LonZim

LonZim Plc

Report & Accounts 2008

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For the period from 25 October 2007 to 31 August 2008

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Chief Executive's Review

LonZim Plc continues to follow its very specific mandate to invest in companies and projects in Zimbabwe and the region of Mozambique known as the Beira Corridor. This mandate remains focused on acquiring or establishing companies that demonstrate high growth potential with the ability to become market leaders in their respective fields as and when the Zimbabwean economy normalises. LonZim is committed to supporting these companies in the interim period.

The Board of LonZim maintains its view that Zimbabwe will re-emerge as a central economic and geographic platform in Africa in the event of an economic recovery and is confident that over time Zimbabwe will return to being one of the economic powerhouses of the continent.

The current commercial position in Zimbabwe poses a significant challenge for all areas of business in the country and day to day activities can be considerably influenced by the current situation placing strain on the health of industry in general. The socio-economic environment is also dire. However, LonZim remains clear that it is important to support jobs in this time of crisis and provide companies in which it invests with a reliable platform from which to continue operations and 'keep the doors open' throughout this challenging period.

The LonZim focus is on retaining quality staff in its operations, where possible maintaining a positive cash flow and developing strategic and clear plans to rapidly build the businesses once the economy shows sign of recovery.

Since listing on the London Stock Exchange's AIM market in December 2007, LonZim has acquired and established a portfolio of assets focused on key strategic sectors that the Board believe will position the company to play a significant role in a potential economic recovery in Zimbabwe and contribute to the future growth of the Zimbabwean economy.

Transactions entered into during the period ended 31 August 2008

Blueberry International Services Limited ("Blueberry")

LonZim purchased a 100% interest in Blueberry for US$7.2 million (£3.6 million) inclusive of costs. Blueberry owns a 60% interest in Celsys Limited ("Celsys"), a Zimbabwean publicly listed company active in the telecommunications and security printing markets in Zimbabwe. Celsys is the market leader in security printing in Zimbabwe (cell phone recharge cards, cheque books, share certificates, securities etc), is the distributor for the internationally recognised SOPHOS anti-virus security software and operates a network of ATMs throughout the country. Celsys is also a Nokia mobile phone sales and service franchise.

LonZim has installed a new mobile phone recharge card printing line in Celsys since the acquisition. Celsys has since become the market leader in this sector and is now actively seeking export opportunities to Angola, Mozambique and Mali.

Blueberry also owns a 100% stake in Gardoserve (Private) Limited, which trades as "Millpal", an industrial chemical and solvent manufacturer and supplier to industry in Zimbabwe. With central chemical storage facilities in Harare, this business is being expanded into export markets and has

Chief Executive's Review *continued*

become the Sasol chemical distributor for Zimbabwe.

Millpal is the largest manufacturer of solvents in Zimbabwe and a market leader in the production and distribution of industrial chemicals for industry.

Despite the continuing difficult economic conditions in Zimbabwe, since acquisition, both businesses have maintained their market positions and continue to trade.

Hotels and development

LonZim purchased an 80% stake in Aldeamento Turistico de Macuti SARL ("ATdM"), for a cash consideration of US$4.25 million (£2.1 million), the other shareholders of ATdM being the Mozambican Government investment fund IGEPE and Beira Municipality.

Beira is described as the 'coast of Zimbabwe' and is the principal and nearest supply route from the sea to Zimbabwe, making its location of significant strategic importance not just in terms of trade but also tourism.

ATdM owns a development site on the coast in central Beira, Mozambique, around the Macuti lighthouse where the derelict Don Carlos and Estoril Hotels are located. The site consists of a 300,000m^2 plot of land, including 1.5km of beach front, which LonZim plans to develop.

LonZim has undertaken and designed a masterplan for the development of the site, and proposes to develop a 200 room four star hotel, a 60 room boutique luxury hotel and a significant regional shopping and office complex. There are also plans to develop one kilometre of beach front housing on the site.

The masterplan will be completed in March 2009 and demonstrates a phased development, where elements that have an immediate market appeal can be developed initially, and thereafter stimulate the development of other aspects of the project.

Significant trading acquisitions after 31 August 2008

Paynet Limited ("Paynet")

LonZim completed the acquisition of 100% of Paynet in October 2008, announced in March 2008, for US$3.19 million (£1.85 million). The purchase included a newly built commercial property valued provisionally at US$1.0 million (£0.5 million). Paynet provides an electronic funds transfer (EFT) system for sixteen banks in Zimbabwe and over one thousand of the largest Zimbabwean corporate clients.

Paynet automates company bulk payment transactions to corresponding banks and includes the largest private sector outsourced salary bureau utilised by the majority of large corporations in Zimbabwe for payments of electronic payrolls.

ForgetMeNot Africa Limited ("FMN Africa")

LonZim has taken up an option to acquire a 51% stake of FMN Africa which provides a 'message optimiser' application for mobile phones for the sum of US$0.58 million (£0.35 million), with a further payment related to the growth of the business of US$1.0 million (£0.66 million). This system provides a unique two-way SMS – SMS Instant messaging and email technology platform whereby emails and interactive messages can be received and sent on a basic mobile phone. The system does not require a G3 capability.

Chief Executive's Review *continued*

Telecom company Econet Lesotho has already instigated a new trial for the service and negotiations continue to launch this exciting product across a range of telecom users in Zimbabwe and the surrounding countries.

Fly540 Airline

LonZim has announced that it will launch the Lonrho Plc aviation subsidiary Fly540 in Zimbabwe. The company has allocated US$3.3 million (£1.85 million) from existing resources for the deployment and establishment of the company and its operations at Harare airport, and to serve as a regional freight and passenger operation as and when the market develops.

In October 2008 LonZim completed the acquisition of two aircraft for £1.128 million of the allocated £1.85 million. These aircraft have been leased to Fly540 Uganda, a subsidiary of Lonrho Plc, whilst the Air Operators Certificate for Zimbabwe is obtained.

Property acquisition

In January 2009, LonZim entered into an agreement to acquire the total issued equity of Medalspot (Private) Ltd from the Zimbabwean banking group, Kingdom Bank. Medalspot owns a 6,600m^2 industrial site with 2,650m^2 of offices and factory space. The acquisition price was US$0.95 million (£0.658 million).

Non Executive Director

LonZim was pleased to announce in June 2008 that Paul Turner had been appointed to the Board of Directors of the company with effect from 1 July 2008. Paul Turner has unprecedented experience of commerce and the structure and operation of businesses in Zimbabwe, having previously been a partner at Ernst & Young Zimbabwe for thirty years.

Results for the period

The loss for the period of £1.2 million is as expected given the current economic climate in Zimbabwe after charging amortisation of intangible assets of £1.0 million. The cash held at the end of the period was £20.3 million. The company continues to undertake detailed due diligence on a range of potential acquisitions where it can identify real opportunities for growth in value in a normalised economic environment.

Despite the ongoing uncertainty in Zimbabwe the Directors welcome the recent announcements in relation to the Government of National Unity and remain positive for the eventual long term recovery of the economy and LonZim continues to seek investments which are appropriate and demonstrate a strong fit with the Company's business model and investment focus.

