Limited

Members of the Zimbabwe Stock Exchange

Legal Advisors

**Coghlan, Welsh & Guest**  
LEGAL PRACTITIONERS

Coghlan, Welsh & Guest

Legal Advisors to the Inncor Africa Limited  
Employee Share Trust



Gonese Attorneys

Auditors and Independent Reporting Accountants

**EY**  
Building a better  
working world

EY Chartered Accountants (Zimbabwe)

Independent Financial Advisors

**IHAdvisory**  
INTER-HORIZON

IH Advisory (Private) Limited

Share Transfer Secretaries

**INNSCOR**  
Africa Limited

Inncor Africa Limited

Notice of an Extraordinary General Meeting of the members of Inncor Africa Limited, to be held at Royal Harare Golf Club, Fifth Street extension, Harare, on Friday, 24 January 2014, at 0815 hrs, which notice was published on Friday, 27 December, 2013 in accordance with the Listing Requirements of the Zimbabwe Stock Exchange and the Companies Act (Chapter 24:03) of Zimbabwe, is set out at the end of this Document. Shareholders are asked to complete and return the attached form of proxy in accordance with the instructions printed thereon, as soon as possible, but not later than 0815 hrs hours, on Wednesday, 15 January 2014.

Date of issue of Document: 13 December 2013

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### iii Definitions

"Auditors" or "Independent Reporting Accountants"	EY Chartered Accountants (Zimbabwe), the Independent Auditors of the Company and Independent Reporting Accountants in respect of the Proposed Transaction;
"Benvenue"	Benvenue Investments (Private) Limited, a private limited company incorporated in Zimbabwe for the purpose of holding an investment in Innscor;
"Benvenue Option"	The option for Benvenue to take up a shareholding in Innscor through a new issue of Innscor shares for cash, under terms and conditions as detailed in this Circular, and subject to shareholder approval in the EGM;
"Board"	The Board of Directors of Innscor;
"Circular" or "Document"	This circular to Innscor shareholders setting out the terms and conditions of the Proposed Transactions and which incorporates all letters and appendices relating thereto;
"Companies Act of Zimbabwe"	The Companies Act [Chapter 24:03] of Zimbabwe, as amended;
"Directors"	The Directors of Innscor;
"EBIDTA"	Earnings before Interest, Depreciation, Taxation and Amortisation;
"EBIT"	Earnings before Interest and Tax;
"EGM Notice" or "Notice"	The notice which was published in accordance with the Companies Act and the ZSE Listing Requirements on Friday, 27 December, 2013, advising Innscor shareholders of the EGM to approve the Proposed transaction;
"EGM"	The Extraordinary General Meeting of Innscor shareholders to be held at Royal Harare Golf Club, Fifth Street extension, Harare at 0815 hrs on Friday, 24 January, 2014;
"EPS"	Earnings per share;
"FMCG"	Fast Moving Consumer Goods;
"Gonese Attorneys"	Gonese Attorneys, registered legal practitioners and legal advisors to the Innscor Africa Limited Employee Share Trust regarding the Proposed Transactions;
"IAS"	International Accounting Standards;
"IES" or "Sponsoring Brokers"	Imara Edwards Securities (Private) Limited, a company incorporated in Zimbabwe under the Companies Act, a licensed stockbroker in terms of the Zimbabwe Securities Act of 2004 [Chapter 24:25] and Sponsoring Brokers to Innscor in regard to the Proposed Transactions;
"IFRS"	International Financial Reporting Standards;
"IH Advisory" or "Independent Financial Advisor"	The independent Advisors to the Board of Directors of the Group, Inter Horizon Advisory (Private) Limited, a company incorporated in Zimbabwe under company registration number 5325/2010;
"Imara" or "Group Financial Advisors"	The Advisors to the Group, Imara Corporate Finance Zimbabwe (Private) Limited a company incorporated in Zimbabwe under company registration number 6369/1992;
"Indigenisation Implementation Plan"	A plan, proposed by Innscor and accepted by the National Indigenisation and Economic Empowerment Board, to ensure that Innscor complies with the requirements of the Indigenisation and Economic Empowerment Act [Chapter 14:33] as read with the Indigenisation and Economic Empowerment Regulations, 2010 supplemented by General Notice No 459/2011;
"Innscor Africa Limited Employee Share Trust Option"	The option for the Innscor Africa Limited Employee Share Trust to take up a shareholding in Innscor through a new issue of Innscor shares for cash, under terms and conditions as detailed in this Circular, and subject to shareholder approval in the EGM;
"Innscor Africa Limited Employee Share Trust"	A trust to be established for the purpose of empowering qualifying employees of Innscor;

## Definitions

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"Innskor", "the Company", or "the Group"	Innskor Africa Limited, a public company incorporated in Zimbabwe in 1994 under company registration number 3867/94, and its subsidiaries and associates;
"Last Practicable Date or "LPD"	"The last practicable date for the purpose of finalisation of the Circular, being Friday, 13 December, 2013;
"LDR"	Last Date to Register being Wednesday, 22 January, 2014;
"Legal Advisors"	Coghlan, Welsh & Guest Legal Practitioners, registered legal practitioners and legal advisors to Innskor regarding the Proposed Transactions;
"Main Board"	The main board category for listing shares on the ZSE;
"Management"	The management of the operating divisions of Innskor Africa Limited;
"MP"	Member of Parliament of the Republic of Zimbabwe;
"NIEEB"	The National Indigenisation and Economic Empowerment Board;
"Non-resident Shareholder or "Non-resident"	An Innskor shareholder with non-resident status in terms of the Exchange Control Regulations;
"PPE"	Property, Plant and Equipment;
"Proposed Transactions"	The reservation of Innskor shares pursuant to the Options and the increase in authorised share capital;
"Record Date"	The last date on which an Innskor shareholder must be recorded in the register of Innskor shareholders in order to participate in the EGM, which date is expected to be LDR;
"Resolutions"	The resolutions in terms of which the Transactions will be effected, which resolutions are contained in the notice of general meeting included in this Circular;
"Share Transfer Secretaries"	A unit of Innskor and a provider of share transfer secretarial services to Innskor;
"The Options"	Collectively, the Benvenue Investment Option and the Innskor Africa Limited Employee Share Trust Option;
"US\$" or" USD"	United States Dollar, the legal tender of the United States of America in which certain monetary amounts in this Circular are expressed;
"Zimbabwe"	The Republic of Zimbabwe;
"ZSE Listing Requirements"	The Listings Requirements of the ZSE; and,
"ZSE"	The Zimbabwe Stock Exchange constituted in terms of the Securities Act [Chapter 24:25] of 2004.

## v Salient Features of the Proposed Transactions

This summary presents the salient information in relation to the Proposed Transactions, the detailed terms and conditions of which are more fully set out in this Document. The Document should accordingly be read in its entirety for a full appreciation of the rationale for, and the implications of the Proposed Transactions, as well as with regard to determining the action required by Inncor shareholders with respect to the corporate actions outlined in this Document.

### Details and Rationale of the Proposed Transactions

The Proposed Transactions are intended to ensure that Inncor meets the requirements of the Indigenisation and Economic Empowerment Act [Chapter 14:33] as read with the Indigenisation and Economic Empowerment Regulations, 2010 supplemented by General Notice No 459/2011. In order to meet the requirements of this legislation, discussions have been held with the Ministry of Indigenisation, Youth & Economic Empowerment, and an Indigenisation Implementation Plan has been submitted to NIEEB. NIEEB has approved this Plan and issued a certificate of provisional compliance, number 000028, dated 07 October 2013.

In summary, this Plan will result in two Share Option agreements being entered into by the Company. The first agreement will be with an indigenous company, Benvenue Investments (Private) Limited, for Fifty Million Inncor Ordinary Shares (this represents 9.23% of the Company's current Issued Ordinary Share Capital). The second agreement will be with the Inncor Africa Limited Employee Share Trust for Thirty Million Inncor Ordinary Shares (this represents 5.54% of the Company's current Issued Ordinary Share Capital).

The Proposed Transactions are designed to comply with the requirements of the approved Indigenisation Implementation Plan, while enhancing the capital base of the business. The presence of a cornerstone investor in Benvenue deepens Inncor's core long-term shareholder base, and the Inncor Africa Limited Employee Share Trust will closely align the long term interests of employees with the Company.

### Terms of the Proposed Transactions and their effects on Inncor Share Capital Structure

Nominal value of Ordinary Shares	US\$ 0,01
<b>Prior to the Proposed Transactions:</b>	
Current number of Inncor Authorised Ordinary Shares	800 000 000
Current number of Inncor Ordinary Shares in issue	541 593 440
Number of Authorised but Unissued Inncor Ordinary Shares	258 406 560
<b>Pursuant to the Proposed Transactions:</b>	
New Non-Voting Class "A" Ordinary Shares to be Authorised by shareholders and placed under the control of Directors to be issued to the Inncor Africa Limited Employee Share Trust	1 000
Ordinary Shares to be placed under the control of Directors pursuant to the Benvenue Investments Option	50 000 000
Ordinary Shares to be placed under the control of Directors pursuant to the Inncor Africa Limited Employee Share Trust Option	30 000 000
Balance of unissued Inncor Authorised Ordinary Shares to be placed under the control of the Directors	178 406 560

### Inncor EGM

To give effect to the Proposed Transactions, Inncor shareholders are being asked to attend the EGM, to be held at Royal Harare Golf Club, Fifth Street extension, Harare, on Friday, 24 January, 2014, at 0815 hrs, to approve the Resolutions, details of which are set out in the Notice appearing in Part 3 at the end of this Document.

The Resolutions include Special Resolutions, requiring 75% of the vote for approval by the Inncor shareholders present or represented by proxy at the EGM. Further, Special Resolutions 2 and 4, requiring shareholders waive their pre-emptive rights to the shares subject to the Proposed Transactions requires approval from 85% of the vote by the Inncor shareholders present or represented by proxy at the EGM. An existing Inncor shareholder, Muzika Rubi Holdings (Private) Limited, holding 11 052 493 shares, representing approximately 2.04% of the issued share capital, is considered a related party with regard to Resolutions 1 and 2, and is excluded from voting thereon.

### Opinions and Recommendations

IH Advisory, who has been appointed as the independent financial advisor to the independent non-executive directors of Inncor, has considered the terms and conditions of the Proposed Transactions and is of the opinion that they are fair and reasonable to Inncor shareholders. IH Advisory has advised the Board of their view by way of a letter, copy of which is set out as Appendix III.

#### Important Dates

Notice of EGM published	Friday, 27 December, 2013
Abridged Circular published	Friday, 27 December, 2013
Full Circular posted	Thursday, 2 January, 2014
Last day for registering for voting at the EGM	Wednesday, 22 January, 2014
Last day for lodging Proxy Forms for the EGM (by 0815 hrs)	Wednesday, 22 January, 2014
Inncor EGM (at 0815 hrs)	Friday, 24 January, 2014
Announcement and publication of the results of the EGM	Monday, 27 January 2014

*The above dates are subject to change and any amendments will be published in the press.*

## Salient Features of the Proposed Transactions

### Queries

If you have any questions on any aspects of this Document, please contact your stockbroker, accountant, banker, legal practitioner or other professional advisor, or Sean Gammon or Kudzi Zhou at Imara, Block Two, Tendeseka Office Park, Samora Machel Avenue, Harare, Zimbabwe; Telephone number +263 4 701320; Fax +263 4 701319; E-mail: sean.gammon@imara.com or kudzi.zhou@imara.com, as appropriate.

