LonZim

LonZim Plc
Report & Accounts

2011

LonZim Plc
Annual Report & Accounts 2011

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Chief Executive's Review

LonZim Plc ("LonZim") has seen a continuing recovery in the Zimbabwean economy, building improved economic stability. The general economic activity levels in Zimbabwe are starting from a very low base but, encouragingly, this is growing month on month, achieving a reported 8.1% growth in GDP in 2010.

Zimbabwe remains a country with strong potential. The fundamentals are still in place to recreate the historic levels of economic activity that were seen in the eighties and nineties when Zimbabwe was one of the most successful economies in Africa driven by agriculture, mining and tourism.

Zimbabwe has the necessary infrastructure for rapid economic recovery and the workforce continues to be one of the most skilled and literate in Africa. The necessary power supply to support industry remains a significant challenge, but this is also improving as plans to increase output are implemented and further production capacity comes on-line.

During the period LonZim has remained focused on its core objective to own and develop a range of strong businesses, build first class management teams in those businesses and capitalise them as necessary to be first back to market as the economy recovers and grows.

From a management perspective, each LonZim business has a strong local management team that is expert in its field, and has a good understanding of their respective markets in Zimbabwe. The Company strives to attract and retain quality management and sees this as an essential element for success. An example of this is Fungai Makani, the General Manager at LonZim's Leopard Rock Hotel, winning the best Private Sector Tourism Manager of the Year Award at the National Annual Tourism Awards for 2011. The management team across LonZim are all experienced and skillful and we believe they will be able to drive the businesses forward over the coming years.

From a capital investment perspective, LonZim's subsidiaries are coming to the end of their redevelopment phase. Each business has had the necessary capital investment required to position them at the forefront of their market. Notably, the refurbishment of the Leopard Rock Hotel has developed the property into an international standard venue that is now attracting conferences and guests from around the world. Celsys, the commercial printing company, has purchased and installed a range of further printing presses and finishing equipment to make it into one of the leading print companies in Zimbabwe. FMNA has seen the investment into its instant messaging systems create a business that now has access to a mobile telecom subscriber base of over 45 million and, during the year, it has seen its first real revenues being generated from Econet in Zimbabwe.

LonZim has historically striven to be the best in each market where it operates. As the economy recovers, each LonZim business is well positioned to benefit and, importantly, has the necessary skills, resources and capabilities to grow.

Group turnover for the year was £5,926,000 compared to the previous year of £4,900,000, generating a loss before tax of £6,611,000, which compared to the previous year's loss before tax of

Chief Executive's Review *continued*

£5,716,000. Gross profit for the year has increased by 55% (£1,200,000) when compared to the previous year.

With the continued economic development in Zimbabwe, the high historic costs of keeping businesses open and restructuring for recovery are coming to an end and normal trading margins are returning to the market.

An operational review of the companies within the LonZim portfolio follows:

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

This iconic property, with a worldwide reputation, has completed its initial refurbishment program and has brought in high calibre staff to position the hotel as one of Zimbabwe's leading properties. The General Manager won the best Private Sector Tourism Manager of the Year Award in Zimbabwe and the restaurant has an enviable reputation. The hotel is seeing strong growth in occupancy driven by a growing understanding that it is back at the top of Zimbabwe's market, combined with the increasing need for conferences and accommodation as the economy recovers. The golf course remains a strong attraction for the property and the next phase of development will include upgrading it to its original championship standard and, potentially, the addition of a spa to ensure the hotel offers a total destination package. Plans to further develop the 400 hectare game park are also under review.

The hotel industry is expected to be one of the sectors of the economy that will recover the fastest and the market for the Leopard Rock Hotel is demonstrably beginning to recover. At year end the Leopard Rock Hotel was independently valued at US$18.50 million (£11.32 million) (2010: US$15.25 million (£9.83 million)).

Gardoserve (Pvt) Limited (trading as "Millchem") (100% holding)

Millchem, which formerly traded as Millpal, is an industrial chemical distributor and as such its success is directly linked with the size and growth of the economy. During the year the company has seen a strong recovery in the sector, and has revised and rebuilt its supplier network to meet the forecast growing demand for chemicals in the industrial and mining sectors. Millchem is the leading supplier of industrial solvents and metal treatment products in Zimbabwe. During the year it has established new routes of supply to ensure that it provides an exceptional service to its customers and is highly competitive as the market recovers. Specifically, after entry into the mining industry, encouraging growth has been noted in the supply of chemicals to the mining industry as levels of output begin to recover.

Celsys Limited ("Celsys") (60% holding)

Celsys, which is listed on the Zimbabwe Stock Exchange, has established itself as one of the leading commercial and security printing companies in Zimbabwe and undertook a significant refurbishment of its premises during the year. The management team has been strengthened and the addition of new equipment, finishing and processing capabilities puts Celsys at the forefront of its market. Revenues and margins started at a very low base but Celsys has established a strong position in the printing

Chief Executive's Review *continued*

market and, as a result of its professional service levels, is seeing very strong growth in the market as it recovers. The average size of each order is increasing and monthly revenues are developing well.

Celsys also leases ATMs and POS machines to banks in Zimbabwe. This business is driven by a minimum guaranteed lease payment combined with a fee per transaction. The use of ATMs across the country has increased significantly during the year.

ForgetMeNot Africa (B.V.I.) Limited ("FMNA") (51% holding)

FMNA provides 'message optimiser' applications for mobile phones, turning basic GSM phones into 'smart phones', providing access to e-mail, Facebook and instant messaging services via even the most basic cellphone handset, which is an important facility for Africa. During the year, LonZim purchased the exclusive rights for the FMNA product platform in Africa for US$1 million (£0.61 million).

FMNA's major success has been with Econet Zimbabwe which is now producing monthly revenues. Other networks where FMNA has been deployed include Safaricom Kenya, Econet Lesotho, Globacom Nigeria, Warid Congo and Yu and Essar in Kenya.

FMNA now has access to over 45 million cellphone subscribers in 6 countries and plans to expand throughout Africa as the product range is developed and its services are synchronised to interact with individual networks.

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

Paynet provides electronic data interchange ("EDI") SWITCH services for all 25 banks in Zimbabwe. The number of transactions processed in the country can be directly correlated with the growth and size of the economy. Paynet has seen the number of transactions handled in the year more than double, a clear sign of the economic recovery that is underway. Paynet also provides transaction services for over 1,000 of Zimbabwe's largest corporate companies.

Autopay (Pvt) Limited ("Autopay"), a subsidiary of Paynet, is the market leading salary bureau and payroll software provider. Like Paynet, Autopay has seen strong growth, with the number of payslips processed growing rapidly. Autopay has grown its customer base to over 160 payrolls in Zimbabwe.

