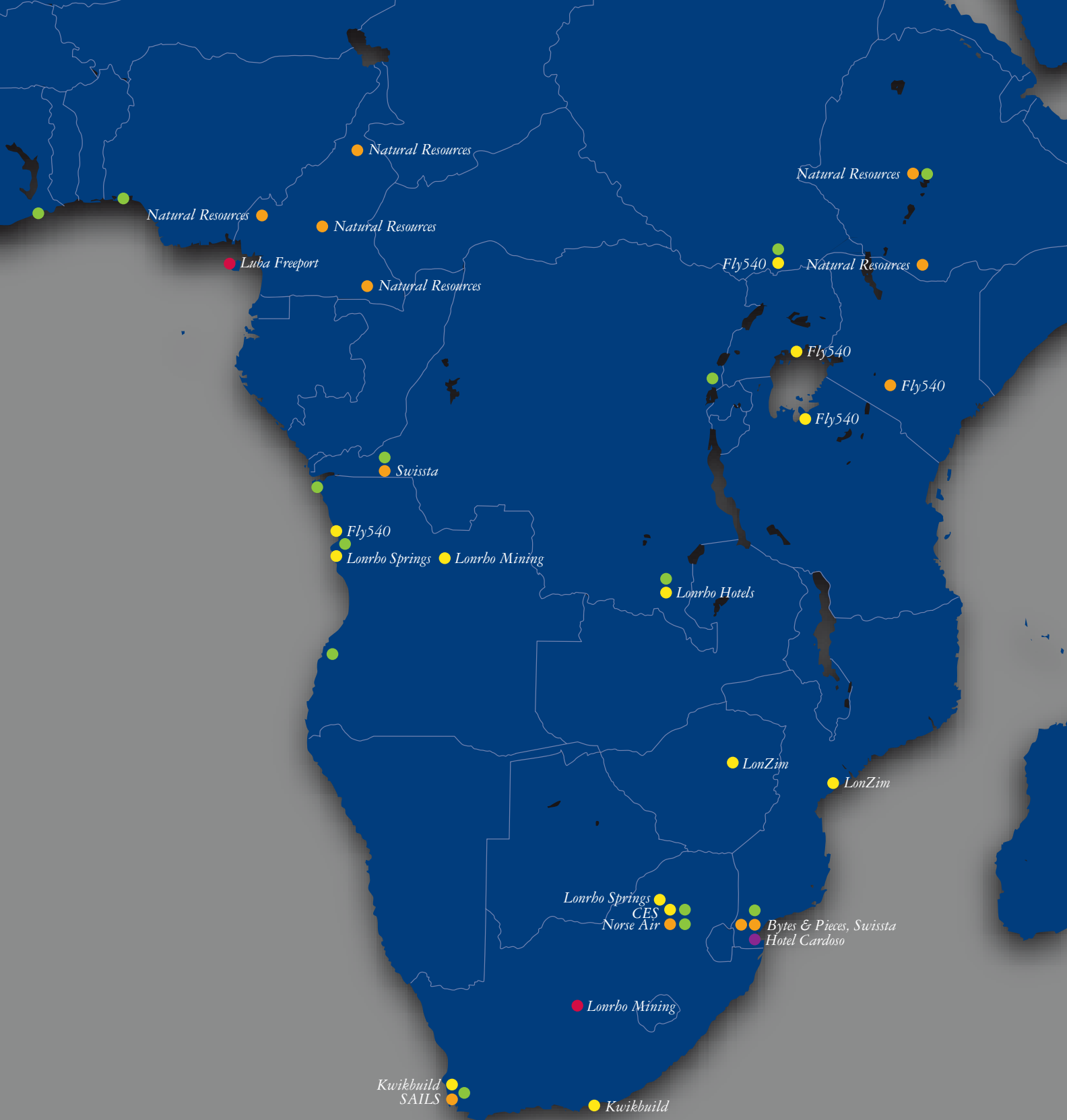


LONRHO

Lonrho Plc
Annual Report & Accounts 2007



- Retained Investment
- Financial Year 2006 Investments
- Financial Year 2007 Investments
- Financial Year 2008 Investments
- Opportunities Under Consideration

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The Lonrho portfolio of companies by business sector

Infrastructure	Transportation	Support Services	Hotels	Natural Resources
<p>Luba Freeport Ltd (63%) Equatorial Guinea</p> <p>Kwikbuild Corporation Ltd (51%) South Africa</p>	<p>Five Forty Aviation Ltd (49%) Kenya</p> <p>SA Independent Liner Services (Pty) Ltd (66.7%) South Africa</p>	<p>Swissta Holdings Ltd (100%) Mozambique & DRC</p> <p>Sociedade Comercial Bytes & Pieces Limitada (65%) Mozambique</p>	<p>Hotel Cardoso SARL (59.04%) Mozambique</p>	<p>Lonrho Mining Ltd (21.64%) South Africa</p>



“The strength of Lonrho is founded on its name and long standing legacy across the continent, where Lonrho as a brand is associated with project delivery and development.”

Chairman’s Statement

David Lenigas
Executive Chairman
27 March 2008

Dear Shareholders

The African market place is booming, with sub-Saharan Africa achieving over 7% growth in Gross Domestic Product in 2007. Africa is creating some of the strongest individual economies in the World, driven by the extensive oil, gas and natural resources being developed.

From a political focus, Africa often features in the World’s news headlines for its problems. Unfortunately, crisis, unrest and scandal are always preferred by the headline writers to political progress, economic growth, development and stability. However, as a Group directly engaged and doing business across the continent, we are seeing evidence of significant progress and that socio-political stability in Africa continues to improve.

At the Extraordinary General Meeting held on 24 February 2006, shareholders gave the Board the mandate to commence the rebuilding of Lonrho and the re-establishment of a significant presence in the continent of Africa by investing in entities operating in a broad range of sectors. The current global interest in Africa and the opportunities that exist there continue to make this a coherent and logical strategy.

