INNSCOR AFRICA LIMITED

Abridged Reviewed Group Financial Results

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Our passion for **value creation**

Salient Features

INFLATION-ADJUSTED

			ZWL
Revenue	**16%**	▲	**4 267 681 621**
Operating profit	**64%**	▲	**675 404 058**
Profit before tax	**14%**	▲	**688 769 082**
Basic earnings per share (cents)	**40%**	▲	**74.63**
Headline earnings per share (cents)	**52%**	▲	**74.60**
Cash dividend declared per share (cents)	**8%**	▲	**13.73**

DIRECTORS' RESPONSIBILITY

The Holding Company's Directors are responsible for the preparation and fair presentation of the Group's consolidated financial statements, of which this press release represents an extract. These abridged Group interim financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange (ZSE) Listing Requirements for provisional interim financial statements (Preliminary Reports), and in accordance with the measurement and recognition principles of International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Business Entities Act (Chapter 24:31) (COBE). The principal accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the previous annual financial statements. There is no significant impact arising from new and revised IFRS which became effective for reporting periods commencing on or after 1 January 2019.

CAUTIONARY STATEMENT- RELIANCE ON ALL FINANCIAL STATEMENTS PREPARED IN ZIMBABWE FOR 2019/2020

The Directors would like to advise users to exercise caution in their use of these interim financial statements due to the material and pervasive impact of the technicalities brought about by the change in functional currency in Zimbabwe in February 2019, its consequent impact on the usefulness of the financial statements for 2019/2020 financial periods and the adoption of International Accounting Standard (IAS) 29 (Financial Reporting in Hyperinflationary Economies), effective 1 July 2019.

Whilst the Directors have exercised reasonable due care, and applied judgements that they felt were appropriate in the preparation and presentation of these interim financial statements, certain distortions may arise due to various specific economic factors that may affect the relevance and reliability of information that is presented in economies that are experiencing hyperinflation, as well as technicalities regarding the change in functional and reporting currency.

The review conclusion on these interim financial statements has been modified by the independent auditors, Ernst & Young Chartered Accountants (Zimbabwe) as indicated in the review conclusion statement below.

ADOPTION OF IAS 29 (FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES)

Having assessed the impact of hyperinflation in the economy, the Public Accountants and Auditors Board (PAAB), have advised that the conditions for adopting IAS 29, have been satisfied with effect from 1 July 2019. IAS 29 requires that inflation-adjusted financial statements become the entity's primary financial statements. The Group has complied with this requirement, and this Interim Report is therefore based on inflation-adjusted financial statements.

EXTERNAL AUDITOR'S REVIEW CONCLUSION

These abridged Group interim financial statements have been reviewed by the Group's external auditors, Ernst & Young Chartered Accountants (Zimbabwe), who have issued an adverse review conclusion as a result of non-compliance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) and the consequential impact on the inflation-adjusted amounts determined in terms of IAS 29. The auditor's review conclusion on the Group's interim financial statements is available for inspection at the Company's registered office.

OPERATING ENVIRONMENT AND OVERVIEW

Local macro-economic conditions remained generally depressed during the period under review. Devaluation of the Zimbabwe Dollar continued, notwithstanding limited local liquidity, and this drove inflation. Disposable incomes continued to decline with a resultant negative effect on volume levels in a number of operating units.

Steep inflation coupled with very limited debt availability from financial institutions, and in the absence of supplier credit, required profits to be fully deployed to maintaining inventory at appropriate levels.

The nationwide electricity load-shedding programme affected all business units; this required increased usage of back-up generator facilities, and continual adjustment of manufacturing schedules in an effort to control conversion costs and minimise disruption to production.

The effect of the 2019 drought on local agricultural production has meant that the Group has continued to have to source most of its major raw materials through imports. Government progressively reduced its subsidy programmes during the period under review, with certain targeted maize meal variants being the only subsidised basic food commodity at the end of the period. Whilst the need to assist the vulnerable remains through well-targeted programmes, this overall policy migration is welcomed, and will result in increased competition, which will ultimately yield competitive pricing for consumers.

A complex and extremely challenging environment has required management to continually monitor its trading models; ensure pricing remains within reach of the consumer, manage an ever-changing bill of materials cost, maintain overhead control, and protect working capital levels. Pleasing progress was made in these often competing objectives.

FINANCIAL PERFORMANCE

As noted earlier in this report, the Group's interim financial results have been prepared on an inflation-adjusted basis as required by IAS 29. Historical cost financial statements have not been presented due to the significant distortions arising from the hyperinflationary environment.

The Group posted revenue of ZWL4,268b during the period under review, representing a 16% increase versus the comparative period. Volume performance was generally mixed, whilst average selling prices increased, following the removal of subsidies on a number of products and the migration away from controlled pricing.

The Group's sustained improvement in product mix reported in the last period, well-priced strategic raw material investments, and a well-controlled overhead structure, combined to give rise to an operating profit of ZWL675.404m for the period under review; this was a growth of 64% over the comparative period.

The Group's financial income, previously dominated by currency gains and fair value adjustments on listed equities under the historical cost convention, were minimal during the period under the inflation-adjusted reporting convention. Fair value losses in biological assets of ZWL116.183m indicate a reduction in real value of parts of the Group's livestock herds as a result of lower real selling prices utilised in the computation to fair value these assets. The increase in the depreciation charge to ZWL155.607m arises primarily from the re-basing of fixed assets in February 2019 following the change in the functional and reporting currency.

