LonZim

LonZim Plc
Interim Report

2011

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Chief Executive Officer's Statement

During the first half of the year LonZim has remained focused on its central objective and has continued with its strategy of investing and supporting businesses in Zimbabwe. The Company has continued to prepare its investments for economic recovery in Zimbabwe. As a result, Group companies remain well positioned to benefit from economic recovery as it continues and each of the businesses within the Group has been structured to be as efficient as possible, concentrate on their core strengths and put in place the necessary human and capital resources to be first back to market.

Zimbabwe has seen six months of relative stability, the economy has reacted positively to the ongoing predominant currency being US Dollars and this has resulted in a business environment where companies are able to understand their cost of sales, overheads and the sales potential. This in turn enables companies to trade in a manageable commercial environment, which means that businesses have the ability to plan and to develop.

The essential requirement for the corporate sector is stability in the medium term commercial environment. A clear understanding of what is required in the commercial marketplace allows companies to make budgets, compare performance, deliver targets and demonstrate their potential. This in turn generates the opportunity to attract further investment and thus deliver growth.

LonZim believes that the environment for the commercial sector has become clearer and, as a result, the Company is seeing improved planning and forecasting for each Group company, thus enabling the development of longer term plans and objectives.

LonZim has therefore invested further funds, where appropriate, to ensure that Group companies have the requisite resources, equipment and standards to meet their budgets.

The Directors remain confident that Zimbabwe has a sound economic foundation centred around a uniquely qualified workforce that is skilled, industrious and valued and a country that has in place the important infrastructure necessary for a rapid recovery. The potential for Zimbabwe to return to being an economic powerhouse for the region is apparent and, as the economy develops from its low current base, the recovery will inevitably gain momentum.

LonZim has developed an indigenisation plan in line with Government mandates and has submitted this to Government for approval. The Company is also seeking to dual list on the Zimbabwe Stock Exchange as an integral part of this ongoing process.

Results for the Period:

During the period turnover grew to £3,063,000 from £2,677,000 in the equivalent period in the prior year and gross profit increased by 43%, reflecting the effects of continued economic recovery. The loss for the period of £3,031,000 reflects the ongoing development of the Group's investments and is in line with expectations. As at 28 February 2011 the Company had net assets of £33,681,000 and a market capitalisation of £12,588,822.

In December 2010 the Company raised £4,987,904 gross by way of a placing with institutions of 17,813,944 new ordinary shares of £0.0001 each. The proceeds are being used to meet the ongoing working capital requirements of

Chief Executive Officer's Statement *continued*

the Company's subsidiaries and to provide the Company with the ability to continue implementing its investment strategy and consider further strategic acquisitions.

Operational Review:

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

Since April 2009, when LonZim acquired the hotel, it has undergone a significant and detailed refurbishment program to bring what was a very tired property back up to international standards.

At the front of house, the refurbishment has included the bedrooms, dining areas, public areas and general building maintenance. Importantly, at the back of house the refurbishment has included the kitchens, laundry, IT systems, communications network, staff quarters and training capabilities. Further investment has also been made into security at the hotel.

The refurbishment of the hotel has now been completed and the hotel has seen a rise in guest satisfaction as a result.

Leopard Rock is once again a property that locals and tourists are happy to visit and to stay at and it has regained its position as one of the finest hotels in Zimbabwe. The restaurants have quickly re-established a reputation for outstanding quality and the hotel is ready to be an integral part of the rebuilding of the Zimbabwean tourist industry.

Currently the hotel remains with relatively low general occupancy rates interspersed with periods of full occupancy driven by specific events such as weddings and conferences.

The unique Leopard Rock golf course is building in popularity as players realise that the Leopard Rock is once again a destination of choice for golfers.

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

Paynet continues to provide Electronic Funds Transfers (EFT) systems to the majority of banks in Zimbabwe as well as microfinance through the Tradanet platform that offers payroll related microfinance loans.

Both sectors are directly related to the economic recovery in Zimbabwe and the movement and liquidity in the financial markets.

Paynet has seen an uplift in EFT business during the period and, as the banking sector recovers, is well positioned to grow as the volume of EFTs increases with economic activity.

Tradanet has seen a significant increase in the number of microfinance loans in the market and has benefitted from the increased confidence that is returning to the economy. Tradanet is actively seeking increased access to capital from financial institutions to be able to meet the growing demand for loans in this niche market.

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

Celsys has focused operations on its core strengths. The peripheral non-core operations of Sophos, airtime sales and web design have been closed or disposed of and the company has centred operations around security and general printing and the distribution and lease of ATMs and Point of Sale (POS) equipment.

The building refurbishment and installation of further printing equipment has added flexibility, volume capability and further services to customers. This has set Celsys at the forefront of the Zimbabwean printing industry and has seen Celsys have an increase in order numbers and average order size.