Tradanet (Pvt) Limited ("Tradanet"), also a subsidiary of Paynet, provides processing of payroll backed loans to corporate employees. The business has seen strong growth during the year as workers become more confident in the employment environment and, as a result, are seeking credit facilities. Defaults on this type of loan remain very low and the business is seeing the average size and number of loans increase. The loan book arranged through a local financial institution in Zimbabwe and administrated by Tradanet, has grown to US$50 million (£30.58 million) as the market has recovered.

Chief Executive's Review *continued*

Indigenization

Following an extensive review and in-depth discussions the Company submitted a proposed indigenization plan to the Government, which has been welcomed and approved. The process is subject to various clarifications and recommendations. The plan outlines an agreed process whereby, via Zimbabwean financial institutions, state institutions and the wider population, it is possible for 51% of the equity in the Company to be acquired by Zimbabweans over a four year period.

Disposal

On 4 October 2011, LonZim announced that it had completed an agreement with Lonrho Hotels (Holdings) Limited to dispose of its 80% holding in Aldeamento Turistico de Macuti SARL for US$5.1 million (£3.1 million), a company with a long lease on a prospective coastal development site in Beira, Mozambique, as part of LonZim's growing focus on the economic opportunities within Zimbabwe.

Change in reporting currency

The Directors have made the decision for the Company to report in US Dollars going forward in order to give a clearer understanding of the Company's performance, reflecting the profile of the Group's revenue and results, which are primarily in US Dollars. The change is effective from 1 September 2011 and the interim results for the six months ending 29 February 2012 will therefore be reported in US Dollars.

Funding

Post year end the Company raised £917,341 from an existing shareholder via a placing of 3,988,439 shares at a price of 23 pence per share to provide working capital for the Group's existing businesses and to provide the Company with the ability to continue implementing its investment strategy.

Geoffrey White

Director & Chief Executive Officer
11 November 2011

Corporate Responsibility

LonZim has continued with its programme of corporate responsibility activities, which it recognises is an important component of building successful businesses.

Protecting the environment and supporting local communities

The Group sees the importance of protecting the environment in which its companies operate and seeks to contribute to local communities:

- The Leopard Rock Hotel, in conjunction with Wildlife Environmental Protection Unit (WEPU), the business community and National Parks, has started an anti-poaching unit whereby a Leopard Rock employee is a part of the WEPU unit on a voluntary basis and spends one day a week on WEPU duties. The National Parks training facility has seen more than 300 snares being cleared from the area and several arrests for poaching have been effected by WEPU scouts, thus preserving a vital component of Zimbabwe's tourism industry.
- Leopard Rock also organised training with the National Parks for all its employees and the neighbouring community to learn about protected species of flowers, animals and trees and hunting laws to protect the flora and fauna in the area.
- Paynet has developed a relationship with a local children's home with a view to identifying initiatives and projects which it will sponsor on an ongoing basis. For the coming year, Paynet has paid the school fees for four disabled and disadvantaged children and is financing the repair of some of the home's facilities, which Paynet employees will be involved with.
- Celsys has supported various local institutions by providing free printing services.

Investing in our workforce and their well-being

LonZim is committed to attracting and retaining quality human resources to support the development of Group companies and encourages professional development of all Group employees:

- Paynet has continued to endorse its Skill soft Learning Initiative Paynet Zimbabwe ("LIPZ") programme which offers network and systems administration as well as customer support services training. Of the nine students trained last year, all found employment after completing the programme, three of whom are now working at Paynet.
- Paynet is looking to build on the success of the LIPZ programme and is currently shortlisting potential candidates from local universities with the aim of taking on four Information Technology Industrial undergraduates on placement for the forthcoming year for an eight month attachment period.
- Millchem actively encourages employees' studies and assists with the payment of course fees for professional development. Members of management are also sent on seminars and

Corporate Responsibility *continued*

short courses to enhance their leadership and performance skills.

- Celsys provide loans to employees for approved work related courses and degrees. The loans are then refunded upon successful completion of the course. Employee retention is encouraged by the existence of long service award bonuses for every five consecutive years worked at the company.
- Leopard Rock Hotel provides ongoing hotel management training to university students. The hotel has also collaborated with a local Polytechnical College to train restaurant service staff. The most successful are taken on as entry-level employees.

The Group conducts all of its activities in a manner which achieves the highest practicable standards of health and safety to ensure employees' wellbeing:

- Millchem operates to strict hazardous chemical safety standards and is also guided by the National Social Security Authority standards to protect the welfare of its employees. These ensure that employees are sent for medical tests every one to two years to make sure that they are not being adversely affected by constant contact with hazardous chemicals. Safety clothing is also purchased for employees every year.
- First aid training is encouraged across the Group.

Directors

David Lenigas, 50, Executive Chairman

David Lenigas holds a Bachelor of Applied Science in Mining Engineering. He has extensive experience operating in the public company environment and is the Executive Chairman of Lonrho Plc and is also Chairman of Leni Gas & Oil Plc, Solo Oil Plc, and Lonrho Mining Limited and is a Director of Vatukoula Gold Mines Plc and Reef Resources Ltd.

Geoffrey White, 50, Director and Chief Executive Officer

Geoffrey White is a Director and the Chief Executive Officer of Lonrho Plc and holds a BSc in Economics and Management Science. During his 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, 46, Finance Director

David Armstrong (FCA) is also the 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. He contributed to the successful deployment of Diageo's pan-African growth strategy, encompassing over 50 countries. More recently, he has been the COO of McArthur Glen in the UK and Europe.

Emma Priestley, 38, Executive Director

Emma Priestley worked in investment banking for five 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 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 also an Executive Director of Lonrho Plc.

Paul Turner, 64, Non-Executive Director

Paul Turner is a Chartered 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 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, 48, 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 Bermudan business. Paul is also a Non-Executive Director of Shanta Gold Plc.

Directors *continued*

Jean Ellis, 42, Non-Executive Director

Jean Ellis is a Chartered Accountant and Chartered Tax Advisor, and holds an Insolvency Practitioner's license. 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 of 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 now a Non-Executive Director of that company. She was also formerly Finance Director of LonZim Plc.

Colin Orr-Ewing, 69, 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. Mr. Orr-Ewing also advises a fund management company on its natural resources portfolios and 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.

* Colin Orr-Ewing resigned as a Director on 31 October 2011.

Directors' Responsibilities Statement in Respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' 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 to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period.

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 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 are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time its financial position. 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.

Directors' Report
For the year ended 31 August 2011

The Directors of LonZim Plc submit their report, together with the audited financial statements for the year ended 31 August 2011.

Principal activities

During the year, the Group was an investment company with a portfolio of investments in Zimbabwe and the Beira Corridor in Mozambique. Post year end, on 4 October 2011, LonZim announced that it had completed an agreement to dispose of its 80% holding in Aldeamento Turistico de Macuti SARL, a company with a long lease on a prospective coastal development site in Beira, Mozambique, as part of LonZim's growing focus on the economic opportunities within Zimbabwe.