### Action to be taken by Inncor Shareholders

- Attend the EGM to approve the Resolutions.
- Inncor Shareholders who are unable to attend the EGM, but who wish to be represented thereat, should complete and sign the Proxy Form included with this Document and ensure it is either returned or posted to P.O. Box A88, Avondale or the registered offices of the Group being, Edward Building, 1st Street / Nelson Mandela Avenue, so that it is received by the Share Transfer Secretaries no later than 0815 hrs, on Wednesday, 22 January, 2014.

Inncor Shareholders may attend the meeting in person, notwithstanding the completion and return of a Proxy Form. In order to attend the EGM, persons who have recently acquired Inncor shares which have not been registered in their names should ensure that such registration is effected on or before the LDR, being 0815 hrs hours on Wednesday, 22 January, 2014.

### Conditions Precedent

The implementation of the Proposed Transactions is conditional upon the following:

- The passing by Inncor Shareholders of the Resolutions by the requisite majority at the EGM;
- The granting of the requisite approval by the Listing Committee of the ZSE for the listing of Ordinary shares issued pursuant to the exercise of the Options.

### Inspection of the Circular

The public may inspect this Circular during normal business hours from Friday, 27 December, 2013 to Friday, 24 January 2014, from the following offices:

#### Business Address and Registered Office:

Edward Building  
1st Street/Nelson Mandela Avenue  
Harare  
Zimbabwe

#### Group Financial Advisors:

Imara Corporate Finance Zimbabwe (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Eastlea  
Harare  
Zimbabwe

#### Sponsoring Brokers:

Imara Edwards Securities (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Eastlea  
Harare  
Zimbabwe

#### Share Transfer Secretaries in Zimbabwe:

Inncor Africa Limited  
1 Ranelagh Road  
Highlands  
Harare  
Zimbabwe

# 1 Part 1: Chairman's Letter to Shareholders



(A public company incorporated in the Republic of Zimbabwe in 1994 under company registration number 3867/94)

Directors: \*D.L.L. Morgan (Chairman), J. Koumides (Chief Executive Officer), B.S. Dionisio, \*M.J. Fowler  
\*Z. Koudounaris, J.P. Schonken, \*T.N. Sibanda. (\*Non Executive Directors)

Registered Office: Edward Building, 1st Street/Nelson Mandela Avenue, Harare, Zimbabwe.  
Website: [www.innscorafrica.com](http://www.innscorafrica.com)

Dear Innscor Shareholder,

## 1. THE PROPOSED TRANSACTIONS 1.1 Overview

Shareholders will be aware that the Indigenisation and Economic Empowerment Act [Chapter 14:33] as read with the Indigenisation and Economic Empowerment Regulations, 2010 and supplemented by General Notice No 459/2011, requires companies in Zimbabwe to comply with requirements pertaining to ownership by Zimbabweans. Although your company is widely held through trading on the ZSE, it does not currently meet full requirements in terms of this legislation. In order to meet the requirements of this legislation, discussions have been held with the Ministry of Indigenisation & Economic Empowerment, and an Indigenisation Implementation Plan has been submitted to NIEEB. NIEEB has approved this Plan and issued a certificate of provisional compliance, number 000028, dated 07 October 2013.

In brief, this Plan will result in two Share Option agreements being entered into by the Company. The first agreement will be with an Indigenous company, Benvenue Investments (Private) Limited, for Fifty Million Innscor Ordinary Shares. This represents 9.23% of the Company's current Issued Ordinary Share Capital, and would represent 8.45% of the enlarged Company assuming this Option is fully exercised. The second agreement will be with the Innscor Africa Limited Employee Share Trust for Thirty Million Innscor Ordinary Shares. This represents 5.54% of the Company's current Issued Ordinary Share Capital, and would represent 5.25% of the enlarged Company assuming this Option is fully exercised. Collectively full implementation of the Options would result in the issue of Eighty Million new Innscor Ordinary Shares, representing 12.87% of the enlarged share capital of the Company.

Shareholders should be made aware that in terms of Section 3.32 of the ZSE Listing Requirements, the Proposed Transactions are deemed an issue for cash. Shareholders are therefore required to waive their pre-emptive rights to the shares to be issued, in terms of resolutions at the EGM, which resolutions require approval from 85% of shareholders present or represented by proxy.

Your Board is confident that the Plan, if fully implemented, will be beneficial to all parties. Innscor will benefit from the inflow of new funds on issue of shares under the Options, which funds will be directed towards improving the efficiencies of our operations or reducing debt, as determined most beneficial at the time by your Board and Management. The presence of a cornerstone investor in Benvenue deepens Innscor's core long-term shareholder base, and the Innscor Africa Limited Employee Share Trust will closely align the long term interests of employees and your company.

Your Board is of the view that the dilutive aspects of the Options are more than offset by these benefits, and recommends you approve the resolutions put to you at the EGM. In this regard, the Board is further guided by independent financial advice on the fairness of the Proposed Transactions. An extract of this opinion from IH Advisors is included in this Circular, as Appendix III.

## 1.2 Mechanics of the Benvenue Investments Option 1.2.1 Overview of Benvenue

Benvenue Investments is an empowerment vehicle created specifically for the purpose of this transaction. The sole shareholder therein is Muzika Rubi Holdings (Private) Limited, which is an existing shareholder in Innscor, holding 11 052 493 shares, representing approximately 2.04% of the issued share capital. The Honourable R J Kaukonde MP is the controlling shareholder of Muzika Rubi Holdings (Private) Limited.

<b>Name:</b>	Benvenue Investments (Private) Limited.
<b>Incorporation details:</b>	Incorporated on 12 June 2013 under company registration number 4624/2013.
<b>Address:</b>	1 Allan Wilson Road, Belgravia, Harare.
<b>Directors:</b>	R. Kaukonde T. Kaukonde

In line with the provisions of the Indigenisation and Economic Empowerment Act, the Board believes that the selection of Benvenue Investments is the most appropriate empowerment partner for Innscor, given the numerous long-term strategic benefits to the Group and its shareholders. There has been a long established business and director relationship with Innscor, culminating in Hon Kaukonde serving as a director from 1st June 2003 until 14th July 2005, when he resigned as a consequence of his appointment to the position of Governor of Mashonaland East Province.

Hon Kaukonde is in a 50:50 partnership with Innscor with regards to two SPAR Franchises (Borrowdale Brooke SPAR and Joina City SPAR). This partnership started on 1 July 2013.



## Part 1: Chairman's Letter to Shareholders

Hon Kaukonde is a distinguished businessman, with vast strategic experience. He is a director of Scotia Holdings (Private) Limited, a diversified non-listed conglomerate with interests in the motor sales, security, retail, mining, agriculture, manufacturing and building supplies. Furthermore, Benvenue Investments' controlling shareholder continues to provide invaluable experience and guidance to the Group which has resulted in the creation of business growth opportunities. This competitive advantage will assist in driving the Innscor share price, to the benefit of shareholders.

### 1.2.2 Terms of the Benvenue Option

The proposed terms of the Benvenue Option are as follows:

<b>Number of Shares:</b>	Fifty Million (50 000 000)
<b>Tenure:</b>	10 years
<b>Pricing:</b>	The higher of -
	75% of the volume weighted average price of Innscor Africa shares over the previous 60 trading days, or for the first five years, US\$1.37 per share and, for the second five years, US\$2.01 per share

Immediate exercise of the Benvenue Option would represent a premium of 82% to the market price of Innscor shares at the Last Practical Date. Summary share price history of Innscor is included in this Circular as Appendix IV.

The terms and pricing of the Benvenue Option have been considered by the Independent Financial Advisor, who has declared the terms to be fair and reasonable, as outlined in their report enclosed as Appendix III.

Full exercise of the Benvenue Option will result in Benvenue holding 8.45% of the enlarged share capital of the Company. The Board is comfortable that the exercising of the Benvenue Option in its entirety does not represent a takeover bid, and that the Option is in the best interests of Innscor.

### 1.2.3 Financial Impact of Benvenue Option

Below is the impact on Net Asset Value per share of the Benvenue Option, assuming the entire option was exercised at the strike price of US\$1.37 on 30 June 2013. On this basis the transaction is Net Asset Value enhancing.

	Number of shares	NAV – US\$	NAV per Share – US\$
At 30 June 2013	541 593 440	192 806 096	0.36
Benvenue Option	50 000 000	68 500 000	1.37
Post Benvenue Option	591 593 440	261 306 096	0.44

## 1.3 Mechanics of the Innscor Africa Limited Employee Share Trust Option

### 1.3.1 Overview of the Innscor Africa Limited Employee Share Trust

The Innscor Africa Limited Employee Share Trust was established on 9 December 2013. Its trustees are Mr John Koumides, Mr Raymond Nyamuziwa and Mr Godfrey Gwainda. The trust deed was duly registered with the deeds office on 12 December 2013 under number MA 1551/13. The Innscor Africa Limited Employee Share Trust will be partially funded over the next ten years through payments from Innscor by way of an 'ex gratia' dividend, representing up to a maximum of 5% of the dividend paid to ordinary shareholders. This payment is entirely at the discretion of the Board.

### 1.3.2 Terms of the Innscor Africa Limited Employee Share Trust Option

The proposed terms of the Innscor Africa Limited Employee Share Trust Option are as follows:

<b>Number of Shares:</b>	Thirty Million (30 000 000)
<b>Tenure:</b>	10 years
<b>Pricing:</b>	At the volume weighted average price of Innscor Africa shares over the previous 60 trading days.

Summary share price history of Innscor is included in this Circular as Appendix IV.

The terms and pricing of the Innscor Africa Limited Employee Share Trust Option have been considered by the Independent Financial Advisor, who has declared the terms to be fair and reasonable, as outlined in their report enclosed as Appendix III.

Full exercise of the Innscor Africa Limited Employee Share Trust Option will result in the Innscor Africa Limited Employee Share Trust holding 5.25% of the enlarged share capital of the Company. The Board is comfortable that the exercising of the Innscor Africa Limited Employee Share Trust Option in its entirety does not represent a takeover bid, and that the Option is in the best interests of Innscor.



## 3 Part 1: Chairman's Letter to Shareholders

### 1.3.3 Financial Impact of Innscor Africa Limited Employee Share Trust Option

Below is the impact on Net Asset Value per share of the Innscor Africa Limited Employee Share Trust Option, as at 30 June 2013, assuming the entire option was exercised at the strike price of US\$0.93, being the 60 day weighted average price of Innscor shares at that date.

	Number of shares	NAV – US\$	NAV per Share – US\$
At 30 June 2013	541 593 440	192 806 096	0.36
Innscor Africa Limited Employee Share Trust Option	30 000 000	27 900 000	0.93
Post Innscor Africa Limited Employee Share Trust Option	571 593 440	220 706 096	0.39

### 1.4 Increase in Authorised Share Capital

In terms of the approved Indigenisation Implementation Plan, Innscor will provide financial assistance to the Innscor Africa Limited Employee Share Trust. In order to best align this financial support with the interests of the Company, the assistance will be proportional to dividends paid to Innscor ordinary shareholders. The Plan has been approved on the basis that Innscor will pay the equivalent, on an 'ex gratia' basis, of up to a maximum of 5% of the total dividend paid to Innscor ordinary shareholders from time to time. So as to not place an undue financial strain on the Company, this payment will be made at the discretion of Directors.

