LonZim

LonZim Plc
Annual Report

2010

LonZim Plc
Annual Report & Accounts 2010

Contents

Chief Executive's Review

LonZim Plc remains an investment company focused on the potential growth opportunities that will arise from economic recovery in Zimbabwe.

Zimbabwe suffered a period of economic collapse from 2003 to 2009 which saw the Zimbabwean economy contract and diminish. Hyperinflation reached a staggering 500 billion per cent. in 2008 resulting in the economy being forced to become a barter based economy with little real monetary basis. IMF statistics estimate that the economy of Zimbabwe has contracted by over 60% during the last decade.

In February 2009 the US dollarisation of the economy, replacing the hyperinflationary Zimbabwean Dollar, created a stable platform for commerce to be able to trade in a more normalised environment. That same month the Government of National Unity (Global Political Agreement) was formed which brought further stability to the commercial environment.

Since mid-2009 the economy has seen slow but steady progress as it begins to return to normal. As a result of the improving economic stability LonZim has seen tangible progress in its operations for the year to 31 August 2010.

The Zimbabwean economy today is a fraction of its former size but, importantly, is again growing. Historically Zimbabwe was one of the strongest and most successful economies in Africa driven by agriculture, mining and tourism. These industries are now showing the first signs of recovery, led by a rise in hotel occupancies and renewed inward investment by the larger mining companies.

On an international front, Zimbabwe has improved relations with the IMF and it now has the World Bank managing a multi-donor fund focused on recovery. Foreign financial support and private sector foreign direct investment has risen to over US$2 billion (£1.26 billion) and GDP growth forecasts for 2010 vary between 5% from the IMF and 8% by the Minister of Finance. Several forecasts for growth in 2011 are estimating over 10%.

The economy has started the process of recovery. The main questions for investors are if the recovery is sustainable and how quickly the economy can re-grow. One of the advantages that Zimbabwe has is an industrious workforce that still has a high level of education and 92% literacy. This is complemented by a legacy of strong infrastructure and commercial experience that provides a level of confidence that, given there are no political upheavals along the way, the Country can recover rapidly and once again become a leading economy in Africa.

LonZim's portfolio of businesses has been prepared for this impending growth. Some are already seeing the results trickle through and revenue building on a monthly basis. LonZim has successfully kept the businesses alive during the economic turmoil of the past few years and, where appropriate, has invested in equipment and refurbishment to ensure that its companies are well placed to be first back to market and can build market share as the economy grows.

Group turnover has grown 88% year on year demonstrating the start of the recovery for the economy. Costs and margins remain challenging with turnover at such low levels and will only return to a normal balance as turnover expands with the economic recovery. The attributable loss for the year was £5.1 million (2009: profit £0.9 million).

The requirements for LonZim Plc to provide funding for each of the businesses to survive has diminished during the period to a level that, following the year end, it is envisaged that the majority of its subsidiary companies will not require further head office financial support for their operations going forward.

Chief Executive's Review *continued*

The Company has built a strong portfolio of assets and operations that are positioned to grow and be first to return to their respective markets. At the Company's year end, the market capitalisation of the Company was 31.1% of the Company's net asset value.

Operational Review

Leopard Rock Hotel Company (Pvt) Limited ("Leopard Rock Hotel") (100% holding)

Acquired in April 2009, the Leopard Rock Hotel is one of the iconic hotels in Africa, having attracted the rich and famous to its doors. The property is located in the beautiful Vumba mountains in eastern Zimbabwe and benefits from a superb location, a game reserve and a championship standard golf course. Lonrho Hotels manages the hotel allowing it to access the Lonrho central reservations system.

The hotel has completed a US$1.8 million (£1.3 million) refurbishment program encompassing not just the rooms and public areas, but also updating the kitchens, laundry and service areas. New state of the art entertainment, IT and communications systems have been installed throughout the hotel and the bar, lounges and restaurants are delivering international quality product.

The Lonrho staff training programme has been implemented to ensure the highest levels of quality service and training of staff at all levels.

The Leopard Rock golf course is re-establishing itself as one of the premier courses in Africa. The course is attracting guests from around the world and it is expected that PGA international competitions will return to the course in 2011.

Occupancy levels following the refurbishment have grown month on month. The hotel is a popular conference venue and is generating strong conference business that often fills the property. The catering at the hotel is outstanding with an increasingly renowned chef attracting epicurean guests for weekends from Harare.

Paynet Limited ("Paynet") (100% holding)

Paynet provides an electronic funds transfer (EFT) system for 21 of the 22 banks in Zimbabwe. The growth in the economy is seeing this market sector start to expand and Paynet has a strong dominant position in the market. Monthly transaction numbers are steadily increasing and the company is cash flow positive. August saw the EFT business and Autopay payroll division reach record numbers of transactions.

Tradanet Limited ("Tradanet") (51% holding)

Tradanet, which provides payroll microfinance services, was one of the first businesses to recover. The loan book has grown to over US$28 million (£17.8 million) with in excess of 23,000 borrowers. The payroll based microfinance model is working well with less than 1% loan defaults. With the growing volumes, Tradanet has been operating profitably since March 2010.

Celsys Ltd ("Celsys") (60% holding)

Celsys has completed a full restructure to meet the forecast growth in its core service offering. The company now focuses on three core divisions:

- Printing: From its refurbished print works in Harare the company is a market leader in security and quality commercial printing. New printing presses and finishing equipment have been installed and revenues have grown substantially. Celsys Print has undergone the implementation of the ISO 9001:2008 quality standard and was certified by the Standards Association of Zimbabwe in February 2010.
- ATM's and Point of Sale (POS) equipment: The company has commenced deploying and installing new ATM's to Kingdom Bank across the Country. Enquiries have been received from other banks. Celsys receive a guaranteed minimum lease rental and revenue per

Chief Executive's Review *continued*

transaction. From a very low initial usage it is encouraging to see the growth in the number of transactions being processed as the economy starts recovering. Demand for both new ATMs and POS equipment is proving strong as banks and retailers see the number of transactions building month on month.

- Airtime Distribution: Celsys was historically a market leader in airtime distribution and is seeing strong growth in the telecoms sector. Specifically servicing the rural communities, this division is recording significant growth in airtime sales through its expanding sales network.

In each of its divisions Celsys is a strong market leader and the necessary investment in equipment and capacity has already been made to meet demand as each market recovers.

Aldeamento Turistico de Macuti SARL ("ATdM") (80% holding)

The 300,000m^2 development site in Beira on the coast of Mozambique historically housed the Don Carlos and Estoril hotels. The site is on the coast with 1.5km of beach front and has significant redevelopment potential. A master plan is under way for building a mixed use development, including hotel, retail and office space. Beira is the nearest seaport to Zimbabwe and strategically the gateway for many imported goods.

The ATdM site remains one of the prime locations in Beira.

Millpal Chemicals ("Millpal") (100% holding)

Millpal distributes volume chemicals for industry and hence is directly correlated to the economic recovery. Volumes have started to increase and Millpal has a solid market share in the importation, blending and distribution of solvents.

Fly540 Zimbabwe (90% holding)

Fly540 is the Lonrho international standard regional airline franchise for Africa that provides quality regional distribution for intercontinental carriers. Fly540 has initiated a plan to commence operations into, and eventually from, Zimbabwe as and when the traffic volumes start to build and the airport at Harare re-establishes volume international traffic. Harare airport remains of long term strategic importance as one of the best infrastructure facilities in Southern Africa.

Panafmed (Pty) Limited (51% holding)

The supply of pharmaceuticals into Zimbabwe in the current environment was not found to be commercial; therefore this division is undertaking a review of its future business options.

ForgetMeNot Africa Limited ("FMNA") (51% holding)

Since the start of commercial operations in January 2009, FMNA, which provides a "message optimiser" application for mobile phones, has made significant progress with four full launches in Southern, East and West Africa, and four more launches planned by the end of 2010. This will give over 50 million subscribers access to FMNA's messaging services. Notable successes have been launches with Safaricom Kenya and Globacom Nigeria. In particular uptake at the latter network has been especially encouraging, largely due to their promotional support of the service. Revenue started flowing in October 2010.

Directors

In September 2009, Colin Orr-Ewing joined the Board as an additional Non-Executive Director.

Chief Executive's Review *continued*

In October 2009, David Armstrong, the Lonrho Plc Finance Director, joined the Board of LonZim as Finance Director, and Jean Ellis stepped down from being Finance Director to act as a Non-Executive Director of the Company, bringing the number of Non-Executive Directors in LonZim to four.