Interest costs grew over the comparative period mainly as a result of an increase in interest rates; real absolute borrowing levels remained similar to the F2019 closing position.

The Group's associates delivered a 113% increase in earnings with all units contributing positively to this result.

A monetary gain of ZWL142.666m was recorded during the period under review, indicating the efficient deployment of resources to non-monetary assets.

Profit before tax for the period at ZWL688.769m was 14% ahead of the comparative period, while overall interim headline earnings per share of 74.60 ZWL cents for the period showed a 52% increase over the same period.

The increase in other comprehensive income to ZWL 381.259m in the current period is attributable to exchange differences arising on the translation of foreign operations. In the comparative period, the effect of the translation of foreign operations was minimal as the reporting period was prior to the change in functional currency.

The Group's Statement of Financial Position remained solid, with net gearing levels reducing to 3.08% on an inflation-adjusted basis.

In light of the operating environment, and the need to deploy resource to working capital, cash generated from operating activities was managed to minimum levels.

OPERATIONS REVIEW

MILL-BAKE

This reporting segment contains the results from the Group's Bakery division, National Foods, and the Group's non-controlling interest in Profeeds.

The **Bakery division** operated within the confines of a regulated pricing framework for much of the period under review. Extremely limited flour availability at the necessary pricing level needed to maintain loaf pricing during this price-managed period meant several flour outages and consequently several disruptions to bread production; this was the main reason for the reduction in loaf volumes of 45% against the comparative period.

In the latter part of the period under review, Government migrated from a controlled pricing approach to a market-related pricing approach; this policy change resulted in an immediate return to consistent supply of flour and consequently bread. Bread pricing normalised and settled rapidly, and whilst volumes remain lower than previous years, the business has been able to adjust and plan accordingly to ensure viability.

Focus in the immediate future for the operation will be on re-building the volume base, widening the product offering to cater for all income levels, investigating sustainable auxiliary power solutions and further automating production.

National Foods delivered a solid performance, notwithstanding a challenging operating environment. Overall volumes for the period under review declined by 32% against the comparative period to 211,000mt, with all categories, other than maize which was similar to the comparative period, showing reductions in volumes, driven largely by reduced consumer spending power and the progressive removal of subsidies, notably within the flour value-chain.

The Maize division continues to play a vital role for the nation, working together with Government in operationalising its recent maize subsidy programme; the business has milled in excess of 45,000mt of product for the programme since it was launched in December 2019. We expect very high demand in the coming period and have embarked on a significant importation programme to complement Government's initiatives. Parallel to this both our Mutare and Masvingo mills have been re-opened, with the resuscitation of the Masvingo mill especially noteworthy since this mill was last operated in 1998.

The National Foods innovation programme continues to develop and introduce new products with the recent launch of a maize-based instant breakfast porridge under the "Pearlenta Nutri-Active" brand; initial market feedback has been extremely positive, and further opportunities in the breakfast cereal category are being explored. In the Snacks category, our new "Allegros Popticorn" product is also proving to be highly popular, and initial target volumes are being well exceeded.

We continue to work with the authorities in respect of the historical debt owed by the Reserve Bank of Zimbabwe (RBZ) to the Group's wheat supplier. This debt amounted to USD42.65m at the end of the period under review.

Profeeds, an associate company of the Group, recorded a 27% decrease in feed volumes and a 33% decrease in day-old chick volumes against the comparative period. The majority of this volume decline was within the retail platform, which serves the small-scale market segment and is a reflection of subdued consumer spending and evolving consumer demand in response to the current market conditions.

The retail platform re-branding exercise is progressing well, whilst our ancillary product portfolio continues to be enhanced in pursuit of the delivery of a "one-stop shop" experience for our customer base.

Feed product development also continues to be a core focus area for the business, and in this regard the new fish feed category has shown excellent volume growth on the back of this increasingly popular protein.

PROTEIN

This reporting segment comprises the results of Colcom, Irvine's, Associated Meat Packers (AMP), and the "Texas Meats" and "Texas Chicken" branded store network.

The **Colcom** division, comprising Triple C Pigs, Colcom Foods and Simon's Pies, experienced a 17% decline in overall sales volumes. Other than the fresh category, which continued to show good volume growth, all other categories showed volume decline.

Pig production grew by 7% from the comparative period, with almost 50,000 animals processed during the period under review. The increased volume resulted from the combination of an additional pig site which came online during the course of the previous financial year, and also from improved genetics and production efficiencies achieved across all herds.

The operation has adequate levels of key stock feed raw materials on hand, and immediate focus will be on maintaining these levels following the 2020 agricultural harvest. Improvement in pig genetics represents an exciting area of future volume growth for the business, and this is expected to result in continuing enhancements in overall production efficiencies. From a processing perspective, product development continues in line with the ever-changing market dynamics.

Irvine's recorded a 26% volume growth in table eggs during the period under review, with the volumes achieved being an all-time high for the business. Frozen chicken volumes were however 14% behind the comparative period, while day-old chick volumes declined by 34%, as small-scale farmers reduced operations in response to current economic conditions and diminished crop yields.

As with all protein operations and in light of lower production of key grains regionally, it will be vital for current stock feed raw material levels to be maintained. Notwithstanding lower local demand for day-old chicks, production levels of hatching eggs will be maintained at normal levels with surplus volume being exported to neighbouring regional territories.

The business will continue with its long-term strategy of investing in further table egg automation, whilst work on additional hatchery facilities will also continue. These are long-term projects and are essential in ensuring lowest-cost production can be achieved.