On 26 February 2009, LonZim announced that it had acquired 59,682,817 ordinary shares in Lonrho Plc ("Lonrho") (a related party within the meaning of the AIM Rules for Companies). The Lonrho shares were acquired over a period of approximately three months and included the acquisition of 55,000,000 ordinary shares in a private placement by Lonrho at a price of 5p per share announced on 11 November 2008. In aggregate, as at 26 February 2009, LonZim owned 7.81 per cent. of Lonrho. The total consideration was approximately £2.95 million which was funded out of LonZim's cash resources. The company's independent non-executive directors (being Paul Heber and Paul Turner) have consulted with the company's nominated adviser, Beaumont Cornish Limited, and have confirmed that the terms of the purchases in the placing are fair and reasonable insofar as the company's shareholders are concerned.

Geoffrey White

Director & Chief Executive Officer
5 March 2009.

Note:
All US$ and GBP£ conversions are at exchange rates at the time of the relevant transaction.

Directors

David Lenigas, 47, Chairman

David Lenigas holds a Bachelor of Applied Science in Mining Engineering. He has extensive experience operating in the public company environment and is currently the Executive Chairman of Lonrho Plc and is also Chairman of Leni Gas & Oil Plc, Chairman of Templar Minerals Limited, Chairman of Lonrho Mining Limited and is a non-executive Director of Global Coal Management Plc and Vatakoula Gold Mines Plc.

Emma Priestley, 36, Executive Director

Emma Priestley worked in investment banking for 5 years following a career as a mining engineer. She has a background in mining and financial services having worked with consultants IMC Mackay & Schnellman, investment bank CSFB, advisors VSA resources and, most recently, Ambrian Partners, where she worked as a corporate broker and advisor. Emma is a graduate of Camborne School of Mines, a Chartered Mining Engineer and Chartered Mineral Surveyor. She is currently an Executive Director of Lonrho Plc.

Jean Ellis, 39, Finance Director

Jean Ellis is a Chartered Accountant and Chartered Tax Advisor, and holds an Insolvency Practitioner's license. Whilst undertaking the role of Finance Director, she will remain as a partner in the regional firm of Chartered Accountants, Duncan Sheard Glass, a role she has held since 2002. Prior to this, she was Group Financial Controller and Tax Manager with Lonrho Plc and holds a number of directorships for its subsidiary companies. Jean has a Batchelor of Arts Degree in Pure Mathematics from Liverpool University. Jean was formerly Finance Director of Lonrho Plc and is currently a Non-Executive Director of that company.

Geoffrey White, 48, Executive Director

Geoffrey White is currently a Director and the Chief Executive Officer of Lonrho Plc and holds a BSc in Economics and Management Science. During his 25 year career he has held senior management roles with Thomas Tilling Plc, BTR Plc and Dee Corporation Plc. During the past four years he has worked for the private office of His Highness Sheikh Khalifa Al Thani in London.

He has been responsible for the planning, financing, development and management of a range of projects in the leisure, industrial and natural resource sectors. These projects include establishing joint ventures with corporations including Hilton International, Ford Motors (PAG), Praton International GmbH, FFS Refiners (pty) Ltd, Sengamines Sarl, Oryx Natural Resources, African Mining Investments Limited and Pegasus Energy Limited.

Paul Heber, 44, Non-Executive Director

Paul Heber is an investment manager and stockbroker with more than 20 years experience in global stock markets, following 3 years in the oil industry. Formerly with SGHambros, Nat West and WI Carr, he is now with bespoke boutique Savoy (with in excess of £1.2 billion of private and institutional funds under management), regulated by both the FSA in London and the FSB in Johannesburg. He has a broad pan-African clientele alongside his domestic UK, European and Bermudian business.

Paul Turner, 62, Non-Executive Director

Paul Turner is a qualified Accountant and past President of the Institute of Chartered Accountants of Zimbabwe. He is a highly respected and knowledgeable member of the Zimbabwean business community. He previously was a senior partner at Ernst & Young in Harare, Zimbabwe for over thirty years and brings an unparalleled level of experience in the structure and operation of businesses in Zimbabwe.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group and the company in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Isle of Man Companies Act and article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements presents fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's Framework for the preparation and presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group, for safe guarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Isle of Man Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. The legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Report of the Directors

For the period ended 31 August 2008

The directors present their first report on the affairs of the group, together with their financial statements and auditors' report, for the period from 25 October 2007 to 31 August 2008 (the "period").

Principal activities

The company was incorporated on 25 October 2007 and was admitted to AIM on 11 December 2007. The group is establishing itself as an investment company with a diverse portfolio of investments in Zimbabwe and the Beira Corridor in Mozambique. The company's investment objective is to provide shareholders with long term capital opportunities through the investment of its capital in Zimbabwe and the Beira Corridor.

Results

A consolidated loss on operations of £1,193,000 after minority interests has been made by the group during the period and has been transferred to reserves. This is after charging amortisation of intangible assets of £994,000 (see note 13).

Business Review and Development

The Chief Executive's review contains information on developments during the period and key potential future developments.

Post Balance Sheet Events

Details of significant events since the balance sheet date are contained in note 34 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend.

Declared substantial shareholdings

The Directors have been advised of the following shareholdings at 4 March 2009 in 3 per cent. or more of the company's issued share capital:

	Number of shares	Percentage of the issued capital
Lonrho Plc	8,840,000	24.25%
Morgan Stanley	7,166,548	19.66%
MKM Longboat Multi-Strategy Master Fund	4,860,000	13.33%
Emerging Markets Management, LLC	2,916,000	8.00%
Deutsche Asset Management Americas	2,886,762	7.92%
HSBC Bank Plc	2,556,000	7.01%
Enso Capital Management, LLC	1,409,000	3.87%
Renaissance Investment Management (UK) Ltd	1,215,000	3.33%

Report of the Directors *continued*

Directors

David Anthony Lenigas *(Executive Director)*	Appointed 7 November 2007
Emma Kinder Priestley *(Executive Director)*	Appointed 7 November 2007
Geoffrey Trevor White *(Executive Director)*	Appointed 7 November 2007
Jean Mckay Ellis *(Finance Director)*	Appointed 7 November 2007
Paul David Heber *(Independent Non-Executive Director)*	Appointed 7 November 2007
Paul Turner *(Independent Non-Executive Director)*	Appointed 1 July 2008

The directors' interests in the shares of the company at the beginning or, where relevant, the date of appointment, and end of the period were as follows:

	Number of Ordinary Shares
David Lenigas	200,000
Emma Priestley	–
Geoffrey White	100,000
Jean Ellis	–
Paul Heber	50,000
Paul Turner	–

Share options held by the directors are detailed in note 21 of the financial statements.

Annual General Meeting

The Annual General Meeting will be held at 10.00am on Friday, 24th April 2009 at The Oak Room, Le Meridien Piccadilly, 21 Piccadilly, London W1J 0BH.

The notice of meeting together with a form of proxy, will be sent out separately at a later date.

Auditors

During the period, KPMG Audit LLC were appointed as auditors. KPMG Audit LLC, being eligible, have indicated their willingness to continue in office.