Funding

In December 2009 Lonzim announced that it had successfully raised £1,170,269 by way of a placing with institutional investors. The funds are being used to provide working capital for the growth of existing businesses.

Results for the year

The loss for the year of £5.1 million (2009: profit £0.9 million) is as expected given the current economic climate in Zimbabwe after charging amortisation of intangible assets of £1.73 million (2009: £1.53 million).

Outlook

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.

Geoffrey White

Director & Chief Executive Officer
19 November 2010

Corporate Social Responsibility

Investing in existing and future staff

LonZim is committed to developing quality human resources to support the development of Group companies. At Paynet, employees are given access to Skillsoft training programmes for developing work related skills. In addition to paying the course fees, the company also provides time off to employees to study and take examinations. The Learning Initiative Paynet Zimbabwe (LIPZ) programme, now in its third year, enrols students to develop comprehensive IT skills. Courses last between 1 and 2 years and the most promising students are later recruited by Paynet.

At Celsys, interest free loans are available to employees wishing to further their work related skills. An employee recently completed a graphic design course, made possible due to the company's support.

Leopard Rock Hotel works with local educational facilities by providing onsite work experience to university students who are given hotel management training. The most successful are taken on as entry level employees.

Strengthening the local economy, protecting the environment and supporting communities

At Leopard Rock, wardens at the game park are being given specialized anti-poaching training; a skill essential to preserving a vital component of Zimbabwe's tourism industry. The importance of sourcing locally is also a priority in the daily business of the hotel; produce used in the hotel is primarily organically grown and locally sourced.

Directors

David Lenigas, 49, 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 Executive Chairman of Leni Gas & Oil Plc, Executive Chairman of Solo Oil Plc, Non Executive Chairman of Lonrho Mining Limited and is a Director of Vatukoula Gold Mines Plc and Reef Resources Ltd.

Geoffrey White, 49, Executive Director

Geoffrey White is a Director and the Chief Executive Officer of Lonrho Plc and holds a BSc in Economics and Management Science. During his 29 year career he has held senior management roles with Thomas Tilling Plc, BTR Plc, Dee Corporation Plc, Asda Plc and latterly worked for five years for a private investment fund based 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 international corporations such as Hilton Hotels International, Ford Motors (PAG), Praton International GmbH and FFS Refiners (Pty) Ltd.

David Armstrong, 45, Finance Director

David Armstrong (FCA) is also Finance Director of Lonrho Plc. David brings with him extensive experience of operating across Africa having been, until October 2004, the Commercial Director of Diageo Africa with combined functional responsibility for finance, information systems, strategy and business development. David contributed to the successful deployment of Diageo's pan-African growth strategy, encompassing over 50 countries. More recently, he has been the COO of McArthurGlen in the UK and Europe.

Emma Priestley, 37, 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.

Paul Turner, 63, 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 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.

Paul Heber, 47, 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 Investment Management (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. Mr. Heber is also a Non-Executive Director of Shanta Gold Plc.

Directors *continued*

Jean Ellis, 41, Non-Executive Director

Jean Ellis is a Chartered Accountant and Chartered Tax Advisor, and holds an Insolvency Practitioner's license. Formerly undertaking the role of Finance Director at Lonzim, she is the senior partner in the regional firm of Chartered Accountants, Duncan Sheard Glass, having been a partner there 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 Bachelor 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.

Colin Orr-Ewing, 68, Non-Executive Director

Colin Orr-Ewing is a graduate of Oxford University in Geography and has been involved in the natural resources sector for 35 years. He began his career as an investment manager for the Shell Pension Fund in London after completing his education as a Certified Accountant. His experience covers both the oil and mining industries and he has been a director of UK and Canadian oil companies and Irish and Canadian mining companies. Currently, Mr. Orr-Ewing also advises a fund management company on its natural resources portfolios. Mr. Orr-Ewing also has extensive experience in international financial affairs. He was deeply involved in the oil industry from 1971 through to 1987 with numerous companies in the North Sea, Libya, Nigeria and Algeria.

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

In addition, the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards.

The Group and Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company at the reporting date and of the profit or loss of the Group for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to allow for the preparation of the financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

Report of the Directors

For the year ended 31 August 2010

The Directors of Lonzim Plc submit their report, together with the audited financial statements, for the year ended 31 August 2010.

Principal activities

The Group is 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.

Investment Strategy

The Company's investment objective is to provide Shareholders with long term capital appreciation through the investment of its capital primarily in Zimbabwe and the region of Mozambique known as the Beira corridor which links Zimbabwe to the coast. While the Company will not have a particular sectoral focus, utilising the investment skills of the Directors and their advisors, the Company will seek to identify individual companies in sectors best positioned to benefit should there be radical improvements in Zimbabwe's economy. The Company may make investments in the tourism, accommodation, infrastructure, transport, commercial and residential property, technology, communications, manufacturing, retail, services, leisure, agricultural and natural resources sectors. The Company may also make investments in businesses outside Zimbabwe that have a significant exposure to assets, businesses or operations within Zimbabwe. The Company will also look into expanding businesses and brands currently owned by Lonrho or in which Lonrho has an interest in Zimbabwe. The Company will only be able to achieve its investment objective in the event the Zimbabwean economy radically improves.

While there will not be any limit on the number or size of investments the Company can make in any sector, the Directors will seek to diversify the Company's investments across various sectors in order to mitigate risk and to avoid concentrating the portfolio in any single sector.

The Company's interest in a proposed investment or acquisition may range from a minority position to full ownership. The Company intends, in any event, to actively manage the operations of the companies it has invested in. To this end, the Company has, through the acquisition of Celsys Limited established a management team in Zimbabwe to provide local day to day management of companies and businesses acquired. Wherever possible the Company will seek to achieve Board control or financial control of its portfolio companies. Indigenisation legislation within Zimbabwe may, however, prevent the Company from acquiring majority control in Zimbabwean businesses.

The Directors believe that through their individual and collective experience of investing and managing acquisitions and disposals in Africa, they have the necessary skills to manage the Company and, with the assistance of Lonrho under the management services agreement detailed in the Company's AIM admission document, to source deal flow. Prior to any investment decisions being taken by the Board of the Company, a thorough due diligence process will be undertaken by the Company's appointed independent specialist financial and legal advisors.

The Company's investment strategy is dependent upon future radical improvement in the Zimbabwean economy, and it is therefore possible that a significant period of time may elapse before

Report of the Directors *continued*

an investment by the Company will produce any returns. In order to position itself for maximum gain from improvements in the Zimbabwean economy, the Company may make initial investments in Zimbabwe. However, there is no guarantee that the economy in Zimbabwe will improve. Accordingly, the Company may not be able to make any profits and may incur losses. Furthermore, businesses in which the Company has made an initial investment with a view to investing further once significant economic improvement occurs may deteriorate in the meantime.

The Directors intend to seek the consent of the Shareholders for the investment policy on an annual basis. The Company, Directors and Lonrho will comply as a matter of policy with the OFAC and Regulation (EC) No. 314/2004 regulations.

Results

A consolidated loss of £5,134,000 after minority interests (2009: profit £913,000) has been made by the Group during the year and has been transferred to reserves. This is after charging amortisation of intangible assets of £1,729,000 (2009: £1,529,000) (see note 11).

Share capital

On 4 December 2009 the Company announced that it had raised £1,170,269 by way of a placing of 4,255,525 new ordinary shares of £0.0001 each at 27.5p per share resulting in the issued share capital of the Company being increased to 36,331,525 ordinary shares.

Business review and development

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

The requirements of the enhanced business review in relation to strategy and progress thereon are contained in the Chief Executive's review of operations. The principal risks and uncertainties relate to the revenue generation in the Group's businesses, which being located in Africa are subject to respective government policies, political stability and general economic conditions in the relevant country. Other risks to which the Group is exposed are the lack of suitably experienced management and exposure to foreign currency movements.

The Group monitors cash flow as its primary key performance indicator. Given current global financial conditions, the Directors are carefully monitoring cash resources within the Group and have instigated a number of initiatives to ensure funding will be available for planned projects. If such funding cannot be secured, the projects will be delayed or cancelled to ensure that the Group can manage its cash resources for the foreseeable future and hence the financial statements have been prepared on a going concern basis. The Group also uses a number of other key performance indicators which are measured at different tiers in the operation. At the top level, the Group tracks turnover, gross margin, contribution to overheads, cash generation and performance against budget.