In order to accommodate the Plan the Company seeks shareholder approval to increase the authorised share capital of Innscor through the creation of a new class of shares. These shares will be Non-Voting Class "A" Ordinary Shares. The Company seeks shareholder approval to increase the authorised share capital from US\$8 000 000 (eight million dollars) divided into 800 000 000 (eight hundred million) Ordinary Shares of US\$0.01 (one cent) each to US\$8 000 010 (eight million and ten dollars) divided into 800 000 000 (eight hundred million) Ordinary Shares of US\$0.01 (one cent) each and 1 000 (one thousand) Non-Voting Class "A" Ordinary Shares of US\$0.01 (one cent) each. The Group intends issuing all of these Non-Voting Class "A" shares to the Innscor Africa Limited Employee Share Trust at par value to be held by the Trustees pursuant to the terms of the said Deed. In terms of the Innscor Africa Limited Employee Share Trust Deed these Non-Voting Class "A" shares may not be transferred, sold or alienated in any way by the Innscor Africa Limited Employee Share Trust. The salient terms and conditions for issue of these Non-Voting Class "A" shares are outlined in Appendix V to this Circular.

## 2. OVERVIEW OF INNSCOR

Innscor is a wholly owned Zimbabwe holding company for a group of businesses focused on retail, distribution, agro-processing and food manufacturing. The core business for the Group is FMCG. The Group's operations comprise six units namely Bakeries & Fast Foods, Distribution Group Africa, SPAR, Household Goods, Colcom and Associates. The operations are well integrated offering backward assimilation in order to secure the integrity of the production chain and enhance profitability. The Group has a well-developed portfolio of businesses in key growth sectors. All of their products have a well-defined market and carry significant brand loyalty.

The Bakeries & Fast Foods unit houses the bakeries, with an installed capacity of 450 000 loaves per day, and the fast foods outlets for both Zimbabwe and the region. The regional Fast Foods business is represented in eight countries, operating on both an owner-operated and a franchise basis.

Distribution Group Africa is a distributor of FMCG products to the supermarket sector and operates in Zimbabwe, Zambia and Malawi. SPAR – this includes the six corporate and seven franchise stores in Zambia, five corporate stores in Zimbabwe and the SPAR Distribution Centre (Harare) which supports 72 SPAR stores.

Household Goods comprise TV Sales & Home and Capri. TV Sales & Home retails home appliances and operates 27 credit retailing stores. Innscor owns 79.64% of ZSE listed Colcom Holdings Limited, a pork producer. The associate businesses include ZSE listed milling concern National Foods Holdings Limited (owned 37.82%) and Irvine's Zimbabwe (Private) Limited (owned 49%), a broiler, day old chicks and egg producer.

## Part 1: Chairman's Letter to Shareholders

### 3. FINANCIAL INFORMATION

#### 3.1 Summarised Income Statement

Below is the summarised income statement for the past four years for the Group.

Audited	30 June 2013 USD	30 June 2012 USD	30 June 2011 USD	30 June 2010 USD
Revenue	656 332 118	627 077 424	516 136 881	403 488 611
Cost of Sales	(418 456 898)	(402 678 862)	(332 918 012)	(265 523 078)
<b>Gross profit</b>	<b>237 875 220</b>	<b>224 398 562</b>	<b>183 218 869</b>	<b>137 965 533</b>
other income	18 522 992	16 487 168	9 637 106	9 502 753
operating expense	(189 001 671)	(172 357 734)	(145 192 746)	(118 353 506)
<b>Operating profit before impairment, depreciation, amortisation, interest and fair value adjustments</b>	<b>67 396 541</b>	<b>68 527 996</b>	<b>47 663 229</b>	<b>29 114 780</b>
impairment and derecognition of PPE	(2 232 728)	-	-	-
depreciation and amortisation	(14 842 013)	(11 561 977)	(8 936 918)	(6 572 216)
fair value adjustments on listed equities	(14 713)	(232 377)	138 620	86 295
fair value adjustments on biological assets	384 384	(50 120)	(852 573)	221 873
<b>Profit before interest and tax</b>	<b>50 691 471</b>	<b>56 683 522</b>	<b>38 012 358</b>	<b>22 850 732</b>
interest income	1 630 624	1 258 321	1 438 837	1 629 213
interest expense	(4 699 274)	(4 372 885)	(4 252 687)	(2 070 718)
equity accounted earnings	11 746 619	7 562 678	6 130 400	4 185 329
<b>Profit before tax from continuing operations</b>	<b>59 369 440</b>	<b>61 131 636</b>	<b>41 328 908</b>	<b>26 594 556</b>
Tax	(10 770 549)	(12 616 905)	(8 591 972)	(4 961 624)
<b>Profit for the year from continuing operations</b>	<b>48 598 891</b>	<b>48 514 731</b>	<b>32 736 936</b>	<b>21 632 932</b>

#### 3.2 Statement of Financial Position

Below is the summarised Statement of Financial Position for the past four financial years for the Group.

Audited	30 June 2013 USD	30 June 2012 USD	30 June 2011 USD	30 June 2010 USD
<b>ASSETS</b>				
<i>Non-current assets</i>				
property, plant and equipment	139 615 506	104 655 139	84 437 086	53 022 159
intangible assets	3 256 491	1 335 644	1 106 402	1 087 692
investments in associates	50 191 580	40 932 019	41 039 414	33 350 750
financial assets	1 505 551	5 224 778	8 061 732	1 956 030
biological assets	1 258 838	1 236 713	-	-
deferred tax assets	7 926 277	6 314 666	4 161 668	5 286 477
subtotal	<b>203 754 243</b>	<b>159 698 959</b>	<b>138 806 302</b>	<b>94 703 108</b>
<i>Current assets</i>				
financial assets	2 891 981	4 690 968	2 583 889	-
biological assets	1 626 843	1 212 183	2 303 050	2 208 182
inventories	54 670 380	51 202 582	41 463 610	26 956 621
trade and other accounts receivable	62 448 385	47 293 486	43 156 678	38 162 653
cash and cash equivalents	23 183 804	22 455 567	17 788 630	16 274 303
subtotal	<b>144 821 393</b>	<b>126 854 786</b>	<b>107 295 857</b>	<b>83 601 759</b>
Assets of disposal group classified as held for sale	-	-	-	39 625 904
<b>Total assets</b>	<b>348 575 636</b>	<b>286 553 745</b>	<b>246 102 159</b>	<b>217 930 771</b>

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### 3.2 Statement of Financial Position (continued)

Below is the summarised Statement of Financial Position for the past four financial years for the Group.

	30 June 2013 USD	30 June 2012 USD	30 June 2011 USD	30 June 2010 USD
<b>EQUITY AND LIABILITIES</b>				
<i>Capital and reserves</i>				
ordinary share capital	5 415 934	5 415 934	5 415 934	5 415 934
non-distributable reserves	28 618 065	29 035 168	29 742 338	45 766 011
distributable reserves	123 393 018	97 965 286	66 566 916	62 523 181
	<u>157 427 017</u>	<u>132 416 388</u>	<u>101 725 188</u>	<u>113 705 126</u>
non-controlling interests	35 379 079	28 062 807	22 763 611	18 974 156
<b>Total Equity</b>	<b>192 806 096</b>	<b>160 479 195</b>	<b>124 488 799</b>	<b>132 679 282</b>
<i>Non-current liabilities</i>				
deferred tax liabilities	16 642 460	12 106 382	8 942 258	9 766 932
interest-bearing borrowings	2 965 392	4 083 834	1 597 300	6 712 188
subtotal	<u>19 607 852</u>	<u>16 190 216</u>	<u>10 539 558</u>	<u>16 479 120</u>
<i>Current liabilities</i>				
interest-bearing borrowings	51 440 923	34 508 129	38 040 018	8 473 930
trade and other accounts payable	79 090 682	68 257 681	69 415 609	46 367 817
provisions	5 058 199	4 271 638	3 199 972	2 309 150
current tax liability	571 884	2 846 886	418 203	876 103
subtotal	<u>136 161 688</u>	<u>109 884 334</u>	<u>111 073 802</u>	<u>58 027 000</u>
Liabilities directly associated with the assets classified as held for sale	-	-	-	10 745 369
<b>Total liabilities</b>	<b>155 769 540</b>	<b>126 074 550</b>	<b>121 613 360</b>	<b>85 251 489</b>
<b>Total equity and liabilities</b>	<b>348 575 636</b>	<b>286 553 745</b>	<b>246 102 159</b>	<b>217 930 771</b>

### 3.3 Statement of Cash Flows

Below is the Statement of Cash Flows for the past four financial years for the Group.

	30 June 2013 USD	30 June 2012 USD	30 June 2011 USD	30 June 2010 USD
<b>Audited</b>				
Cash generated from operating activities	54 161 610	48 795 104	53 325 695	24 911 967
interest income	1 630 624	1 258 321	1 438 837	1 654 877
interest expense	(4 699 274)	(4 372 885)	(4 252 687)	(2 728 768)
tax paid	(10 109 626)	(9 877 951)	(8 975 513)	(6 592 426)
Total cash available from operations	<u>40 983 334</u>	<u>35 802 589</u>	<u>41 536 332</u>	<u>17 245 650</u>
Investing activities	(43 286 425)	(19 666 997)	(49 009 619)	(18 311 528)
Net cash flow before financing activities	<u>(2 303 091)</u>	<u>16 135 592</u>	<u>(7 473 287)</u>	<u>(1 065 878)</u>
Financing activities	3 031 328	(11 468 655)	8 028 000	3 904 845
dividends paid by holding company	(9 748 682)	(7 311 511)	(5 415 934)	(2 165 355)
dividends paid by subsidiaries to non-controlling interests	(2 025 583)	(2 760 530)	(2 665 093)	(2 885 640)
proceeds from borrowings	94 255 569	84 845 029	16 618 183	9 126 634
repayment of borrowings	(81 068 990)	(85 789 452)		
equity issued	-	-	-	14 750
cash received from/(paid to) non-controlling interests	1 619 014	(452 191)	(509 156)	(185 544)
<b>Net increase in cash and cash equivalents</b>	<b>728 237</b>	<b>4 666 937</b>	<b>554 713</b>	<b>2 838 967</b>
Cash and cash equivalents at the beginning of the year	22 455 567	17 788 630	17 233 917	14 394 950
Cash and cash equivalents at the end of the year	<b>23 183 804</b>	<b>22 455 567</b>	<b>17 788 630</b>	<b>17 233 917</b>

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### 3.4 Statement of Changes in Equity

Below is the Statement of Changes in Equity for the past four financial years for the Group.