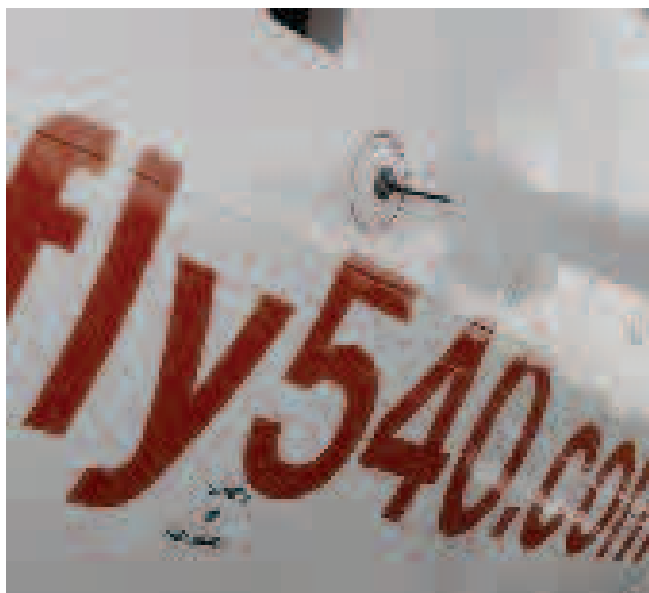
The strength of Lonrho is founded on its name and long standing legacy across the continent, where Lonrho as a brand is associated with project delivery and development. We continue to build on this strength by the recruitment of highly skilled and motivated individuals, who have detailed knowledge and experience of working in Africa.

Lonrho invests in businesses that will enable and support the economies of Africa as they continue to grow. These range from the provision of safe travel and accommodation to infrastructure and transport supporting commerce, the import and delivery of the raw materials and the export of finished products. Fundamentals essential to economic progress.

As the Chief Executive Officer’s Review of Operations illustrates, this strategy has, to date, resulted in Lonrho investing in a port, shipping, aviation, water bottling plants, hotels, information technology businesses and natural resources.

It is Lonrho’s intention to develop strategic business units, and once tried and tested, roll-out each of its business units, as appropriate, across Africa.

The results for the year, as expected, reflect the fact that the businesses invested in were either new start-up ventures or established businesses which required resource in the form of cash and management.



Fly540 has become Kenya's second largest carrier next to the national carrier.



Luba Freeport's tax free status makes it the preferred base for the oil and gas industry in the Gulf of Guinea.

During the year, the Group's turnover increased to £11.2 million (2006: £3.4 million). However, the Group remains in an investment and development phase, and thus incurred a loss of £15.5 million (2006: £0.2 million).

The Company's share price has shown considerable growth in the financial year, starting at 26.25p and finishing the year at 43.5p (+66%), demonstrating the market's support for the development of a pan-African conglomerate.

Lonrho invested a further £13.2 million during the year in Luba Freeport, which has funded the now completed 70 metre quay extension, warehousing, offices and handling equipment. Luba Freeport is expecting to move into operating profit, in line with our projections, during the first quarter of 2008.

Fly540, the Kenyan passenger airline, has, within twelve months of commencing operations, become the second largest carrier in Kenya, moving into operating profit during the first quarter of 2008.

Group turnover will significantly increase during 2008 with the roll-out of the Group's operations and as each business comes on stream, losses will reduce.

The management situation at Norse Air, which is more fully explained in the Chief Executives' Review of Operations, resulted in us instigating legal action against Norse Air and its non-Lonrho nominated Directors in December 2007. Your Board felt that this approach was necessary to protect the Group's interests. This legal action is currently ongoing. As a result, a provision of £4.4 million has been made to write off our investment in Norse Air, which has adversely affected the results of the year.

Lonrho has made a good start towards rebuilding an African wide conglomerate. From an initial single asset in Mozambique, the Company has developed its investment strategy and continues to establish and improve its business models. The key building blocks have been soundly established and the Group now operates in five core business sectors, operating across fourteen countries.

I would like to take this opportunity to thank shareholders for their continuing support in the rebuilding of Lonrho (placements of new shares both during the year and after the year end raised a net total of £57.93 million). I would also like to thank the Group's employees for all their hard work and endeavours in what are, sometimes, harsh environments and trying conditions.



“Lonrho remains focused on business opportunities throughout Africa and aims to provide the critical and core support and services necessary to enable businesses to operate, develop and grow.”

Chief Executive's Review

Geoffrey White

Director & Chief Executive Officer

27 March 2008

Over the past year Lonrho has grown and developed its business significantly and has driven forward the growth strategy which had been approved by shareholders in 2006, the continuation of which was approved by shareholders in 2007.

Lonrho remains focused on business opportunities throughout Africa and aims to provide the critical and core support and services necessary to enable businesses to operate, develop and grow.

Lonrho's core business sectors – transportation, infrastructure, support services, hotels and natural resources – have continued to develop through acquisition and the expansion of existing businesses within the Group.

During the year the Board of Directors was strengthened by the appointment of Jean Ellis as Finance Director and, in October 2007, Ambassador Frances Cook joined as a non-executive Director. Also in October, I was appointed a Director and promoted to Chief Executive Officer, having been Chief Operating Officer since May 2007. This has taken the Board to four executive and two non-executive Directors, all of whom have extensive experience and knowledge of working in Africa.

Since the year end, development of the corporate management team included the appointment of a new business analyst to assist the business development manager with the appraisal of new projects. A new financial analyst has also been recruited to increase the efficiency of reporting structures and to monitor budgetary control and variances.

In addition, operationally, a Country Manager was recruited for South Africa, based in Johannesburg. This role oversees the Group's Southern African operations and provides essential management continuity. A further senior executive has been employed as General Manager of Lonrho's expanding Port and Shipping Division, bringing with him forty years of experience in the port and shipping industry across Africa.

I am pleased to report that most of the acquisitions that Lonrho made in 2006 and 2007 are developing into strong business units. They have defined our core business sectors and have formed solid building blocks in each sector from which Lonrho can accelerate its growth.