By order of the Board
D. Lenigas
Chairman

5 March 2009.

Independent Auditors Report

KPMG Audit LLC to the members of LonZim Plc

We have audited the group and parent company financial statements (the "financial statements") of LonZim Plc for the period 25 October 2007 to 31 August 2008 which comprise the group income statement, the group and company balance sheets, the group statement of total recognised income and expense, the group statement of cash flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards (IFRS) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the company is not disclosed.

We read the directors' report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the group's and company's affairs as at 31 August 2008 and of its loss for the period then ended; and
- the information given in the directors' report is consistent with the financial statements.

Chartered Accountants

Heritage Court
41 Athol Street
Douglas
Isle of Man

Consolidated income statement

For the period from incorporation on 25 October 2007 to 31 August 2008

	Note	2008 Total £000
Revenue	4	188
Cost of sales		(66)
GROSS PROFIT		122
Monetary adjustment	5	(1)
Operating costs	6	(2,056)
OPERATING LOSS BEFORE FINANCING INCOME		(1,935)
Finance income	9	974
Finance costs	9	(129)
LOSS BEFORE TAX		(1,090)
Income tax expense	10	(142)
LOSS FOR THE PERIOD		(1,232)
ATTRIBUTABLE TO:		
Equity holders of the parent		(1,193)
Minority interest		(39)
LOSS FOR THE PERIOD		(1,232)
Basic loss per share (pence)	11	3.4
Diluted loss per share (pence)	11	3.4

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the period from incorporation on 25 October 2007 to 31 August 2008

	Note	2008 £000
Foreign currency translation differences for foreign operations	19	26
Revaluation of property, plant and equipment	19	232
Loss for the period	19	(1,232)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		(974)
ATTRIBUTABLE TO:		
Equity holders of the parent		(1,034)
Minority interest		60
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		(974)

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

Consolidated and company balance sheets

As at 31 August 2008

	Note	Group 2008 £000	Company 2008 £000
ASSETS			
Property, plant and equipment	12	4,284	–
Goodwill	13	3,450	–
Other intangible assets	13	6,296	6,296
Investment in subsidiaries	14	–	2,962
TOTAL NON-CURRENT ASSETS		14,030	9,258
Financial assets	15	213	–
Inventories	16	21	–
Trade and other receivables	17	1,277	4,352
Cash and cash equivalents	18	20,282	20,270
TOTAL CURRENT ASSETS		21,793	24,622
TOTAL ASSETS		35,823	33,880
EQUITY			
Issued share capital	19,20	4	4
Share premium account	19,20	33,697	33,697
Revaluation reserve	19	148	–
Share option reserve	19,21	165	165
Retained earnings	19	(1,182)	(1,079)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		32,832	32,787
MINORITY INTEREST	19	904	–
TOTAL EQUITY		33,736	32,787
LIABILITIES			
Provisions	22	759	759
Deferred tax liabilities	23	107	–
TOTAL NON-CURRENT LIABILITIES		866	759
Bank overdrafts	18,24	2	–
Current tax liabilities		41	35
Trade and other payables	25	1,178	299
TOTAL CURRENT LIABILITIES		1,221	334
TOTAL LIABILITIES		2,087	1,093
TOTAL EQUITY AND LIABILITIES		35,823	33,880

These financial statements were approved by the Board of Directors and authorised for issue on 5 March 2009. They were signed on its behalf by:

G. White
Director & Chief Executive Officer

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the period from incorporation on 25 October 2007 to 31 August 2008

	Note	Group 2008 £000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	26	(903)
Cash received for inventories		1
Increased cash due from customers		(601)
Increased cash due to suppliers		351
Cash generated from operations	26	(1,152)
Interest received		832
NET CASH FROM OPERATING ACTIVITIES		(320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of expenses	7	(5,811)
NET CASH FROM INVESTING ACTIVITIES		(5,811)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of share capital		26,411
NET CASH FROM FINANCING ACTIVITIES		26,411
Net increase in cash and cash equivalents		20,280
Cash and cash equivalents at 25 October 2007		–
CASH AND CASH EQUIVALENTS AT 31 AUGUST 2008		20,280

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the period from 25 October 2007 to 31 August 2008

1. Reporting entity

LonZim Plc (the “company”) is a company domiciled in the Isle of Man . The consolidated financial statements of the group for the period from incorporation on 25 October 2007 to 31 August 2008 comprise the company and its subsidiaries (together referred to as the “group” and individually as “group entities”).

The financial statements were authorised for issue by the directors on 5 March 2009.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Functional & presentation currency

The consolidated financial statements are presented in sterling, which is the company’s functional currency. All financial information presented has been rounded to the nearest thousand.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain land and plant and equipment, and the effects of hyperinflationary accounting (see 3(c) below).

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied to these financial statements were in issue but not yet effective:

- Revised IFRS 3 – Business combinations
- Amendments to IFRS 1 and IAS 27 – Cost of an investment in a subsidiary, jointly controlled entity or associate
- Amendments to IFRS 2 – Share based payments
- Amendments to IFRS 8 – Segment reporting
- Amendments to IFRS 27 – Consolidated and separate financial statements
- Amendments to IFRS 32 and IAS 1 – Portable financial instruments and obligations arising on liquidation
- Amendments to IAS 23 – Borrowing costs
- Amendments to IFRIC 13 – Customer loyalty programmes

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the financial statements *continued*

2. Basis of preparation (continued)

Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

Going concern basis

The group's business activities and financial performance are set out in the Chief Executive's review on pages 2 to 4.

In addition note 27 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has considerable financial resources. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. Significant accounting policies

The accounting policies have been applied consistently by group entities.

(a) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of LonZim Plc and entities controlled by LonZim Plc (its subsidiaries). Control is achieved where LonZim Plc (the company) has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of entities acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, the accounts of the subsidiaries are adjusted to conform to the group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries and businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Business combinations (continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Any impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then, to reduce the carrying amount of other assets in the unit (groups of units) on a *pro rata* basis.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Wherever possible, subsidiaries and business combinations are required to change their reporting dates to 31 August.

(b) Intangible assets

Goodwill

Goodwill arising on consolidation is recognised as an asset.

Following initial recognition, goodwill is subject to impairment reviews, at least annually, and measured at cost less accumulated impairment losses. The recoverable amount is estimated at each balance sheet date. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed when the carrying amount of the asset exceeds its recoverable amount.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Other intangible assets

Other intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary.

On a business combination, as well as recording separable intangible assets already recognised in the balance sheet of the acquired entity at their fair value, identifiable intangible assets that are separable or arise from contractual or other legal rights are also included in the acquisition balance sheet at fair value.

Amortisation of intangible assets is charged over their useful economic life, on the following basis:

Non-compete agreement	5½ years

(c) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the company, and the presentational currency for the consolidated financial statements.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(c) Foreign currencies (continued)

In preparing the financial statements of the individual companies, transactions denominated in foreign currencies are translated into the respective functional currency of the group entities using the exchange rates prevailing at the dates of transactions. Non-monetary assets and liabilities are translated at the historic rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items earned at fair value are included within the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified in equity and are transferred to the group's foreign currency translation reserve within equity. Such translation is recognised as income or as expenses in the period in which the operation is disposed of.