The Directors wish to mitigate risk by proper evaluation of every investment that is made and have therefore developed a risk analysis reporting procedure, which links into the Company's Corporate Governance procedures.

Report of the Directors *continued*

Further information regarding the Group's policies and exposure to financial risk can be found in note 25 to the financial statements.

Post balance sheet events

Details of significant events since the reporting date are contained in note 32 to the financial statements.

Dividends

The Directors do not recommend the payment of a dividend (2009: £Nil).

Corporate governance

Compliance with the UK Corporate Governance Code

The Directors recognise the value of the UK Corporate Governance Code (formerly the Combined Code on Corporate Governance) and, whilst under AIM rules full compliance is not required, the Directors have considered the recommendations and applicability insofar as is practicable and appropriate for a public company of its size.

Board of Directors

The Board of Directors currently comprises four Executive Directors, one of whom is the Chairman, and four Non-Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance to enable the recommendations of the Code to be implemented to an appropriate level. The Board, through the Chairman and Chief Executive Officer in particular, maintains regular contact with its advisors, public relations consultants and institutional investors in order to ensure that the Board develops an understanding of the views of the major shareholders about the Company.

The Board meets quarterly and is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the executive management who are charged with consulting the Board on all significant financial and operational matters. Consequently, decisions are made promptly following consultation amongst the Directors and managers concerned where necessary and appropriate.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice at the Company's expense, as and when required.

The Chairman is available to meet with institutional shareholders to discuss any issues and concerns regarding the Group's governance. The Non-Executive Directors can also attend meetings with major shareholders if requested.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the Board.

Internal controls

The Directors acknowledge their responsibility for the Company's and the Group's systems of internal control, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a regular

Report of the Directors *continued*

detailed reporting system covering the state of the Group's financial affairs. The Board is developing procedures for identifying, evaluating and managing the significant risks that face the Group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated.

Committees

The Board has devolved duties to the following committees:

Audit Committee

The role of the Audit Committee is to oversee the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures and the Company's financial reporting statements. The Audit Committee's primary objectives include assisting the Directors in meeting their responsibilities in respect of the Company's financial continuous disclosure obligations and overseeing the work of the Company's external auditors. The Audit Committee comprises Paul Turner (Chairman), Paul Heber and Jean Ellis.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the remuneration policy that applies to Executive Directors and senior employees. The Remuneration Committee comprises Paul Heber (Chairman), Paul Turner and Jean Ellis.

Nomination Committee

The Nomination Committee is responsible for identifying candidates to fill vacancies on the Board, as and when they arise, and nominate them for approval by the Board. The Nomination Committee comprises Paul Heber (Chairman), Paul Turner and Geoffrey White.

Substantial shareholdings

The Directors have been advised of the following shareholdings at 19 November 2010 in 3 per cent. or more of the Company's issued share capital:

	Number of shares	Percentage of issued capital
Lonrho Plc	8,940,000	24.61%
MKM Longboat Multi-Strategy Master Fund	4,860,000	13.38%
Emerging Markets Management, LLC	2,916,000	8.03%
Enso Capital Management LLC	1,409,000	3.88%
Renaissance Investment Management (UK) Ltd	1,215,000	3.34%

Report of the Directors *continued*

Directors

The following Directors have held office during the year: Mr D A Lenigas (appointed 7 November 2007); Mr G T White (appointed 7 November 2007); Ms E K Priestley (appointed 7 November 2007); Mrs J M Ellis (appointed Finance Director 7 November 2007 and became a Non-Executive Director 6 October 2009 upon appointment of Mr D J Armstrong); Mr P D Heber (appointed 7 November 2007); Mr P Turner (appointed 1 July 2008); Mr C Orr-Ewing (appointed 14 September 2009); Mr D J Armstrong (appointed 6 October 2009).

Biographical details of all Directors are set out on pages 7 and 8.

Directors' share interests

The Directors at the year end are set out below. Their interests in the shares of the Company at the beginning and end of the year are as follows:

	At 31.08.10 No of shares	At 31.08.09 Or date of appointment No of shares
D A Lenigas	250,000	250,000
G T White	150,000	150,000
E K Priestley	Nil	Nil
J M Ellis	Nil	Nil
P D Heber	50,000	50,000
P Turner	Nil	Nil
D J Armstrong (appointed 6 October 2009)	Nil	Nil
C Orr-Ewing (appointed 14 September 2009)	25,000	25,000

Share options held by the Directors are detailed in note 19 of the financial statements.

All of the above interests are recorded in the Company's Register of Directors' Share and Debenture Interests. No Director has a beneficial interest in the shares or debentures of any of the Company's subsidiary undertakings.

Mr C Orr-Ewing held 25,000 shares at the date of his appointment. Mr D Armstrong did not hold any shares in the Company at the date of his appointment. There have been no other changes in Directors' share interests since 31 August 2010.

Insurance

The Company has effected Directors and Officers liability insurance cover for Group Directors.

Share price performance

Between 1 September 2009 and 31 August 2010 the share price varied between a high of 40.5p and a low of 17.5p. At 31 August 2010 the mid-market price of the shares at close of business was 27.5p. At 18 November 2010 the mid-market price of the shares was 28.5p.

Report of the Directors *continued*

Political and charitable donations

No political or charitable donations have been made by the Group during the year.

Payment to suppliers

The Group does not follow any code or standard with regard to the payment of its suppliers. The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Amounts due to suppliers at the reporting date are contained in note 23.

Auditors

A resolution to re-appoint KPMG Audit LLC and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By order of the Board
D. Lenigas
Chairman

19 November 2010

Report of the Independent Auditors, 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 year ended 31 August 2010 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the Group Statement of Recognised Income and Expense 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 Company's members those matters we are required to state to them in an auditor's 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 Company 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 Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 9.

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 Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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 material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the 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 judgments made by the 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.

Report of the Independent Auditors, KPMG Audit LLC, to the members of LonZim Plc *continued*

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 and Parent Company's affairs as at 31 August 2010 and of the Group's loss for the year then ended.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

19 November 2010

Consolidated comprehensive income statement

For the year ended 31 August 2010

	Note	2010 Total £000	2009 Total £000
Revenue	4	4,900	2,607
Cost of sales	5	(2,734)	(1,572)
GROSS PROFIT		2,166	1,035
Operating costs	5	(8,311)	(1,959)
RESULTS FROM OPERATING ACTIVITIES BEFORE FINANCING INCOME		(6,145)	(924)
Finance income	7	439	2,011
Finance costs	7	(10)	–
NET FINANCE INCOME		429	2,011
(LOSS)/PROFIT BEFORE TAX		(5,716)	1,087
Income tax expense	8	582	(174)
(LOSS)/PROFIT FOR THE YEAR		(5,134)	913
ATTRIBUTABLE TO:			
Owners of the Company	17	(4,375)	1,087
Non-controlling interest	17	(759)	(174)
(LOSS)/PROFIT FOR THE YEAR		(5,134)	913
Basic (loss)/earnings per share (pence)	9	(12.4p)	3.03p
Diluted (loss)/earnings per share (pence)	9	(12.4p)	2.99p

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 31 August 2010

	Note	2010 £000	2009 £000
Foreign currency translation differences for overseas operations	17	(89)	(625)
Revaluation of property, plant and equipment	17	2,546	793
(Loss)/profit for the year	17	(5,134)	913
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		(2,677)	1,081
ATTRIBUTABLE TO:			
Owners of the Company		(2,021)	1,090
Non-controlling interest		(656)	(9)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		(2,677)	1,081

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2010

	2010 Owners of the Company £000	2010 Non-controlling interest £000	2010 Total £000	2009 Owners of the Company £000	2009 Non-controlling interest £000	2009 Total £000
AT 1 SEPTEMBER	32,579	895	33,474	32,832	904	33,736
Total comprehensive income	(4,375)	(759)	(5,134)	1,087	(174)	913
Issue of shares	1,113	–	1,113	–	–	–
Share purchase	–	–	–	(1,343)	–	(1,343)
Revaluation	2,546	–	2,546	586	207	793
Exchange differences	(193)	104	(89)	(583)	(42)	(625)
AT 31 AUGUST	31,670	240	31,910	32,579	895	33,474