Audited	Share Capital USD	Non-Distributable Reserves USD	Distributable Reserves USD	Total USD	Non-controlling Interests USD	Total USD
Balance at 30 June 2009	-	51 655 347	49 697 907	101 353 254	16 486 093	117 839 347
Profit for the year	-	-	14 990 629	14 990 629	5 817 415	20 808 044
Other comprehensive income	-	(88 877)	-	(88 877)	(64 757)	(153 634)
Total comprehensive income	-	(88 877)	14 990 629	14 901 752	5 752 658	20 654 410
Transfer of redenominated share capital	5 401 184	(5 401 184)	-	-	-	-
Exercise of share options	14 750	-	-	14 750	-	14 750
Dividends	-	-	(2 165 355)	(2 165 355)	(2 885 640)	(5 050 995)
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Dividend in specie	-	(399 275)	-	(399 275)	(378 955)	(778 230)
Balance at 30 June 2010	5 415 934	45 766 011	62 523 181	113 705 126	18 974 156	132 679 282
Profit for the year	-	-	26 110 140	26 110 140	6 626 796	32 736 936
Other comprehensive income	-	(38 526)	-	(38 526)	(9 778)	(48 304)
Total comprehensive income	-	(38 526)	26 110 140	26 071 614	6 617 018	32 688 632
Dividends	-	-	(5 415 934)	(5 415 934)	(2 665 093)	(8 081 027)
Transactions with owners in their capacity as owners	-	(4 014 459)	-	(4 014 459)	(162 470)	(4 176 929)
Dividend in specie	-	(11 970 688)	(16 650 471)	(28 621 159)	-	(28 621 159)
Balance at 30 June 2011	5 415 934	29 742 338	66 566 916	101 725 188	22 763 611	124 488 799
Profit for the year	-	-	38 709 881	38 709 881	9 804 850	48 514 731
Other comprehensive income	-	(789 677)	-	(789 677)	(200 018)	(989 695)
Total comprehensive income	-	(789 677)	38 709 881	37 920 204	9 604 832	47 525 036
Dividends	-	-	(7 311 511)	(7 311 511)	(2 760 530)	(10 072 041)
Transactions with owners in their capacity as owners	-	82 507	-	82 507	(1 545 106)	(1 462 599)
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 year	-	-	38 953 790	38 953 790	9 645 101	48 598 891
Other comprehensive income	-	(417 103)	-	(417 103)	(103 276)	(520 379)
Total comprehensive income	-	(417 103)	38 953 790	38 536 687	9 541 825	48 078 512
Dividends	-	-	(9 748 682)	(9 748 682)	(2 025 583)	(11 774 265)
Transactions with owners in their capacity as owners	-	-	(3 777 376)	(3 777 376)	(199 970)	(3 977 346)
Balance at 30 June 2013	5 415 934	28 618 065	123 393 018	157 427 017	35 379 079	192 806 096

## 7 Part 1: Chairman's Letter to Shareholders

### 4. PRO-FORMA FINANCIAL INFORMATION

The information set out in this paragraph should be read in conjunction with the report of the Independent Reporting Accountants on the Unaudited Pro-forma Financial Information of Innscor in Appendix II. The pro-forma financial information presented below is for illustrative purposes only and due to its nature, cannot give a complete picture of the financial position of the Group after the Proposed Transactions.

#### 4.1 Pro-forma statement of Income

A pro-forma income statement for the Group showing the effect of the Proposed Transactions on the earnings per share and assuming the Proposed Disposals had been effective for the period ended 30 June 2013 is set out below. The pro-forma income statement has been prepared for illustrative purposes only and consequently it cannot give a complete picture of the financial performance of the Group on completion of the Proposed Transactions.

#### 4.1 Pro-forma statement of Income (continued)

	2013	Effects of Proposed Transactions	Notes	Pro Forma
Revenue	656 332 118			656 332 118
Cost of Sales	(418 456 898)			(418 456 898)
Gross profit	237 875 220			237 875 220
other income	18 522 992			18 522 992
operating expense	(189 001 671)	(10)	1	(189 001 681)
Operating profit before impairment, depreciation, amortisation, interest and fair value adjustments	67 396 541			67 396 531
impairment and derecognition of plant and equipment	(2 232 728)			(2 232 728)
depreciation and amortisation	(14 842 013)			(14 842 013)
fair value adjustments on listed equities	(14 713)			(14 713)
fair value adjustments on biological assets	384 384			384 384
Profit before interest and tax	50 691 471			50 691 461
interest income	1 630 624			1 630 624
interest expense	(4 699 274)			(4 699 274)
equity accounted earnings	11 746 619			11 746 619
Profit before tax from continuing operations	59 369 440			59 369 430
tax	(10 770 549)			(10 770 549)
Profit for the year from continuing operations	48 598 891			48 598 881
Equity holders of the parent	38 953 790	(10)	1	38 953 780
Headline earnings	34 442 767	(10)	1	34 442 757
Number of shares in issue	541 593 440	80 001 000	2	621 594 440
Basic earnings per share (cents)	7.19			6.27
Headline earnings per share (cents)	6.36			5.54
Diluted shares in issue	541 593 440	80 001 000	2	621 594 440
Diluted basic earnings per share (cents)	7.19			6.27
Diluted headline earnings per share (cents)	6.36			5.54

#### Notes

1. Donation of funds for Class A shares.
2. Increase in issued share capital, assuming the shares were issued 30 June 2013.

#### 4.2 Pro-Forma Statement of Financial Position

A pro-forma statement of financial position for the Group showing the effect of the Proposed Transactions on the net asset value per share and assuming the Proposed Transactions had been effective as at 30 June 2013 is set out overleaf. The pro-forma statement of financial position has been prepared for illustrative purposes only and consequently it cannot give a complete picture of the financial position of the Group on completion of the Proposed Transactions.

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### 4.3 Pro Forma Statement of Financial Position (continued)

	2013 Audited	Effects of Proposed Transactions	Notes	Pro Forma
<b>ASSETS</b>				
<i>Non-current assets</i>				
property, plant and equipment	139 615 506			139 615 506
intangible assets	3 256 491			3 256 491
investments in associates	50 191 580			50 191 580
financial assets	1 505 551			1 505 551
biological assets	1 258 838			1 258 838
deferred tax assets	7 926 277			7 926 277
Subtotal	<u>203 754 243</u>			<u>203 754 243</u>
<i>Current assets</i>				
financial assets	2 891 981			2 891 981
biological assets	1 626 843			1 626 843
inventories	54 670 380			54 670 380
trade and other accounts receivable	62 448 385			62 448 385
cash and cash equivalents	23 183 804	68 350 000	1	91 533 804
Subtotal	<u>144 821 393</u>			<u>213 171 393</u>
<b>Total assets</b>	<u><b>348 575 636</b></u>			<u><b>416 925 636</b></u>
<b>EQUITY AND LIABILITIES</b>				
<i>Capital and reserves</i>				
ordinary share capital	5 415 934	800 000	2	6 215 934
Class A Shares	-	10	3	10
Share premium	-	95 450 000	4	95 450 000
non-distributable reserves	28 618 065			28 618 065
distributable reserves	123 393 018	(27 900 010)	5	95 493 008
	157 427 017			225 777 017
non-controlling interests	35 379 079			35 379 079
<b>Total Equity</b>	<u><b>192 806 096</b></u>			<u><b>261 156 096</b></u>
<i>Non-current liabilities</i>				
deferred tax liabilities	16 642 460			16 642 460
interest-bearing borrowings	2 965 392			2 965 392
Subtotal	<u>19 607 852</u>			<u>19 607 852</u>
<i>Current liabilities</i>				
interest-bearing borrowings	51 440 923			51 440 923
trade and other accounts payable	79 090 682			79 090 682
provisions	5 058 199			5 058 199
current tax liability	571 884			571 884
Total	<u>136 161 688</u>			<u>136 161 688</u>
<b>Total liabilities</b>	<u><b>155 769 540</b></u>			<u><b>155 769 540</b></u>
<b>Total equity and liabilities</b>	<u><b>348 575 636</b></u>			<u><b>416 925 636</b></u>
Shares in Issue	541 593 440	80 001 000	6	621 594 440
NAV (Cents)	35.60			42.01

#### Notes

- Net cash movement of proposed transactions.
- Ordinary Shares issued.
- Class A shares issued.
- Share premium from shares issued.
- Net Effect of Class A share donation and distribution of discretionary dividend on distributable reserves. It is assumed that the purchase of shares by the Inncor Africa Limited Employees Share Trust is funded entirely from future dividends received.
- Shares issued from proposed transaction.

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### 5. FUTURE PROSPECTS FOR THE GROUP

Management will continue to analyse critically its various business models and processes in order to improve business performance. Where necessary, organisational restructures which allow for improved cost efficiency and the eradication of duplication of function will be implemented. Other ongoing focus areas include utilising the numerous synergies in the Group, both from a trade and cost perspective.

With the Group's exposure to strong sectors of the economy, it has continued to be a powerful generator of free cash, and this has allowed for extensive capital investment into new and more efficient technology to be made over the past year across many of the businesses. Management will continue to ensure that the appropriate returns are extracted from these investments in the coming year, as well as examine investments into additional synergistic or complementary businesses which can create further value addition to the Group.

Additional capital realised through implementation of the Proposed Transactions will enhance these efforts.

### 6. DIRECTORS, MANAGEMENT AND EMPLOYEES

#### 6.1 Board

The primary responsibility of the Board is to discharge its fiduciary responsibility to the shareholders of the Group. The Board is accordingly the highest policy organ of the Group and also acts to direct strategy. Meeting regularly, with a minimum of four scheduled meetings annually, the Board receives key information pertaining to the operations of Innscor from the business division heads and Board Committees.

#### 6.2 Composition

The Board consists of a Non-executive Chairman, three Executive Directors and three Non-executive Directors, comprising a cross-section of professionals.

The directors of Innscor comprise individuals with proven track records and a wide range of different skills and experience, which they employ for the Group's benefit, and who also provide crucial independence and guidance to the Group's strategic decision making process and corporate governance practices.

#### 6.3 Details of Directors

The full names, addresses and positions of the Directors of Innscor are set out below:

Full Names	Residential Address	Position
David Morgan	5 Grassmere Gardens, 7 Grassmere Lane, Borrowdale, Harare	Non - Executive Chairman
John Koumides	3 Cudmore Road Mount Pleasant, Harare	Group Chief Executive Officer
Basil Dionisio	11 Glanmore Road, Colne Valley, Harare	Executive Director
Michael Fowler	23 Willowmead Lane, Colne Valley, Harare	Non Executive Director
Zinona Koudounaris	20 Basset Crescent, Alexandra Park, Harare	Non Executive Director
Julian Schonken	7 Straker Avenue, Gun Hill, Harare	Group Financial Director
Theminkosi Sibanda	72 Gwanda Road, Sunninghill, Bulawayo	Non Executive Director

**David Morgan (Zimbabwean) Age: 78**  
**Non - Executive Chairman (Appointed 09 January 1998)**

David Morgan is a Legal Practitioner by profession having obtained Bachelor of Commerce and LLB degrees from the University of Cape Town (South Africa) before going on to obtain a Bachelor of Arts in Economics from the University of Oxford (United Kingdom). David is currently one of the senior partners of Coghlan, Welsh and Guest, Legal Practitioners which is based in Harare. During his career David has served on the Boards of various companies in Zimbabwe. In addition to his role as Chairman of Innscor, David also chairs the Group's Remuneration Committee and is a member of the Group's Audit Committee.

**John Koumides (Zimbabwean) Age: 55**  
**Group Chief Executive Officer (Appointed 01 September 2003)**

John Koumides is a former partner of Deloitte in Harare. During his career, John spent nine years at Delta Corporation where he served as Group Financial Director and his last year as Group Operations Director. John has served on the Innscor Board as both an executive and non-executive Director over the last ten years. In addition to being Chief Executive Officer of Innscor, John is a member of the Group's Remuneration and Audit Committees and chairs the Group's Finance & Investment Committee. John also sits on the boards of Colcom Holdings Limited and National Foods Holdings Limited, both listed investments of Innscor.