Hyperinflation

The company will apply International Accounting Standard 29, Financial Reporting in Hyperinflationary Economies ("IAS 29"). IAS 29 requires the IFRS financial statements of any entity operating in a hyperinflationary economy to take full account of the effect of inflation using a "current purchasing power" approach, which is implemented using a complex set of procedures and reconciliations.

Under IAS 29, when an entity has foreign operations (for instance, a subsidiary) whose financial currency is hyperinflationary, the subsidiary's financial statements must be adjusted before being translated and included in the parent consolidated financial statements. It is a matter of judgement as to when restatement for hyperinflation becomes necessary, according to the characteristics of the economy in which the subsidiary conducts its operations and maintains its functional currency.

Under IAS 29, Zimbabwe is considered a hyperinflationary economy and therefore the company's consolidated financial statements, to the extent its portfolio companies use the Zimbabwean Dollar as a functional currency, will need to be reinstated by the company, to account for changes in the general purchasing power of the Zimbabwean Dollar measured against the consumer price index published by the Central Statistical Office of Zimbabwe.

Exchange rates

It is the view of the directors that the translation of the foreign balances and operations to local currency should be based on an exchange rate that is aligned to the market forces and fairly presents the true value of foreign balances and operations when translated to local currency. It should be emphasised that the policy is for fair presentation purposes only and does not indicate an intention of the group to transact at these rates in a local Zimbabwe market.

In applying this policy, all foreign balances at period end are translated at the Old Mutual implied rate (OMIR) and operational activities for foreign operations are translated at the OMIR at the time of activity during the period. The application of this policy will be reviewed when appropriate.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(c) Foreign currencies (continued)

Inflation adjustment

One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI).

The main procedures applied for the above restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of a measuring unit current at the balance sheet date, and corresponding figures for the previous period are stated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items comprise cash held and items to be recovered or paid in cash.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors.
- Comparative financial statements are restated by using inflation indices in terms of a measuring unit current at the latest balance sheet date.
- All items in the income statement are restated by applying the relevant monthly, yearly average or year end conversion factors with the exception of depreciation expense, impairments of investments, profit or loss on disposal of property, plant and equipment, net exchange gains or losses and increase or decrease in the value of quoted investments.
- Depreciation expense, profit or loss on disposal of property, plant and equipment are based on the restated carrying amount of property, plant and equipment and restated disposal proceeds while impairment of investments is based on the restated carrying amount of the investments.
- Net exchange gains or losses are based on the restated opening carrying amount of the foreign cash balances against the closing balances at the closing exchange rate.
- Increase or decrease in the value of quoted investments is based on the fair market values of the quoted investments.
- The effect on the net monetary position of the group is included in the income statement as a monetary adjustment.
- The monetary adjustment reflects the net loss or gain in purchasing power that arises as a relationship of net monetary assets and monetary liabilities.

The application of the IAS 29 restatement procedures has the effect of amending certain of the accounting policies, which are used in the preparation of the financial statements under the historical cost convention. The amended policies include:

- Property, plant and equipment
- Inventories
- Prepayments
- Deferred tax

The indices and conversion factors used were:

	Index	Conversion factor
30 June 2008	1,227,614,935,650	1
30 June 2007	11,666,826	105,223
30 June 2006	158,709	7,735,005

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(d) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current taxation

Current tax is based on taxable profit for the period for the group. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax liabilities are recognised for taxable temporary differences arising on the investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are off set when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

(e) Fixed asset investments

Unlisted fixed asset investments are stated at cost less accumulated impairment losses.

(f) Property, plant and equipment

Long leasehold land and buildings, plant and machinery, motor vehicles and fixtures and fittings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(f) Property, plant and equipment (continued)

Any revaluation increase arising on the revaluation of such assets is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such asset is charged as an expense to the extent that it exceeds the balance if any, held in the revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued assets is charged to the income statement. On subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining is transferred directly to retained earnings.

All other assets are stated at depreciated historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, on the following basis:

Freehold buildings	2% of cost
Leasehold land and buildings	Over the term of the lease
Plant and machinery	10% of cost
Motor cars	15%-25% of cost
Fixtures and fittings	15%-25% of cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss for the period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the relevant lease term.

No depreciation is provided on freehold land.

(g) Impairment of assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(h) Financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated recoverable amounts are recognised in profit or loss when there is objective evidence the asset is impaired.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an amortised cost basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable direct expenditure and attributable overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(j) Share based payments

The group provides benefits to certain employees (including senior executives) of the group in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The grant date fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the options.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(l) Dividends

Dividends are recognised as a liability in the period in which they are proposed and declared.

(m) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Revenue recognition

Revenue is derived from the sale of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value-added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. This is when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

(o) Leases

Leases are classified according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

Finance leases

Finance leases are capitalised at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is shown as a finance lease obligation to the lessor. Leasing repayments comprise of both a capital and finance element. The finance element is written off to the income statement so as to produce an approximately constant periodic rate of charge on the outstanding obligations. Such assets are depreciated over the shorter of their estimated useful lives and the period of the lease.

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(q) Loss per share

Basic loss per share is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is based upon the weighted average number of shares in issue throughout the year, adjusted for the dilutive effect of potential ordinary shares. The only potential ordinary shares in issue are employee share options.

(r) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

4. Segment reporting

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

For management purposes, the group is currently organised into three main business segments.

- Support services
  - Industrial chemical products
  - Security printing products
- Hotels
- Head office

Geographical segments

Support services and hotels operate in various parts of Zimbabwe and the Beira Corridor of Mozambique. Head office is situated in London. Separate geographical analysis has therefore not been presented.

Notes to the financial statements *continued*

4. Segmental reporting (continued)

Business segments (continued)

Period ended 31 August 2008	Support services 2008 £000	Hotels 2008 £000	Head office 2008 £000	Consolidated 2008 £000
Revenue from external customers:	188	–	–	188
Total revenue	188	–	–	188
Segment result	(36)	(19)	–	(55)
Unallocated central expenses	–	–	(1,880)	(1,880)
Operating loss	(36)	(19)	(1,880)	(1,935)
Net financing income	–	–	845	845
Income tax expense	(107)	–	(35)	(142)
Loss for the period	(143)	(19)	(1,070)	(1,232)

* All segments are continuing operations.

All revenues relate to sale of goods.

Unallocated central expenses include the following non-cash items during the period:

– share based payments (note 21) £165,000

– amortisation (note 13) £994,000

Period ended 31 August 2008	Support services 2008 £000	Hotels 2008 £000	Head office 2008 £000	Consolidated 2008 £000
Segment assets	657	4,424	30,742	35,823
Total assets	657	4,424	30,742	35,823
Segment liabilities	177	1,574	336	2,087
Total liabilities	177	1,574	336	2,087
Depreciation	2	–	–	2
Amortisation of intangible assets	–	–	994	994

Notes to the financial statements *continued*

5. Monetary adjustment

	2008 £000
Adjustment required for hyper-inflationary accounting as per International Accounting Standard 29	1

6. Group net operating costs

Period ended 31 August 2008	Continuing 2008 £000	Group Acquisitions 2008 £000	Total 2008 £000
Cost of sales	–	66	66
Administrative expenses	1,880	176	2,056
Net operating costs	1,880	242	2,122

Administrative expenses include management related overheads for operations and head office.