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, if appropriate, the region of Mozambique known as the Beira Corridor, which links Zimbabwe to the coast. While the Company does not have a particular sectoral focus, utilising the investment skills of the Directors and their advisors, the Company seeks 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 Plc ("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.

Whilst there will not be any limit on the number or size of investments the Company can make in any sector, the Directors 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. The Company has an established 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. Indigenization legislation within Zimbabwe may, however, prevent the Company from acquiring majority shareholder control in Zimbabwean businesses.

Directors' Report *continued*

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 is undertaken by the Company's appointed 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 an investment by the Company will produce any returns. 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.

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 US Office of Foreign Assets Control and the European Union Council Regulation (EC) No. 314/2004 regulations.

Results

The Group made a consolidated loss after non-controlling interests of £5,988,000 (2010: loss £4,375,000) during the year and this has been transferred to reserves. This is after charging amortisation of intangible assets of £1,750,000 (2010: £1,729,000) (see note 11).

Share capital

On 29 November 2010, the Company announced that it had raised £4,987,904 by way of a placing of 17,813,944 new ordinary shares at 28p per share, resulting in the issued share capital of the Company being increased to 54,145,469 ordinary shares.

Post year end, on 16 September 2011, the Company announced that it had raised £917,341 by way of a placing of 3,988,439 new ordinary shares at 23p per share, resulting in the issued share capital of the Company being increased to 58,133,908 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, general economic conditions in the relevant country and exposure to foreign currency movements.

Directors' Report *continued*

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 meeting obligations as they fall due and 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.

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 (2010: £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 in respect of the Company insofar as is practicable and appropriate for a public company of its size.

Board of Directors

During the year the Board of Directors comprised of four Executive Directors, one of whom is the Chairman, and four Non-Executive Directors. Mr Colin Orr-Ewing subsequently resigned as a Director on 31 October 2011 and the Board has commenced a review of suitable Non-Executive Directors to complement the skills of the existing team. 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 of the Company.

Directors' Report *continued*

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 detailed reporting system covering the state of the Group's financial affairs. The Board has developed procedures for identifying, evaluating and managing the significant risks that face the Group, which will be implemented in the coming months.

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 continuous financial disclosure obligations and overseeing the work of the Company's external auditors. The Audit Committee comprises Paul Turner (Chairman), Paul Heber and Jean Ellis.

Directors' Report *continued*

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on the remuneration policy that applies to Executive Directors and senior employees. During the year the members of the Remuneration Committee were Paul Heber (Chairman), Paul Turner and Colin Orr-Ewing. Subsequent to Colin Orr-Ewing's resignation on 31 October 2011, the Remuneration Committee comprises Paul Heber (Chairman) and Paul Turner.

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 10 November 2011 in 3 per cent. or more of the Company's issued share capital:

	No. of shares	Percentage of the issued capital
Lonrho Plc	13,324,010	22.92%
Consilium Emerging Market Absolute Return Master Fund Ltd	8,179,466	14.07%
HSBC Client Holdings Nominee (UK) Limited	5,815,050	10.00%
MKM Longboat Multi-Strategy Master Fund	4,860,000	8.36%
Frank Russell Company / Russell Investments Limited	4,385,284	7.54%

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).

Mr C Orr-Ewing resigned as Director on 31 October 2011.

Biographical details of all Directors are set out on pages 8 and 9.

Directors' Report *continued*

Directors' share interests

The Directors' interests in the shares of the Company at the beginning and end of the year were as follows:

Directors	At 31.08.11 No. of shares	At 01.09.10 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	176,496	50,000
P Turner	Nil	Nil
C Orr-Ewing	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.

There have been no other changes in Directors' share interests since 31 August 2011.

Anti-Corruption and Bribery Policy

The Company has in place an Anti-Corruption and Bribery Policy which has been adopted by the Company across all divisions of the Group. The Board has overall responsibility for ensuring compliance by Directors, employees and other persons associated with the Group with applicable legal and ethical obligations. The Company's Finance Director has primary and day-to-day responsibility for implementation of the policy. Management at all levels of the Group are responsible for ensuring those reporting to them are made aware of, and understand, the policy. The policy gives guidance on risk identification and the procedures to follow where a risk is identified, together with clear guidelines on gifts, entertainment and donations.

Insurance

The Company has Directors' and Officers' liability insurance cover in place for Group Directors.

Share price performance

Between 1 September 2010 and 31 August 2011 the share price varied between a high of 33p and a low of 19.1p. At 31 August 2011 the mid-market price of the shares at close of business was 21.5p. At 10 November 2011 the mid-market price of the shares was 21.5p.

Directors' Report *continued*

Political and charitable donations

No political or charitable donations have been made by the Group during the year, save for those disclosed on pages 6 and 7. The Group is involved with a number of charitable projects through its subsidiaries, details of which are also set out on pages 6 and 7.

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.

Change in reporting currency

The Directors have made the decision for the Company to report in US Dollars going forward in order to give a clearer understanding of the Company's performance, reflecting the profile of the Group's revenue and results, which are primarily in US Dollars. The change is effective for the results for the six months ending 29 February 2012.

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.

Annual General Meeting

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

On behalf of the Board
A. Dent
Company Secretary

11 November 2011

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 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 August 2011 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs.

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

11 November 2011

Consolidated income statement

For the year ended 31 August 2011

	Note	2011 Total £000	2010 Total £000
Revenue	4	5,926	4,900
Cost of sales	5	(2,560)	(2,734)
GROSS PROFIT		3,366	2,166
Operating costs	5	(9,602)	(8,311)
RESULTS FROM OPERATING ACTIVITIES BEFORE NET FINANCE (COSTS)/INCOME		(6,236)	(6,145)
Finance income	7	183	439
Finance costs	7	(558)	(10)
NET FINANCE (COSTS)/INCOME		(375)	429
LOSS BEFORE TAX		(6,611)	(5,716)
Income tax	8	42	582
LOSS FOR THE YEAR		(6,569)	(5,134)
ATTRIBUTABLE TO:			
Owners of the Company	17	(5,988)	(4,375)
Non-controlling interest	17	(581)	(759)
LOSS FOR THE YEAR		(6,569)	(5,134)
Basic loss per share (pence)	9	(12.4p)	(12.4p)
Diluted loss per share (pence)	9	(12.4p)	(12.4p)

The notes on pages 24 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 August 2011

	Note	2011 £000	2010 £000
LOSS FOR THE YEAR	17	(6,569)	(5,134)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for overseas operations	17	(605)	(89)
Revaluation of property, plant and equipment	17	1,298	2,546
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,876)	(2,677)
ATTRIBUTABLE TO:			
Owners of the Company		(5,343)	(2,022)
Non-controlling interest		(533)	(655)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,876)	(2,677)

The notes on pages 24 to 57 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 August 2011

	Owners of the Company £000	Non-controlling interest £000	2011 Total £000	Owners of the Company £000	Non-controlling interest £000	2010 Total £000
AT 1 SEPTEMBER	31,670	240	31,910	32,579	895	33,474
Total comprehensive loss for the year	(5,343)	(533)	(5,876)	(2,022)	(655)	(2,677)
TRANSACTION WITH OWNERS OF THE COMPANY						
Share issue net of issue costs	4,844	–	4,844	1,113	–	1,113
AT 31 AUGUST	31,171	(293)	30,878	31,670	240	31,910

The notes on pages 24 to 57 are an integral part of these consolidated financial statements.