The results for the year end are as anticipated, save for the provisions that were required in respect of Norse Air. Most of the investments made during 2007 were into start-up businesses or businesses which required resource in respect of cash and management. Lonrho's share of the loss after tax and minority interest was £15.5 million, which included a loss of £4.4 million in respect of the provision against the investment in Norse Air, as detailed below.

In addition, there was a charge of £2.6 million in respect of share options and share payments to incentivise executives, employees and consultants. Whilst this is a charge to the Profit & Loss account, the net assets of the Group are not affected, the credit being treated as movements on reserves in the Balance Sheet.

During 2008, Lonrho will continue to make strategic investments across Africa, in order to achieve future growth in shareholder value.

A review of operations follows.



70 metres of deep water quay was completed at Luba Freeport in November 2007.



Four new 1,100 TEU vessels have been added to SAILS' fleet since July 2007.

Infrastructure

Luba Freeport Limited ("Luba Freeport") (63% holding)

Luba Freeport, a venture in conjunction with the Government of Equatorial Guinea, is operating well and is developing as the foremost deepwater port in the Gulf of Guinea. Located on Bioko Island, it is strategically placed and services the rapidly expanding oil and gas industry in the region.

With Lonrho's investment, Luba Freeport has developed a new 70 metre extension to the existing quay. This was completed on time and on budget, and became operational in November 2007. To meet demand, a further 83 metres is currently under construction, which is due for completion in mid-2008, giving the port 350 metres of usable quayside frontage.

Since Lonrho's acquisition in May 2006, Luba Freeport has developed into one of the most efficient hubs for the offshore oil and gas industry in the Gulf of Guinea. The port has attracted the leading oil producers and service companies such as ExxonMobil, Schlumberger, Baker Hughes, MI Fluids, Nalco, Marathon, Noble Energy and Amerada Hess.

Further expansion of the facilities include the development of long stay apartments available to the companies operating from the port.

With this further extension of the quay, it is envisaged that the port will also become the main logistics centre for the region, with 20,000 square metres of land allocated to meet demand for pipe storage and distribution.

Luba Freeport is the only true, functioning, duty free zone in the Gulf of Guinea, where suppliers can import and export goods and stocks without incurring duties.

The offshore resources in the Gulf of Guinea continue to expand with on-going exploration and new block allocations from the Government of Equatorial Guinea, Cameroon, Gabon and Sao Tome. The future demand for the port and its expansion plans directly reflect the forecast growth in the oil and gas industries in this important region. The Gulf of Guinea currently supplies 10 – 12% of US oil imports and the US Government recently announced that it intends to increase this to 25%.

Transportation

SA Independent Liner Services (Pty) Ltd ("SAILS") (66.7% holding)

Lonrho has spent some time evaluating the market for regular scheduled shipping services between the African markets and the rest of the world. This sector was seen as a fundamental core business for the Group.

The shipping market in Africa demonstrates better than average margins in relation to the worldwide shipping market. In July 2007, Lonrho acquired an initial 45% of SAILS, a South African company providing containerised shipping services. Lonrho is confident that, with the correct capacity and proper resources, SAILS can develop into a significant shipping line.

Since Lonrho's acquisition and the assumption of Board control, a further four, new, 1,100 TEU container vessels have been chartered for the fleet and 1,000 'reefer' refrigerated containers added to the company's resources. This enables SAILS to access the higher margin markets for the transportation of chilled fresh produce from Africa to Europe, and medical supplies and other chilled cargoes from Europe to Africa.

Since the year end Lonrho has increased its stake in the company from 45% to 66.7% by supporting capital raisings by SAILS. The further funds have been utilised for working capital, the expansion and deployment costs for the larger fleet and relocation to a larger office. The increased capacity at SAILS has resulted in new contracts with a value of over US\$14 million (£7 million).

Within the coming six months the fleet will be fully committed at six vessels and it is expected that further vessels will be chartered to expand SAILS' market share during 2008.

Five Forty Aviation Limited ("Fly540") (49% holding)

Fly540 meets a specific market requirement for aviation in Africa. Launched as a new airline in November 2006, Fly540 has grown to become the second largest carrier in Kenya next to the national airline. Initially servicing the domestic market, the airline has grown steadily, carrying over 20,000 passengers in the peak months. Having successfully established its domestic market, the airline has commenced its international scheduled roll-out from its Nairobi hub. It has now added flights to Sudan, Uganda and Tanzania.

With the successful track record of Fly540 in Kenya the expansion of the Fly540 concept to create a true pan-African airline is being implemented.

In October 2007, Fly540 agreed to establish its second regional hub in Luanda, Angola. This is now under development and will commence flights to fifteen domestic airports in mid-2008 with ten aircraft. This followed the signing of an exclusive Memorandum of Understanding in June 2007 between Lonrho and one of the largest internal investment companies in Angola to develop a new airline in Angola for the passenger, freight, leasing and charter markets.

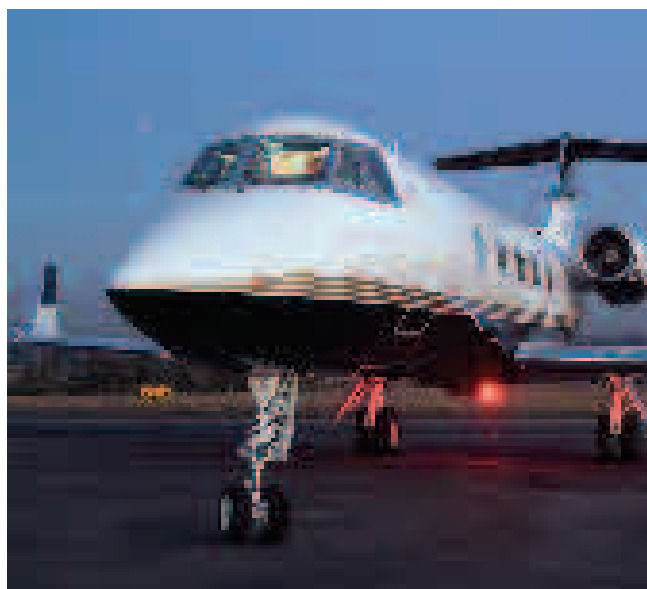
Further regional hubs in Central and West Africa are under negotiation and planned for 2008/2009. As the key regional hubs become operational, initially servicing domestic destinations in each country and thereafter flying to adjacent countries, flights will be established to connect each regional hub. This will fulfil the strategy of becoming an African-wide airline.



