# LonZim

LonZim Plc
Interim Report

2009

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# Chief Executive Officer's Statement

Zimbabwe has seen a difficult six months and both the economic and political environment have been challenging. However, significant progress has been made since the period end and there is optimism that Zimbabwe has entered a period of consolidation and the economic decline of a country, once so successful, is coming to an end.

- The Government of National Unity was formed on 5 February 2009 and the coalition, although fractious, is a positive step forward and has created a platform capable of change and development.
- The economy has now formally become US dollar based. This has brought significant stability to the business environment and sets the stage for normal business practices to be reintroduced and for commerce to be able to move forward. However, a lack of foreign currency exchange still remains a major economic issue.
- The Zimbabwe stock exchange resumed trading on the 25 February 2009.
- US dollarisation has curbed the recent rampant hyperinflation and January inflation was reported as 2.3% with deflation of 3.4% in February. This introduces new challenges for the economy as it enters a period of realignment and adjustment.
- In excess of US$1 billion has now been structured by SADC and other bodies to stimulate recovery.

## Results for the period:

The loss for the period of £746,000 (£716,000 for the 7 month period to 31 May 2008) reflects the ongoing development of the Group's investments and is in line with expectations.

LonZim continues to focus on commercial opportunities in Zimbabwe and the Beira corridor and looks to invest in industries that the Board believes will show strong and speedy recovery when Zimbabwe begins economic growth.

The historic investments made by LonZim in Zimbabwe continue to trade in the difficult economic environment. The focus for each company has been to retain quality staff and the capabilities necessary to grow and gain market share as and when Zimbabwe recovers. Each is well positioned to do so, and with LonZim backing, the portfolio of investments is strategically placed to be able to benefit from the recovery.

## During the period:

### *Aldeamento Turistico de Macuti, SARL*

The design and feasibility study for the 300,000m$^2$ site acquired for development in Beira, Mozambique, (known as the 'coast of Zimbabwe') has been completed. This key site in Beira will be developed to contain a beach front hotel, beach club and sports facilities, retail mall, office complex and conference centre. This seaside site will also sell housing on a 1.5km beach front residential area adjacent to the hotel.

### *Paynet Limited ("Paynet")*

LonZim completed the acquisition of 100% of Paynet in October 2008, announced in March 2008, for US$3.19 million (£2.03 million). The purchase included a newly built commercial property valued provisionally at US$1.0 million (£0.66 million). Paynet provides an electronic funds transfer (EFT) system for sixteen banks in Zimbabwe and over one thousand of the largest Zimbabwean corporate clients.

# Chief Executive Officer's Statement *continued*

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

### *ForgetMeNot Africa Limited ("FMN Africa")*

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

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

### *Fly540*

LonZim has allocated funding to establish a franchise in Zimbabwe of Lonrho's regional aviation company, Fly540, and is working to obtain the necessary flying permissions and Air Operators Certificate to start a domestic and regional focused airline for both passenger and freight operations.

## Post period end transactions

### *Medalspot (Pvt) Limited ("Medalspot")*

In January 2009 LonZim purchased 100% of Medalspot from the Kingdom Banking Group for US$0.95 million (£0.64 million).

Medalspot owns two, combined, industrial properties in Harare which are currently rented to Celsys (LonZim 60% holding). The property is 6,600m$^2$ providing 2,650m$^2$ of office and factory space.

### *Leopard Rock Hotel Company (Pvt) Limited ("Leopard Rock Hotel")*

In April 2009, Lonzim, acquired 100% of the iconic Leopard Rock Hotel in Vumba in the Eastern Highlands of Zimbabwe for US$8.5 million (£5.8 million). This was historically one of the great African destination hotels and LonZim believes the opportunity to develop the hotel to once again become a prominent destination for African tourism is significant. Since its acquisition, LonZim has had the hotel's 18 hole golf course classified as a PGA excellence course, and has commenced a major refurbishment programme to bring it back up to international standards.

Ongoing due diligence is in process on a strong pipeline of further acquisitions.