Printing remains an important industry sector and, as the economy recovers and volumes

Chief Executive Officer's Statement *continued*

increase, Celsys now has the equipment capacity, capital and resources to build market share.

The ATM and POS division has successfully deployed a further ten new Diebold ATMs to Kingdom Bank. These earn guaranteed revenues as a minimum from each installation and, above the contractual minimum, a percentage commission on each ATM transaction. As a result, as the number of transactions through the ATMs increase, revenues improve. Economic recovery is beginning to see the usage of ATMs across the country increase as confidence in the banking sector returns, and the number of ATM transactions that are building month on month is encouraging.

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

The development site at Beira in Mozambique has clear potential for future development, driven by both the recovery in Zimbabwe and the increasing strength of the Mozambique market. To date, there has been limited appetite from developers for the site and discussions are ongoing regarding the most appropriate master plan layout and the split between office, retail and leisure on site.

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

A specialist chemicals blender and importer, Millpal is beginning to see growth as a result of the improving industrial and mining sectors of the economy. The company is building representation of an increasing range of brands and is well positioned to meet demand as it develops.

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

FMNA continues to develop its product portfolio for mobile phone technology on standard platforms and has successfully rolled out the FMNA platform for Instant Messaging and other message platforms with several networks across Africa. In Zimbabwe, the launch of FMNA with Econet has commenced with encouraging uptake and initial results indicate this will be FMNA's strongest market to date.

Sol Aviation (Pvt) Limited ("Fly540 Zimbabwe") (90% holding)

The roll out of the regional Fly540 model remains on hold until the demand and market dynamics of operating in the Zimbabwean aviation market become clearer.

Panafmed (Pty) Limited ("Panafmed") (51% holding)

The Company has strategically withdrawn from this market as it does not believe the opportunities exist for Panafmed to develop its business.

Geoffrey White

Director & Chief Executive Officer
24 May 2011

Condensed consolidated interim comprehensive income statement

	Unaudited 6 months to 28 February 2011 £000	Unaudited 6 months to 28 February 2010 £000	Audited 12 months to 31 August 2010 £000
Revenue	3,063	2,677	4,900
Cost of sales	(1,473)	(1,562)	(2,734)
GROSS PROFIT	1,590	1,115	2,166
Operating costs	(4,119)	(4,189)	(8,311)
OPERATING LOSS	(2,529)	(3,074)	(6,145)
Finance income	5	694	439
Finance expense	(486)	–	(10)
NET FINANCE (EXPENSE)/INCOME	(481)	694	429
LOSS BEFORE TAX	(3,010)	(2,380)	(5,716)
Income tax charge	(21)	–	582
LOSS FOR THE PERIOD	(3,031)	(2,380)	(5,134)
ATTRIBUTABLE TO:			
Owners of the Company	(2,760)	(2,052)	(4,375)
Non-controlling interests	(271)	(328)	(759)
LOSS FOR THE PERIOD	(3,031)	(2,380)	(5,134)
EARNINGS PER SHARE			
Basic and diluted loss per share (pence)	(6.5)p	(5.6)p	(12.4)p

Condensed consolidated interim statement of financial position

	Unaudited 28 February 2011 £000	Unaudited 28 February 2010 £000	Audited 31 August 2010 £000
ASSETS			
Goodwill	4,325	4,325	4,325
Other intangible assets	4,726	6,399	5,534
Property, plant and equipment	18,978	16,599	18,548
Deferred tax	812	82	645
TOTAL NON-CURRENT ASSETS	28,841	27,405	29,052
Other investments	95	53	101
Inventories	339	470	339
Trade and other receivables	2,982	3,657	2,922
Cash and cash equivalents	2,560	1,833	291
Assets held for sale	2,836	3,656	3,557
TOTAL CURRENT ASSETS	8,812	9,669	7,210
TOTAL ASSETS	37,653	37,074	36,262
EQUITY			
Share capital	5	4	4
Share premium account	38,393	33,467	33,467
Revaluation reserve	2,750	734	2,750
Share option reserve	165	165	165
Translation reserve	(1,168)	(75)	(420)
Retained earnings	(7,056)	(2,094)	(4,296)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	33,089	32,201	31,670
NON-CONTROLLING INTERESTS	592	567	240
TOTAL EQUITY	33,681	32,768	31,910
LIABILITIES			
Financial liabilities	628	485	628
Deferred tax	933	909	933
TOTAL NON-CURRENT LIABILITIES	1,561	1,394	1,561
Bank overdraft	–	36	–
Loans and borrowings	927	–	963
Trade and other payables	1,426	2,842	1,787
Tax liability	58	34	41
TOTAL CURRENT LIABILITIES	2,411	2,912	2,791
TOTAL LIABILITIES	3,972	4,306	4,352
TOTAL EQUITY AND LIABILITIES	37,653	37,074	36,262