Operating costs include:			
Depreciation of property, plant and equipment	–	2	2
Amortisation of intangibles (other than goodwill) (see note 13)	994	–	994
Share based payments (see note 21)	165	–	165
Operating lease rentals			
Land and buildings	–	16	16
Staff costs (see note 8) (excluding share based payments)	98	68	166

Auditors' remuneration

	Period ended 31 August 2008 £000
Fees payable to the company's auditors for:	
The audit of the group's annual accounts	76
The audit of the company's subsidiaries pursuant to legislation	11
Total audit fees	87

Notes to the financial statements *continued*

7. Acquisition of subsidiaries

On 14 January 2008, the group acquired 80% of the issued share capital of Blueberry International Services Limited and a further 20% on 6 March 2008 for a total cash consideration of £3,607,000. Blueberry International Services Limited is the parent company of a group of companies involved in the distribution of security printing, chemicals and information technology products. The transaction has been accounted for by the purchase method of accounting.

	Recognised book values £000	Fair value adjustments £000	Provisional fair values £000
Plant and equipment	131	–	131
Financial instrument	–	213	213
Inventories	22	–	22
Deferred tax assets	6	–	6
Trade and other receivables	48	–	48
Cash and cash equivalents	(9)	–	(9)
Trade and other payables	(63)	–	(63)
Net identifiable assets and liabilities	135	213	348

Consideration, satisfied in cash	3,344
Professional fees	263
	3,607
Overdraft acquired	9
Net cash outflow	3,616
Consideration	3,607
Net identifiable assets at fair value	(348)
Minority interest	123
Goodwill on acquisition	3,382

The goodwill arising on the acquisition of Blueberry International Services Limited is attributable to the anticipated profitability of the group's products and services, once economic stability returns to Zimbabwe.

Blueberry International Services Limited contributed £188,223 to revenue and £36,061 to the group's loss before tax for the period between the date of acquisition and the balance sheet date.

The reporting date for Celsys Limited was historically 30 June, Gardoserve Limited (Millpal) was 31 December. Both companies are currently in the process of changing their reporting date to 31 August.

As the acquisition date was within three months of the commencement of the period and the revenue and loss for the period are not material to the group results it is not deemed necessary to calculate the revenue and loss (or profit) from 25 October 2007 to 14 January 2008.

Notes to the financial statements *continued*

7. Acquisition of subsidiaries (continued)

On 11 June 2008, the group acquired 80% of the issued share capital of Aldeamento Turistico de Macuti SARL for a total cash consideration of £2,203,454. The transaction has been accounted for by the purchase method of accounting.

	Recognised book values £000	Fair value adjustments £000	Provisional fair values £000
Land and buildings	1,936	1,995	**3,931**
Trade and other receivables	486	–	**486**
Cash and cash equivalents	8	–	**8**
Trade and other payables	(810)	–	**(810)**
Net identifiable assets and liabilities	1,620	1,995	**3,615**

Consideration, satisfied in cash	2,186
Professional fees	17
Provision	759
	2,962
Provision (non cash flow)	(759)
Cash acquired	(8)
Net cash outflow	2,195
Total consideration	2,962
Net identifiable assets at fair value	(3,615)
Minority interest	721
Goodwill on acquisition	68

The goodwill arising on the acquisition of Aldeamento Turistico de Macuti SARL is attributable to the anticipated profitability of the company's services, once economic stability returns to Zimbabwe.

Aldeamento Turistico de Macuti SARL contributed £nil revenue and £18,868 to the group's loss before tax for the period between the date of acquisition and the balance sheet date. This is the same result as would have been reported had the transaction taken place at the commencement of the accounting period.

Aldeamento Turistico de Macuti SARL's reporting date is 31 December. All Mozambican registered companies are required to use 31 December as their reporting date.

Notes to the financial statements *continued*

8. Personnel expenses

The aggregate remuneration comprised (including executive directors)

	Group: Period ended 31 August 2008 £000
Wages and salaries	162
Compulsory social security contributions	4
Equity-settled transactions	165
	331

The average number of employees (including executive directors) was:

	Group: Period ended 31 August 2008 £000
Support services	162
Hotels	87
Head office	6
	255

	Group: Period ended 31 August 2008 £000
Remuneration of directors	
Directors' emoluments	53

9. Net finance income

	Group: Period ended 31 August 2008 £000
Recognised in income statement:	
Bank interest receivable	974
Foreign exchange loss	(129)
Net finance income	845
Attributable to equity holders	845

Notes to the financial statements *continued*

10. Income tax expense

Recognised in the income statement

	Group: Period ended 31 August 2008 £000
Current tax expense	
Current period	35
Deferred tax expense	
Origination and reversal of temporary differences	107
Total income tax expense in income statement	142

Reconciliation of effective tax rate

	Group: Period ended 31 August 2008 £000
Loss before tax	(1,090)
Income tax using the domestic corporation tax rate (2008: 28%)	(305)
Non-deductible expenses	334
Net losses where no group relief is available	6
	35

Corporation tax is calculated as 28% of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Current tax assets and liabilities

The current tax liability of £35,000 is included in current liabilities.

Notes to the financial statements *continued*

11. Earnings per share

The calculation of the basic and dilutive earnings per share is based on the following data:

Earnings

	Period ended 31 August 2008 £000
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the parent	(1,232)
Effect of dilutive potential ordinary shares	–
Earnings for the purposes of diluted earnings per share	(1,232)

Number of shares

	Period ended 31 August 2008 Number 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	36,450
Effect of dilutive potential ordinary shares	
– Share options	500
Weighted average number of ordinary shares for the purposes of diluted earnings per share	36,950

The calculation of diluted loss per share would be based on the weighted average number of shares outstanding adjusted by the dilutive share options. The weighted average number of shares outstanding is 36,950,000. The diluted loss per share has not been adjusted as this would be anti-dilutive.

12. Property, plant and equipment

	Group		
	Long leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuations			
Acquisitions through business combinations	3,931	131	4,062
Revaluation	–	232	232
Effect of movements in foreign exchange	–	(8)	(8)
Balance at 31 August 2008	3,931	355	4,286
Accumulated depreciation			
Depreciation charge for the period	–	2	2
Balance at 31 August 2008	–	2	2
Carrying amounts			
At 31 August 2008	3,931	353	4,284

Notes to the financial statements *continued*

12. Property, plant and equipment (continued)

Directors' valuation:

Long Leasehold land and buildings

The value of long leasehold land and buildings is included at the directors' valuation at the date of its acquisition on 11 June 2008. The directors obtained evidence of observable prices in an active market to determine their valuation. The directors consider the fair value at the balance sheet date is not materially different from the carrying value.

Revaluation

The plant and equipment at Celsys Print has been independently valued by Mr. A West in Zimbabwe, as at 30 June 2008. Other assets were valued by the directors. Fair value was determined by reference to market evidence. The historical cost of plant and machinery which has been revalued during the period was £nil and the resulting revaluation of £0.232 million has been taken to revaluation reserve.