LonZim remains the only company on the London Stock Exchange (AIM) that is solely focused on investing in the economic recovery of Zimbabwe. The Board continues to believe that Zimbabwe will become, once again, one of the leading economic drivers in Africa in the medium term and that the commercial opportunities to partake and invest in Zimbabwe's eventual recovery are significant.

**Geoffrey White**

Director and Chief Executive Officer
26 May 2009

# Consolidated interim income statement

| | Note | Unaudited 6 months 28 February 2009 Continuing operations £000 | Unaudited 6 months 28 February 2009 Acquisitions £000 | Unaudited 6 months 28 February 2009 Total £000 | Unaudited period 25 October 2007 to 31 May 2008 Total £000 | Audited period 25 October 2007 to 31 August 2008 Total £000 |
|---|---|---|---|---|---|---|
| Revenue | | 190 | 305 | 495 | 290 | 188 |
| Cost of sales | | (101) | (149) | (250) | (107) | (66) |
| GROSS PROFIT | | 89 | 156 | 245 | 183 | 122 |
| Monetary adjustment | | – | – | – | – | (1) |
| Administrative expenses | | (1,393) | (274) | (1,667) | (1,304) | (2,056) |
| OPERATING LOSS BEFORE FINANCING INCOME | | (1,304) | (118) | (1,422) | (1,121) | (1,935) |
| Financial income | | 393 | 283 | 676 | 503 | 974 |
| Financial expenses | | – | – | – | (81) | (129) |
| NET FINANCING INCOME | | 393 | 283 | 676 | 422 | 845 |
| (LOSS)/PROFIT BEFORE TAX | | (911) | 165 | (746) | (699) | (1,090) |
| Income tax expense | | – | – | – | (17) | (142) |
| (LOSS)/PROFIT FOR THE PERIOD | | (911) | 165 | (746) | (716) | (1,232) |
| ATTRIBUTABLE TO: | | | | | | |
| Equity holders of the parent | | (878) | 198 | (680) | (700) | (1,193) |
| Minority interest | | (33) | (33) | (66) | (16) | (39) |
| (LOSS)/PROFIT FOR THE PERIOD | | (911) | 165 | (746) | (716) | (1,232) |
| Basic loss per share | 3 | | | (2.0)p | (1.9)p | (3.4)p |
| Diluted loss per share | 3 | | | (2.0)p | (1.9)p | (3.4)p |

# Consolidated interim balance sheet
## As at 28 February 2009

| | Unaudited 28 February 2009 £000 | Unaudited 31 May 2008 £000 | Audited 31 August 2008 £000 |
|---|---|---|---|
| ASSETS | | | |
| Property, plant and equipment | 7,859 | 373 | 4,284 |
| Goodwill and other intangibles | 5,827 | 3,561 | 3,450 |
| Non-compete agreement | 5,633 | 6,554 | 6,296 |
| Other investments | – | 86 | – |
| TOTAL NON-CURRENT ASSETS | 19,319 | 10,574 | 14,030 |
| Financial assets | – | – | 213 |
| Inventories | 54 | 11 | 21 |
| Trade and other receivables | 1,567 | 190 | 1,277 |
| Cash and cash equivalents | 13,220 | 23,052 | 20,282 |
| Other short term investments | 2,999 | – | – |
| TOTAL CURRENT ASSETS | 17,840 | 23,253 | 21,793 |
| TOTAL ASSETS | 37,159 | 33,827 | 35,823 |
| EQUITY | | | |
| Called up share capital | 4 | 4 | 4 |
| Share premium | 33,619 | 33,672 | 33,697 |
| Revaluation reserve | 148 | – | 148 |
| Share option reserve | 165 | 63 | 165 |
| Foreign currency reserve | (94) | – | – |
| Retained earnings | (1,862) | (700) | (1,182) |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 31,980 | 33,039 | 32,832 |
| MINORITY INTEREST | 853 | 5 | 904 |
| TOTAL EQUITY | 32,833 | 33,044 | 33,736 |
| LIABILITIES | | | |
| Interest-bearing loans and borrowings | 1,281 | 138 | – |
| Deferred tax liabilities | 107 | 21 | 107 |
| Provisions | 759 | – | 759 |
| TOTAL NON-CURRENT LIABILITIES | 2,147 | 159 | 866 |
| Bank overdraft | 3 | 1 | 2 |
| Interest-bearing loans and borrowings | – | 11 | – |
| Trade and other payables | 2,141 | 612 | 1,178 |
| Current tax liabilities | 35 | – | 41 |
| TOTAL CURRENT LIABILITIES | 2,179 | 624 | 1,221 |
| TOTAL LIABILITIES | 4,326 | 783 | 2,087 |
| TOTAL EQUITY AND LIABILITIES | 37,159 | 33,827 | 35,823 |