Volumes at the **AMP Group** during the period under review were 23% above those recorded in the comparative period. Volume performance was enhanced by the continued growth of the retail network, which saw the opening of the first "Texas Meat Market" outlet in Bulawayo; this concept is a "one-stop" protein shopping experience, with further outlets planned in other major centres in the period ahead. In line with the expansion in retail, further upgrades and enhancements continued at the Zimnyama business, and the operation recently achieved export status, opening up exciting sales opportunities to adjacent regional markets.

OTHER LIGHT MANUFACTURING AND SERVICES

This reporting segment comprises the results of Natpak, Prodairy, Probottlers, and the Group's non-controlling interests in Probrands and Capri.

At **Natpak,** volumes in the period under review were 18% above those recorded in the comparative period. This increase was driven largely by the increased utilisation of the corrugated packaging plant and the newly commissioned rigids packaging operation which operated close to capacity. Volumes in the sacks and flexibles divisions were down marginally on the comparative period, being reflective of softer demand across these particular markets. Initiatives to expand rigids capacity and capability are in place, and these should maintain the operation's growth trajectory into the next financial year.

Current period volumes at **Prodairy** increased by 25% on the comparative period, and whilst all categories achieved good growth, stand-out performances were recorded in the dairy blend and maheu categories. Raw milk in-take remained solid and represented around 20% of national production. The business launched its butter offering during the period under review, and this product was very well received by the market and has quickly become the market leader. Additional investment into adjacent products in this particular value-chain are currently under investigation.

Volumes at **Probottlers** declined by 26% over the comparative period with similar performances in both the cordial and carbonated soft drink categories. Power supply was exceptionally poor at this unit, and was the main reason for the volume reduction. Additional generating capacity has been installed within the plant, and volumes continue to show good recovery.

OTHER LIGHT MANUFACTURING AND SERVICES (continued)

Further plant upgrades will be commissioned in the final quarter of the current financial year, and this will yield additional volume capacity in both categories.

At **Probrands,** volumes were 14% below those of the comparative year, largely driven by depressed rice volumes; volumes in the other categories were reasonable.

PROSPECTS

Pleasing progress has been made by the Group in managing operations within a particularly complex and fluid trading and regulatory environment. The current economic challenges being faced by the country seem likely to persist for the foreseeable future, and in this regard our individual business strategies will need to remain dynamic in order to adjust to the conditions of the day. Focus will be directed to ensuring that our bill of materials cost is managed carefully given steep inflation, and this must be balanced with a view of achieving appropriate pricing and volume levels against the backdrop of a consumer base experiencing significant reductions in disposable income. Strict management of our overhead base also remains vital in the period ahead.

The Group's balance sheet remains very strong; however management of each component of working capital will continue to require intense focus, particularly with regards to key raw material inventories such as maize, wheat and soya. Current inflation levels have resulted in a steep increase in the value of replacement product and, conversely, a substantial decline in real gearing levels; the Group will therefore continue to work with its financial institution partners in achieving a more appropriate level of debt to support its growth plans. The Group will also continue to approach the market with direct debt instruments to fund critical programmes such as contract farming.

Electricity shortages are likely to persist at least for the medium-term, and accordingly, we will investigate alternative sources of energy for our individual manufacturing sites. Water also remains a risk, and mitigatory strategies have been planned in this regard.

As noted earlier in the report, the Group has played a vital role in ensuring the continuation of national food supply, both through the supply of credit and also product, and it will continue to play its role in supporting Government initiatives during the current drought conditions.

Initiatives by the authorities to migrate from subsidised pricing to market-related pricing are supported and welcomed, and will result in uninterrupted availability of product, competition in pricing and relief to the fiscus. Notwithstanding current conditions, it remains key for the Group to continue assessing and investing in capital projects which will provide long-term business model optimisation and efficiency; in addition, the Group will continue to assess growth opportunities in both adjacent and new categories in its pursuit of value creation for shareholders.

INTERIM DIVIDEND

In view of the prevailing environment, and given the need to maintain appropriate levels of working capital to support the Group's role in national food security, the Board has adopted a prudent approach in determining the interim dividend.

The Board is pleased to declare an interim dividend of 13.73 ZWL cents per share payable in respect of all ordinary shares of the Company. This interim dividend is in respect of the financial year ending 30th June 2020 and will be payable in full to all the shareholders of the Company registered at the close of business on the 3rd of April 2020. The payment of this dividend will take place on or about the 17th of April 2020. The shares of the Company will be traded cum–dividend on the Zimbabwe Stock Exchange up to the market day of the 31st of March 2020 and ex-dividend as from the 1st of April 2020.

The Board has also declared an interim dividend totalling ZWL3.878m to Innscor Africa Employee Share Trust (Private) Limited.

APPRECIATION

I wish to record my appreciation to the Executive Directors, Management and Staff for their effort during the period under review.

I also wish to thank the Non-Executive Directors for their wise counsel as well as the Group's customers, suppliers and other stakeholders for their continued support and loyalty.