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**Basil Dionisio (Zimbabwean) Age: 51**  
**Executive Director (Appointed 23 November 2012)**

Basil Dionisio is a founder shareholder of Inncor and helped create the Group's culture and value system. Basil has extensive operational knowledge of the Group's businesses and has been instrumental in the Group's success in its regional fast food expansion programme. Basil's current operational portfolio covers the Group's Fast Food, Bakeries and SPAR business units.

**Michael Fowler (Zimbabwean) Age: 50**  
**Non Executive Director (Appointed 18 July 1994)**

Michael Fowler is a founder shareholder of Inncor and has held a number of managerial positions within the Group including a period during which he served as Group Chief Executive Officer. Michael was a key driver behind the Group's investment into its crocodile ranching operations where he has remained as a non-executive director since its unbundling and separate listing on the ZSE in 2010. Michael is also a member of the Group's Remuneration Committee and serves on a number of management boards within the Group in a non-executive capacity.

**Zinona Koudounaris (Zimbabwean) Age: 51**  
**Non Executive Director (Appointed 01 April 1996)**

Born in Zimbabwe, Zinona (Zed) Koudounaris completed his tertiary education at Rhodes University in South Africa where he attained a Bachelor of Commerce degree, majoring in Business and Computer Sciences. Zed was a founder shareholder of the Group and was the driving force behind the initial creation and success of the Group's core fast food brands. Zed has held a number of positions within the Group including Chief Executive Officer upon the Group's listing in 1998. Zed remains highly active in pursuing strategic growth opportunities for the Group and providing guidance to its management team.

**Julian Schonken (Zimbabwean) Age: 42**  
**Group Financial Director (Appointed 01 October 2007)**

Julian Schonken was born in Zimbabwe and after completing his tertiary education at Rhodes University in South Africa, where he attained a Bachelor of Commerce degree, he returned to Zimbabwe to complete his articles of clerkship and qualified as a Chartered Accountant (Zimbabwe) with Deloitte. Julian joined Inncor in 1999 where he has held a number of financial and managerial positions. In October 2007, Julian was appointed to the main Board of Inncor as Group Financial Director. He also currently sits on the boards of Colcom Holdings Limited and National Foods Holdings Limited, both listed investments of Inncor.

**Theminkosi Sibanda (Zimbabwean) Age: 59**  
**Non Executive Director (Appointed 01 November 2005)**

Born in Zimbabwe, Themba completed his tertiary education at the University of Zimbabwe with a Bachelor of Accounting Honours degree. Shortly after completing his articles of clerkship and qualifying as a Chartered Accountant (Zimbabwe), Themba was admitted into partnership and now has over 30 years' experience in compliance and audit services at Schmullian & Sibanda. Themba currently chairs the Group's Audit Committee and is also a member of its Remuneration Committee. Themba also sits on the boards of a number of other listed entities in Zimbabwe including Delta Corporation Limited, Edgars Stores Limited, Padenga Holdings Limited and Pretoria Portland Cement Limited.

### 6.4 Directors Interests

#### 6.4.1 Interests in the Proposed Transactions

The Directors have no interests in the Proposed Transactions.

#### 6.4.2 Interests in Ordinary Shares

As at LPD, the Directors, directly and/or indirectly, held beneficial interests aggregating approximately 231.6 million Inncor shares representing approximately 42.64% of the issued share capital of the Group. Details of the direct and indirect interests held by the Inncor Directors in Inncor shares are set out below:

Director	Number of shares held directly and indirectly as at 30 June 2013	Number of shares held directly or indirectly at LPD
D Morgan	75 254	72 254
J Koumides	720 000	720 000
B Dionisio	22 484 058	22 484 058
M Fowler	103 995 735	103 321 100
Z Koudounaris	102 841 988	102 829 853
J Schonken	1 528 820	1 528 820
<b>Total</b>	<b>231 645 855</b>	<b>230 959 085</b>

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### 6.5 Directors Service Contracts and Remuneration

None of the Directors have an interest in any contracts of significance relating to services provided to Innscor by third parties. The Director's remuneration will not change as a result of this transaction.

## 7. CORPORATE GOVERNANCE

### 7.1 Ethics and Business Integrity

Innscor is committed to a Code of Corporate Practices and Conduct based on the principles laid down in the King Report and the Principles for Corporate Governance in Zimbabwe as laid out in the Manual of Best Practice. The Directors recognise the need to conduct the affairs of the Group with principles of transparency, integrity, accountability and in accordance with generally accepted corporate practices, in the interests of its shareholders, employees and other stakeholders. This process enables the Group's shareholders to derive the assurance that, in protecting and adding value to Innscor's financial and human resource investment, the Group is being managed ethically, according to prudently determined risk parameters and in compliance with best international practices.

### 7.2 Board of Directors and Board Committees

The Board of Innscor currently comprises three executive Directors and four non-executive Directors. The Chairman and the non-executive Directors bring a significant amount of experience and intuition to guide a young and ambitious executive management team. The Board meets quarterly to monitor the performance of management and to ensure proper control over the strategic direction of the Group. The Group operates a decentralised Silo structure. Each business has a formal Board with clearly defined responsibilities and objectives, which is responsible for the day-to-day running of its business. A comprehensive financial reporting system ensures that each silo is brought to account.

#### 7.2.1 Audit Committee

Innscor has an audit committee that assists the Board in its fulfilment of their duties. The audit committee of the Board deals, inter alia, with compliance, internal control and risk management. The committee currently comprises of one executive Director and two non-executive Directors. A non-executive Director chairs the committee. The committee meets at least three times a year with the Group's external and internal auditors to consider compliance with financial reporting requirements, monitor the appropriateness of accounting policies and the effectiveness of the systems of internal control and consider the findings of the external and internal auditors. Both the internal and external auditors have unrestricted access to the audit committee to ensure their independence and the objectivity of their reports.

#### 7.2.2 Remuneration Committee

The remuneration committee comprises three non-executive Directors and one executive Director who determine, on behalf of the Board and the shareholders, the individual remuneration packages for the executive Directors and the executive management. The Group's remuneration policy is to provide packages that attract, retain and motivate high quality individuals who will contribute substantially to the growth and success of each of the silos in which Innscor operates. Packages include basic salaries, benefits and performance related bonuses.

#### 7.2.3 Finance and Investment Committee

The finance and investment committee is mandated by the Board to set, approve and monitor overall borrowing limits for the Group and for the individual companies within the Group. The committee is responsible for approving financial institutions that the Group can interact with and the limits of such transactions. The committee also sets, approves and monitors the overall capital expenditure investment within the Group and specifically analyses any expansion capital expenditure and potential business acquisition or disposal prior to considering approval. The committee comprises one non-executive Director, three executive Directors and one senior manager of the Group. The committee meets on a fortnightly basis to consider bank facilities, borrowing positions, capital expenditure, investment opportunities and such other business as may be directed by the Board.

## 8. AUTHORISATION AND APPROVALS FOR THE PROPOSED TRANSACTIONS

Authorisation for Proposed Transactions will be sought from Shareholders at the EGM scheduled for Friday, 24 January, 2014. Any regulatory approvals required for the Proposed Transactions will be sought by the Board.

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## 9. SHARE CAPITAL

Innscor's authorised and issued share capital prior to and pursuant to the Proposed Transactions is summarised below.

Nominal value of Ordinary Shares	US\$ 0.01
<b>Prior to the Proposed Transactions:</b>	
Current number of Innscor Authorised Ordinary Shares	800 000 000
Current number of Innscor Ordinary Shares in issue	541 593 440
Number of Authorised but Unissued Innscor Ordinary Shares	258 406 560
<b>Pursuant to the Proposed Transactions:</b>	
New Non-Voting Class "A" Ordinary Shares to be Authorised by shareholders and placed under the control of Directors to be issued to the Innscor Africa Limited Employee Share Trust	1 000
Ordinary Shares to be placed under the control of Directors pursuant to the Benvenue Investments Option	50 000 000
Ordinary Shares to be placed under the control of Directors pursuant to the Innscor Africa Limited Employee Share Trust Option	30 000 000
Balance of unissued Innscor Authorised Ordinary Shares to be placed under the control of the Directors	178 406 560

### 9.1 Authorised but Unissued Share Capital

Although no issue of shares is contemplated at this time, the Directors seek to place the balance of the authorised but unissued share capital of the Company under their control to be dealt with in terms of the Company's Articles and the regulations of the ZSE.

### 9.2 Variation of Rights

According to Clause 3 of Innscor's Articles of Association, the rights attached to any class of securities issued by the company may be modified, abrogated or varied with the consent in writing of the holders of three-fourths of the nominal amount of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The Directors do not envisage any variation of rights at this time.

### 9.3 Preferential Rights in Respect of Shares

There are no Innscor shares with preferred rights in respect of the Group's share capital.

### 9.4 Voting Rights

In terms of the Proposed Transactions as outlined in this Circular, Directors seek to issue a new class of ordinary share, a Non-Voting Class "A" Ordinary Share to the Innscor Africa Limited Employee Share Trust. This share class will have no vote in the affairs of the Company. Aside from these shares, all existing authorised but unissued and issued Innscor Ordinary Shares are of the same class and rank *pari passu* in every respect.

## 10. INDEPENDENT REPORTING ACCOUNTANTS REPORT

The information set out in Paragraph 3 should be read in conjunction with the report of The Independent Reporting Accountants which is set out in Appendix I of the Circular.

## 11. MATERIAL CONTRACTS

At the date of issue of this Circular, Innscor had not entered into any material contracts, other than in the ordinary course of business.

## 12. LITIGATION STATEMENT

Innscor is not currently involved in any material litigation or arbitration proceedings which may have, or which have had, during the twelve months preceding the date of this Circular, a significant effect on the financial position of the Company, nor are the directors aware that any such proceedings are pending or threatening.

## 13. EXPERTS CONSENTS

The Legal Advisors, Group Financial Advisors, Transfer Secretaries, Auditors and Independent Reporting Accountants Independent Financial Advisors and Sponsoring Brokers have submitted their written consents to act in the capacities stated and to their names being stated in this Circular, and these consents have not been withdrawn as at the Last Practical Date.

The abovementioned consents are available for inspection by interested parties in terms of Paragraph 14 overleaf.

## 13 Part 1: Chairman's Letter to Shareholders

### 14. DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

Between Friday, 27 December, 2013 and Friday, 24 January, 2014, copies of the following documents will be available for inspection, during normal working hours, at the registered office of Innscor, the Share Transfer Secretaries as well as Imara Corporate Finance Zimbabwe, at the addresses set out in the "Corporate Information" section at the beginning of this Document:

- The Memorandum and Articles of Association of Innscor;
- Independent Fair & Reasonable Opinion from the Independent Financial Advisor;
- Copy of the National Indigenisation and Economic Empowerment Board Certificate of Provisional Compliance;
- The written consents detailed in Paragraph 13 of this document;
- The Benvenue Investments Option Agreement;
- The Innscor Africa Limited Employee Share Option Agreement;
- The Innscor Africa Limited Employee Share Trust Deed;
- The Independent Reporting Accountants report on the historical financial information of Innscor;
- Annual reports for Innscor for the financial years ended 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013; and,
- The Independent Reporting Accountants Reports on the pro-forma financial information on Innscor.

### 15. DIRECTORS RESPONSIBILITY STATEMENT

The Directors, whose names appear below, collectively and individually accept full responsibility for the accuracy of the information given herein, and certify that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts.

The Directors confirm that these Circular particulars include all such information within their knowledge (or which it would be reasonable for them to obtain by making enquiries) that investors and their professional Advisors would reasonably expect to find for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer, and of the rights attaching to the securities to which the Circular relate.