13. Intangible assets

	Group			
	Goodwill £000	Non compete agreement £000	Total £000	Company Total £000
Cost				
Acquired in period	–	7,290	7,290	7,290
Acquired with subsidiary	3,450	–	3,450	–
Balance at 31 August 2008	3,450	7,290	10,740	7,290
Amortisation				
Amortisation for the period	–	994	994	994
Balance at 31 August 2008	–	994	994	994
Carrying amounts				
At 31 August 2008	3,450	6,296	9,746	6,296

Amortisation

The amortisation charge is recognised in the administration expenses (note 6) in the income statement. The remaining amortisation period at 31 August 2008 is 57 months.

Goodwill

As at 31 August 2008, the consolidated balance sheet included goodwill of £3,450,000. Goodwill is allocated to the group's cash-generating units ("CGUs"), or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows:

Notes to the financial statements *continued*

13. Intangible assets (continued)

Cash generating unit (CGU)	Primary reporting segment	2008 £000
Celsys	Support services	1,944
Millpal	Support services	1,438
ATDM	Hotels	68
		3,450

A CGU, or group of CGUs, to which goodwill has been allocated must be assessed for impairment annually and whenever there is an indication of impairment.

There have been no indications of impairment relating to the CGUs or groups of CGUs to which goodwill has been allocated and, accordingly, the disclosures that follow relate to the impairment test that is required to be conducted on an annual basis:

- The carrying value of goodwill has been assessed with reference to value in use over 15 years reflecting the projected cash flows of each of the CGUs or group of CGUs based on the most recent forecast. A forecast period of 15 years has been used as this is reflective of the board's view of the long term investment potential in these Zimbabwe subsidiaries.
- Growth rates for the period not covered by the forecast are based on a range of growth rates that reflect the products, industries and countries in which the relevant CGU or group of CGUs operate. Growth rates have been calculated based on management's expected forecast volumes and market share increases on normalisation of the Zimbabwe economy.
- The key assumptions on which the cash flow projections for the most recent forecast are based relate to discount rates, growth rates, expected changes in selling prices and direct costs, and inflation rates within the hyper-inflationary economy of Zimbabwe. Key assumptions also include consideration of the period to normalisation of the Zimbabwe economy, where the range was between 1 and 6 years.
- The cash flow projections have been discounted using a range of rates based on the group's pre-tax weighted average cost of capital. The rates used vary between 10% and 12.5%.
- The growth rates applied in the value in use calculations for goodwill allocated to each of the CGUs or groups of CGUs that is significant to the total carrying amount of goodwill were in a range between 0% and 2.5%.
- Changes in selling price and direct costs are based on past results and expectations of future changes in the market.
- In respect of the value in use calculations, cash-flows have been considered for both the conservative and the full forecast potential of future cash-flows with no impact to the valuation of goodwill.

Impairment loss

The group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The directors believe that the value of the group's investments are long term and will only be realised on the eventual recovery of the Zimbabwean economy. The directors do not believe any impairment to goodwill is necessary.

Notes to the financial statements *continued*

13. Intangible assets (continued)

Other intangible assets

Non compete agreement

During the period the company issued shares to the value of £7.3 million to Lonrho Plc in exchange for Lonrho Plc entering into a non compete agreement.

The agreement covers a period of five and a half years and under it's terms, Lonrho cannot:

- invest in, carry on or be engaged or in any way be interested in any competing business of LonZim which is carried on in Zimbabwe or the Beira Corridor;
- without the express permission of LonZim Plc, provide any of the services provided to any other organisation competing in Zimbabwe or the Beira Corridor;
- induce or assist any other person or company to do any of the things that Lonrho itself is prohibited from.

The non-compete agreement has been recognised as an intangible asset valued at £7.3 million being the value of the shares issued. It was deemed impractical to use any other basis for the valuation.

The amortisation periods for other intangible assets are:

- Non compete agreement 5½ years

14. Fixed asset investments

The company has investments in the following subsidiaries and associates which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation	Principal Activity	Ownership interest
LonZim Holdings Limited⁺	Isle of Man	Investment company	100%
Celsys Limited	Zimbabwe	Printing products	60%
Gardoserve Pvt Limited	Zimbabwe	Chemical products	100%
Peak Mine Pvt Limited	Zimbabwe	Investment company	100%
LonZim Holdings Pvt Limited	Zimbabwe	Investment company	100%
Blueberry International Services Limited	British Virgin Islands	Investment company	100%
Wardlaw 1989 Limited	United Kingdom	Investment company	100%
Aldeamento Turistico de Macuti SARL⁺	Mozambique	Hotel development	80%
LonZim Management Services Limited	Mauritius	Investment company	100%

⁺ Held directly by LonZim Plc.

15. Other financial assets

	Group 2008 £000
Option to purchase assets in the future	213
	213

Notes to the financial statements *continued*

16. Inventories

	Group 2008 £000
Finished goods	21
	21

17. Trade and other receivables

	Group 2008 £000	Company 2008 £000
Amounts owed by group undertakings	–	3,713
Amounts receivable from the sale of goods	62	–
Other receivables	486	–
Pre-payments and accrued income	729	639
	1,277	4,352

The average credit period taken on sales of goods is 14 days. No interest is charged on receivables.

The directors consider the carrying amount of trade and other receivables approximates their fair value. In determining the recoverability of the trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Credit risk

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reaction in the recoverability of the cashflows.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

18. Cash and cash equivalents

	Group 2008 £000	Company 2008 £000
Bank balances	20,282	20,270
Bank overdrafts	(2)	–
Cash and cash equivalents in the statement of cash flows	20,280	20,270

Notes to the financial statements *continued*

19. Capital and reserves

Reconciliation of movement in capital and reserves

	Group							
	Share capital £000	Share premium £000	Revaluation reserve £000	Share based payment reserve £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Share issue	4	33,697	–	–	–	33,701	–	33,701
Minority interest in acquisition	–	–	–	–	–	–	844	844
Revaluation	–	–	148	–	–	148	84	232
Loss for the period	–	–	–	–	(1,193)	(1,193)	(39)	(1,232)
Equity-settled transactions	–	–	–	165	–	165	–	165
Exchange difference on translation of overseas operations	–	–	–	–	11	11	15	26
Balance at 31 August 2008	4	33,697	148	165	(1,182)	32,832	904	33,736

	Company				
	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
Share issue	4	33,697	–	–	33,701
Loss for the period	–	–	–	(1,079)	(1,079)
Equity-settled transactions	–	–	165	–	165
Balance at 31 August 2008	4	33,697	165	(1,079)	32,787

Notes to the financial statements *continued*

20. Share capital

	Ordinary shares No	Ordinary shares £000
Authorised		
Ordinary 0.01p shares	36,450,000	4
Issued fully paid		
Issued in period	36,450,000	4

The group has also issued share options (see note 21). 500,000 shares are held in reserve to issue in the event that these options are exercised.

During the period the company was admitted to AIM and issued 36,450,000 ordinary shares at an issue price of £1.00 per ordinary 0.01p shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

The directors are authorised in any period between consecutive annual general meetings, to allot any number of ordinary shares on such terms as they shall, in their discretion, determine up to such maximum number as represents 50% of the issued share capital at the beginning of such period. Further ordinary shares may be allotted on terms determined by the Directors but subject to the pre-emption rights prescribed by Section 36 of the Companies Act 1985.

Share Premium

The share premium represents the value of the premium arising on the share issue of 36,450,000 ordinary 0.01p shares during the period at a price of £1.00 per share net of issuant costs of £2.753 million.