A.B.C. CHINAKE
Independent, Non-Executive Chairman
27 February 2020

Abridged Reviewed Group Statement of Profit Or Loss and Other Comprehensive Income

	Note	INFLATION-ADJUSTED 6 months ended 31 Dec 2019 ZWL	6 months ended 31 Dec 2018 ZWL
REVENUE		**4 267 681 621**	**3 674 576 743**
Operating profit before depreciation, amortisation and fair value adjustments		**675 404 058**	**412 141 467**
financial income	7	2 362 017	35 930 964
depreciation and amortisation		(155 607 045)	(74 083 412)
Operating profit before interest, equity accounted earnings and fair value adjustments		**522 159 030**	**373 989 019**
fair value adjustments on livestock and listed equities		(109 139 427)	(8 718 199)
Profit before interest and tax		**413 019 603**	**365 270 820**
interest income		26 048 616	8 775 829
interest expense		(86 992 442)	(41 116 645)
equity accounted earnings		194 027 298	91 063 311
monetary gain		142 666 007	181 902 681
Profit before tax		**688 769 082**	**605 895 996**
tax expense		(80 355 456)	(128 452 879)
Profit for the period		**608 413 626**	**477 443 117**
Other comprehensive income - to be recycled to profit or loss			
exchange differences arising on the translation of foreign operations		381 259 439	(1 341)
Total comprehensive income for the period		**989 673 065**	**477 441 776**
Profit for the period attributable to:			
equity holders of the parent		416 905 676	297 004 513
non-controlling interests		191 507 950	180 438 604
		608 413 626	**477 443 117**
Total comprehensive income for the period attributable to:			
equity holders of the parent		772 801 309	297 003 679
non-controlling interests		216 871 756	180 438 097
		989 673 065	**477 441 776**
EARNINGS PER SHARE (CENTS)			
Basic earnings per share	14	74.63	53.24
Headline earnings per share	14	74.60	48.97
Diluted basic earnings per share	14	71.81	52.77
Diluted headline earnings per share	14	71.78	48.54

Abridged Reviewed Group Statement of Financial Position

	Note	INFLATION-ADJUSTED At 31 Dec 2019 ZWL	At 30 June 2019 ZWL
ASSETS			
Non-current assets			
property, plant and equipment		3 179 119 293	3 166 103 909
intangible assets		364 351 386	364 351 386
investments in associates		1 392 633 481	1 023 052 917
financial assets		282 344 279	238 151 631
biological assets		28 344 111	29 792 325
		5 246 792 550	**4 821 452 168**
Current assets			
biological assets		156 184 776	136 403 247
inventories	10	929 097 353	1 035 468 898
trade and other receivables	11	1 491 151 140	1 171 746 297
cash and cash equivalents		502 542 458	466 955 690
		3 078 975 727	**2 810 574 132**
Total assets		**8 325 768 277**	**7 632 026 300**
EQUITY AND LIABILITIES			
Capital and reserves			
ordinary share capital		49 373 483	49 322 983
class "A" ordinary share capital		88	88
share premium		159 501 089	156 954 879
other reserves		782 052 560	443 593 537
distributable reserves		3 442 433 752	3 067 912 757
attributable to equity holders of the parent		**4 433 360 972**	**3 717 784 244**
non-controlling interests		1 705 160 711	1 511 079 682
Total shareholders' equity		**6 138 521 683**	**5 228 863 926**
Non-current liabilities			
deferred tax liabilities		478 948 249	754 434 270
interest-bearing borrowings	13	12 817 253	25 569 233
		491 765 502	**780 003 503**
Current liabilities			
interest-bearing borrowings	13	685 489 381	641 727 776
trade and other payables	12	774 401 997	873 315 019
provisions and other liabilities		8 300 981	9 707 202
current tax liabilities		227 288 733	98 408 874
		1 695 481 092	**1 623 158 871**
Total liabilities		**2 187 246 594**	**2 403 162 374**
Total equity and liabilities		**8 325 768 277**	**7 632 026 300**

Abridged Reviewed Group Statement of Cash Flows

	Note	INFLATION-ADJUSTED 6 months ended 31 Dec 2019 ZWL	6 months ended 31 Dec 2018 ZWL
Cash generated from operating activities		**181 601 899**	**101 036 697**
interest income		26 048 616	8 775 829
interest expense		(86 992 442)	(41 116 645)
tax paid		(55 353 263)	(48 678 455)
Total cash available from operations		**65 304 810**	**20 017 426**
Investing activities		**(258 807 111)**	**(287 706 306)**
Net cash outflows before financing activities		**(193 502 301)**	**(267 688 880)**
Financing activities		**27 533 198**	**82 533 849**
Net decrease in cash and cash equivalents		**(165 969 103)**	**(185 155 031)**
Effects of currency translation on cash and cash equivalents - foreign operations		**201 555 871**	**—**
Cash and cash equivalents at the beginning of the period		**466 955 690**	**533 137 908**
Cash and cash equivalents at the end of the period		**502 542 458**	**347 982 877**