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

Consolidated and Company statements of financial position

As at 31 August 2010

	Note	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
ASSETS					
Property, plant and equipment	10	18,548	24	18,884	38
Goodwill	11	4,325	–	4,325	–
Other intangible assets	11	5,534	3,645	7,263	4,971
Investment in subsidiaries	12	–	2,736	–	2,736
Deferred tax assets	21	645	–	77	–
TOTAL NON-CURRENT ASSETS		29,052	6,405	30,549	7,745
Assets held for sale	10	3,557	–	–	–
Other investments	13	101	–	1,269	–
Inventories	14	339	–	194	–
Trade and other receivables	15	2,922	21,761	2,941	20,301
Cash and cash equivalents	16	291	38	2,431	1,383
TOTAL CURRENT ASSETS		7,210	21,799	6,835	21,684
TOTAL ASSETS		36,262	28,204	37,384	29,429
EQUITY					
Issued share capital	17, 18	4	4	3	3
Share premium account	17, 18	33,467	33,467	32,355	32,355
Revaluation reserve	17, 18	2,750	–	734	–
Foreign exchange reserve	17	(420)	–	(681)	–
Share based payment reserve	17, 19	165	165	165	165
Retained earnings	17	(4,296)	(7,694)	3	(4,154)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	17	31,670	25,942	32,579	28,369
NON-CONTROLLING INTEREST	17	240	–	895	–
TOTAL EQUITY		31,910	25,942	33,474	28,369
LIABILITIES					
Provisions	20	628	628	485	485
Deferred tax liabilities	21	933	–	909	–
TOTAL NON-CURRENT LIABILITIES		1,561	628	1,394	485
Bank overdrafts	16	–	–	–	–
Current tax liabilities		41	35	43	35
Interest bearing loans	22	963	963	–	–
Trade and other payables	23	1,787	636	2,473	540
TOTAL CURRENT LIABILITIES		2,791	1,634	2,516	575
TOTAL LIABILITIES		4,352	2,262	3,910	1,060
TOTAL EQUITY AND LIABILITIES		36,262	28,204	37,384	29,429

These financial statements were approved by the Board of Directors and authorised for issue on 19 November 2010. They were signed on its behalf by:

G White
Director & Chief Executive Officer

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

Consolidated and Company cash flow statement

For the year ended 31 August 2010

	Note	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	24	(3,384)	(2,061)	(3,606)	(2,408)
Cash received for inventories	24	(145)	–	(173)	–
Increased cash due from customers	24	19	(1,423)	(1,664)	(15,949)
(Decreased)/increased cash due to suppliers	24	(621)	38	1,295	241
CASH GENERATED FROM OPERATIONS	24	(4,131)	(3,446)	(4,148)	(18,116)
Interest received		(14)	25	612	612
NET CASH FROM OPERATING ACTIVITIES		(4,145)	(3,421)	(3,536)	(17,504)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of expenses		–	–	(8,879)	–
Purchase of fixed assets	10	(1,705)	–	(4,103)	(40)
Purchase of investments		–	–	(2,950)	–
Sale of investments		1,630	–	2,962	–
NET CASH FROM INVESTING ACTIVITIES		(75)	–	(12,970)	(40)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital		1,113	1,113	(1,343)	(1,343)
Proceeds from loans		963	963	–	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		2,076	2,076	(1,343)	(1,343)
Net decrease in cash and cash equivalents		(2,144)	(1,345)	(17,849)	(18,887)
Cash and cash equivalents at 1 September		2,431	1,383	20,280	20,270
Foreign exchange movements		4	–	–	–
CASH AND CASH EQUIVALENTS AT 31 AUGUST		291	38	2,431	1,383

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 August 2010

1. Reporting entity

LonZim Plc (the "Company") is a company incorporated in the Isle of Man. The consolidated financial statements of the Group for the year to 31 August 2010 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 19 November 2010.

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 E.U. On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption whereby under the Isle of Man Companies Act 2006 there is no requirement to present a company income statement in consolidated financial statements.

Functional and 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.

Change in functional currency at subsidiary level

The uncertainties in the adverse Zimbabwean economic environment have resulted in subsidiaries of the Group operating in Zimbabwe changing their functional currency from Zimbabwe dollars to United States dollars.

The rate of increase of inflation in Zimbabwe reached extraordinary levels in the last quarter of 2008. This was exacerbated by the existence of multiple exchange rates, the use of foreign currencies for some transactions and the existence of multiple pricing criteria for similar products based on the mode of settlement. The effect was that the Zimbabwe dollar was no longer a functional currency for financial reporting purposes and resulted in a change in the functional currency for most entities reporting in Zimbabwe. With effect from 1 February 2009, the subsidiaries Celsys, Millpal and Paynet changed their functional currency from the Zimbabwe dollar to the United States dollar as it was evident that the United States dollar represents the currency of the prime economic environment in which the company operates. On 29 January 2009 and on 2 February 2009 the Fiscal and Monetary Authorities gave recognition to the fact that the Zimbabwe dollar was no longer a functional currency and authorised the use of multiple foreign currencies for trading in Zimbabwe.

The basis of preparation and presentation of the financial statements of Celsys, Millpal and Paynet for inclusion in the Lonzim Plc Consolidated accounts follows the guidance issued by the Public Accountants and Auditors Board and the Zimbabwe Accounting Practices Board. This guidance was issued to assist preparers of financial statements in converting their financial statements from Zimbabwe dollars into their new functional currency in a manner that is consistent with the principles of International Financial Reporting Standards, in as far as is practicable, in the Zimbabwean economic environment, at the date of the change of the functional currency. As suggested by the guidance, assets and liabilities carried at fair value were valued at the date of change of the functional currency and carried at the fair values in the new functional currency. Non-monetary assets and liabilities were valued at their deemed costs. Equity was recognised as the residual of the Company's net assets and will be treated as a non-distributable reserve until clarity has been obtained on the legal position with respect to the treatment of share capital. Further clarification of reserves will be pursued after the legal considerations attendant to share capital has been addressed.

The financial performance, as reflected in the income statement, includes only the financial performance of Celsys, Millpal and Paynet after the change in their functional currency at 1 February 2009 however it was considered that any translation of results for the period pre-dollarisation be deemed immaterial in the context of the group accounts. The Directors believe that the balance sheet that has been presented is a fair reflection of the assets and liabilities of the company in accordance with International Financial Standards and, therefore, a fair reflection of the shareholder's equity.

Notes to the financial statements *continued*

2. Basis of preparation (continued)

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Aircraft measured at fair value
- Financial assets held for trading are measures at fair value
- Land, buildings and plant and equipment are revalued

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:

- 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 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. 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

The Group's business activities and financial performance are set out in the Chief Executive's Review on pages 2 to 5. In addition note 25 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 exposure to credit and liquidity risk.

The Group has access to sufficient financial resources for its needs. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current 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.

Notes to the financial statements *continued*

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 are allocated against the interests of the minority.

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.

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 recognise.

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

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(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 reporting 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.

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.

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
Licences	5-6 years
Brand name	7 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.

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 reporting 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 other comprehensive income.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(c) Foreign currencies (continued)

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 reporting date. Income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate so as to have a material impact on the financial statements during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income 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.

(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 reporting date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. 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 statement of financial position 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 reporting 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
Aircraft	10% of cost
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.

In respect of aircraft, subsequent costs incurred which lend enhancement to future periods such as long term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised over the length of the period benefiting from these enhancements. All other costs relating to maintenance are charged to the income statement as incurred.

Property plant and equipment identified for disposal are reclassified as assets held for resale.

(g) Impairment of assets excluding goodwill

At each reporting 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.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(g) Impairment of assets excluding goodwill (continued)

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.

(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 statement of financial position 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.

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 minority interests.

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 statement of financial position 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) Earnings/(loss) per share

Basic earnings/(loss) per share is calculated based on the weighted average number of ordinary shares outstanding during the period. Diluted earnings/(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 four main business segments.

- Aviation
- Hotels
- Support services
  - Industrial chemical products
  - Security printing products
  - Telecoms
  - Payroll services
  - Pharmaceutical distribution
- Head office

Geographical segments

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

Notes to the financial statements *continued*

4. Segment reporting (continued)

Business segments

	Aviation		Hotels		Support services		Head office		Consolidated	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Revenue from external customers	901	671	810	284	3,189	1,652	–	–	4,900	2,607
Total revenue	901	671	810	284	3,189	1,652	–	–	4,900	2,607
Segment result	(112)	51	(585)	(409)	(2,675)	(942)	–	–	(3,372)	(1,300)
Unallocated central expenses	–	–	–	–	–	–	(2,773)	376	(2,773)	376
Operating (loss)/profit	(112)	51	(585)	(409)	(2,675)	(942)	(2,773)	376	(6,145)	(924)
Net financing income	113	–	–	–	–	–	316	2011	429	2011
Income tax expense	–	–	7	–	575	129	–	(303)	582	(174)
Profit/(loss) for the year	1	51	(578)	(409)	(2,100)	(813)	(2,457)	2,084	(5,134)	913

All revenues relate to sale of goods.