Fly540 has opened routes to Sudan, Tanzania and Uganda.



Fly540 delivers international standard air travel in Africa.



The lack of roads and basic infrastructure in Africa provides a strong requirement for the aviation market.

Norse Air Limited ("Norse Air")

Lorrho's original investment in Norse Air was made in November 2006. Norse Air is a charter, leasing and maintenance company that operates from a base in South Africa. Although we initially only acquired 43% of this company we believed that, through the terms of the shareholder agreement, we had control and hence Norse was treated as a subsidiary of the Group and its results were fully consolidated for the period since acquisition in our interim results for the six months ended 31 March 2007. Lorrho believed that it had increased its shareholding in Norse to 51% on 5 September 2007. However this is disputed by the other shareholders and is now subject to ongoing legal action.

Unfortunately, we have also subsequently had a number of other serious issues with management of Norse Air (who own the balance of the equity). It has been argued by the management that Lorrho cannot exercise the control that we believe we had. As a result of this, our investment in Norse Air has now been classified as a participating interest in the consolidated accounts for the whole of the period since the date of the original acquisition.

Because of the serious loss of confidence in the management of Norse Air and the effect that this has had on the business, we have made the decision to fully provide against the carrying value of our investment as at 30 September 2007. This has resulted in a loss of £4.4 million in the year to September 2007. The Board believes that this was the most prudent approach to take given the ongoing uncertainty of the outcomes of the various legal actions, including to gain access to the financial records of the Norse Air group of companies, that we have been forced to take against the management of Norse Air. This legal action is currently ongoing.

The Board confirms that, other than the ongoing legal costs associated with the action being taken against the management of Norse Air, there is no further exposure to Lorrho in relation to any liabilities of Norse Air.

The Board has agreed that Lorrho will not inject any further funds into the Norse Air group of companies to settle any liabilities or losses that have, or may have, been incurred. It is therefore with regret that, having been left with no alternative but to instigate legal action in December 2007 for full disclosure from the management, we have had to take the drastic step of excluding Norse Air from the Lorrho Group operations with effect from 30 September 2007.

The Board did not take this decision lightly. However, it was felt necessary in the circumstances in order to protect Lorrho shareholders from any further exposure in respect of Norse Air.

Lorrho Air (BVI) Limited ("Lorrho Air") (100% holding)

As a further step to expand Lorrho's involvement in the aviation sector, Lorrho Air was established as a vehicle to acquire aircraft to on-lease to its subsidiary operations. Lorrho Air currently owns two ATR 42-320 aircraft, which are on lease to Fly540. Lorrho Air has options to acquire 10 new ATR 72-500 aircraft, which it proposes to debt finance for 85% of the purchase price in conjunction with a COFACE & SACE government guarantee. The aircraft will be deployed in the roll-out of Fly540.

Lorrho Air's model is based on identifying good value aircraft that are sought after by operators across Africa.



Swissta water is bottled in modern facilities, operated to the highest international standards.



Hotel Cardoso is an international 4 star hotel in Maputo with views across the city and the bay.

Support Services

Swissta Holdings Limited ("Swissta") (100% holding)

Since the acquisition of 100% of Swissta in April 2007, which owns a plant in Maputo, Mozambique, Swissta brand water has become one of the market leaders of bottled water in Maputo.

Swissta also has a 21.4% stake in a plant in the Democratic Republic of Congo and recently agreed to invest further funding, pro rata with other shareholders, to double the plant capacity to meet increasing demand.

Lonrho Springs was established in April 2007 to apply the Swissta model of water bottling plants across Africa and will become the brand name for Lonrho's bottled water subsidiaries, providing efficient, modular, international standard water filtration and bottling plants.

New bottling plants are under development in Angola, South Africa, and Lubumbashi in the Democratic Republic of Congo. Each plant is scaled to meet demand forecasts for the respective markets, and plants range from producing 500,000 litres per month to 10 million litres per month. The roll out of the Swissta technology will continue across Africa and is forecast to reach eight countries in the near future.

Sociedade Comercial Bytes & Pieces, Limitada ("Bytes and Pieces") (65% holding)

Bytes & Pieces is a successful computer hardware and software supplier and programmer. It is the market leader in Mozambique and provides turnkey network solutions and maintenance support. In 2007 Lonrho purchased 65% of the company on the understanding that the senior management would replicate the successful Mozambique business model across Africa.

Bytes & Pieces is expanding outside Mozambique under the name of Complete Enterprise Solutions ("CES"). CES, a venture in conjunction with the management, and has established operational offices and a sales force in Johannesburg. The company is a Dell Server master franchisee and also distributes Microsoft and HP products to the large corporate and Government markets. CES is attracting customers throughout Africa through its ability to provide bespoke IT solutions and has commenced the tendering and bidding process on Government, corporate and banking contracts for 2008.

Hotels

Hotel Cardoso SARL (“Hotel Cardoso”) (59.04% holding)

Hotel Cardoso exemplifies the business model for Lonrho Hotels. Utilising quality management, in a growing business market, the hotel has seen a 22% increase in room revenue and a 9% increase in occupancy. The Hotel meets the demands for business and local travellers to Mozambique.

Hotel Cardoso is currently undergoing a US\$1.5 million (£0.75 million) refurbishment, due to be completed in late 2008. The first rooms to be modernised have been completed, and the outdoor poolside and garden area has also been renovated for guests enjoying the view and sunsets over the bay from the Hotel. Plans are also in place to redevelop the park adjacent to the Hotel, which will enhance the local area.

Lonrho has now secured a further hotel project in Lubumbashi in the Democratic Republic of Congo to service the demand created by the US\$12 billion (£6 billion) foreign direct investment being made there by natural resource companies into copper and cobalt projects in the region. This will become the only international standard hotel in the region.