Abridged Reviewed Group Statement of Changes in Equity

INFLATION-ADJUSTED

	Ordinary Share Capital ZWL	Class "A" Ordinary Share Capital ZWL	Share Premium Reserve ZWL	Other Reserves						Distributable Reserves ZWL	Total Attributable to Equity Holders of the Parent ZWL	Non-Controlling Interests ZWL	Total Shareholders' Equity ZWL
				Restructure Reserve ZWL	Foreign Currency Translation Reserve ZWL	Change in Functional Currency Reserve ZWL	Treasury Shares ZWL	Share based Payment Reserve ZWL	Total Other Reserves ZWL				
Balance at 30 June 2018	49 322 983	88	156 954 879	(115 742 020)	1 238 683	—	(6 060 792)	7 533 556	(113 030 573)	1 805 453 549	1 898 700 926	715 401 410	2 614 102 336
Profit for the year	—	—	—	—	—	—	—	—	—	1 352 626 101	1 352 626 101	744 587 385	2 097 213 486
Other comprehensive income	—	—	—	—	356 229 074	—	—	—	356 229 074	—	356 229 074	4 661 837	360 890 911
Dividends paid	—	—	—	—	—	—	—	—	—	(127 315 109)	(127 315 109)	(67 381 649)	(194 696 758)
Effect of change in functional currency	—	—	—	—	—	239 903 709	—	—	239 903 709	—	239 903 709	117 239 940	357 143 649
Unwinding of change in functional currency reserve	—	—	—	—	—	(47 332 680)	—	—	(47 332 680)	47 332 680	—	—	—
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	—	(10 184 464)	(10 184 464)	(3 429 241)	(13 613 705)
Share based payment charge, net of tax	—	—	—	—	—	—	—	7 824 007	7 824 007	—	7 824 007	—	7 824 007
Balance at 30 June 2019	49 322 983	88	156 954 879	(115 742 020)	357 467 757	192 571 029	(6 060 792)	15 357 563	443 593 537	3 067 912 757	3 717 784 244	1 511 079 682	5 228 863 926
Issue of shares	50 500	—	2 546 210	—	—	—	—	(8 409 723)	(8 409 723)	—	(5 813 013)	—	(5 813 013)
Profit for the period	—	—	—	—	—	—	—	—	—	416 905 676	416 905 676	191 507 950	608 413 626
Other comprehensive income	—	—	—	—	355 895 633	—	—	—	355 895 633	—	355 895 633	25 363 806	381 259 439
Dividend paid	—	—	—	—	—	—	—	—	—	(53 735 343)	(53 735 343)	(22 801 692)	(76 537 035)
Unwinding of change in functional currency reserve	—	—	—	—	—	(10 450 029)	—	—	(10 450 029)	11 350 662	900 633	—	900 633
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	—	—	—	—	10 965	10 965
Share based payment charge	—	—	—	—	—	—	—	1 423 142	1 423 142	—	1 423 142	—	1 423 142
Balance at 31 December 2019	49 373 483	88	159 501 089	(115 742 020)	713 363 390	182 121 000	(6 060 792)	8 370 982	782 052 560	3 442 433 752	4 433 360 972	1 705 160 711	6 138 521 683

Supplementary Information

1 Corporate Information

The Company is incorporated and domiciled in Zimbabwe.

2 Basis of preparation

The Group's consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with the requirements of the Zimbabwe Stock Exchange Listing Requirements and in the manner required by the Zimbabwe Companies and Other Business Entities Act (Chapter 24:31) (COBE). The Listing Requirements require interim financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accouting Standards Board ("IASB") and as a minimum, contain the information required by International Accouting Standards ("IAS") 34 (Interim Financial Reporting). The Group's consolidated inflation-adjusted interim financial statements have been prepared based on the statutory records that are maintained under the historical cost basis, except for equity investments and biological assets that have been measured at fair value and are presented in Zimbabwean Dollars (ZWL); all values are rounded to the nearest dollar, except where otherwise indicated.

The principal accounting policies applied in the preparation of the Group consolidated interim financial statements are in terms of IFRS except for the non-compliance with IAS 21 (The Effects of Change in Foreign Exchange Rates), and its consequential impact on the inflation adjusted amounts determined in terms of IAS 29 (Financial Reporting in Hyperinflationary Economies) and have been applied consistently in all material respects with those of the previous consolidated annual financial statements. In the current year, the Group has adopted the requirements of IAS 29, and IFRS 16 (Leases).

3 IAS 21 (The Effects of Changes in Foreign Exchange Rates)

As noted in the Group's 2019 financial statements, Government promulgated Statutory Instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe Dollars at the rate which was at par with the United States Dollar (USD). Guidance issued by the Public Accountants and Auditors Board (PAAB) noted that the requirements of SI 33 were contrary to the provisions of IAS 21.The Directors have always ensured compliance with IFRS but were unable to do so in respect of the comparative financial information due to the conflict between IAS 21 and local statutory requirements. In respect of the current financial year information, and as a result of the absence of an observable foreign exchange market, the Group continues to be unable to meet the full requirements of IAS 21. Due to the material and pervasive impact of these technicalities, the Directors would like to advise users to exercise caution in their use of these inflation-adjusted financial statements.

4 Adoption of IAS 29 (Financial Reporting in Hyperinflationary Economies)

In October 2019, the PAAB issued a pronouncement prescribing that the application of financial reporting in hyperinflationary economies had become effective in Zimbabwe, for reporting periods on or after 1 July 2019. These financial statements have been prepared in accordance with IAS 29 together with International Financial Reporting Interpretations Committee ("IFRIC") 7 (Applying the Restatement Approach under IAS 29), as if the economy had been hyperinflationary from 1 July 2018. The Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index to restate transactions and balances. Monetary assets and liabilities and non-monetary assets and liabilities carried at fair value have not been restated as they are presented at the measuring unit current at the end of the reporting period. Items recognised in the income statement have been restated by applying the change in the general price index from dates when the transactions were initially recorded in the Group's financial records (transaction date). A net monetary adjustment was recognised in the statement of profit or loss for the half year ended 31 December 2019 and the comparative period. Comparative amounts in the Group financial results have been restated to reflect the change in the general price index from 1 July 2018 to the end of the reporting period. All items in the statement of cash flows are expressed based on the restated financial information for the period.