Revaluation reserve

The revaluation reserve relates to plant and equipment which has been revalued in the Zimbabwean subsidiaries Celsys and Millpal.

Share based payment reserve

The share based payment reserve comprises of the charges arising from the calculation of the share based payment posted to the income statement.

Notes to the financial statements *continued*

21. Share options

The following share options over 0.01p ordinary shares were granted under an Unapproved Share Option scheme during the period.

Name	Date granted	Number of share options granted	Exercise price	Period during which exercisable	Market price per share at date of grant
Paul Heber	11.12.2007	500,000	150p	11.12.2007 – 10.12.2012	100p

In accordance with IFRS 2 'Share-based payments' share options granted in the year have been measured at fair value and recognised as an expense in income statement with a corresponding increase in equity (other reserves). The fair value of the options granted has been estimated at the date of grant using the Black-Scholes option-price in model. The estimated value of the options granted on 11.12.2007 was £165,000.

Options may be exercised in whole or in part until the expiry of the exercise period. Holders of the options are entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect their options, and may exercise or be deemed to have exercised their options prior to the occurrence thereof. The Company shall keep available sufficient authorised but unissued share capital to satisfy the exercise of the options. Ordinary Shares issued pursuant to an exercise of the options shall rank *pari passu* in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of options. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of options.

The following assumptions have been used:

	Date of grant 11.12.2007
Share price at vesting date 11 December 2007	100p
Exercise price	150p
Expected volatility	44%
Expected life	5 years
Expected dividends	0.00%
Risk-free interest rate	5.00%

Volatility has been calculated by reference to industry indices of vesting dates.

All share options were vested at date of grant and the basis of settlement is in shares of the company.

Notes to the financial statements *continued*

21. Share options (continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price Pence	Number of options No.
Granted during the period	150	500,000
Lapsed during the period	–	–
Charge to income in period	–	–
Outstanding at 31 August 2008	150	500,000
Exercisable at 31 August 2008	150	500,000

The options outstanding at the year end have an exercise price of 150p and a weighted average contractual life of 5 years.

The expected volatility is wholly based on the historic volatility of similar companies, calculated based on the remaining life of the share options.

22. Provisions

	Group 2008 £000	Company 2008 £000
Provisions	759	759

Provisions relate to an 'alienation' agreement with the Mozambique government which was assumed as part of the consideration for the acquisition of Aldeamento Turistico de Maeuti SARL (note 7). The provision is for US$1.5m. The amount payable by LonZim Plc is capped at US$1.5 million and is expected to be settled within 18 months of the balance sheet date and has therefore not been discounted.

23. Deferred tax liability

Recognised deferred liability

The following are the major deferred tax liabilities recognised by the group and movements thereon during the current period.

	Group	
	Accelerated tax depreciation £000	Total £000
Charge to income in period	107	107
At 31 August 2008	107	**107**

There have been no deferred assets and liabilities off set in the current period.

Notes to the financial statements *continued*

24. Interest-bearing borrowings

Analysis of borrowings by currency

	Zimbabwean Dollars £000	Total £000
31 August 2008		
Bank overdrafts	2	2
	2	2

The weighted average interest rates paid were as follows

	Period ended 2008 %
Bank overdrafts	25
	25

Other borrowings are arranged at floating rates, thus exposing the group to cashflow interest rate risk.

The directors estimate the fair value of the group's borrowings as follows.

	2008 £000
Bank overdrafts	2
	2

The other principal features of the group's borrowings is as follows:

Bank overdrafts are repayable on demand. Overdrafts of £2k have been secured over the group's assets. The bank overdraft is operated in Zimbabwe and there is a set off arrangement in place against cash balances held. The interest rates in Zimbabwe were circa 700% at the balance sheet date but as the set off arrangement is in place, there is no exposure to interest on the overdraft.

25. Trade and other payables

	Group 2008 £000	Company 2008 £000
Trade payables	64	–
Non-trade payables and accrued expenses	303	299
Other payables	811	–
	1,178	299

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purposes is 14 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the financial statements *continued*

26. Notes to the cash flow statement

	Group 2008 £000
Loss for the period	(1,232)
Amortisation on intangible assets	994
Depreciation of property, plant and equipment	2
Finance income	(974)
Income tax expense	142
Equity-settled share-based payment transactions	165
Operating cash flows before movements in working capital:	(903)
Decrease in inventories	1
Increase in receivables	(601)
Increase in payables	351
Cash generated from operations	(1,152)
Interest received	832
Net cash from operating activities	(320)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

27. Financial instruments

The group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit- ratings assigned by international credit rating agencies.

Notes to the financial statements *continued*

27. Financial instruments (continued)

Credit risk management (continued)

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained. At the balance sheet date, there were no significant credit risks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £20.342 million being the total of the carrying amount of financial assets, excluding equity investments as shown in the table below.

	2008 £000
Cash and cash equivalents	20,280
Trade receivables	62
	20,342

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

	2008 £000
Zimbabwe	62

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was:

	2008 £000
Wholesale customers	62

The ageing of trade receivables at the balance sheet date was:

	Gross 2008 £000	Impairment 2008 £000
Not past due	62	–

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors', which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements *continued*

27. Financial instruments (continued)

Liquidity risk management (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2008					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5 years and over £000
Bank overdrafts	2	2	2	–	–	–
Trade and other payables	64	64	64	–	–	–
	66	66	66	–	–	–

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	2008		
	Effective interest rate %	Total £000	3 months or less £000
Cash and cash equivalents	5.0	20,282	20,282
Bank overdrafts (see note 24)	–	(2)	(2)
		20,280	20,280

Foreign currency risk management

The group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Pounds Sterling. The currencies giving rise to this risk are primarily the Zimbabwean Dollar and Mozambique Metical. In respect of other monetary assets and liabilities held in currencies other than Pounds Sterling, the group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Zimbabwean Dollars £000	Mozambique Meticals £000	Total £000
Cash and cash equivalents	2	7	9
Trade payables	64	–	64
Trade receivables	(62)	–	(62)
Net exposure	4	7	11

Notes to the financial statements *continued*

27. Financial instruments (continued)

Foreign currency risk management (continued)

The following significant exchange rates applied during the year:

	Average Rate 2008	Reporting date mid spot rate 2008
Zimbabwean Dollar	–	117,844,640,000
Mozambique Meticals	48.19	44.06
US Dollars	1.98	1.7825

	Net assets 2008 £000
Zimbabwean Dollar	266
Mozambique Metical	3,609
US Dollars	(546)
	3,329

The company does not have any exposure to foreign currencies at the reporting date.

Sensitivity analysis

In managing interest rate and currency risks the group aims to reduce the impact of short-term fluctuations on the group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Interest rate risk management

The company and the group are not exposed to interest rate risk as entities in the group have no borrowings and the company held a large amount of cash from the capital issue during the period.

The company and the group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The group's sensitivity to interest rates is low due to cash balances held.

Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital, which the group defines as net operating income divided by total shareholders' equity, excluding non-redeemable preference shares and minority interests. The board of directors also monitors the level of dividends to ordinary shareholders.