David Morgan	Non-Executive Chairman	(Signed in the Original)
John Koumides	Group Chief Executive Officer	(Signed in the Original)
Basil Dionisio	Executive Director	(Signed in the Original)
Michael Fowler	Non-executive Director	(Signed in the Original)
Zinona Koudounaris	Non-executive Director	(Signed in the Original)
Julian Schonken	Group Financial Director	(Signed in the Original)
Thembinkosi Sibanda	Non-executive Director	(Signed in the Original)

#### 15.1 Director's Opinion on the Proposed Transactions

The Directors consider the transactions to be fair and reasonable so far as the shareholders of Innscor are concerned and to be the best interests of the Group. In this regard, the Board is further guided by independent financial advice on the fairness of the Proposed Transactions, an extract of which opinion from IH Advisors is included in this Circular, as Appendix III.

Accordingly the Directors unanimously recommend that shareholders vote in favour of the proposed transactions.

Yours faithfully,

David Morgan

Non-executive Chairman of the Board

13 December 2013

### Appendix I



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way/  
Kwame Nkurumah Avenue  
P O Box 62 or 702  
Harare  
Zimbabwe

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Fax: +263 4 750707 or 773842  
E-mail: admin@zw.ey.com  
www.ey.com

13 December 2013

#### The Directors

Innscor Africa Limited  
Edward Building  
First Street / Nelson Mandela Avenue  
HARARE

Dear Sirs,

#### REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON INNSCOR AFRICA LIMITED

Incorporated in Zimbabwe in 1994, registration number 3867/94

#### 1. Introduction

The directors of Innscor Africa Limited ("Innscor" or "the Company") are proposing the following:

- a. Granting an option to Benvenue Investments (Private) Limited to purchase for cash 50 000 000 new Innscor shares exercisable immediately but with a tenure of 10 years;
- b. Granting an option to the Innscor Africa Limited Employee Share Trust to purchase for cash 30 000 000 new Innscor shares exercisable immediately but with a tenure of 10 years;
- c. The waiver or pre-emptive rights with regard to the proposed options;
- d. Increasing the authorized share capital of Innscor.

The terms of the proposals are more fully described in the Circular to Shareholders dated 13 December 2013.

#### 2. Background

The Indigenisation and Economic Empowerment Act (Chapter 14:33) as read with the Indigenisation and Economic Empowerment Regulations, 2010 and supplemented by General Notice No 459/2011 requires companies in Zimbabwe to comply with requirements pertaining to ownership by indigenous Zimbabweans. The proposed transaction is intended for the company to meet the requirements of the Indigenisation legislation.

The Company has an Indigenization plan that will result in two share option agreements being entered into by the Company. The first agreement will be with an indigenous company, Benvenue Investments (Private) Limited and the second will be with the Innscor Africa Limited Employee Share Trust.

#### 3. Responsibility

The directors are responsible for the preparation of the circular to which this report relates and the information contained therein.

Our report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange ("ZSE") for the purposes of inclusion in the Circular to Innscor shareholders dated 13 December 2013. We do not accept any responsibilities for any reports given by us on any financial information to any third parties who may choose to rely on the reports.

In terms of the ZSE Listing Requirements we refer below to its annual financial statements for the years ended 30 June 2009 to 30 June 2013. We have been auditors of Innscor and have reported in accordance with guidance on standard audit reports as issued by the Public Accountants and Auditors Board.

## 15 Part 2: Appendices

### 4. Scope of our audits of annual financial statements

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

### 5. Prior year audited financial statements

We reported on the annual financial statements for the years ended 30 June 2009 to 30 June 2013 as follows:

#### 5.1 30 June 2009

The following is an extract from the audit report on the annual financial statements for the year ended 30 June 2009:

*International Accounting Standard (IAS) 29: (Financial Reporting in Hyperinflationary Economies)*

Up and until 1 January 2009, the Zimbabwe economy was recognized as being hyperinflationary for purposes of financial reporting. These statements have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 have not been complied with. The Standard requires that financial statements for entities that report in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date.

*International Accounting Standard (IAS) 21: (The Effects of Foreign Exchange Rates)*

The Company's Zimbabwe based subsidiaries were operating in a hyperinflationary environment up to 1 January 2009 when the use of multiple currencies across the economy was adopted. Owing to the inability to apply the requirements of IAS 29 as noted above, those subsidiaries were unable to apply the provisions of IAS 21 applicable to transactions measured prior to 1 January 2009 in the currency (Zimbabwe dollars) of a hyperinflationary economy. Consequently some transactions mainly affecting comparatives, statements of comprehensive income, the statement of cash flows and statement of changes in equity have not been determined in terms of International Financial Reporting Standards.

*International Accounting Standard (IAS): (Presentation of Financial Statements)*

For the reasons outlined in the preceding paragraphs concerning non-compliance with IAS 21 & 29, we did not audit the comparative financial statements in United States dollars and accordingly we do not express an opinion on the comparative financial information. (For further details please refer to Note 2.3 and Note 40 in the Innscor Annual Report for 2009 which has been availed as part of the Documents Available for Inspection as set out in paragraph 14 of this Circular)

Adverse opinion on non-compliance with International Financial Reporting Standards on all comparative information, the statement of comprehensive income, the statement of cash flows and statement of changes in equity.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the comparative financial information, the statements of comprehensive income, the group statement of cash flows and group statement of changes in equity do not give a true and fair view of the results of the group's operations and cash flows for the year ended 30 June 2009 in accordance with International Financial Reporting Standards'

#### Unqualified opinion on the statement of financial position

In our opinion, the Group & Company statement of financial position, in all material respects, gives a true and fair view of the financial position of Innscor Limited at 30 June 2009 in accordance with International Financial Reporting Standards.

#### 5.2 Audited financial statements for the year ended 30 June 2010

The following is an extract from the audit report on the annual financial statements for the year ended 30 June 2010 which were in United States dollars:

### Basis for Qualified Opinion

*Prior year non-compliance with International Accounting Standard ('IAS') 29 (Financial Reporting in Hyperinflationary Economies) and International Accounting Standard (IAS) 21 (The Effects of Changes in Foreign Exchange Rates)*

The company operated under a hyperinflationary economy during the first 7 months of the prior year. The entity changed its functional currency to United States Dollars with effect from 1 February 2009. All comparative information in the income statements, the statements of comprehensive income and the statement of cash flows have not been prepared in conformity with International Financial Reporting Standards in that the requirements of IAS 29 and IAS 21 have not been complied with in converting the financial information during the period of hyperinflation into an applicable measurement base at the date of reporting for the following reasons:

- the inability to reliably measure inflation because of the interaction of multiple economic factors which were pervasive to the Zimbabwean economic environment and;
- the inability to adjust items that were recorded in Zimbabwe dollar into United States dollars at the date of change of functional currency

### Qualified opinion on the statements of financial position

In our opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the statements of financial position, in all material respects, gives a true and fair view of the financial position of Innscor at 30 June 2010 in accordance with IFRS.

### Report on other legal and regulatory requirements

In our opinion, the financial statements have, in all material respects been properly prepared in compliance with the disclosure requirements of the Companies Act (Chapter 24:03) and Statutory instruments (SI33/99 and SI62/96) due to inability to comply with IAS 1 and IAS 21.

### 5.3 Audited financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013

Unqualified audit opinions were issued in respect of financial statements for the years ended 30 June 2011, 2012 and 2013.

### 6. Scope


As the purpose of the appended financial information differs from the purpose of the financial statements prepared for members, the appended financial information is not intended to comply with the full presentation and disclosure requirements of the Companies Act (Chapter 24:03) and International Financial reporting Standards.

Our reporting shall not in any way constitute recommendations regarding the completion of the transaction or the issue of the Circular to the Shareholders.

### 7. Exclusion of Notes and Accounting Policies

At the request of the Company, and with the approval of the ZSE, the notes to the financial statements, and the accounting policies have been excluded from this Circular, but are available for inspection in the Annual Reports as set as out in paragraph 14 of this Circular.

Yours faithfully



ERNST & YOUNG  
Chartered Accountants (Zimbabwe)  
Registered Public Auditor  
Harare



## 17 Part 2: Appendices

### Appendix I



Ernst & Young  
Chartered Accountants (Zimbabwe)  
Registered Public Auditors  
Angwa City  
Cnr Julius Nyerere Way/  
Kwame Nkurumah Avenue  
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Fax: +263 4 750707 or 773842  
E-mail: admin@zw.ey.com  
www.ey.com

13 December 2013

#### The Directors

Innscor Africa Limited  
Edward Building  
First Street / Nelson Mandela Avenue  
HARARE

Dear Sirs,

#### REPORTING ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF INNSCOR AFRICA LIMITED AS AT 30 JUNE 2013

*Incorporated in Zimbabwe in 1994, registration number 3867/94*

#### 1. Introduction

The directors of Innscor Africa Limited ("Innscor" or "the Company") are proposing the following:

- a. Granting an option to Benvenue Investments (Private) Limited to purchase for cash 50 000 000 new Innscor shares exercisable immediately but with a tenure of 10 years;
- b. Granting an option to the Innscor Africa Limited Employee Share Trust to purchase for cash 30 000 000 new Innscor shares exercisable immediately but with a tenure of 10 years;
- c. The waiver or pre-emptive rights with regard to the proposed options;
- d. Increasing the authorized share capital of Innscor.

The terms of the proposals or ("the Proposed Transaction") are more fully described in the Circular to Shareholders dated 13 December 2013.

#### 2. Background

The Indigenisation and Economic Empowerment Act (Chapter 14:33) as read with the Indigenisation and Economic Empowerment Regulations, 2010 and supplemented by General Notice No 459/2011 requires companies in Zimbabwe to comply with requirements pertaining to ownership by indigenous Zimbabweans. The proposed transaction is intended for the company to meet the requirements of the indigenisation legislation.

The Company has an indigenization plan that will result in two share option agreements being entered into by the Company. The first agreement will be with an indigenous company, Benvenue Investments (Private) Limited and the second will be with the Innscor Africa Limited Employee Share Trust.

#### 3. Responsibility

The directors are solely responsible for the preparation of the unaudited pro forma information to which this independent reporting accountant's report relates. They are also responsible for the preparation of the information from which the unaudited financial information has been prepared. Our responsibility as independent reporting accountants is to form an opinion on the basis used to compile the unaudited pro forma financial information. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed at their dates of issue.

The directors are responsible for the preparation of the circular to which this report relates and the financial information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 13 December 2013.

### 4. Unaudited Pro forma Financial Information

The pro forma financial information has been prepared for illustrative purposes only to provide information demonstrating how the transaction would have impacted on the financial position of Innscor had the Proposed Transaction been undertaken on 30 June 2013. Because of its nature, the unaudited pro forma financial information may not give a fair reflection of Innscor's financial position going forward.

Our work consisted primarily of reviewing the unaudited pro forma financial information, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with directors. We were not involved in the independent examination of the underlying information.

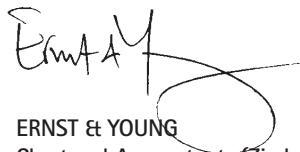
Because the above procedures conducted by us do not constitute either an audit or a review performed in accordance with statements of International Standards on Auditing, we do not express assurance on the fair presentation of the unaudited pro forma financial information. Had we conducted additional procedures, or had we performed an audit in accordance with the International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

The financial information was prepared using certain assumptions made by the directors. The significant assumptions are:

- The entire Benvenue Option was exercised at a strike price of US\$1.37 on 30 June 2013.
- The entire Innscor Employee Share Trust Option was exercised at a strike price of US\$ 0.93 as at 30 June 2013.
- The Innscor Employee Share Trust will be funded over the next ten years through payments from Innscor by way of an 'ex gratia' dividend, representing up to a maximum of 5% of the dividend paid to ordinary shareholders.