Projects have also been identified in Angola, Ivory Coast and Sudan where there is a disparity between demand and supply of quality accommodation for business and local visitors.



Hotel Cardoso is currently undergoing a US\$1.5m refurbishment.



Lonrho Mining operates training schemes to provide skills to the local community.



The Schmitdsdrift project works closely with the local community on a full BEE partnership.

Natural Resources

Lonrho Mining Limited ("Lonrho Mining") (21.64% holding)

Lonrho Mining Limited (formerly Nare Diamonds Limited), is an Australian listed mining company.

Lonrho Mining's main operation, the Schmitdsdrift Alluvial Mine near Kimberley, South Africa, owned 80% in conjunction with the local community, has produced 13,372 carats of diamonds from 2,603,605 tonnes up to 30 September 2007 since re-commencing trial mining operations in April 2006.

Lonrho Mining has recently entered into a joint venture agreement with Endiama, the national diamond company of Angola and exclusive concessionary for diamond mining rights, on the 3,000 square kilometres Lulo Diamond Concession ("Lulo").

Lulo contains numerous identified kimberlite pipes and two rivers with extensive terrace gravels. The artisanal miner activity in these rivers indicates that the gravels are diamond bearing.

Lonrho Mining intends to seek dual listings on the AIM Stock Exchange and Johannesburg Securities Exchange in the near future.

Zimbabwe

Post Year End (not reflected in figures)

LonZim Plc ("LonZim") (20% holding)

Lonrho has a long history of being a large commercial participant in the Zimbabwe economy, but had disposed of all of its business assets in the country by 2000.

However, the Board are acutely aware that Zimbabwe was once, and will be again, an economic centre for Southern Africa. In an effort to position Lonrho as strongly as possible to benefit from an economic recovery, LonZim was established as a separate company to invest in projects in Zimbabwe and those related to the Zimbabwean economy. LonZim was listed on the London AIM stock exchange in December 2007 and raised £29 million.

Lonrho has been appointed by LonZim to provide management support services on the terms of a management services agreement.

Lonrho, on behalf of itself and any of its subsidiaries or companies in which Lonrho has majority control of the board, has agreed not to make investments in Zimbabwe or an area of Mozambique known as the Beira Corridor, during the period of the Management Services Agreement. Lonrho has agreed to provide services to LonZim including sourcing investment opportunities and is providing management, accounting, human resources, financial, marketing, technical and other support services.

Lonrho Plc received a free carry interest of 20% of the current issued share capital of LonZim (current market value £7.5 million) and charges a fee of 2% of funds invested.



Luba Freeport helps the local community by supporting the local school that teaches over 100 children.



Lonrho is committed to ensuring high levels of health and safety standards across all its subsidiaries.

Corporate and Social Responsibility

Lonrho aims to improve business in Africa and make a positive difference to local communities. Lonrho believes that its investments and acquisitions will encourage job creation as well as economic and political stability throughout Africa.

Examples of some of the projects currently being undertaken:

Luba Freeport sponsors a school serving Luba Town and the surrounding area. This is currently attended by over 100 children.

Luba Freeport has established a twice weekly system of rubbish collection and disposal for the residents of Luba Town.

As a result of increasing requirements for English speaking workers for the oil industry, a night-school has been set up and is sponsored by Luba Freeport. This course is available to Luba Freeport employees, local residents and clients of Luba Freeport and has proven to be very popular.

Hotel Cardoso is also aware of its role in supporting the local community and provides a well equipped clinic for the use of its staff and their immediate families. The clinic has a full time nurse and is visited twice daily by a qualified doctor.

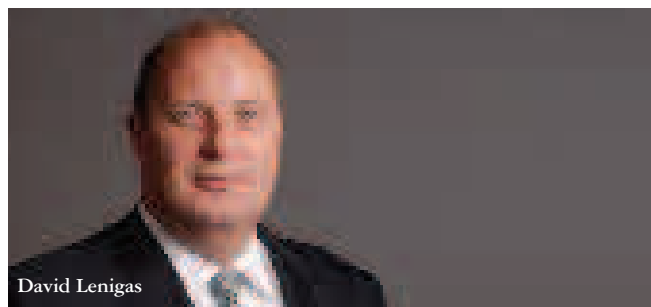
The Hotel supports Association Imagine, a British managed charity caring for orphaned children and single parent families mainly in the district of Katembe, adjacent to Maputo. In the last twelve months, donations to the charity have included mosquito nets, linen and blanketing.

Within the immediate locality of the Hotel, assistance to a local school will be given. A project for repainting all the school buildings is scheduled to commence in the near future.

The Hotel has also undertaken the task of rehabilitating the adjacent local park, renovating gardens and utility infrastructures as well as building new structures.

Fly540 continually strives to maintain high levels of awareness, amongst customers and industry travel partners, for Fly540's reduced impact on the environment through the deployment of modern, fuel efficient aircraft across its entire network. The benefits of this strategy have been accelerated through the recently announced options to buy 10 highly efficient ATR 72-500 turbo prop aircraft.

Fly540 has supported the expansion of the Narok community library with a donation for the purchase of books and the extension of the reading room. The library is run by the Maasai Education Discovery organisation which was founded in 1999 to promote education and community development.



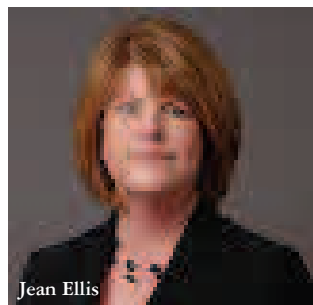
David Lenigas



Geoffrey White



Emma de Borchgrave d'Altena



Jean Ellis



Donald Strang



Ambassador Frances Cook

Board of Directors

David Lenigas

Executive Chairman

David Lenigas, 47, has 24 years of experience in the gold, diamond, coal and base metals industries. David is a Mining Engineer with a Bachelor of Applied Science (Mining Engineering – with distinction). He is Chairman of Leni Gas & Oil Plc and Templar Minerals Ltd, a non-executive Director of Mediterranean Oil and Gas Plc, which is Italy's fourth largest gas producer, and is also a non-executive Director of Global Coal Management Plc.