Notes to the financial statements *continued*

27. Financial instruments (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2008 £000	Fair Value 2008 £000
Option to purchase shares (included in prepayment and accrued income)	90	90
Cash and cash equivalents	20,282	20,282
Trade receivables	62	62
Trade payables	(64)	(64)
Option to purchase property	213	213
	20,583	**20,583**

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Option to purchase shares

All costs approximate to fair value.

Option to purchase property

By reference to market value at take on. The valuation is not materially different at the balance sheet date.

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

Notes to the financial statements *continued*

28. Operating leases

Leases as lessee

At the balance sheet date, the group had outstanding annual commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £000
Less than one year	8
Between one and five years	–
More than five years	–
	8

During the period ended 31 August 2008, £16,000 was recognised as an expense in the income statement in respect of operating leases.

Operating lease payments represents rentals payable by the group for certain of its properties. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

29. Income Statement of LonZim Plc

LonZim Plc has taken advantage of the exemption offered by Section 230 of the Companies Act 1985 not to present its income statement. The loss for the period from incorporation on 25 October 2007 to 31 August 2008 was £1,079,000.

30. Capital commitments

During the period ended 31 August 2008, the group entered into a contract to purchase two aircraft for £1,128,126. These commitments were settled subsequent to the period end.

31. Contingent liabilities

There were no known contingent liabilities at the balance sheet date.

32. Related parties

Identity of related parties

The group has a related party relationship with its subsidiaries (see note 33), and with its directors and executive officers and with Lonrho Plc.

Transactions with subsidiaries

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Notes to the financial statements *continued*

32. Related parties (continued)

Group and company

Transactions with entities with significant influence over the entity

Lonrho Plc owned 20% of the company at the period end. As at 4th March 2009 Lonrho Plc owns 24.25% of the company and exerts significant influence over the company. During the period the company issued shares to the value of £7.3 million to Lonrho Plc in exchange for Lonrho Plc entering into a non compete agreement. The agreement covers a period of five and a half years and has been recognised as an intangible asset with a valuation of £7.3 million. This intangible asset is being amortised over the term of the agreement.

Between 5th to 12th January 2009 Lonrho Plc acquired a further 1,550,000 ordinary shares of 0.01p each in the company, taking its total interest to 8,840,000 ordinary shares, which represents 24.25% holding in the company's total issued share capital.

During the period the company was charged US$250k (£125k) by Lonrho Plc as a management charge. As at 31 August 2008, £42,000 was due from Lonrho Plc to LonZim Plc.

Transactions with key management personnel

Key management personnel are the holding company directors and executive officer Mr. Geoffrey Goss.

Paul Heber, a non-executive director, participates in the share option scheme. Other directors and key personnel are eligible to participate in the share option scheme (see note 21).

During the period £32k was charged to the company for services performed by DSG Chartered Accountants. Jean Ellis is a partner in this firm.

The key management personnel compensations are as follows:

	Period ended 31 August 2008 £000
Short-term employee benefits	94
Post-employment benefits	–
Share based payment (see note 21)	165
	259

Total remuneration is included in "personnel expenses" (see note 8):

	Period ended 31 August 2008 £000
Directors	53
Executive officers	41
	94

Company

Transactions between the Company and it's subsidiaries

Included within the balance sheet of the company at 31 August 2008 was an amount of £3.713 million, due from its wholly owned subsidiary LonZim Holdings Limited.

Notes to the financial statements *continued*

33. Group entities

Subsidiaries

	Country of incorporation	Ownership interest 2008
LonZim Holdings Limited	Isle of Man	100%
Celsys Limited	Zimbabwe	60%
Gardoserve Pvt Limited	Zimbabwe	100%
Peak Mine Pvt Limited	Zimbabwe	100%
LonZim Holdings Pvt Limited	Zimbabwe	100%
Blueberry International Services Limited	British Virgin Islands	100%
Wardlaw 1989 Limited	United Kingdom	100%
Aldeamento Turistico de Macuti SARL	Mozambique	80%
LonZim Management Services Limited	Mauritius	100%

34. Events after the balance sheet date

On 14 October 2008 LonZim completed the acquisition of 100% of the ordinary share capital of Paynet Limited, announced in March 2008, for a cash consideration of £1.734 million and costs of £0.12 million. The directors consider that the practicalities of obtaining the information necessary to provide disclosure in respect of the assets, goodwill and intangibles acquired at this point would not be cost effective given the current lack of inflationary and exchange rate information available in Zimbabwe.

In October 2008 LonZim completed the acquisition of two aircraft for £1.128 million. These aircraft have been leased to Fly540 Uganda, a subsidiary of Lonrho Plc, whilst the Air Operators Certificate for Zimbabwe is obtained.

On 30 November 2008, LonZim acquired 51% of the issued share capital of ForgetMeNot Africa BVI Limited for £0.264 million under an option agreement granted in April 2008, bringing the total cost of acquisition to £0.354 million (including cash of £0.02 million). There were no tangible assets of the company on acquisition, therefore the £0.354 million represents an intangible asset acquired.

On 13 January 2009 LonZim entered into an agreement to acquire 100% of the issued shares in Medalspot (Private) Limited from Kingdom Bank Limited, a Zimbabwean commercial bank, for US$0.95 million. Medalspot holds the title to the property currently occupied by the security printing division of Celsys Limited, a Zimbabwean limited company in which LonZim owns a 60% stake.

On 26 February 2009, LonZim announced that it had acquired 59,682,817 ordinary shares in Lonrho Plc ("Lonrho") (a related party within the meaning of the AIM Rules for Companies). The Lonrho shares were acquired over a period of approximately three months and included the acquisition of 55,000,000 ordinary shares in a private placement by Lonrho at a price of 5p per share announced on 11 November 2008. In aggregate, as at 26 February 2009, LonZim owned 7.81 per cent. of Lonrho. The total consideration was approximately £2.95 million which was funded out of LonZim's cash resources. The company's independent non-executive directors (being Paul Heber and Paul Turner) have consulted with the company's nominated adviser, Beaumont Cornish Limited, and have confirmed that the terms of the purchases in the placing are fair and reasonable insofar as the company's shareholders are concerned.

Corporate & Shareholder Information

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Analysis of ordinary shareholdings as at 23 February 2009

	Number of holders	% of total holders	Number of shares	% of total shares
Category of shareholder				
Individuals	42	27.45	152,736	0.42
Banks, nominees and other corporate bodies	111	72.55	36,297,264	99.58
	153	**100.00**	**36,450,000**	**100.00**
Shareholding range				
1 – 1,000	27	17.65	19,437	0.05
1,001 – 5,000	49	32.03	143,499	0.39
5,001 – 50,000	44	28.76	707,232	1.94
50,001 – 100,000	10	6.53	748,212	2.05
100,001 – 500,000	13	8.50	2,895,743	7.95
500,001 – 1,000,000	1	0.65	779,776	2.14
1,000,001 – 5,000,000	6	3.92	10,864,634	29.81
5,000,001 – 10,000,000	3	1.96	20,291,467	55.67
	153	**100.00**	**36,450,000**	**100.00**

Registrars

All administrative enquiries relating to shareholdings, such as queries concerning dividend payments, notification of change of address or the loss of a share certificate, should be addressed to the company's registrars.

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