As noted above, the Group adopted the Zimbabwe Consumer Price Index ("CPI") as the general price index and used the monthly indices to inflation adjust the historical cost figures. The factors used in the periods under review are as follows:

Month	CPI	Factor
Jun-18	62.60	8.8120
Dec-18	88.80	6.2120
Feb-19	100.00	5.5163
Jun-19	172.60	3.1960
Dec-19	551.63	1.0000

5 New and amended IFRS

Adoption of IFRS 16 (Leases)

The Group is currently in the process of adopting IFRS 16 (Leases) as a replacement of IAS 17 (Leases) as well as its interpretation. IFRS 16 introduces a single on balance sheet accounting model for leases by lessees and eliminates the distinction between operating and finance leases. The Group, in compliance with IFRS 16, elected not to restate its comparative financial statements and the impact of adopting IFRS 16 will be applied prospectively with an adjustment to the Group's opening reserves at 1 July 2019.

Where the Group is a lessee, it is the Group's policy to recognise the the right-of-use asset, representing its rights to use the underlying assets and lease liabilities, representing its obligation to make lease payments. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by prepaid or accrued lease payments and initial direct costs, if any, relating to the specific lease recognised on the balance sheet . Where the Group is a Lessor, lessor accounting remains similar to previous accounting policies.

6 Operating Segments

The Group's operations comprise of the Mill-Bake, Protein, Other Light Manufacturing and Services businesses and Head Office Services Segments explained as follows:

Mill-Bake Segment - reports the results of the Group's interests in National Foods Holdings Limited, the Bakery division and non-controlling interest in Profeeds (Private) Limited.

Protein Segment - reports the results of the Group's interests in the Colcom division, Irvine's Zimbabwe (Private) Limited, Associated Meat Packers (Private) Limited (AMP) and Intercane Investments (Private) Limited.

Other Light Manufacturing and Services - reports the results of the Group's controlling interests in Natpak (Private) Limited, Prodairy (Private) Limited, Pangolin Investments (Private) Limited, Probottlers (Private) Limited, and associated interests in Probrands (Private) Limited, Innscor Appliance Manufacturing (Private) Limited t/a Capri, Paperhole Investments (Private) Limited and Afrigrain Trading Limited.

Supplementary Information (continued)

6 Operating Segments (continued)

Head Office Services - reports the Group's shared services functions of treasury, legal, tax, audit, payroll and information technology.

INFLATION-ADJUSTED						
	Mill-Bake ZWL	Protein ZWL	Manufacturing and Services ZWL	Other Light Head Office Services ZWL	Adjustments ZWL	Total ZWL
Revenue						
31 December 2019	2 650 399 436	1 322 363 853	720 041 161	22 980 821	(448 103 650)	4 267 681 621
31 December 2018	2 110 916 167	1 174 925 334	562 091 018	25 748 308	(199 104 084)	3 674 576 743
Operating profit/(loss) before depreciation and amortisation						
31 December 2019	431 292 261	192 423 258	73 611 188	(21 880 177)	(42 472)	675 404 058
31 December 2018	229 230 410	119 838 490	70 560 033	(7 487 466)	—	412 141 467
Depreciation and amortisation						
31 December 2019	59 525 674	47 952 177	44 853 815	2 715 869	559 514	155 607 049
31 December 2018	30 254 620	26 340 279	15 251 736	1 011 366	1 225 411	74 083 412
Equity accounted earnings						
31 December 2019	72 420 042	—	121 607 256	—	—	194 027 298
31 December 2018	46 595 693	—	44 467 618	—	—	91 063 311
Profit/(loss) before tax						
31 December 2019	359 405 433	157 125 265	56 999 745	115 301 349	(62 710)	688 769 082
31 December 2018	338 789 848	149 067 348	127 898 754	(8 528 650)	(1 331 304)	605 895 996
Segment assets						
31 December 2019	3 596 961 419	1 728 675 443	1 101 173 126	2 410 112 854	(511 154 565)	8 325 768 277
30 June 2019	3 394 258 534	1 665 617 736	1 280 035 586	811 135 137	480 979 307	7 632 026 300
Segment liabilities						
31 December 2019	1 000 890 531	630 010 210	370 165 354	401 349 255	(215 168 756)	2 187 246 594
30 June 2019	1 098 781 849	561 186 940	470 993 294	444 121 168	(171 920 877)	2 403 162 374
Capital expenditure						
31 December 2019	51 105 476	29 715 083	28 207 594	42 444 572	—	151 472 725
31 December 2018	100 312 474	62 675 761	61 093 720	3 762 402	—	227 844 357

	INFLATION-ADJUSTED	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL
7 Financial income		
Exchange (losses)/gains - realised	(2 119 739)	612 647
Exchange (losses)/gains - unrealised	(5 630 456)	2 884 978
Profit on restructure of associate and subsidiaries	—	20 982 644
Profit on disposal of property, plant and equipment and intangible assets	358 247	7 529 758
Other	9 753 965	3 920 937
	2 362 017	**35 930 964**
8 Future lease commitments		
Payable within one year	10 389 531	18 512 138
Payable two to five years	27 460 376	70 637 961
Payable after five years	994 988	14 871 211
	38 844 895	**104 021 310**
9 Commitments for capital expenditure		
Contracts and orders placed	40 087 423	95 992 509
Authorised by Directors but not contracted	75 619 216	66 794 417
	115 706 639	**162 786 926**