Geoffrey White

Director & Chief Executive Officer

Geoffrey White, 47, holds a BSc in Economics and Management Science. During his 25 year career he has held senior management roles with Thomas Tilling Plc, BTR Plc and Dee Corporation Plc. During the past four years he has worked for the private office of His Highness Sheikh Khalifa Al Thani in London. He has been responsible for the planning, financing, development and management of a range of projects in the leisure, industrial and natural resource sectors. These projects include establishing joint ventures with corporations including Hilton International, Ford Motors (PAG), Praton International GmbH, FFS Refiners (pty) Ltd, Sengamines Sarl, Oryx Natural Resources, African Mining Investments Limited and Pegasus Energy Limited.

Emma de Borchgrave d'Altena

Executive Director

Emma de Borchgrave d'Altena, 35, joined Lonrho Plc from Ambrian Partners, the investment bank specialising in natural resources, where she has worked since 2004 as a corporate broker and adviser. Prior to that, Emma worked for VSA Resources in their research and equity sales departments. While her background is in mining engineering and mineral surveying, she made the transition to mining research in 2001 when she joined Credit Suisse First Boston, as a mining analyst. Previously she was with IMC Mackay & Schnellmann, where she gained on-site experience working on major mining projects for the World Bank, European Union and various private sector organisations. Emma is a graduate of the Camborne School of Mines, with a BEng in Mineral Surveying and Resources Management.

Jean Ellis

Finance Director

Jean Ellis, 38, is a Chartered Accountant and Chartered Tax Advisor, and holds an Insolvency Practitioner's license. Jean is a partner in the regional firm of Chartered Accountants, Duncan Sheard Glass, a role she has held since 2002. Prior to this, she was Group Financial Controller and Tax Manager with the Company and holds a number of directorships for its subsidiary companies. Jean has a Bachelor of Arts Degree in Pure Mathematics from Liverpool University.

Donald Strang

Non-Executive Director

Donald Strang, 40, is a Chartered Accountant with over 15 years experience in financial management predominantly within the natural resources sector. He has previously held financial positions with several publicly listed mining companies (including Global Coal Management Plc, Macraes Mining Company Limited and Perilya Mines Limited), Ernst & Young and in the investment banking sector. He is currently an executive Director of Brinkley Mining Plc.

Ambassador Frances Cook

Non-Executive Director

A former U.S. ambassador to Burundi, to Cameroon and to the Sultanate of Oman, Ambassador Cook also held numerous senior positions in the Department of State, including Deputy Assistant Secretary of State for Refugee Programs, and Deputy Assistant Secretary of State for Political-Military Affairs, Consul General in Alexandria, Egypt, and Director for West Africa. She transitioned to the private sector in May 1999, where she runs an international business consulting firm, The Ballard Group llc. Ambassador Cook currently serves on the boards of Alliant Techsystems (NYSE) and Global Options Group (NASDAQ), and the Corporate Council on Africa. She is a Senior Fellow at the Center for Naval Analyses, and a member of the Council on Foreign Relations. She was educated at the Universities of Virginia and Harvard, and resides in Washington, D.C.

Statement of Directors' responsibilities 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.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a 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.

Report of the Directors

For the year ended 30 September 2007

The Directors of Lonrho Plc submit their report, together with the audited financial statements for the year ended 30 September 2007.

Principal Activities

The Group is establishing itself as a pan-African Group with a diverse portfolio of investments. In order to create maximum value for shareholders the management is implementing the investment strategy outlined in the Chairman's Statement.

Business Review and Development

The Chairman's Statement and the Chief Executive's Review of Operations contain 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 Chairman's Statement and the Chief Executive's Review of Operations. The principal risks and uncertainties relate to the revenue generation in the Group's businesses, which being located in Africa are subject to respective government policies, political stability and general economic conditions in the relevant country. The Group uses a number of 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.

As the Group continues to expand, the Directors have recruited a number of high level personnel subsequent to the year end to ensure that there is the necessary level of skill and expertise to manage the Group's portfolio of investments. The Directors wish to mitigate risk by proper evaluation of every investment that is made and are therefore developing a risk analysis reporting procedure, which will link into the Corporate Governance procedures which are currently being implemented.

Corporate Governance

Compliance with the Combined Code

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

Board of Directors

The Board of Directors currently comprises four executive Directors one of whom is the Chairman and two non-executive Directors. The Directors are of the opinion that the Board comprises a suitable balance to enable the recommendations of the Combined Code to be implemented to an appropriate level.

The Board, through the Chairman in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of the major shareholders about the Company.

The Board now 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 Directors who are charged with consulting the Board on all significant financial and operational matters. Consequently decisions are made promptly following consultation amongst the Directors 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 is currently implementing procedures for identifying, evaluating and managing the significant risks that face the Group.

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

Committees

The Board are currently in the process of devolving duties to the following committees:

Audit Committee

The Audit Committee will comprise three Directors, one of whom will be a non-executive Director. Its terms of reference will indicate at least two regular meetings per year, however it has not met formally since it was set up. The Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the

Report of the Directors *continued*

For the year ended 30 September 2007

external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee will comprise three Directors, one of whom will be a non-executive Director. It plans to meet at least twice in each year. The Committee has not met formally since it was set up. The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Committee will agree with the Board a framework for the remuneration of the Chairman, the executive Directors and the senior management of the Company. The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the Board as a whole.

Dividend

The Directors do not recommend the payment of a dividend.

Directors

The present Board of the Company is set out on page 12. Mr D I G L Strang, Mrs J M Ellis, Mr G T White and Ambassador F D Cook were appointed on 19 December 2006, 1 June 2007, 5 October 2007 and 23 October 2007 respectively. Mr D A Lenigas and Mrs E K de Borchgrave (nee Priestley) served as Directors throughout the year.

Share options

During the year, unapproved share options have been granted over ordinary shares as set out below. These options are embodied in an individual contract between the Company and the individual and have been granted under The Lonrho Plc Unapproved Share Option Plan.