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

	2010 £000	2009 £000
- amortisation (see note 11)	1,729	1,529
- negative goodwill	–	(4,408)

	Aviation		Hotels		Support services		Head office		Consolidated	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Segment assets	5,059	4,184	16,463	13,573	3,688	4,115	11,052	15,512	36,262	37,384
Total assets	5,059	4,184	16,463	13,573	3,688	4,115	11,052	15,512	36,262	37,384
Segment liabilities	644	419	1,106	1,328	1,831	572	771	1,591	4,352	3,910
Total liabilities	644	419	1,106	1,328	1,831	572	771	1,591	4,352	3,910
Depreciation	318	297	54	15	292	157	14	2	678	471
Amortisation of intangible assets	–	–	–	–	–	–	1,729	1,529	1,729	1,529

Notes to the financial statements *continued*

5. Group net operating costs

	Continuing 2010 £000	Acquisitions 2010 £000	Total 2010 £000	Continuing 2009 £000	Acquisitions 2009 £000	Total 2009 £000
Cost of sales	2,734	–	2,734	557	1,015	1,572
Administrative expenses	8,311	–	8,311	176	1,783	1,959
Net operating costs	11,045	–	11,045	733	2,798	3,531

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

Operating costs include:						
Depreciation of property, plant and equipment	678	–	678	57	414	471
Amortisation of intangibles (other than goodwill)	1,729	–	1,729	1,529	–	1,529
Share based payments	–	–	–	–	–	–
Operating lease rentals						
– Land and buildings	33	–	33	16	–	16
Staff costs	2,236	–	2,236	608	326	934
Gain on investments	361	–	361	–	–	–
Negative goodwill	–	–	–	(4,408)	–	(4,408)

Auditors' remuneration

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Fees payable to the Company's Auditors for:		
– The audit of the Group's annual accounts	100	113
– The audit of the Company's subsidiaries pursuant to legislation	20	13
Total audit fees	120	126

Notes to the financial statements *continued*

6. Personnel expenses

The aggregate remuneration comprised (including executive directors)

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Wages and salaries	2,143	862
Compulsory social security contributions	93	72
Equity-settled transactions	–	–
	2,236	934

The average number of employees (including Executive Directors) was:

	Year ended 31 August 2010 Number	Year ended 31 August 2009 Number
Support services	179	220
Hotels	145	147
Head office	7	7
	331	374

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Remuneration of Directors		
Directors' emoluments	444	144

Notes to the financial statements *continued*

7. Net finance income

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Recognised in income statement:		
Net gain on financial instruments designated at fair value through profit and loss	361	1,264
Bank interest receivable	14	437
Foreign exchange gain	64	310
Finance income	439	2,011
Bank interest payable	(10)	–
Finance costs	(10)	–
Net finance income	429	2,011

8. Taxation

Income tax recognised in the income statement

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Current tax expense		
Current period	63	–
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	(645)	174
Total income tax (credit)/expense in income statement	(582)	174

Reconciliation of effective tax rate

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
(Loss)/profit before tax	(5,716)	1,087
Income tax using the U.K. corporation tax rate 28% (2009: 28%)	(1,600)	304
Non-deductible expenses	–	(948)
Net losses where no group relief is available	1,600	658
Profit in jurisdictions with zero tax	–	(14)
	–	–

Notes to the financial statements *continued*

8. Taxation (continued)

Deferred tax

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Charge relating to intangible assets	–	303
Relating to losses in subsidiaries	(645)	(129)
	(645)	174

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

Deferred tax is recognised as an asset on the basis that the Group will generate future profits to offset against the asset. The asset is derived from the losses which the Group has experienced to date.

9. Earnings per share

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

Earnings

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Earnings for the purposes of basic earnings per share being net (loss)/profit attributable to equity holders of the parent	(4,375)	1,087
Effect of dilutive potential ordinary shares	–	–
Earnings for the purposes of diluted earnings per share	(4,375)	1,087

Number of shares

	Year ended 31 August 2010 Number 000s	Year ended 31 August 2009 Number 000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	35,215	35,862
Effect of dilutive potential ordinary shares		
– Share options	500	500
Weighted average number of ordinary shares for the purposes of diluted earnings per share	35,715	36,362

In 2009 the calculation of diluted earnings 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 was 36,362,000.

In the current year, the Group made a loss. Because of this, the effect of the share options is anti-dilutive.

Notes to the financial statements *continued*

10. Property, plant and equipment

	2010 Group							
	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Furniture fixtures and fittings £000	Subtotal £000	Held for sale £000	Total £000
Cost or valuation								
At 1 September 2009	9,216	4,863	304	320	644	15,347	4,010	19,357
Additions in year	638	–	367	47	653	1,705	–	1,705
Disposals in year	–	–	(36)	(46)	(6)	(88)	–	(88)
Assets written off	–	–	(142)	–	–	(142)	–	(142)
Revaluation	2,546	–	–	–	–	2,546	–	2,546
Effect of movements in foreign exchange	142	(420)	(7)	(3)	(2)	(290)	161	(129)
Balance at 31 August 2010	12,542	4,443	486	318	1,289	19,078	4,171	23,249
Accumulated depreciation								
At 1 September 2009	8	–	24	43	101	176	297	473
Adjustment re disposals	–	–	–	(7)	–	(7)	–	(7)
Depreciation charge for the year	109	–	29	76	147	361	317	678
Balance at 31 August 2010	117	–	53	112	248	530	614	1,144
Carrying amounts								
At 31 August 2010	12,425	4,443	433	206	1,041	18,548	3,557	22,105
At 31 August 2009	9,208	4,863	280	277	543	15,171	3,713	18,884

Freehold land and buildings

Freehold land and buildings, relating to Leopard Rock Hotel, were revalued in August 2010 by C W Holland, an Independent Valuer, on the basis of market value.

Freehold land and buildings, relating to Medalspot and Paynet, were revalued in August 2010 by T.W.R.E Zimbabwe (Pvt) Ltd, a firm of Independent Valuers, on the basis of market value.

The valuations conform to International Valuation standards and were based on recent market transactions of arms length term for similar properties.

On 31 August 2010, had freehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would be approximately £9.7 million (2009: £9.2 million). The revaluation surplus is disclosed in note 17.

Directors' valuation:

Long leasehold land and buildings

The value of long leasehold land and buildings is included at the Directors' valuation at the 31 August 2010. 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 was revalued in the previous period was £nil and the resulting revaluation of £0.232 million has been taken to revaluation reserve.

Notes to the financial statements *continued*

10. Property, plant and equipment (continued)

Assets held for sale

At the year end, LonZim held assets to the value of £3,557k for sale. This is made up of 3 aircraft to a value of £3,490k and fixtures and fitting to a value of £67k. All of these assets are being actively marketed and the Company would hope to find buyers within the next year.

	2009 Group						
	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant and machinery £000	Aircraft £000	Motor vehicles £000	Furniture fixtures and fittings £000	Total £000
Cost or valuations							
At 1 September 2008	–	3,931	234	–	47	74	4,286
Acquisitions through business combinations	9,892	–	–	–	177	510	10,579
Additions in year	–	–	2	3,925	60	116	4,103
Disposals in year	–	–	–	–	(5)	–	(5)
Revaluation	–	793	–	–	–	–	793
Effect of movements in foreign exchange	(676)	139	68	–	41	29	(399)
Balance at 31 August 2009	9,216	4,863	304	3,925	320	729	19,357
Accumulated depreciation							
At 1 September 2008	–	–	2	–	–	–	2
Depreciation charge for the year	8	–	22	297	43	101	471
Balance at 31 August 2009	8	–	24	297	43	101	473
Carrying amounts							
At 31 August 2009	9,208	4,863	280	3,628	277	628	18,884

Director's valuation:

ATdM

Long leasehold land and buildings

The value of long leasehold land and buildings is included at the Directors' valuation at 31 August 2009. 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.

Celsys and Millpal

Revaluation – plant and equipment

The plant and equipment at Celsys Print was independently valued by Mr. A West in Zimbabwe, as at 30 June 2008. Other assets were valued by the Directors. Fair value was determined at 31 August 2009 by reference to market evidence. The Directors consider the fair value at the balance sheet date is not materially different from the carrying value.