# Consolidated interim statement of recognised income and expense

## For the six months ended 28 February 2009

| | Unaudited 6 months 28 February 2009 £000 | Unaudited period 25 October 2007 to 31 May 2008 £000 | Audited period 25 October 2007 to 31 August 2008 £000 |
|---|---|---|---|
| Foreign exchange translation differences | (79) | – | 26 |
| Revaluation of property, plant and equipment | – | – | 232 |
| Loss for the period | (746) | (716) | (1,232) |
| TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD | (825) | (716) | (974) |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent | (774) | (700) | (1,034) |
| Minority interest | (51) | (16) | 60 |
| TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD | (825) | (716) | (974) |

# Consolidated interim statement of cash flows

| | Unaudited 6 months 28 February 2009 £000 | Unaudited period 25 October 2007 to 31 May 2008 £000 | Audited period 25 October 2007 to 31 August 2008 £000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | (361) | (385) | (903) |
| Cash received for inventories | (33) | (11) | 1 |
| Cash receipts from customers | (240) | (190) | (601) |
| Cash paid to suppliers and employees | 163 | 511 | 351 |
| Cash expensed from operations | (471) | (75) | (1,152) |
| Interest paid | – | (18) | – |
| NET CASH FROM OPERATING ACTIVITIES | (471) | (93) | (1,152) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 393 | 503 | 832 |
| Acquisition of subsidiaries, net of cash acquired | (2,377) | (3,436) | (5,811) |
| Acquisition of property, plant and equipment | (1,531) | (373) | – |
| Acquisition of other investments | (2,999) | (86) | – |
| NET CASH FROM INVESTING ACTIVITIES | (6,514) | (3,392) | (4,979) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from the issue of share capital | – | 26,386 | 26,411 |
| Repayment of borrowings | – | (11) | – |
| Loan advance | – | 161 | – |
| Payment of transaction costs | (78) | – | – |
| NET CASH FROM FINANCING ACTIVITIES | (78) | 26,536 | 26,411 |
| Net (decrease)/increase in cash and cash equivalents | (7,063) | 23,051 | 20,280 |
| Cash and cash equivalents at beginning of period | 20,280 | – | – |
| CASH AND CASH EQUIVALENTS | 13,217 | 23,051 | 20,280 |

# Notes

**Note of Preparation**

1. These interim financial statements for the period ended 28 February 2009, which are neither audited or reviewed have been prepared on a basis consistent with International Financial Reporting Standards (“IFRS”) and do not comprise full accounts within the meaning of S240 of the Companies Act 1985.
2. This unaudited interim report does not comprise the Group’s statutory accounts. The financial information in respect of the period ended 31 August 2008 is extracted from the statutory accounts for this period. The auditor’s report on these accounts was unqualified.
3. Basic and diluted earnings per share are arrived at by dividing the loss for the period by the average number of shares in issue during the period.

# Directors

| | |
|---|---|
| David Lenigas | *Chairman* |
| Geoffrey White | *Director & Chief Executive Officer* |
| Jean Ellis | *Finance Director* |
| Emma Priestley | *Executive Director* |
| Paul Turner | *Non-Executive Director* |
| Paul Heber | *Non-Executive Director* |

# Corporate information

### *Registrars*

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### *Principal Group Bankers*

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