Consolidated and Company statement of financial position

As at 31 August 2011

	Note	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
ASSETS					
Property, plant and equipment	10	19,597	83	18,548	24
Goodwill	11	4,325	–	4,325	–
Other intangible assets	11	4,253	2,320	5,534	3,645
Investment in subsidiaries	12	–	2,736	–	2,736
Deferred tax assets	21	798	–	645	–
TOTAL NON-CURRENT ASSETS		28,973	5,139	29,052	6,405
Assets held for sale	10	2,111	–	3,557	–
Other investments	13	67	–	101	–
Inventories	14	498	–	339	–
Trade and other receivables	15	2,760	23,666	2,922	21,761
Cash and cash equivalents	16	658	365	291	38
TOTAL CURRENT ASSETS		6,094	24,031	7,210	21,799
TOTAL ASSETS		35,067	29,170	36,262	28,204
EQUITY					
Issued share capital	17,18	5	5	4	4
Share premium	17,18	38,310	38,310	33,467	33,467
Revaluation reserve	17,18	3,918	–	2,750	–
Foreign exchange reserve	17	(943)	–	(420)	–
Share based payment reserve	17,18,19	165	165	165	165
Retained losses	17	(10,284)	(11,155)	(4,296)	(7,694)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	17	31,171	27,325	31,670	25,942
NON-CONTROLLING INTERESTS	17	(293)	–	240	–
TOTAL EQUITY		30,878	27,325	31,910	25,942
LIABILITIES					
Provisions	20	628	628	628	628
Deferred tax liabilities	21	815	–	933	–
TOTAL NON-CURRENT LIABILITIES		1,443	628	1,561	628
Bank overdrafts	16	29	–	–	–
Current tax liabilities		160	35	41	35
Interest bearing loans	22	917	917	963	963
Trade and other payables	23	1,640	265	1,787	636
TOTAL CURRENT LIABILITIES		2,746	1,217	2,791	1,634
TOTAL LIABILITIES		4,189	1,845	4,352	2,262
TOTAL EQUITY AND LIABILITIES		35,067	29,170	36,262	28,204

These financial statements were approved by the Board of Directors and authorised for issue on 11 November 2011. They were signed on their behalf by:

G White
Director & Chief Executive Officer

The notes on pages 24 to 57 are an integral part of these consolidated financial statements.

Consolidated and Company statement of cash flows

For the year ended 31 August 2011

	Note	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
CASH FLOWS FROM OPERATING ACTIVITIES	24	(3,510)	(2,139)	(3,384)	(2,061)
Increase in inventories	24	(159)	–	(145)	–
Decrease/(increase) in cash due from customers	24	162	(1,905)	19	(1,423)
(Decrease)/increase in cash due to suppliers	24	(147)	(372)	(621)	38
CASH USED IN OPERATIONS	24	(3,654)	(4,416)	(4,131)	(3,446)
Interest paid		(147)	–	(14)	–
Interest received		183	43	–	25
NET CASH USED IN OPERATING ACTIVITIES	24	(3,618)	(4,373)	(4,145)	(3,421)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		677	–	–	–
Purchase of property, plant and equipment	10	(1,011)	(98)	(1,705)	–
Purchase of intangibles	11	(661)	–	–	–
Proceeds from sale of investments		87	–	1,630	–
Acquisition of investments	13	(37)	–	–	–
NET CASH USED IN INVESTING ACTIVITIES		(945)	(98)	(75)	–
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of share capital	17,18	4,987	4,987	1,113	1,113
Transaction costs of issue of shares	17,18	(143)	(143)	–	–
(Repayment of)/proceeds from loans		(46)	(46)	963	963
NET CASH FROM FINANCING ACTIVITIES		4,798	4,798	2,076	2,076
Net increase/(decrease) in cash and cash equivalents		235	327	(2,144)	(1,345)
Cash and cash equivalents at 1 September		291	38	2,431	1,383
Foreign exchange movements		103	–	4	–
CASH AND CASH EQUIVALENTS AT 31 AUGUST		629	365	291	38

The notes on pages 24 to 57 are an integral part of these consolidated financial statements.

Notes to the financial statements

For the year ended 31 August 2011

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 ended 31 August 2011 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 11 November 2011.

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 fact whereby under the Isle of Man Companies Act 2006 there is no requirement to present a company statement of comprehensive income in consolidated financial statements.

Functional and presentation currency

The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand.

As of 1 September 2011, the Company changed its reporting currency to the US Dollar.

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 measured at fair value; and
- land, buildings and plant and equipment are measured at revalued amounts.

New standards and interpretations not yet adopted

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

- Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets;
- Amendments to IAS 19 Employee Benefits;
- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- IFRS 7 Disclosures – Transfers of Financial Assets;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

The Directors anticipate that the adoption of these standards in future periods will have no material impact on the financial statements of the Group.

Notes to the financial statements *continued*

2. Basis of preparation (continued)

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 financial statements.

3. Significant accounting policies

The following accounting policies have been applied consistently by Group.

(a) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where 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 non-controlling shareholders is stated at the non-controlling interests' proportion of the fair values of the assets and liabilities recognised. Subsequently, losses applicable to the non-controlling interests are allocated against their interests even if doing so causes the non-controlling interests to have a deficit balance.

The results of entities acquired or disposed of during the year 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 financial statements 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.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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 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 non-controlling shareholders in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(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 statement of financial position 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 statement of financial position 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

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(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.

As of 1 September 2011, the Company changed its reporting currency to the US Dollar.

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 year, as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position. 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.

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 reporting 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.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(d) Taxation (continued)

Deferred taxation (continued)

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) Other investments

Other 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.

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

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

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

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

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

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, except when assets are held for sale they are accrued over the time to the next maintenance overhaul. 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.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(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 pretax discount rate that reflects current market assessments of the time value and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(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 initially measured 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 non-controlling interests.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(h) Financial instruments (continued)

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.

(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

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

Final dividends are recognised when approved by the shareholders.

(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 services 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 of goods and services is recognised when recovery of the consideration is probable, there is no continuing management involvement with the goods and services and the amount of revenue can be measured reliably.

Notes to the financial statements *continued*

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

A sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, the associated costs and possible return of goods can be estimated reliably. This is when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

A sale of services is recognised when the service has been rendered.