	As at 1.10.2006	Granted during the year	As at 30.09.07	Exercise Price	Exercise Period
D A Lenigas	3,500,000	–	3,500,000	17p	Jan 2006 – Jan 2011
E K de Borchgrave	1,250,000	–	1,250,000	22.5p	April 2006 – April 2011
D A Lenigas	–	3,750,000	3,750,000	34.5p	April 2007 – April 2012
E K de Borchgrave	–	1,250,000	1,250,000	34.5p	April 2007 – April 2012
D I G L Strang	–	500,000	500,000	34.5p	April 2007 – April 2012
D A Lenigas	–	1,615,000	1,615,000	44p	July 2007 – July 2012
E K de Borchgrave	–	1,065,000	1,065,000	44p	July 2007 – July 2012
J M Ellis	–	350,000	350,000	44p	July 2007 – July 2012
D I G L Strang	–	200,000	200,000	44p	July 2007 – July 2012

Mr Martin Horgan, who joined the Board as a non-executive Director on 15 May 2006, resigned with effect from 5 October 2007.

At the forthcoming Annual General Meeting, Mr D A Lenigas will retire by rotation. Mrs J M Ellis, Mr G T White and Ambassador F D Cook having been appointed since the last Annual General Meeting, will also retire. Being eligible, they will offer themselves for re-election. Biographical details of all Directors are set out on page 12.

Directors' share interests

The Directors at the year-end are set out below. All Directors served throughout the year unless otherwise indicated.

	At 30.09.07 No of shares	At 01.10.06 or date of appointment if later No of shares
D A Lenigas	Nil	Nil
E K de Borchgrave	Nil	Nil
J M Ellis	4,000	4,000
D I G L Strang	Nil	Nil
M Horgan	Nil	Nil

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 subsidiaries. Mr G T White and Ambassador F D Cook did not hold any shares in the Company at the date of their appointments. There have been no changes in Directors' share interests since 30 September 2007 or the relevant date of appointment.

Report of the Directors *continued*

For the year ended 30 September 2007

At the time of Mr G T White's appointment to the Board of Directors on 5 October 2007, Mr White held 2,500,000 options at an exercise price of 34.5p, exercisable from April 2007 to April 2012 and 1,065,000 options at an exercise price of 44p, exercisable from July 2007 to July 2012. Ambassador F D Cook did not hold any options in the Company at the date of her appointment.

Substantial shareholdings

The Directors have been advised of the following shareholdings at 25 March 2008 in 3 per cent. or more of the Company's issued share capital:

	Number of shares	Percentage of the issued capital
Capital Research and Management Company	45,964,000	12.13%
Mackenzie Cundill Investment Management Ltd	45,600,000	12.04%
UBS AG London Branch	37,967,644	10.02%
Capital Group International, Inc	30,729,506	8.11%
Ospraie Management, LLC	25,449,512	6.72%
L-R Global Partners, L.P. and L-R Global Fund Ltd	21,557,216	5.69%
The Tudor Group	14,062,500	3.71%
Lehman Brothers International (Europe)	13,302,500	3.51%

Share price performance

Between 1 October 2006 and 30 September 2007 the share price in London varied between a high of 44p and a low of 23.5p and in Johannesburg a high of Rand 6.00 and a low of Rand 3.25. At 28 September 2007, (the last business date of the Company's financial year) the mid-market price of the shares was 43.5p in London and Rand 6.00 in Johannesburg. At 20 March 2008, the mid-market prices of the shares was 41.5p in London and Rand 7.25 in Johannesburg.

Fixed assets

It is Group policy to systematically revalue freehold land and buildings, taking account of the view of professional advisers in accordance with the requirements of FRS 15 "Tangible Fixed Assets" and, where appropriate, to incorporate such changes into the Group Accounts.

The details of the revaluation of fixed assets is shown in Note 10 to the Accounts. In the opinion of the Directors, there was no significant difference between the market value and the book value of land and buildings.

Political and charitable donations

Other than noted in the Corporate and Social Responsibility section on page 11, no political or charitable donations have been made by the Group during the year.

Payment to suppliers

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

City Code on Takeovers and Mergers

The Panel on Takeovers and Mergers confirmed that, at the date the Listing Particulars were issued in May 1998, Lonrho was subject to the City Code on Takeovers and Mergers (the "Code"). The Directors believe that, so far as is practicable, they have operated and will continue to operate the Group so that it will continue to be subject to the Code.

International Financial Reporting Standards (IFRS)

A project is currently ongoing to identify the adjustments that may be required under IFRS. Interim accounts will be issued under IFRS.

Auditors

A resolution to re-appoint KPMG Audit Plc and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting in accordance with section 384 of the Companies Act 1985.

The Directors who held office at the date of approval of this Director's 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 Annual General Meeting will be held on Monday 28 April 2008 at 11.00am at Plaisterers' Hall, One London Wall, London EC2Y 5JU.

The notice convening the meeting is set out on page 47. In addition to the items of ordinary business, an ordinary resolution to approve the continuation of the investment strategy, as detailed in the circular to shareholders dated 8 February 2006 will be proposed.

By order of the Board

J. Hughes

Company Secretary
27 March 2008

Report of the Independent Auditors to the Members of Lonrho Plc

We have audited the group and parent company financial statements (the "financial statements") of Lonrho Plc for the year ended 30 September 2007 which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds, the consolidated note of historical cost profits and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 13.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Chairman's Statement and the Chief Executive's Review of Operations that is cross referred from the business review and development section of the Directors' Report.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

However, as disclosed in the Chief Executive's review on page 7 in respect of the group's 43% participating interest in Norse Air Limited, the group has experienced a loss of confidence in the Norse management and legal action in relation to this is currently underway. As a result of this the evidence available to us was limited because we have been unable to obtain sufficient access to the necessary accounting records of Norse Air Limited from November 2006, the date of acquisition, to 30 September 2007.