In our opinion the adjustments are appropriate for purposes of the unaudited pro forma financial information and consistent with Innscor's accounting policies.

Yours faithfully



ERNST & YOUNG  
Chartered Accountants (Zimbabwe)  
Registered Public Auditor  
Harare

## 19 Part 2: Appendices

### Pro-forma statement of Income

A pro-forma income statement for the Group showing the effect of the Proposed Transactions on the earnings per share and assuming the Proposed Disposals had been effective for the period ended 30 June 2013 is set out below. The pro-forma income statement has been prepared for illustrative purposes only and consequently it cannot give a complete picture of the financial performance of the Group on completion of the Proposed Transactions.

	2013	Effects of Proposed Transactions	Notes	Pro Forma
Revenue	656 332 118			656 332 118
Cost of Sales	<u>(418 456 898)</u>			<u>(418 456 898)</u>
Gross profit	237 875 220			237 875 220
other income	18 522 992			18 522 992
operating expense	<u>(189 001 671)</u>	(10)	1	<u>(189 001 681)</u>
Operating profit before impairments, depreciation, amortisation, interest and fair value adjustments	67 396 541			67 396 531
impairment and derecognition of plant and equipment	(2 232 728)			(2 232 728)
depreciation and amortisation	(14 842 013)			(14 842 013)
fair value adjustments on listed equities	(14 713)			(14 713)
fair value adjustments on biological assets	<u>384 384</u>			<u>384 384</u>
Profit before interest and tax	50 691 471			50 691 461
interest income	1 630 624			1 630 624
interest expense	(4 699 274)			(4 699 274)
equity accounted earnings	<u>11 746 619</u>			<u>11 746 619</u>
Profit before tax from continuing operations	59 369 440			59 369 430
tax	<u>(10 770 549)</u>			<u>(10 770 549)</u>
Profit for the year from continuing operations	<u>48 598 891</u>			<u>48 598 881</u>
Equity holders of the parent	38 953 790	(10)	1	38 953 780
Headline earnings	34 442 767	(10)	1	34 442 757
Number of shares in issue	541 593 440	80 001 000	2	621 594 440
Basic earnings per share (cents)	7.19			6.27
Headline earnings per share (cents)	6.36			5.54
Diluted shares in issue	541 593 440	80 001 000	2	621 594 440
Diluted basic earnings per share (cents)	7.19			6.27
Diluted headline earnings per share (cents)	6.36			5.54

#### Notes

1. Donation of funds for Class A shares.
2. Increase in issued share capital, assuming the shares were issued 30 June 2013.

**Pro-Forma Statement of Financial Position**

A pro-forma statement of financial position for the Group showing the effect of the Proposed Transaction on the net asset value per share and assuming the Proposed Transactions had been effective as at 30 June 2013 is set out below. The pro-forma statement of financial position has been prepared for illustrative purposes only and consequently it cannot give a complete picture of the financial position of the Group on completion of the Proposed Transactions.

	2013 Audited	Effects of Proposed Transactions	Notes	Pro Forma
<b>ASSETS</b>				
<i>Non-current assets</i>				
property, plant and equipment	139 615 506			139 615 506
intangible assets	3 256 491			3 256 491
investments in associates	50 191 580			50 191 580
financial assets	1 505 551			1 505 551
biological assets	1 258 838			1 258 838
deferred tax assets	7 926 277			7 926 277
Subtotal	<u>203 754 243</u>			<u>203 754 243</u>
<i>Current assets</i>				
financial assets	2 891 981			2 891 981
biological assets	1 626 843			1 626 843
inventories	54 670 380			54 670 380
trade and other accounts receivable	62 448 385			62 448 385
cash and cash equivalents	23 183 804	68 350 000	1	<u>91 533 804</u>
Subtotal	<u>144 821 393</u>			<u>213 171 393</u>
<b>Total assets</b>	<u><b>348 575 636</b></u>			<u><b>416 925 636</b></u>
<b>EQUITY AND LIABILITIES</b>				
<i>Capital and reserves</i>				
ordinary share capital	5 415 934	800 000	2	6 215 934
Class A Shares	-	10	3	10
Share premium	-	95 450 000	4	95 450 000
non-distributable reserves	28 618 065			28 618 065
distributable reserves	123 393 018	(27 900 010)	5	<u>95 493 008</u>
	<u>157 427 017</u>			<u>225 777 017</u>
non-controlling interests	35 379 079			<u>35 379 079</u>
<b>Total Equity</b>	<u><b>192 806 096</b></u>			<u><b>261 156 096</b></u>
<i>Non-current liabilities</i>				
deferred tax liabilities	16 642 460			16 642 460
interest-bearing borrowings	2 965 392			<u>2 965 392</u>
Subtotal	<u>19 607 852</u>			<u>19 607 852</u>
<i>Current liabilities</i>				
interest-bearing borrowings	51 440 923			51 440 923
trade and other accounts payable	79 090 682			79 090 682
provisions	5 058 199			5 058 199
current tax liability	571 884			<u>571 884</u>
Total	<u>136 161 688</u>			<u>136 161 688</u>
<b>Total liabilities</b>	155 769 540			155 769 540
<b>Total equity and liabilities</b>	<u><b>348 575 636</b></u>			<u><b>416 925 636</b></u>
Shares in Issue	541 593 440	80 001 000	6	621 594 440
NAV (Cents)	35.60			42.01

**Notes**

1. Net cash movement of proposed transactions.
2. Ordinary Shares issued.
3. Class A shares issued.
4. Share premium from shares issued.
5. Net Effect of Class A share donation and distribution of discretionary dividend on distributable reserves. It is assumed that the purchase of shares by the Inncor Africa Limited Employees Share Trust is funded entirely from future dividends received.
6. Shares issued from proposed transaction.

## 21 Part 2: Appendices

### Appendix III



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Fax: +263 (0) 4 745 879  
info@ihsecurities.com  
www.ihadvisory.com

The Board of Directors  
Innskor Africa Limited  
Edwards Building  
1st Street Nelson Mandela Ave,  
Harare  
Zimbabwe

13 December 2013

Dear Sirs

#### FAIR AND REASONABLE OPINION ON THE GRANTING OF TWO OPTIONS TO BENVENUE INVESTMENTS (PRIVATE) LIMITED AND THE INNSCOR AFRICA EMPLOYEE SHARE TRUST RESPECTIVELY TO PURCHASE NEW INNSCOR AFRICA LIMITED SHARES FOR CASH

#### Introduction

IH Advisory (Private) Limited, a Securities & Exchange Commission of Zimbabwe (SECZ) licensed Investment Advisor has been appointed in terms of the requirements of the Zimbabwe Stock Exchange ("ZSE") Listing Requirements, by the Board of Directors of Innskor Africa Limited (Innskor) to act as an independent financial advisor and provide an opinion as to the reasonableness of the granting of the options to purchase new Innskor Africa Limited shares for cash by Benvenue Investments (Private) Limited and the Innskor Africa Innskor Employee Share Trust.

We understand that the results of our work will be used by the Board of Directors of Innskor (the "Board") to satisfy the ZSE Listing Requirements.

In terms of the Proposed Transactions, Innskor Africa Limited proposes to enter in two Share Option agreements:

- 1) The first option agreement will be with an indigenous company, Benvenue Investments (Private) Limited; The proposed terms of the Benvenue Share Option are as follows:

Number of Shares	Fifty Million (50,000,000)
Tenure	10 years
Pricing	The higher of - 75% of the volume weighted average price of Innskor Africa shares over the previous 60 trading days, or for the first five years, US\$1.37 per share and, for the second five years, US\$2.01 per share

- 2) The second option agreement will be with the newly created Innskor Africa Limited Employee Share Trust; The proposed terms of the Innskor Africa Limited Employee Share Trust Option are as follows:

The proposed terms of the Innskor Africa Limited Employee Share Trust Option are as follows:

Number of Shares	Thirty Million (30,000,000)
Tenure	10 years
Pricing	At the volume weighted average price of Innskor Africa Limited shares over the previous 60 trading days.

The full terms and conditions of the Proposed Transactions are detailed in the Circular to Innskor shareholders dated 13 December 2013, of which this letter is a part.

### Fair and reasonable

The fair and reasonable opinion does not purport to cater for individual shareholder positions but rather the general body of shareholders. A shareholder's decision regarding the fair and reasonableness of the terms of the Proposed Transactions may be influenced by his or her particular circumstances. Should a shareholder be in doubt, he or she should consult an independent advisor about the merits of the Proposed Transactions, considering his or her personal circumstances.

### Basis of opinion

In arriving to our opinion, which is set out below, we considered, inter alia, the following:

- The terms, conditions and background against which the granting of the options is being made;
- The present macro-economic conditions in Zimbabwe;
- The working papers and valuation models associated with the Proposed Transactions;
- The current market conditions on the ZSE and the current trading conditions of Innscor;
- The Directors assessment and opinion of the Proposed Transactions;
- Historical share prices and trading activity in the shares of Innscor on the ZSE up to and including the effective date of the Proposed Transactions;
- Industry related and other information in the public domain; and
- The ZSE Listing requirements.

Our conclusion is dependent on such information, which is listed above, being accurate in all material aspects. Accordingly subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

### Opinion

In our opinion, after due consideration of the relevant factors, the Proposed Transactions are fair and reasonable.

### Independence

Save for professional fees for the services rendered, IH Advisory has no interest, direct or indirect, beneficial or non-beneficial in Innscor Africa Limited, nor in the outcome of the Proposed Transactions.

### Limitation of scope

This opinion is provided solely for the Board of Innscor Africa Limited in connection with and for the purposes of the Transaction in terms of ZSE Listing Requirements. Therefore it shall not be relied upon for any other purpose. We assume no responsibility to anyone if this opinion is used for anything other than its intended purpose.