Aircraft lease income is recognised on an accruals basis over the period of the lease.

(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 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.

(p) Borrowing costs

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

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

(q) Loss per share

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

(r) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before reclassification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(s) 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.

Notes to the financial statements *continued*

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. The results of the business segments are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

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

Segment results that are reported to the CEO 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 primarily relating to Company's head office.

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.

There is no inter-segment revenue.

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
- 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.

Business segments

	Aviation		Hotels		Support services		Head office		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Revenue from external customers	401	901	1,332	810	4,193	3,189	–	–	5,926	4,900
Total revenue	401	901	1,332	810	4,193	3,189	–	–	5,926	4,900
Segment result	299	(112)	(743)	(585)	(2,212)	(2,675)	–	–	(2,656)	(3,372)
Unallocated central expenses	–	–	–	–	–	–	(3,580)	(2,773)	(3,580)	(2,773)
Operating profit/(loss)	299	(112)	(743)	(585)	(2,212)	(2,675)	(3,580)	(2,773)	(6,236)	(6,145)
Net financing (expense)/income	(560)	113	(258)	–	323	–	120	316	(375)	429
Income tax credit/(expense)	–	–	87	7	(45)	575	–	–	42	582
(Loss)/profit for the year	(261)	1	(914)	(578)	(1,934)	(2,100)	(3,460)	(2,457)	(6,569)	(5,134)

All revenues relate to sale of goods, services and lease income.

Notes to the financial statements *continued*

4. Segment reporting (continued)

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

	2011 £000	2010 £000
- amortisation (see note 11)	1,750	1,729
- depreciation (see note 10)	40	14

	Aviation		Hotels		Support services		Head office		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Segment assets	3,765	5,059	15,914	16,463	6,517	3,688	8,870	11,052	35,067	36,262
Total assets	3,765	5,059	15,914	16,463	6,517	3,688	8,870	11,052	35,067	36,262
Segment liabilities	437	644	1,404	1,106	2,080	1,831	268	771	4,189	4,352
Total liabilities	437	644	1,404	1,106	2,080	1,831	268	771	4,189	4,352
Depreciation	–	318	124	54	292	292	40	14	456	678
Amortisation of intangible assets	–	–	–	–	–	–	1,750	1,729	1,750	1,729

5. Group net operating costs

	2011 £000	2010 £000
Cost of sales	2,560	2,734
Administrative expenses	9,602	8,311
Net operating costs	12,162	11,045

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

Operating costs include:		
Depreciation of property, plant and equipment	456	678
Amortisation of intangibles (other than goodwill)	1,750	1,729
Operating lease rentals		
– Land and buildings	12	33
Staff costs	2,586	2,236
Gain on investments	16	361

Auditors' remuneration

	2011 £000	2010 £000
Fees payable to the Company's Auditors for:		
– The audit of the Group's annual financial statements	110	100
– The audit of the Company's subsidiaries pursuant to legislation	30	20
Total audit fees	140	120

Notes to the financial statements *continued*

6. Personnel expenses

The aggregate remuneration comprised (including Executive Directors):

	2011 £000	2010 £000
Wages and salaries	2,512	2,143
Compulsory social security contributions	74	93
	2,586	2,236

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

	2011 No.	2010 No.
Support services	198	179
Hotels	157	145
Head office	7	7
	362	331

	2011 £000	2010 £000
Remuneration of Directors		
Directors' emoluments (see note 30)	240	444

7. Net finance (costs)/income

	2011 £000	2010 £000
Recognised in income statement:		
Net gain on financial instruments designated at fair value through profit or loss	–	361
Bank interest receivable	–	14
Loan interest receivable	183	–
Foreign exchange gain	–	64
Finance income	183	439
Foreign exchange loss	(411)	–
Bank interest payable	(147)	(10)
Finance costs	(558)	(10)
Net finance (costs)/income	(375)	429

The foreign exchange loss of £411k (2010: gain of £64k) has arisen on the translation of inter-company balances.

Notes to the financial statements *continued*

8. Taxation

Income tax recognised in the income statement

	2011 £000	2010 £000
Current tax expense		
Current period	112	63
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(154)	(645)
Total income tax credit in income statement	(42)	(582)

Reconciliation of effective tax rate

	2011 £000	2010 £000
Loss before tax	(6,611)	(5,716)
Income tax using the U.K. corporation tax rate 28% (2010: 28%)	(1,851)	(1,600)
Net losses where no group relief is available	1,851	1,600
	–	–

Deferred tax

	2011 £000	2010 £000
Charge relating to intangible assets	–	–
Relating to losses in subsidiaries	(154)	(645)
	(154)	(645)

Corporation tax is calculated as 28% of the estimated assessable loss 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. Loss per share

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

Loss

	2011 £000	2010 £000
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent	(5,988)	(4,375)
Effect of dilutive potential ordinary shares	–	–
Loss for the purposes of diluted loss per share	(5,988)	(4,375)

Notes to the financial statements *continued*

9. Loss per share (continued)

Number of shares

	2011 No. 000s	2010 No. 000s
Weighted average number of ordinary shares for the purposes of basic loss per share	48,207	35,215
Effect of dilutive potential ordinary shares		
– Share options	500	500
Weighted average number of ordinary shares for the purposes of diluted loss per share	48,707	35,715

In the current year and the previous year, the Group made a loss and the effect of the share options is therefore anti-dilutive.

10. Property, plant and equipment

	2011 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 2010	12,542	4,443	486	318	1,289	19,078	4,171	23,249
Additions in year	46	–	387	224	354	1,011	–	1,011
Disposals in year	–	–	–	(49)	(2)	(51)	(351)	(402)
Fair value adjustment	(153)	–	–	–	–	(153)	(855)	(1,008)
Revaluation	1,298	–	–	–	–	1,298	–	1,298
Effect of movements in foreign exchange	(634)	53	(21)	(8)	(10)	(620)	(240)	(860)
Balance at 31 August 2011	13,099	4,496	852	485	1,631	20,563	2,725	23,288
Accumulated depreciation								
At 1 September 2010	117	–	53	112	248	530	614	1,144
Adjustment re disposals	–	–	–	(20)	–	(20)	–	(20)
Depreciation charge for the year	43	–	58	112	243	456	–	456
Balance at 31 August 2011	160	–	111	204	491	966	614	1,580
Carrying amounts								
At 31 August 2011	12,939	4,496	741	281	1,140	19,597	2,111	21,708
At 31 August 2010	12,425	4,443	433	206	1,041	18,548	3,557	22,105

Notes to the financial statements *continued*

10. Property, plant and equipment (continued)

Freehold land and buildings

Freehold land and buildings, relating to Leopard Rock Hotel, were revalued at 31 August 2011, by C.K. Holland, an Independent Valuer, on the basis of market value.

Freehold land and buildings, relating to Medalspot and Paynet were revalued at 31 August 2011, 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 terms for similar properties.