Condensed consolidated interim statement of comprehensive income

	Unaudited 28 February 2011 £000	Unaudited 28 February 2010 £000	Audited 31 August 2010 £000
Foreign exchange translation differences	(125)	606	(89)
Revaluation of property, plant and equipment	–	–	2,546
Total other comprehensive income and expense for the period	(125)	606	2,457
Loss for the period	(3,031)	(2,380)	(5,134)
Total comprehensive income and expense for the period	(3,156)	(1,774)	(2,677)
ATTRIBUTABLE TO:			
Owners of the Company	(3,508)	(1,446)	(2,021)
Non-controlling interests	352	(328)	(656)
Total comprehensive income and expense for the period	(3,156)	(1,774)	(2,677)

Condensed consolidated interim cash flow statement

	Unaudited 6 months to 28 February 2011 £000	Unaudited 6 months to 28 February 2010 £000	Audited 12 months to 31 August 2010 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	(3,031)	(2,380)	(5,134)
Adjustments	1,579	324	1,750
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE MOVEMENTS IN WORKING CAPITAL	(1,452)	(2,056)	(3,384)
Change in inventories	2	(276)	(145)
Change in trade and other receivables	(48)	(716)	19
Change in trade and other payables	(396)	369	(621)
CASH GENERATED FROM OPERATIONS	(1,894)	(2,679)	(4,131)
Interest received	–	9	–
Interest paid	(89)	–	(14)
Tax paid	(4)	–	–
NET CASH FROM OPERATING ACTIVITIES	(1,987)	(2,670)	(4,145)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(1,231)	(707)	(1,705)
Disposal of other investments	–	1,630	1,630
Acquisition of intangible assets	(57)	–	–
Disposal of assets held for sale	617	–	–
NET CASH FROM INVESTING ACTIVITIES	(671)	923	(75)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital	4,927	1,113	1,113
Proceeds from borrowings	–	–	963
NET CASH FROM FINANCING ACTIVITIES	4,927	1,113	2,076
Net increase/(decrease) in cash and cash equivalents	2,269	(634)	(2,144)
Cash and cash equivalents at beginning of the period	291	2,431	2,431
Foreign exchange movements	–	–	4
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,560	1,797	291

Condensed consolidated interim statement of changes in equity

	Owners of the Company £000	Non-controlling interests £000	Total £000
AUDITED			
Balance at 1 September 2009	32,579	895	33,474
Loss for the period	(4,375)	(759)	(5,134)
Issue of shares	1,113	–	1,113
Revaluation	2,546	–	2,546
Foreign exchange translation differences	(193)	104	(89)
BALANCE AT 31 AUGUST 2010	31,670	240	31,910
UNAUDITED			
Balance at 1 September 2009	32,579	895	33,474
Loss for the period	(2,052)	(328)	(2,380)
Issue of shares	1,113	–	1,113
Foreign exchange translation differences	561	–	561
BALANCE AT 28 FEBRUARY 2010	32,201	567	32,768
UNAUDITED			
Balance at 1 September 2010	31,670	240	31,910
Loss for the period	(2,760)	(271)	(3,031)
Issue of shares	4,927	–	4,927
Foreign exchange translation differences	(748)	623	(125)
BALANCE AT 28 FEBRUARY 2011	33,089	592	33,681

Note of preparation

1. The annual financial statements of the Group are prepared in accordance with IFRS. The condensed interim financial statements included in this half yearly report are unaudited and have been prepared in accordance with the recognition and measurement requirements of IFRSs.

   These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the period ended 31 August 2010, which are available upon request from the Company's registered office at Appleby Trust (Isle of Man) Limited, 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB.

2. Basic and diluted loss per share are arrived at by dividing the loss for the period by the average number of shares in issue during the period.

3. Given the current global financial crisis, the Directors are carefully monitoring cash resources within the Group and have instigated a number of initiatives to ensure funding will be available for planned projects. If such funding cannot be secured, the projects will be delayed or cancelled to ensure that the Group can manage its cash resources for the foreseeable future and hence the financial statements have been prepared on a going concern basis. As referred to in the Chief Executive Officer's Statement, the Company raised £4,987,904 gross in December 2010 through share issues.

Corporate information

Directors & Officers

David Lenigas	*Chairman*
Geoffrey White	*Director & Chief Executive Officer*
David Armstrong	*Finance Director*
Emma Priestley	*Executive Director*
Paul Turner	*Non-Executive Director*
Jean Ellis	*Non-Executive Director*
Paul Heber	*Non-Executive Director*
Colin Orr-Ewing	*Non-Executive Director*
Alexandra Dent	*Company Secretary*

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