Yours faithfully,  
[Signed on original]

Salim Eceolaza CA (Z)  
For and on behalf of IH Advisory (Private) Limited

## 23 Part 2: Appendices

### Appendix IV

#### INNSCOR AFRICA LIMITED SHARE PRICE HISTORY

	High (USc per share)	Low (USc per share)	Volume	Value (US\$)	Volume weighted average price (USc per share)
<b>By Quarter:</b>					
January to March 2011	70	50	11 349 153	7 154 552	63
April to June 2011	67	58	10 702 690	6 752 797	63
July to September 2011	70	61	9 640 446	6 223 025	65
October to December 2011	62	53	9 348 791	5 084 003	54
January to March 2012	64	54	5 810 608	3 453 223	59
April to June 2012	61	53	10 396 611	5 868 536	56
July to September 2012	70	54	7 460 586	4 462 283	60
October to December 2012	81	68	9 109 871	6 723 232	74
<b>By Month:</b>					
November 2012	74	68	2 390 074	1 722 859	72
December 2012	72	69	1 734 170	1 213 482	70
January 2013	91	70	3 298 475	2 648 708	80
February 2013	103	85	4 898 896	4 787 748	98
March 2013	95	81	5 021 880	4 327 278	86
April 2013	90	85	2 476 643	2 179 144	88
May 2013	93	86	10 105 072	9 366 126	93
June 2013	110	90	3 024 663	3 002 493	99
July 2013	115	92	2 445 914	2 603 183	106
August 2013	105	80	3 456 895	2 845 038	82
September 2013	82	80	5 275 582	4 283 003	81



INNSCOR AFRICA LIMITED SHARE PRICE HISTORY

	(USc per share)	Volume	Value (US\$)
1, October, 2013	82	689 822	565 654
2, October, 2013	83	728 572	604 715
3, October, 2013	83	1 882	1 562
4, October, 2013	85	508 951	432 608
7, October, 2013	87	292 967	254 881
8, October, 2013	89	138 687	123 431
9, October, 2013	89	7 329	6 523
10, October, 2013	89	193 815	172 495
11, October, 2013	95	-	-
14, October, 2013	90	3 345	3 011
15, October, 2013	90	47 660	42 894
16, October, 2013	90	465 340	418 806
17, October, 2013	90	1 263	1 137
18, October, 2013	89	38 853	34 579
21, October, 2013	89	277 220	246 698
22, October, 2013	88	12 955	11 400
23, October, 2013	87	556	484
24, October, 2013	85	59 259	50 370
25, October, 2013	85	11 301	9 606
28, October, 2013	84	5 392	4 529
29, October, 2013	82	149 837	122 866
30, October, 2013	82	166 104	136 371
31, October, 2013	83	363 839	301 986
1, November, 2013	83	3 796	3 151
4, November, 2013	83	57 469	47 699
5, November, 2013	83	103 805	86 158
6, November, 2013	83	2 881	2 391
6, November, 2013	83	2 881	2 391
7, November, 2013	83	6 568	5 458
8, November, 2013	84	23 127	19 311
11, November, 2013	86	653 094	561 661
12, November, 2013	86	500 147	430 126
13, November, 2013	87	116 240	101 129
14, November, 2013	87	16 006	13 925
15, November, 2013	87	19 028	16 554
18, November, 2013	87	-	-
19, November, 2013	86	92 437	79 496
20, November, 2013	86	464 340	399 332
21, November, 2013	86	319 000	274 340
22, November, 2013	85	357 586	303 948
25, November, 2013	85	-	-
26, November, 2013	84	150 000	126 735
27, November, 2013	82	-	-
28, November, 2013	78	-	-
29, November, 2013	80	12 927	10 342
2, December, 2013	76	-	-
3, December, 2013	80	1 228	982
4, December, 2013	80	496 411	397 129
5, December, 2013	80	21 281	17 025
6, December, 2013	77	116	89
9, December, 2013	77	638 514	491 656
10, December, 2013	77	300 000	231 000
11, December, 2013	77	356 029	274 107
12, December, 2013	77	370	283
13, December, 2013	75	257 195	192 896

## 25 Part 2: Appendices

### Appendix V

#### TERMS AND CONDITIONS OF THE NON-VOTING CLASS "A" ORDINARY SHARES

##### 1. WINDING UP OF THE COMPANY

On winding up of the Company the amounts due to the ordinary shareholders of the Non-Voting Class "A" ordinary shareholders shall be ranked in the proportion which the nominal value of the Ordinary Shares bears to the nominal value of the Non-Voting Class "A" Ordinary Shares.

##### 2. DIVIDEND PAYMENTS

The Non-Voting Class "A" Ordinary Shares shall confer the rights to receive out of the profits of the Company available for distribution, as determined by the Company from time to time, after the declaration and payment of any dividend to holders of Ordinary Shares, a cash dividend of up to a maximum of 5% (five percent) of the amount of dividend declared and paid to the holders of Ordinary Shares. Declaration and payment of this dividend is entirely at the discretion of the Board. This dividend entitlement shall remain in force until 31 December 2023.

##### 3. ENTITLEMENT TO VOTE

The Non-Voting Class "A" Ordinary Shares carry no voting rights with regard to the affairs of the Company.



INNSCOR AFRICA LIMITED

(incorporated in the Republic of Zimbabwe under Registration number 3867/94)

("Innscor" or "the Company")

### Notice convening an Extraordinary General Meeting of members of Innscor Africa Limited ("Innscor")

Notice is hereby given that Innscor Africa Limited ("the Company") hereby convenes an Extraordinary General Meeting ("EGM") of members of the Company at 0815 hrs on Friday, 24 January, 2014, at Royal Harare Golf Club, Fifth Street extension, Harare, for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out below.

#### Preamble:

Shareholders are asked to consider six Special Resolutions and two Ordinary Resolutions relating to approvals for the following:

#### Special Resolution 1 – Reservation of Shares for Benvenue Investments:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"To approve the reservation for a period of ten years of Fifty Million (50 000 000) Ordinary Shares out of the authorised unissued share capital of the Company as of the date hereof and the issue and allotment of such Ordinary Shares to Benvenue Investments (Private) Limited against subscription therefore by Benvenue Investments (Private) Limited in cash, at a price per share calculated at the higher of 75% of the volume weighted average price of Innscor Africa Limited shares over the previous 60 trading days, or for the first five years, US\$1.37 per share and for the second five years, US\$2.01 per share, whichever is the higher, in the event Benvenue Investments (Private) Limited exercises its option to subscribe for such shares."

#### Special Resolution 2 – Waiver of pre-emptive rights in respect of Shares for Benvenue Investments:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution in terms of Section 5.82 of the Zimbabwe Stock Exchange Listing Requirements:

"To waive any pre-emptive rights of the Shareholders in respect of Shares to be issued and allotted pursuant to the Benvenue Investments (Private) Limited Option Agreement referred to in Special Resolution 1."

#### Special Resolution 3 – Reservation of Shares for the Innscor Africa Limited Employee Share Trust:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"To approve the reservation for a ten year period of thirty million (30 000 000) Ordinary Shares out of the authorised unissued share capital of the Company as of the date hereof to enable the Company to honour its obligations under the Innscor Africa Limited Employee Share Trust Option (as detailed in the Circular) in order for the Innscor Africa Limited Employee Share Trust to purchase for cash new Company Shares from time to time for a period of up to ten years from the date of this resolution."

#### Special Resolution 4 – Waiver of pre-emptive rights in respect of Shares for the Innscor Africa Limited Employee Share Trust:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution in terms of Section 5.82 of the Zimbabwe Stock Exchange Listing Requirements:

"To waive any pre-emptive rights of the Shareholders in respect of Shares to be issued and allotted pursuant to the Innscor Africa Limited Employee Share Trust Option referred to in Special Resolution 3."

#### Special Resolution 5 – Increase in Authorised Share Capital:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

"That the authorised share capital of the Company be and is hereby increased from \$8 000 000 (eight million dollars) divided into 800 000 000 (eight hundred million) Ordinary Shares of \$0.01 (one cent) each to \$8 000 010 (eight million and ten dollars) divided into 800 000 000 (eight hundred million) Ordinary Shares of \$0.01 (one cent) each and 1 000 (one thousand) Non-Voting Class "A" Ordinary Shares of \$0.01 (one cent) each".

## 27 Part 3: Notice and Form of Proxy

### Special Resolution 6 – Adopting the Terms and Conditions of the Non-Voting Class “A” Ordinary Shares:

To consider and, if deemed fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“That the terms and conditions of issue of the Non-Voting Class “A” Ordinary Shares are hereby approved, provided however that the Directors may in their sole discretion vary or delete any such terms or conditions prior to the date of issue of any of the shares.”

### Ordinary Resolution 1 – Empowering the Directors to issue the Non-Voting Class “A” Shares:

“That the Directors be and are hereby authorised to issue the Non-Voting Class “A” ordinary shares to the Innscor Africa Limited Employee Share Trust on such terms and conditions as they deem fit.”

### Ordinary Resolution 2 – Placing the Unissued Authorised Shares under the control of Directors:

“That, although no issue of these shares is contemplated at this time, the balance of the authorised but unissued share capital of the Company be and is hereby placed under the control of the Directors, for an indefinite period, to be dealt with in terms of the Company’s Articles and the regulations of the ZSE, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of Innscor shareholders in general meeting.”

For and on behalf of

BOARD OF DIRECTORS

INNSCOR AFRICA LIMITED

13 December 2013





**FORM OF PROXY**

A form of proxy, in which are set out the relevant instructions for its completion, is attached hereto, for use by such shareholder of the Company who is unable to attend the EGM but who wishes to be represented thereat. Completion of a form of proxy will not preclude such shareholder of the Company from attending and voting (in preference to the appointed proxy) at the EGM.

The instrument appointing a proxy and the authority (if any) under which it is signed must be received by the Company's transfer secretaries or at the Company's registered offices (Attention the Company Secretary) at the addresses given below no later than 48 (Forty-eight hours) before the time appointed for the holding of the EGM.

**OFFICE OF THE TRANSFER SECRETARIES**

Innscor Africa Limited  
1 Ranelagh Road, Highlands  
P.O. Box A88, Avondale  
Harare  
Zimbabwe  
Telephone 263-4 -496886

**REGISTERED OFFICE OF THE COMPANY**

Edward Building  
1st Street / Nelson Mandela Avenue  
P.O. Box A88, Avondale  
Harare  
Zimbabwe  
Telephone 263-4-496886

**FORM OF PROXY**



(Incorporated in Zimbabwe in 1994 under registration number 3867/94)

For use by the Company's shareholders at the EGM of shareholders to be held on Friday, 24 January, 2014.

Each member entitled to attend and vote at the EGM is entitled to appoint one person as his proxy, who need not be a member of the Company, to attend, speak and vote in his/her stead at the EGM.

I/We \_\_\_\_\_ Of \_\_\_\_\_  
(Name in block letters)

Being the holder of \_\_\_\_\_ shares in the Company hereby appoint

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her

**3. The Chairman of the EGM**

As my/our proxy to act for me/us at the EGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2) in accordance with the following instructions:

**RESOLUTIONS**

Number of Votes: \_\_\_\_\_

**SPECIAL RESOLUTIONS**

	For	Against	Abstain
1 Reservation of Shares for Benvenue Investments			
2 Waiver of pre-emptive rights in respect of Shares for Benvenue Investments			
3 Reservation of Shares for the Innscor Africa Limited Employee Share Trust			
4 Waiver of pre-emptive rights in respect of Shares for the Innscor Africa Limited Employee Share Trust			
5 Increase in Authorised Share Capital			
6 Adopting the Terms and Conditions of the Non-Voting Class "A" Ordinary Shares			

**ORDINARY RESOLUTIONS**

1 Empowering the Directors to issue the Non-Voting Class "A" Shares			
2 Placing the Unissued Authorised Shares under the control of Directors			

Every person present and entitled to vote at the EGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2013/2014 (Delete inapplicable)

Signature(s) \_\_\_\_\_

Assisted by me \_\_\_\_\_

Full name(s) of signatory/ies if signing in a representative capacity (see note 2) (please use block letters).

## 31 Part 3: Notice and Form of Proxy

### Notes to the form of proxy

#### INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the EGM", but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the shareholder's votes exercisable there at. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, or cast them in the same way.
3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
  - i. under a power of attorney
  - ii. on behalf of a companyunless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.
5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the share register.
10. Please be advised that the number of votes a member is entitled to be determined by the number of shares recorded on the share register 48 hours before the time appointed for the holding of the meeting.

#### OFFICE OF THE TRANSFER SECRETARIES

Innscor Africa Limited  
1 Ranelagh Road  
Highlands  
Harare  
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