On 31 August 2011, had freehold land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would be approximately £9.6 million (2010: £9.7 million). The revaluation surplus is disclosed in note 17.

Valuations:

ATdM

Long leasehold land and buildings

The value of long leasehold land and buildings was independently valued by JHI Real Estate Mozambique, as at 21 June 2011, on the basis of market value.

Celsys and Millchem

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 by reference to market evidence. The Directors consider the fair value at the reporting date to not be materially different from the carrying value.

Paynet

Revaluation – property

A professional valuation on freehold land and buildings was made by T.W.R.E Zimbabwe (Pvt) Limited of US$1,750,000 (£1,070,402) at 31 August 2011. Fair value at 31 August 2011 was made by reference to market evidence. The Directors consider the fair value of other assets at the reporting date to not be materially different from the carrying value.

Leopard Rock

Revaluation – land and buildings

A professional valuation on freehold land and buildings was made by C.K. Holland of US$18,500,000 (£11,315,677) at 31 August 2011. Fair value at 31 August 2011 was made by reference to market evidence. The Directors consider the fair value of other assets at the reporting date to not be materially different from the carrying value.

Medalspot

Revaluation – property

A professional valuation on freehold land and buildings was made by T.W.R.E Zimbabwe (Pvt) Limited of US$2,200,000 (£1,345,648) at 31 August 2011. Fair value at 31 August 2011 was made by reference to market evidence. The Directors consider the fair value of other assets at the reporting date to not be materially different from the carrying value.

Assets held for sale

At the year end, LonZim held assets to the value of £2,111,000 for sale. This is made up of 2 aircraft which are being actively marketed and the Company would hope to find buyers within the next year.

Notes to the financial statements *continued*

10. Property, plant and equipment (continued)

	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

Valuations:

Long leasehold land and buildings

The value of long leasehold land and buildings is included at the Directors' valuation at 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 reporting 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 £232,000 has been taken to revaluation reserve.

Notes to the financial statements *continued*

10. Property, plant and equipment (continued)

	2011 Company		
	Motor vehicles £000	Furniture fixtures and fittings £000	Total £000
Cost or valuation			
At 1 September 2010	37	5	42
Additions in year	90	8	98
Balance at 31 August 2011	127	13	140
Accumulated depreciation			
At 1 September 2010	15	3	18
Depreciation charge for the year	36	3	39
Balance at 31 August 2011	51	6	57
Carrying amounts			
At 31 August 2011	75	8	83
At 31 August 2010	22	2	24

	2010 Company		
	Motor vehicles £000	Furniture fixtures and fittings £000	Total £000
Cost of valuations			
At 1 September 2009	37	5	42
Additions in year	–	–	–
Balance at 31 August 2010	37	5	42
Accumulated depreciation			
At 1 September 2009	3	1	4
Depreciation charge for the year	12	2	14
Balance at 31 August 2010	15	3	18
Carrying amounts			
At 31 August 2010	22	2	24
At 31 August 2009	34	4	38

Notes to the financial statements *continued*

11. Intangible assets

	Goodwill £000	Non-compete agreement £000	Brand name £000	Sol Aviation £000	Software licences £000	Casino licences £000	Group Total £000	Company Total £000
Cost								
At 1 September 2010	4,325	7,290	770	270	774	682	14,111	7,290
Additions	–	–	–	–	661	–	661	–
Fair value adjustment	–	–	–	(192)	–	–	(192)	–
Balance at 31 August 2011	4,325	7,290	770	78	1,435	682	14,580	7,290
Amortisation								
At 1 September 2010	–	3,645	97	78	256	176	4,252	3,645
Amortisation for the year	–	1,325	78	–	212	135	1,750	1,325
Balance at 31 August 2011	–	4,970	175	78	468	311	6,002	4,970
Carrying amounts								
At 31 August 2011	4,325	2,320	595	–	967	371	8,578	2,320
At 31 August 2010	4,325	3,645	673	192	518	506	9,859	3,645

Amortisation

The amortisation charge is recognised in the administration expenses (note 5) in the income statement. The remaining amortisation period at 31 August 2011 is 21 months for the non-compete agreement and 33-91 months for other intangibles.

Goodwill

As at 31 August 2011, 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	2011 £000	2010 £000
Celsys	Support services	1,958	1,958
Millchem	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.

Notes to the financial statements *continued*

11. Intangible assets (continued)

Estimates and judgements (continued)

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 5-10 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 5-10 years has been used as this is reflective of the Board's view of the long term investment potential in these Zimbabwean subsidiaries. A forecast period of 5 years has been used for ForgetMeNot Africa (BVI) Limited.
- 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, cashflows 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

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

The amortisation periods for other intangible assets are:

- Non-compete agreement 5½ years
- Licences 5-6 years
- Brand names 7 years

Non-compete agreement

The agreement covers a period of five and a half years and under its terms, without the express permission of LonZim Plc, Lonrho Plc 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;

Notes to the financial statements *continued*

11. Intangible assets (continued)

Non-compete agreement (continued)

- 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.

LonZim has expressly consented to Lonrho carrying out certain agricultural activities within Zimbabwe and following the acquisition of ATdM, the operation of that development in the Beira Corridor.

12. Investments in subsidiaries and associates

The Company has investments in the following subsidiaries and associates which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant 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	Commercial and security printing/ATMs	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%
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%
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%
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.

The direct investments in subsidiaries held by the Company are stated at cost. This is subject to impairment testing.

For a full list of subsidiaries, refer to note 31.

Notes to the financial statements *continued*

13. Other investments

	Group 2011 £000	Group 2010 £000
Balance at 1 September	101	1,269
Acquisitions	37	–
Disposals	(71)	(1,234)
Unrealised gain	–	66
At 31 August	67	101

14. Inventories

	Group 2011 £000	Group 2010 £000
Game stock	50	44
Finished goods	448	295
	498	339

15. Trade and other receivables

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Amounts owed by Group undertakings	–	23,314	–	21,150
Trade receivables	1,629	–	1,106	–
Other receivables	1,078	352	1,654	595
Pre-payments and accrued income	53	–	162	16
	2,760	23,666	2,922	21,761

The average credit period taken on sales of goods is 84 days. No interest is charged on receivables.

Included in trade and other receivables is a balance of £611,658 which is not due in less than one year's time. The loan is repayable in 2 years time and bears interest at 15% per annum. The loan bears no encumbrances.

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 statement of financial position 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.