Paynet

Revaluation – property, plant and equipment

The property, plant and machinery at Paynet were revalued at dollarization on 1 February 2009 by the Directors. Fair value was determined at 31 August 2009 by reference to market evidence. The valuation at 1 February 2009 and at acquisition date were not materially different.

Notes to the financial statements *continued*

10. Property, plant and equipment (continued)

Leopard Rock

Revaluation – land and buildings

Property, plant and machinery at Leopard Rock was revalued at dollarization on 1 February 2009 by Messrs. Holland & Co. Fair value at acquisition date used a professional valuation of US$10,000,000 for the hotel and a Directors' valuation was provided of US$2,400,000 in respect of the land element. The valuation for the land was determined using market evidence as provided by an independent valuer.

Medalspot

Revaluation – property

A professional valuation was made by T.W.R.E. Zimbabwe (Pvt) Limited of US$1,500,000 at 31 August 2009. Fair value at 31 August 2009 was made by reference to market evidence.

	2010 Company		
	Motor vehicles £000	Furniture fixtures and fittings £000	Total £000
Cost of valuations			
At 1 September 2009	35	5	40
Balance at 31 August 2010	35	5	40
Accumulated depreciation			
At 1 September 2009	1	1	2
Depreciation charge for the year	13	1	14
Balance at 31 August 2010	14	2	16
Carrying amounts			
At 31 August 2010	21	3	24
At 31 August 2009	34	4	38

11. Intangible assets

							Group 2010	Company 2010
	Goodwill £000	Non compete agreement £000	Brand name £000	Sol Aviation £000	Software licences £000	Casino license £000	Total £000	Total £000
Cost								
At 1 September 2009	4,325	7,290	770	270	774	682	14,111	7,290
Acquired through business combinations	–	–	–	–	–	–	–	–
Balance at 31 August 2010	4,325	7,290	770	270	774	682	14,111	7,290

Notes to the financial statements *continued*

11. Intangible assets (continued)

							Group 2010	Company 2010
	Goodwill £000	Non compete agreement £000	Brand name £000	Sol Aviation £000	Software licences £000	Casino license £000	Total £000	Total £000
Amortisation								
At 1 September 2009	–	2,319	18	27	118	41	2,523	2,319
Amortisation for the year	–	1,326	79	51	138	135	1,729	1,326
Balance at 31 August 2010	–	3,645	97	78	256	176	4,252	3,645
Carrying amounts								
At 31 August 2010	4,325	3,645	673	192	518	506	9,859	3,645
At 31 August 2009	4,325	4,971	752	243	656	641	11,588	4,971

Amortisation

The amortisation charge is recognised in the administration expenses (note 5) in the income statement. The remaining amortisation period at 31 August 2010 is 33 months for the non-compete agreement and 45-103 months for other intangibles.

Goodwill

As at 31 August 2010, the consolidated statement of financial position included goodwill of £4,325k. 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:

Cash generating unit (CGU)	Primary reporting segment	2010 £000	2009 £000
Celsys	Support services	1,958	1,958
Millpal	Support services	1,438	1,438
FMNA	Support services	367	367
Paynet	Support services	562	562
		4,325	4,325

Estimates and judgements

The Directors believe that the estimate and judgements used in preparing these financial statements would not have a material impact on the carrying values of the intangible assets disclosed above.

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 Zimbabwean subsidiaries.

Notes to the financial statements *continued*

11. Intangible assets (continued)

Estimates and judgements (continued)

- 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 Zimbabwean 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. Key assumptions also include consideration of the period to normalisation of the Zimbabwean economy, where the range was between 1 and 3 years.
- The cash flow projections have been discounted using rates based on the Group's pre-tax weighted average cost of capital. The rate used was 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 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 full recovery of the Zimbabwean economy. The Directors do not believe any impairment to goodwill is necessary.

Other intangible assets

Non compete agreement

The Group tests other intangible assets for impairment if there are indications that they might be impaired.

The agreement covers a period of five and a half years and under its 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 organization 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 was originally 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
• Licenses	5-6 years
• Brand names	7 years

Notes to the financial statements *continued*

12. Investments in subsidiaries

The Company has investments in the following subsidiaries 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 to the Group either in terms of revenues or assets 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%
Rex Mining Holdings Pvt Limited	Zimbabwe	Investment company	100%
Blueberry International Services Limited	British Virgin Islands	Investment company	100%
Blueberry Print (Zambia) Limited	British Virgin Islands	Investment company	100%
Celsys Zambia Limited	Zambia	Printing company	100%
Wardlaw 1989 Limited	United Kingdom	Investment company	100%
Morningdale Properties Limited	Zimbabwe	Investment company	100%
Medalspot (Pvt) Limited	Zimbabwe	Investment company	100%
Aldeamento Turistico de Macuti SARL +	Mozambique	Hotel development	80%
Southern Africa Management Services	Mauritius	Investment company	100%
Quickvest525 (Pty) Limited	South Africa	Investment company	100%
Panafmed (Pty) Limited	South Africa	Pharmaceutical distribution company	51%
ForgetMeNot Africa (BVI) Limited	British Virgin Islands	Telecommunication software company	51%
Paynet Limited	Mauritius	Payroll bureau	100%
Paynet Zimbabwe (Pvt) Limited	Zimbabwe	Payroll bureau	100%
Autopay (Pvt) Limited	Zimbabwe	Payroll bureau	100%
Tradanet (Pvt) Limited	Zimbabwe	Microfinance company	51%
Le Har (Pvt) Limited	Zimbabwe	Investment company	100%
LonZim Air (BVI) Limited	British Virgin Islands	Aviation company	100%
Sol Aviation (Pvt) Limited	Zimbabwe	Aviation company	90%
LonZim Hotels Limited	Isle of Man	Investment company	100%
Lyons Africa Holdings BV	The Netherlands	Investment company	100%
Leopard Rock Hotel Company (Pvt) Limited	Zimbabwe	Hotel and Golf Resort	100%

+ Held directly by LonZim Plc.

13. Other investments

	Group 2010 £000	Group 2009 £000
Balance at 1 September	1,269	–
Acquisitions	–	2,950
Acquired with subsidiary	–	17
Disposals	(1,234)	(2,079)
Unrealised gain	66	381
At 31 August	101	1,269

Notes to the financial statements *continued*

13. Other investments (continued)

The listed equity investments present the Group with opportunity for return through dividend income and trading gain. They have no fixed maturity or coupon rate. The par values and company values of these investments are based on quoted market prices.

The investments in Lonrho Plc are treated as related party transactions (see note 30).

14. Inventories

	Group 2010 £000	Group 2009 £000
Game stock	44	42
Finished goods	295	152
	339	194

15. Trade and other receivables

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Amounts owed by Group undertakings	–	21,150	–	19,934
Amounts receivable from the sale of goods	1,106	–	1,292	–
Other receivables	1,654	595	1,184	–
Pre-payments and accrued income	162	16	465	367
	2,922	21,761	2,941	20,301

The average credit period taken on sales of goods is 82 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.

16. Cash and cash equivalents

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Bank balances	291	38	2,431	1,383
Bank overdrafts	–	–	–	–
Cash and cash equivalents in the statement of cash flows	291	38	2,431	1,383

Notes to the financial statements *continued*

17. Capital and reserves

Reconciliation of movement in capital and reserves

Group

	Share capital £000	Share premium £000	Re-valuation reserve £000	Share based payment reserve £000	Retained earnings £000	Foreign exchange reserve £000	Total £000	Minority interest £000	Total Equity £000
Balance at 31 August 2008	4	33,697	148	165	(1,182)	–	32,832	904	33,736
Share purchase	(1)	(1,342)	–	–	–	–	(1,343)	–	(1,343)
Revaluation	–	–	586	–	–	–	586	207	793
Profit/(loss) for the period	–	–	–	–	1,087	–	1,087	(174)	913
Exchange difference on translation of overseas operations	–	–	–	–	98	(681)	(583)	(42)	(625)
Balance at 31 August 2009	3	32,355	734	165	3	(681)	32,579	895	33,474
Share issues	1	1,112	–	–	–	–	1,113	–	1,113
Revaluation	–	–	2,546	–	–	–	2,546	–	2,546
Loss for the year	–	–	–	–	(4,375)	–	(4,375)	(759)	(5,134)
Exchange difference on translation of overseas operations	–	–	(530)	–	76	261	(193)	104	(89)
Balance at 31 August 2010	4	33,467	2,750	165	(4,296)	(420)	31,670	240	31,910

Company

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
Balance at 31 August 2008	4	33,697	165	(1,079)	32,787
Share issue	(1)	(1,342)	–	–	(1,343)
Loss for the year	–	–	–	(3,075)	(3,075)
Balance at 31 August 2009	3	32,355	165	(4,154)	28,369
Share issue	1	1,112	–	–	1,113
Loss for the year	–	–	–	(3,540)	(3,540)
Balance at 31 August 2010	4	33,467	165	(7,694)	25,942

Notes to the financial statements *continued*

18. Share capital

	Ordinary shares 2010		Ordinary shares 2009	
	No	£000	No	£000
Authorised				
Ordinary £0.0001 shares	36,331,525	4	32,076,000	3
Issued fully paid				
At 1 September 2009	32,076,000	3	36,450,000	4
Issued in period	4,255,525	1	–	–
Cancelled in period	–	–	(4,374,000)	(1)
At 31 August 2010	36,331,525	4	32,076,000	3

The Group has also issued share options (see note 19). 500,000 shares are held in reserve to issue in the event that these options are exercised.