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

	INFLATION-ADJUSTED	
	31 Dec 2019 ZWL	31 Dec 2018 ZWL
10 Inventories		
Consumable stores	135 013 212	150 023 789
Finished products, net of allowance for obsolescence	291 332 094	166 356 208
Raw materials and packaging	487 489 537	700 672 666
Goods in transit	—	1 364 652
Work in progress	15 262 510	17 051 583
	929 097 353	**1 035 468 898**
11 Trade and other receivables		
Trade receivables	422 384 421	347 774 299
Prepayments	922 024 445	671 619 599
Rental deposits	2 873 537	9 130 637
VAT receivable	29 457 842	31 575 340
Other receivables	123 713 258	140 898 223
	1 500 453 503	**1 200 998 098**
Allowance for credit losses	(9 302 363)	(29 251 801)
	1 491 151 140	**1 171 746 297**
12 Trade and other payables		
Trade payables	420 044 641	490 658 215
Accruals	156 928 721	184 145 155
Other payables	197 428 635	198 511 649
	774 401 997	**873 315 019**

13 Interest-Bearing Borrowings

Interest-bearing borrowings constitute bank loans from various local financial institutions which accrue interest at an average rate of 30.15% at the end of the period.

14 Earnings per share

Basic earnings basis

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue for the period.

Diluted earnings basis

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue after adjusting for potential conversion of share options. The potential conversion is possible when the average market price of ordinary shares during the period exceeds the exercise price of such options.

The share options arising from the Group's Indigenisation transaction, Group Employee Share Trust Options and the 2016 Innscor Africa Limited Share Option Scheme had a dilutive effect at the end of the period as shown on note 14c below.

Headline earnings basis

Headline earnings comprise of basic earnings attributable to equity holders of the parent adjusted for profits, losses and items of a capital nature that do not form part of the ordinary activities of the Group, net of their related tax effects and share of non-controlling interests as applicable.

The following reflects the income data used in the basic, headline and diluted earnings per share computations:

	Note	INFLATION-ADJUSTED 31 Dec 2019 ZWL	31 Dec 2018 ZWL
a Net profit attributable to equity holders of the parent		416 905 676	297 004 513
b Reconciliation of basic earnings to headline earnings			
Net profit attributable to equity holders of the parent		416 905 676	297 004 513
Adjustment for non-headline items (gross of tax):			
Profit on disposal of property, plant and equipment and intangible assets	7	(358 247)	(7 529 758)
Profit on restructure/disposal of associates/subsidiaries	7	—	(20 982 644)
Tax effect on adjustments		88 559	1 938 913
Non-controlling interests' share of adjustments		58 040	2 768 027
Headline earnings attributable to ordinary shareholders		416 694 028	273 199 051

c Reconciliation of weighted average number of ordinary shares	No. of shares issued	No. of shares issued
Number of shares in issue at the beginning of the period	559 726 450	559 726 470
Add: Weighted Average number of shares issued during the year	686 141	—
Deduct: Weighted Average number of Treasury Shares	(1 818 912)	(1 818 912)
Weighted Average Number of Shares before effects of Dilution	558 593 679	557 907 558
Add: Effect of dilution from Indigenisation transaction share options, Group Employee Share Trust options and the 2016 Innscor Africa Limited Share Option Scheme	21 936 934	4 950 495
Weighted average number of ordinary shares adjusted for the effects of dilution	580 530 613	562 858 053
Basic earnings per share (cents)	74.63	53.24
Headline earnings per share (cents)	74.60	48.97
Diluted basic earnings per share (cents)	71.81	52.77
Diluted headline earnings per share (cents)	71.78	48.54

	INFLATION-ADJUSTED 31 Dec 2019 ZWL	31 Dec 2018 ZWL
15 Contingent liabilities		
Guarantees		
The contingent liabilities relate to bank guarantees provided in respect of associate companies' borrowings.	345 900 000	472 896 930

16 Events after reporting date

There have been no significant events after the reporting date.

Building a better working world

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INDEPENDENT AUDITOR'S REVIEW CONCLUSION

TO THE MEMBERS OF INNSCOR AFRICA LIMITED

Introduction

We have reviewed the accompanying inflation adjusted interim condensed consolidated financial information of Innscor Africa Limited and its subsidiaries ("the Group") , as set out on pages 8 to 57, which comprise the interim condensed consolidated statement of financial position as at 31 December 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the International Financial Reporting Standards (IFRS). Our responsibility is to express a review conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for adverse review conclusion

1.Non-compliance with International Financial Reporting Standards- International Accounting Standard (IAS) 21: *The Effects of Changes in Foreign Exchange Rates*

As explained in the independent auditor's report on the audit of the consolidated financial statements for the year ended 30 June 2019, the Group applied the United States Dollar (US$) as its functional currency for the period 1 July 2018 to 22 February 2019 and the Real Time Gross Settlement Dollar (RTGS$) and Zimbabwe Dollar (ZWL) for the period 23 February to 30 June 2019. In order to comply with Statutory Instrument 33 of 2019, issued on 22 February 2019, the Group changed its functional currency with effect from this date. We however believe that the change in currency occurred prior to that date.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro US$ Accounts effective 1 October 2018.

Basis for adverse review conclusion (continued)

Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS$ and US$. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market. Furthermore, Statutory Instrument 142 of 2019 specified that for all domestic transactions, ZWL (which comprises RTGS$, Bond Notes and Bond Coins) was the sole legal tender effective 24 June 2019.

These events triggered the need for the Group to assess whether there was a change in functional currency (from US$ to ZWL) and whether the 1:1 ZWL: US$ exchange rate was appropriate.