Notes to the financial statements *continued*

16. Cash and cash equivalents

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Bank balances	658	365	291	38
Bank overdrafts	(29)	–	–	–
Cash and cash equivalents	629	365	291	38

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	Non-controlling interests £000	Total Equity £000
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
Share issues	1	4,843	–	–	–	–	4,844	–	4,844
Revaluation	–	–	1,298	–	–	–	1,298	–	1,298
Loss for the year	–	–	–	–	(5,988)	–	(5,988)	(581)	(6,569)
Exchange difference on translation of overseas operations	–	–	(130)	–	–	(523)	(653)	48	(605)
Balance at 31 August 2011	5	38,310	3,918	165	(10,284)	(943)	31,171	(293)	30,878

Company

	Share capital £000	Share premium £000	Share based payment reserve £000	Retained earnings £000	Total £000
Balance at 31 August 2009	3	32,355	165	(4,154)	28,369
Share issue	1	1,112	–	–	(1,113)
Loss for the period	–	–	–	(3,540)	(3,540)
Balance at 31 August 2010	4	33,467	165	(7,694)	25,942
Share issue	1	4,843	–	–	4,844
Loss for the period	–	–	–	(3,461)	(3,461)
Balance at 31 August 2011	5	38,310	165	(11,155)	27,325

Notes to the financial statements *continued*

18. Share capital

	Ordinary shares 2011		Ordinary shares 2010	
	No.	£000	No.	£000
Authorised				
Ordinary £0.0001 shares	54,145,469	5	36,331,525	4
Issued fully paid				
At 1 September 2010	36,331,525	4	32,076,000	3
Issued in period	17,813,944	1	4,255,525	1
At 31 August 2011	54,145,469	5	36,331,525	4

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 in the current year of 17,813,944 ordinary shares at a price of 0.28p per share net of issue costs of £143k and previous share issue of 36,450,000 ordinary 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 shares at a price of 27.5p per share net of issue costs of £58k.

Revaluation reserve

The revaluation reserve relates to property, plant and equipment which has been revalued in the Zimbabwean subsidiaries Celsys, Paynet, Leopard Rock Hotel, Millchem and Medalspot and leasehold land in Beira (ATdM).

Share based payment reserve

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

19. Share options

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

Name	Date granted	No. 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 price of share options are as follows:

	2011	
	Weighted average exercise price Pence	No. of options No
Exercisable at 1 September 2010	150	500,000
Outstanding at 31 August 2011	150	500,000
Exercisable at 31 August 2011	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.

20. Provisions

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Provisions	628	628	628	628

Provisions relate to an 'alienation' agreement with the Mozambique Government which was assumed as part of the consideration for the acquisition of Aldeamen to Turistico de Macuti SARL. The provision is for US$1.5 million (£0.9 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.

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.

Subsequent to the year end, the investment in subsidiary was sold (see note 32) thus releasing this provision.

Notes to the financial statements *continued*

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	2011 Total £000	Accelerated tax depreciation £000	2010 Total £000
At 1 September	933	933	909	909
Other movements	(118)	(118)	24	24
At 31 August	815	815	933	933

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

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	2011 Total £000	Accelerated tax depreciation £000	2010 Total £000
At 1 September	645	645	77	77
Recognised in year in respect of current trading losses	150	150	571	571
Recognised directly in reserves	3	3	(3)	(3)
At 31 August	798	798	645	645

22. Interest-bearing borrowings

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Short term loans	917	917	963	963
	917	917	963	963

The loan is secured by immovable property held by Medalspot (Pvt) Limited and Le Har (Pvt) Limited. The loan is repayable on 31 May 2012 and bears interest at a rate of 20% per annum.

23. Trade and other payables

	Group 2011 £000	Company 2011 £000	Group 2010 £000	Company 2010 £000
Trade payables	751	–	945	–
Non-trade payables and accrued expenses	890	265	842	636
	1,640	265	1,787	636

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purposes is 121 days.

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

Notes to the financial statements *continued*

24. Notes to the statement of cash flows

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Loss for the year	(6,569)	(5,134)	(3,461)	(3,540)
Amortisation of intangible assets	1,750	1,729	1,325	1,325
Depreciation of property, plant and equipment	456	678	40	14
Finance income	(183)	(439)	(43)	–
Finance costs	147	–	–	–
Fair value adjustment of property, plant & equipment	1,008	–	–	–
Fair value adjustment of intangibles	192	–	–	–
Loss on sale of property, plant and equipment	(295)	–	–	–
Increase in provisions	–	–	–	140
Provision discount	–	143	–	–
Gains on investments	(16)	(361)	–	–
Operating cash flows before movements in working capital:	(3,510)	(3,384)	(2,139)	(2,061)
Increase in inventories	(159)	(145)	–	–
Decrease/(increase)in receivables	162	19	(1,905)	(1,423)
(Decrease)/increase in payables	(147)	(621)	(372)	38
Cash used in operations	(3,654)	(4,131)	(4,416)	(3,446)
Interest paid	(147)	(14)	–	–
Interest received	183	–	43	25
Net cash used in operating activities	(3,618)	(4,145)	(4,373)	(3,421)

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.

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 creditworthy 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.

Notes to the financial statements *continued*

25. Financial instruments (continued)

Credit risk management (continued)

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 reporting 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 £3,336k (2010: £3,051k) being the total of the carrying amount of financial assets, excluding equity investments as shown in the table below.

	2011 £000	2010 £000
Cash and cash equivalents	629	291
Trade and other receivables	2,707	2,760
	3,336	3,051

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

	2011 £000	2010 £000
East Africa	483	779
Zimbabwe	2,224	1,981
	2,707	2,760

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

	2011 £000	2010 £000
Customers	1,629	1,106

The ageing of trade receivables at the reporting date was:

	Gross 2011 £000	Impairment 2011 £000	Gross 2010 £000	Impairment 2010 £000
Not past due	1,629	–	1,106	–

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash and another financial asset.

Notes to the financial statements *continued*

25. Financial instruments (continued)

Liquidity risk management (continued)

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:

	2011						2010					
	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	29	29	29	–	–	–	–	–	–	–	–	–
Trade payables	751	751	751	–	–	–	945	945	945	–	–	–
Interest bearing borrowings	917	917	917	–	–	–	963	963	963	–	–	–
	1,697	1,697	1,697	–	–	–	1,908	1,908	1,908	–	–	–

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

	2011			2010		
	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	658	658	0.5	291	291
Bank overdrafts	0.5	(29)	(29)	–	–	–
Interest bearing borrowings	20.0	(917)	(917)	20.0	(963)	(963)
		(288)	(288)		(672)	(672)

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 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	229	37	266
Trade payables	(790)	–	(790)
Other payables	(654)	–	(654)
Trade receivables	1,544	–	1,544
Other receivables	588	–	588
Net exposure	917	37	954

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 2011	Reporting date mid spot rate 2011	Average rate 2010	Reporting date mid spot rate 2010
Mozambique Meticals	50.742	43.162	47.889	58.323
US Dollars	1.604	1.635	1.566	1.567

	Net assets 2011 £000	Net assets 2010 £000
Mozambique Meticals	1,157	2,338
US Dollars	8,911	3,630
	10,068	5,968

The Company does not have any exposure to foreign currencies at the reporting date (2010: £Nil).