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 per cent. 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 Isle of Man Companies Act 2006.

Share Premium

The share premium represents the value of the premium arising on the share issue of 36,450,000 ordinary £0.0001 shares at a price of £1.00 per share net of issue costs of £2,753k, less the cost of purchasing and cancelling 4,374,000 shares at 30.5p per share plus the premium arising on the share issue of 4,255,525 ordinary £0.0001 shares at a price of 27.5p per share net of issue costs of £58k.

Revaluation reserve

The revaluation reserve relates to plant and equipment which has been revalued in the Zimbabwean subsidiaries Celsys and Millpal and leasehold land in Beira (ATDM).

Share based payment reserve

The share based payment reserve comprises charges arising from the calculation of the share based payment posted to the income statement in 2008.

19. Share options

The following share options over £0.0001 ordinary shares were granted under an Unapproved Share Option scheme.

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 have been measured at fair value and recognised as an expense in the 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.

Notes to the financial statements *continued*

19. Share options (continued)

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 at vesting dates.

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

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

	2010	
	Weighted average exercise price Pence	Number of options No
Exercisable at 1 September 2009	150	500,000
Granted during the period	–	–
Lapsed during the period	–	–
Charge to income in period	–	–
Outstanding at 31 August 2010	150	500,000
Exercisable at 31 August 2010	150	500,000

The options outstanding at the year end have an exercise price of 150p and a weighted average contractual life of 3 years.

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

Notes to the financial statements *continued*

20. Provisions

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Provisions	628	628	485	485

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 Macuti SARL. The provision is for US$1.5 million. The amount payable by LonZim Plc is capped at US$1.5 million (£0.9 million) and is expected to be settled no earlier than 36 months from the reporting date and the liability has therefore been discounted using a discount rate of 12.5% per annum.

The Directors are of the opinion that there is a 70% probability that this liability will become due and the liability has been adjusted to reflect this.

21. Deferred tax

Recognised deferred liabilities

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

Group

	Accelerated tax depreciation £000	2010 Total £000	Accelerated tax depreciation £000	2009 Total £000
At 1 September	909	909	107	107
Restatement on dollarisation	–	–	(107)	(107)
Arising on acquisitions	–	–	570	570
Other movements	24	24	36	36
Charge to income in year	–	–	303	303
At 31 August	933	933	909	909

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

Recognised deferred assets

The following are the major deferred tax assets recognised by the Group and movements thereon during the current year.

Group

	Accelerated tax depreciation £000	2010 Total £000	Accelerated tax depreciation £000	2009 Total £000
At 1 September	77	77	–	–
Recognised in year in respect of current trading losses	571	571	129	129
Recognised directly in reserves	(3)	(3)	(52)	(52)
At 31 August	645	645	77	77

22. Interest-bearing borrowings

	Group 2010 £000	Group 2009 £000
Short term loans	963	–
	963	–

Notes to the financial statements *continued*

23. Trade and other payables

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Trade payables	945	–	1,025	–
Non-trade payables and accrued expenses	842	636	1,448	540
	1,787	636	2,473	540

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purposes is 126 days.

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

24. Notes to the cash flow statement

Group

	2010 £000	2009 £000
(Loss)/profit for the year	(5,134)	913
Amortisation on intangible assets	1,729	1,529
Depreciation of property, plant and equipment	678	471
Finance income	(439)	(2,011)
Income tax expense	–	174
Provision discount	143	(274)
Gains on investments	(361)	–
Negative goodwill	–	(4,408)
Operating cash flows before movements in working capital	(3,384)	(3,606)
Increase in inventories	(145)	(173)
Decrease/(increase) in receivables	19	(1,664)
(Decrease)/increase in payables	(621)	1,295
Cash generated from operations	(4,131)	(4,148)
Interest received	(14)	612
Net cash used in operating activities	(4,145)	(3,536)

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

25. 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.

Notes to the financial statements *continued*

25. Financial instruments (continued)

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.

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 reporting date was £1,397k (2009: £3,723k) being the total of the carrying amount of financial assets, excluding equity investments as shown in the table below.

	2010 £000	2009 £000
Cash and cash equivalents	291	2,431
Trade receivables	1,106	1,292
	1,397	3,723

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

	2010 £000	2009 £000
East Africa	779	556
Zimbabwe	327	736
	1,106	1,292

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

	2010 £000	2009 £000
Wholesale customers	1,106	1,292

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

	Gross 2010 £000	Impairment 2010 £000	Gross 2009 £000	Impairment 2009 £000
Not past due	1,106	–	1,292	–

Notes to the financial statements *continued*

25. Financial instruments (continued)

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.

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

	2010						2009					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years + £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years + £000
Bank overdrafts	–	–	–	–	–	–	–	–	–	–	–	–
Trade and other payables	945	945	945	–	–	–	1,025	1,025	1,025	–	–	–
	945	945	945	–	–	–	1,025	1,025	1,025	–	–	–

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 re-price.

	2010			2009		
	Effective interest rate %	Total £000	3 months or less £000	Effective interest rate %	Total £000	3 months or less £000
Cash and cash equivalents	0.5	291	291	0.5	2,431	2,431
Bank overdrafts (see note 24)	–	–	–	–	–	–
		291	291		2,431	2,431

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 US 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:

	US Dollars £000	Mozambique Meticals £000	Total £000
Cash and cash equivalents	244	6	250
Trade payables	(945)	–	(945)
Trade receivables	1,106	–	1,106
Net exposure	405	6	411

Notes to the financial statements *continued*

25. Financial instruments (continued)

Foreign currency risk management (continued)

The following significant exchange rates applied during the year:

	Average rate 2010	Reporting date mid spot rate 2010	Average rate 2009	Reporting date mid spot rate 2009
Mozambique Meticals	47.889	58.323	40.27	45.27
US Dollars	1.566	1.567	1.566	1.63

	Net assets 2010 £000	Net assets 2009 £000
Mozambique Metical	2,338	4,525
US Dollars	3,630	9,264
	5,968	13,789

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. A 10% movement in the US dollar rate would result in a £145k movement in net monetary assets. This risk is not considered material.

Interest rate risk management

The Group is not exposed to interest rate risk. Its single loan of £963k is held on a fixed interest rate thus mitigating the risk.

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*

25. 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 2010 £000	Fair value 2010 £000	Carrying amount 2009 £000	Fair value 2009 £000
Cash and cash equivalents	291	291	2,341	2,341
Trade receivables	1,106	1,106	1,292	1,292
Trade payables	(945)	(945)	(1,025)	(1,025)
Provisions	(628)	(628)	(485)	(485)
Financial assets held for trading	–	–	1,269	1,269
	(176)	(176)	3,392	3,392

The fair value of assets and liabilities can be classed in three levels.

Level 1 – Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Fair values measured using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

All assets and liabilities held within LonZim are within level 1 of the hierarchy.

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.

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*

26. 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:

	2010 £000	2009 £000
Less than one year	12	33
Between one and five years	–	–
More than five years	–	–
	12	33

During the year ended 31 August 2010, £33k (2009: £16k) 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.

Leases as lessor

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

	2010 £000	2009 £000
Less than one year	789	796
Between one and five years	789	1,942
More than five years	–	–
	1,578	2,738

During the year ended 31 August 2010, £901k (2009: £442k) was recognised as revenue in the income statement in respect of operating leases.

Operating lease receivables represent rentals receivable by the Group for aircraft. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years.