Based on IFRS, International Accounting Standard 21 (IAS 21)-*The Effects of Changes in Foreign Exchange Rates*- the functional currency of an entity is *the currency of the primary economic environment in which the entity operates* and *reflects the underlying transactions, events and conditions that are relevant to it*. In addition, paragraph 2.12 of the *Conceptual Framework for Financial Reporting* ("the Conceptual Framework") prescribes that for financial information to be useful, it *"must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon."*

We believe that events in the market and subsequent promulgation of the ZWL as a formal currency supported a change in functional currency from US$ to ZWL prior to 22 February 2019 and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 ZWL: US$ exchange rate and this occurred effective 1 October 2018. The Group chose to comply with the law by adopting the date of change in functional currency of 22 February 2019. This therefore impacted the basis for measuring transactions that occurred between 1 October 2018 and 22 February 2019.

Accordingly, the consolidated financial statements of the Group included balances and transactions denominated in US$ that were not converted to ZWL at a ZWL: US$ exchange rate that reflected the economic substance of its value as required by IFRS. The Directors applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and of the 20th of February 2019 for transactions from 1 October 2018 to 22 February 2019. On the 22nd of February 2019, the Group translated most of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL at an exchange rate of 1:4 between US$ and ZWL. Foreign currency denominated transactions and balances between the 23rd of February 2019 and the 30th of June 2019 were translated to ZWL based on Group exchange rates that were not in compliance with IAS 21. As at 30 June 2019, all monetary balances were translated at a closing rate of US$1: ZWL 6,75, which was based on the official interbank rate. The exchange rates used did not meet the criteria for appropriate exchange rates in terms of IFRS as defined below;

According to IAS 21, *at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.*

According to paragraph 8 of IAS 21, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) Spot exchange rate is the exchange rate for immediate delivery. In light of the definitions above, the IFRS Interpretations Committee concluded in their September 2018 paper that the closing rate is the rate to which an entity would have access at the end of the reporting period through a legal exchange mechanism.

Basis for adverse review conclusion (continued)

We therefore concluded that the exchange rates for transactions and balances between the US$ and the RTGS$/ZWL used by the Group (1:1 for the period 1 October 2018 to 22 February 2019, 1:4 for the translation to functional currency on 22 February 2019 except for property, plant and equipment where the effective exchange rate factor was 3,2 and goodwill where the exchange rate applied was 1:1, Group rates obtained or implied for transactions between 23 February 2019 and 30 June 2019 and 1:6.75 closing rate based on the official interbank rates at 30 June 2019) did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above.

IFRS requires that all line items at the date of change in functional currency should be translated at the same rate to the new currency and therefore there would be no translation adjustments. However, the Group recognised a net translation gain of ZWL$399,42 million on conversion of non-monetary and monetary assets and liabilities to ZWL on the change in functional currency from the US$ directly in equity as a non-distributable reserve which represents a departure from the requirements of IFRS.

The above matters which gave rise to the adverse opinion in the prior year have not been corrected as required by IAS 8- *Accounting Policies, Changes In Accounting Estimates and Errors*, giving rise to the following consequential effects:

- All corresponding numbers remain misstated on the statements of financial position, cash flows profit or loss and changes in equity. This also impacts comparability of the current period's figures.

- As opening balances enter into the determination of cash flows and performance, our current period review conclusion is modified in respect of the impact of this matter on the statement of cash flows, the statement of profit or loss and the statement of changes in equity.

- In addition to the impact on the corresponding numbers, current year performance and cash-flows the matter continues to affect the balances on the statement of financial position as many of these still comprise of amounts from opening balances. Whilst this matter might not affect all accounts in the statement of financial position the specific accounts and the portions affected by this matter have not been identified / quantified. This is due to the further matters requiring modification (which have been discussed below) and which result in virtually all amounts being incorrectly stated.

- Furthermore, notwithstanding that IAS 29 - *Financial Reporting in Hyperinflationary Economies* has been applied from 1 July 2018 to 31 December 2019, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 / IAS 8 as described above. Had the correct base numbers been used, most elements of the financial statements would have been materially different.

- IFRS requires retrospective application of IAS29, as if the economy had always been hyperinflationary. We believe that this means either the date when all assets and liabilities where fair valued on the resumption of IFRS, or the date of change in functional currency per IFRS. Had the correct date been used, most elements of the financial statements would have been materially different.

2.Exchange rates used in current period (Non-compliance with IAS 21: The *Effects of Changes in Foreign Exchange Rates*)

As outlined in Note 3 to the interim condensed consolidated financial information, for the six-month interim period ended 31 December 2019, the Group translated foreign denominated transactions and balances using weighted average exchange rates that were not in compliance with IAS 21. The exchange rates used for the translation do not meet the definition of a spot exchange rate as per IAS 21. We therefore believe that the exchange rates for transactions and balances between the US$ and the ZWL used by the Group did not meet the criteria for appropriate exchange rates in terms of IFRS as defined above. Had the correct rates been used a number of significant accounts would have been affected in a material manner.

Basis for adverse review conclusion (continued)

The effects of the above departures from IFRS are material and pervasive to the interim condensed consolidated financial information.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further descried in the *Auditor's Responsibilities for the Audit of the Interim Condensed Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse review conclusion.

Adverse review conclusion

In view of the matters described in the preceding paragraphs, the inflation-adjusted interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards.

The engagement partner on the review audit resulting in this review conclusion report on the interim condensed consolidated financial information is Mr David Gwande (PAAB Practicing Certificate Number 132).

ERNST & YOUNG
CHARTERED ACCOUNTANTS (ZIMBABWE)
REGISTERED PUBLIC AUDITORS

Harare
20 March 2020