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 £810k movement in net monetary assets. This risk is not considered material as, as of 1 September 2011, the Company changed its reporting currency to the US Dollar.

Mozambique Meticals balance is not trading and therefore a sensitivity analysis has not been performed.

Interest rate risk management

The Group is not exposed to interest rate risk. Its single loan of £917k 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 non-controlling 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 statement of financial position are as follows:

	Carrying amount 2011 £000	Fair value 2011 £000	Carrying amount 2010 £000	Fair value 2010 £000
Cash and cash equivalents (net of bank overdraft)	629	629	291	291
Trade receivables	1,629	1,629	1,106	1,106
Trade payables	(751)	(751)	(945)	(945)
Interest bearing loans	(917)	(917)	(963)	(963)
	590	590	(511)	(511)

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).

As at 31 August 2011, the Company holds all its financial instruments at amortised cost and none at fair value. Fair value hierarchy therefore does not apply.

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.

Cash and cash equivalents (net of bank overdraft)

Fair value approximates its carrying amount largely due to the short-term maturities of this instrument.

Interest-bearing loans

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

Trade receivables / payables

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

26. Operating leases

Leases as lessee

At the reporting date, the Group had outstanding annual commitments for future minimum lease payments under noncancellable operating leases, which fall due as follows:

	2011 £000	2010 £000
Less than one year	–	12
	–	12

Notes to the financial statements *continued*

26. Operating leases (continued)

Leases as lessee (continued)

During the year ended 31 August 2011, £12k (2010: £33k) 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 reporting date, the Group had outstanding annual commitments for future minimum lease receipts under non-cancellable operating leases, which fall due as follows:

	2011 £000	2010 £000
Less than one year	198	789
Between one and five years	198	789
	396	1,578

During the year ended 31 August 2011, £401k (2010: £901k) 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 2011 was £3,461k (2010: £3,540k).

28. Capital commitments

The capital commitments at 31 August 2011 totalled £133k relating to various items of plant and machinery at Celsys (2010: £300k relating to refurbishment of Leopard Rock Hotel).

There were no other capital commitments at 31 August 2011.

29. Contingent liabilities

There were no known contingent liabilities at the reporting date (2010: £Nil).

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.

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.

Notes to the financial statements *continued*

30. Related parties (continued)

Group and Company

Transactions with entities with significant influence over the entity

As at 11 November 2011 Lonrho Plc held 22.92% 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$862k (£537k) by Lonrho Plc as a management charge (2010: US$703k (£453k)). Other recharges amounted to US$183k (£114k) (2010: US$91k (£59k)). As at 31 August 2011, £137k (2010: £113k) was due from the Company to Lonrho Plc.

During the year Leopard Rock was charged US$102k (£66k) by Lonrho Hotels Management Services (B.V.I.) Limited, a Lonrho Plc subsidiary, as a management charge (2010: US$102k (£68k)).

The Group leases two aircraft to 540 (Uganda) Limited, a Lonrho Plc subsidiary, for US$52k (£34k) per month. One of the leases was cancelled at the end of February 2011. The total lease income for the year to 31 August 2011 amounted to US$485k (£296k). As at 31 August 2011, US$518k (£317k) was due from 540 (Uganda) Limited to the Company.

Fly 540 Aviation, a Lonrho Plc subsidiary, is acting as an agent in the recovery of the insurance money relating to the LonZim Air (BVI) Limited aircraft written off. As at 31 August 2011, US$100k (£61k) is payable from LonZim Air to Fly 540 Aviation.

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 £12k (2010: £16k) was charged to the Company for services performed by DSG Chartered Accountants. Jean Ellis is a partner in this firm.

The key management personnel compensations are as follows:

	2011 £000	2010 £000
Short-term employee benefits	526	550
	526	550

Notes to the financial statements *continued*

30. Related parties (continued)

Group and Company (continued)

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

	2011 £000	2010 £000
Directors	240	444
Executive officers	286	106
	526	550

Directors' remuneration

	Total 2011 £000	Total 2010 £000
D Lenigas	12	87
G White	12	87
D Armstrong	12	17
E Priestley	12	17
P Turner	98	118
P Heber	44	70
J Ellis	25	24
C Orr-Ewing	25	24
	240	444

Other related party transactions

Post year end the Company raised £917,341 from an existing shareholder, via a placing of 3,988,439 shares at a price of 23 pence per share to provide working capital for the Group's existing businesses and to provide the Company with the ability to continue implementing its investment strategy. The shareholder is a substantial shareholder in the Company and therefore its participation in the placing is considered a related party transaction.

Notes to the financial statements *continued*

31. Group entities

Subsidiaries

	Country of incorporation	Ownership interest 2011	Ownership interest 2010
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	55%	55%
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%
ForgetMeNot Nigeria Limited	Nigeria	100%	100%
Chenyakwaremba Farm (Pvt) Limited	Zimbabwe	100%	100%
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%
Lonrho Properties Zimbabwe 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%

+ Held directly by LonZim Plc.

Notes to the financial statements *continued*

32. Events after the reporting date

On 30 September 2011, LonZim completed a share purchase agreement to dispose of its 80% holding in ATdM, a company with a long lease on a prospective coastal development site in Beira, Mozambique, as part of LonZim's growing focus on the economic opportunities within Zimbabwe. LonZim disposed of the 80% stake in ATdM for US$5.1 million (£3.1 million) to Lonrho Hotels (Holdings) Limited, a 100% subsidiary of Lonrho Plc which has a 22.92% interest in LonZim, the transaction being a related party transaction for purposes of the AIM Rules, which was deemed fair and reasonable insofar as shareholders were concerned. Proceeds from the sale are being received over 60 equal monthly instalments and interest accrues at 7% on the outstanding balance.

Post year end the Company raised £917,341 from an existing shareholder via a placing of 3,988,439 shares at a price of 23 pence per share to provide working capital for the Group's existing businesses and to provide the Company with the ability to continue implementing its investment strategy.

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

Corporate information

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Shareholder information

Analysis of ordinary shareholdings as at 10 November 2011

	No. of holders	% of total holders	No. of shares	% of total shares
Category of shareholder				
Individuals	78	29.77	1,002,161	1.72
Banks, nominees and other corporate bodies	184	70.23	57,131,747	98.28
Shareholding range				
1 – 5,000	105	40.08	265,046	0.46
5,001 – 50,000	90	34.35	1,785,845	3.08
50,001 – 100,000	25	9.54	2,034,744	3.50
100,001 – 500,000	26	9.92	5,291,720	9.10
500,001 – 1,000,000	3	1.15	1,913,699	3.29
1,000,001 – 5,000,000	10	3.82	21,174,328	36.42
5,000,001 – 10,000,000	2	0.76	13,994,516	24.07
10,000,001 – 50,000,000	1	0.38	11,674,010	20.08
Total	262	100.00	58,133,908	100.00

Registrars

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

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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