27. Income statement of LonZim Plc

There is no requirement under the Isle of Man Companies Act 2006 to present a company income statement. The loss for the year to 31 August 2010 was £3,540k (2009: £3,075k).

28. Capital commitments

The capital commitments at 31 August 2010 totalled £0.3 million for the refurbishment of the Leopard Rock hotel.

There were no other capital commitments at the 31 August 2010.

29. Contingent liabilities

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

30. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see note 31), and with its Directors and executive officers and with Lonrho Plc.

Notes to the financial statements *continued*

30. Related parties (continued)

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. All related party transactions are conducted on terms equivalent to arms length transactions.

Group and company

Transactions with entities with significant influence over the entity

As at 19 November 2010 Lonrho Plc held 24.61% of the Company and exerts a significant influence over the Company. At the date of listing on AIM 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 on initial recognition. This intangible asset is being amortised over the term of the agreement.

During the year the Company was charged US$703k (£453k) by Lonrho Plc as a management charge (2009: US$687k (£424k)). Other recharges amounted to US$91k (£59k) (2009: £Nil). As at 31 August 2010, £Nil (2009: £Nil) was due from Lonrho Plc to LonZim Plc.

From September 2009 to December 2009 the Company sold all of its remaining holding in Lonrho Plc, realising a gain of £361k.

The Company leases an aircraft to Five Forty Aviation Limited, a Lonrho subsidiary, for US$55k (£35k) per month. The total lease income for the year to 31 August 2010 amounted to US$715k (£461k). As at 31 August 2010, US$715k (£461k) was due from Five Forty Aviation Limited to LonZim Plc.

During the year Five Forty Aviation Limited incurred pre operational costs on behalf of Fly540 Zimbabwe totalling US$250k (£165k), which has been offset against lease rentals owed.

The Company also leases two aircraft to 540 (Uganda) Limited, a Lonrho subsidiary, for US$52k (£34k) per month. The total lease income for the year to 31 August 2010 amounted to US$622k (£401k). As at 31 August 2010, US$418k (£269k) was due from 540 (Uganda) Limited to LonZim Plc.

During the year, ForgetMeNot Africa (BVI) Limited, a 51% subsidiary of the Company, leased office space from Lonrho Plc for £2k per month. The total amount for the year amounted to £22k. As at 31 August 2010, £Nil was due from ForgetMeNot Africa (BVI) Limited to Lonrho Plc.

Panafmed (Pty) Limited, a 51% subsidiary of the Company, had an outstanding debtor of R1,616k (£142k) from Rollex (Pty) Limited, a wholly owned subsidiary of Lonrho Plc.

Transactions with key management personnel

Key management personnel are the holding Company Directors and executive officers.

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 19).

During the year £16k (2009: £4k) was charged to the Company for services performed by DSG Chartered Accountants. Jean Ellis is a partner in this firm.

Notes to the financial statements *continued*

30. Related parties (continued)

Group and company (continued)

Transactions with key management personnel (continued)

The key management personnel compensations are as follows:

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Short-term employee benefits	550	218
	550	218

Total remuneration is included in "personnel expenses" (see note 6):

	Year ended 31 August 2010 £000	Year ended 31 August 2009 £000
Directors	444	144
Executive officers	106	74
	550	218

Directors' remuneration

	Fees £000	Bonus £000	Total £000
D A Lenigas	12	75	87
G T White	12	75	87
D J Armstrong	12	5	17
E K Priestley	12	5	17
P Turner	93	25	118
P D Heber	45	25	70
J M Ellis	19	5	24
C Orr-Ewing	24	–	24
	229	215	444

Company transactions between the Company and its subsidiaries

Included within the balance sheet of the Company at 31 August 2010 was an amount of £19,825k, due from its wholly owned subsidiary LonZim Holdings Limited (2009: £19,736k) and £375k from Aldeamento Turistico de Macuti SARL (ATDM) (2009: £178k).

Notes to the financial statements *continued*

31. Group entities

Subsidiaries

	Country of incorporation	Ownership interest	
		2010	2009
LonZim Holdings Limited +	Isle of Man	100%	100%
Celsys Limited	Zimbabwe	60%	60%
Gardoserve (Pvt) Limited	Zimbabwe	100%	100%
Peak Mine (Pvt) Limited	Zimbabwe	100%	100%
Rex Mining Holdings (Pvt) Limited	Zimbabwe	100%	100%
Blueberry International Services Limited	British Virgin Islands	100%	100%
Blueberry Print (Zambia) Limited	British Virgin Islands	100%	100%
Celsys Zambia Limited	Zambia	100%	100%
Wardlaw 1989 Limited	United Kingdom	100%	100%
Aldeamento Turistico de Macuti SARL +	Mozambique	80%	80%
Southern Africa Management Services	Mauritius	100%	100%
Morningdale Properties Limited	Zimbabwe	100%	100%
Medalspot (Pvt) Limited	Zimbabwe	100%	100%
Quickvest525 (Pty) Limited	South Africa	100%	100%
Panafmed (Pty) Limited	South Africa	51%	100%
ForgetMeNot Africa (BVI) Limited	British Virgin Islands	51%	51%
Paynet Limited	Mauritius	100%	100%
Paynet Zimbabwe (Pvt) Limited	Zimbabwe	100%	100%
Tradanet (Pvt) Limited	Zimbabwe	51%	51%
African Solutions Limited	Mauritius	100%	100%
Lanuarna Enterprises (Pvt) Limited	Zimbabwe	100%	100%
Para Meter Computers (Pvt) Limited	Zimbabwe	100%	100%
Autopay (Pvt) Limited	Zimbabwe	100%	100%
Le Har (Pvt) Limited	Zimbabwe	100%	100%
LonZim Air (BVI) Limited	British Virgin Islands	100%	100%
Sol Aviation (Pvt) Limited	Zimbabwe	90%	90%
LonZim Hotels Limited	Isle of Man	100%	100%
Lyons Africa Holdings BV	The Netherlands	100%	100%
Lyons Africa Holdings Limited	England and Wales	100%	100%
Linus Business Options (Pvt) Limited	Zimbabwe	100%	100%
Leopard Rock Hotel Company (Pvt) Limited	Zimbabwe	100%	100%
Firstfood Enterprises (Pvt) Limited	Zimbabwe	100%	100%
W S Foods (Pty) Limited	South Africa	100%	100%
LonZim Properties Limited	Isle of Man	100%	100%
LonZim Agribusiness (BVI) Limited	British Virgin Islands	100%	100%
LonZim Enterprises Limited	England & Wales	100%	100%
Lonrho Properties Zimbabwe (Pvt) Limited	Zimbabwe	100%	100%
Chenyakwaremba Farm (Pvt) Limited	Zimbabwe	100%	100%

Notes to the financial statements *continued*

32. Events after the reporting date

ForgetMeNot Africa (BVI) Limited, the Company's 51% owned subsidiary in the telecoms sector, has signed its fourth and fifth agreements with telecommunications providers in Africa. The latest agreements are with Nigeria's Glo Mobile, part of the Globacom group, Nigeria's largest independent mobile phone network, and yu, the mobile brand of Kenya's third largest telecoms network Essar Telecom Kenya. These contracts should help to build the presence of ForgetMeNot Africa and increase revenues in the coming year.

The Directors do not believe there have been any further material events since the reporting date.

Corporate & Shareholder information

Corporate information

Registrars

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Auditors

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Registered Office and Agent

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Shareholder information

Analysis of ordinary shareholdings as at 18 November 2010

	Number of holders	% of total holders	Number of shares	% of total shares
Category of shareholder				
Individuals	86	31.97	1,105,520	3.04
Banks, nominees and other corporate bodies	183	68.03	35,226,005	96.96
Shareholding range				
1 – 1,000	31	11.52	24,770	0.07
1,001 – 5,000	80	29.74	271,443	0.75
5,001 – 50,000	89	33.09	1,713,936	4.72
50,001 – 100,000	19	7.06	1,420,905	3.91
100,001 – 500,000	39	14.50	9,202,449	25.33
500,001 – 1,000,000	3	1.12	2,187,918	6.02
1,000,001 – 5,000,000	7	2.60	14,220,104	39.14
5,000,001 – 10,000,000	1	0.37	7,290,000	20.06
Total	269	100.00	36,331,525	100.00

Corporate & Shareholder information *continued*

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.

Unsolicited mail

As the Company's share register is, by law, open to public inspection, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Society, Freepost 29 Lon20771, London W1E 0ZT.

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