Due to the lack of sufficient access to that company's records we were unable to obtain sufficient appropriate audit evidence regarding the group's share of turnover disclosed of £6.1m within note 1, the group's share of operating loss of £0.1m, share of interest payable of £0.2m, the goodwill write off of £2.9m and the net asset write down of £0.5m, disclosed in note 11, recognised through the consolidated profit and loss account in respect of the group's equity interest in Norse Air Limited. As described in the basis of preparation note to the financial statements, the directors have prepared the financial statements using the draft management accounts provided by Norse Air Limited management for the basis of the calculation of goodwill arising on the acquisition of the equity interest, the share of results for the period from date of acquisition of Norse Air Limited to 30 September 2007 and the goodwill write off and the share of net asset write down as at 30 September 2007.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2007.

Except for the financial effects of such adjustments to the line item classification, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the amounts included within the consolidated profit and loss account, in respect of the sum of results for Norse Air Limited and the goodwill write off and share of net asset write down, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the group's loss for the year ended 30 September 2007; and
- have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the amounts included in the consolidated profit and loss account in respect of Norse Air Limited, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Liverpool
27 March 2008

Consolidated Profit and Loss Account

for the year ended 30 September 2007

	Note	Continuing operations 2007 £m	Acquisitions 2007 £m	Total 2007 £m	Total 2006 £m
TURNOVER					
Group	1,2	6.8	4.4	11.2	3.4
Group net operating costs	3	(18.0)	(8.2)	(26.2)	(4.4)
OPERATING LOSS					
Share of participating interest operating loss	1,2	(11.2)	(3.8)	(15.0)	(1.0)
Write off of goodwill in respect of participating interest	1,2	–	(0.1)	(0.1)	–
		–	(2.9)	(2.9)	–
TOTAL OPERATING LOSS					
Profit on sale of fixed assets	4	(11.2)	(6.8)	(18.0)	(1.0)
Interest payable	6			0.1	0.4
Amount written off investment	11			(0.9)	(0.2)
Interest receivable	6			(0.5)	–
				0.5	0.7
LOSS BEFORE TAXATION					
Taxation	7			(18.8)	(0.1)
				0.6	–
LOSS AFTER TAXATION					
Minority interests	20			(18.2)	(0.1)
				2.7	(0.1)
LOSS FOR THE YEAR					
	19			(15.5)	(0.2)
LOSS PER SHARE (BASIC AND DILUTED)					
	8			(6.4)p	(0.1)p

Balance Sheets

as at 30 September 2007

	Note	2007 £m	Group 2006 £m	Company 2007 £m	2006 £m
FIXED ASSETS					
Intangible – goodwill	9	6.7	3.3	–	–
Tangible	10	36.9	19.8	–	–
Investments	11	5.0	–	31.5	31.5
		48.6	23.1	31.5	31.5
CURRENT ASSETS					
Stocks	12	1.4	0.2	–	–
Debtors	13	6.2	2.3	8.0	–
Investments	11	–	7.1	–	–
Cash at bank	28	15.2	20.7	–	–
		22.8	30.3	8.0	–
CREDITORS: Amounts falling due within one year	14	(26.1)	(13.4)	(8.4)	(11.5)
NET CURRENT (LIABILITIES)/ASSETS		(3.3)	16.9	(0.4)	(11.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		45.3	40.0	31.1	20.0
CREDITORS: amounts falling due after one year	15	(2.9)	–	–	–
NET ASSETS		42.4	40.0	31.1	20.0
CAPITAL AND RESERVES					
Called up share capital	18	2.8	2.2	2.8	2.2
Share premium	19	33.2	17.4	33.2	17.4
Revaluation reserve	19	1.5	1.6	–	–
Other reserve	19	2.2	0.1	2.2	0.1
Profit and loss account	19	2.9	18.2	(7.1)	0.3
SHAREHOLDERS' FUNDS		42.6	39.5	31.1	20.0
MINORITY INTERESTS	20	(0.2)	0.5	–	–
		42.4	40.0	31.1	20.0

These financial statements were approved by the Board of Directors on 27 March 2008 and signed on its behalf by:

D Lenigas

Consolidated Cash Flow Statement

for the year ended 30 September 2007

	Note	2007 £m	2006 £m
NET CASH FLOW FROM OPERATING ACTIVITIES			
– continuing operations	25	(2.9)	(0.5)
– acquisitions	25	(4.5)	0.5
		(7.4)	–
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest			
– received		0.5	0.7
– paid		(1.2)	–
NET CASH (OUTFLOW)/INFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
		(0.7)	0.7
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS			
Purchase of tangible fixed assets		(18.6)	(1.8)
Sale/(purchase) of investments		1.8	(7.1)
Net proceeds from sale of properties		0.1	0.4
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
		(16.7)	(8.5)
ACQUISITIONS AND DISPOSALS			
Net cost of acquisition of subsidiaries	29	(2.2)	(1.7)
Bank overdraft acquired with subsidiary	29	(0.5)	(0.1)
Loan paid on acquisition of subsidiary		–	(6.1)
Net proceeds/(costs) from closure/disposal of subsidiaries	26	1.0	(1.8)
Net costs relating to acquisition of participating interest		(4.4)	–
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS			
		(6.1)	(9.7)
NET CASH OUTFLOW BEFORE FINANCING			
		(30.9)	(17.5)
FINANCING			
Issue of ordinary share capital	18	15.8	18.0
Funds received in advance for future share issue		8.0	–
Debt due within one year:			
– new finance leases		0.2	–
– loan repayments		(0.3)	(0.2)
Debt due beyond one year:			
– new finance leases		1.1	–
NET CASH INFLOW FROM FINANCING			
		24.8	17.8
(DECREASE)/INCREASE IN CASH IN THE PERIOD			
	27	(6.1)	0.3

Statement of Total Recognised Gains and Losses

for the year ended 30 September 2007

Group	Note	2007 £m	2006 £m
Loss for the year		(15.5)	(0.2)
Increase arising on revaluation of assets		–	0.9
Exchange adjustments to net investments in overseas companies	19	0.1	(0.1)
Total recognised (losses)/gains relating to the year		(15.4)	0.6
Total recognised (losses)/gains since last annual report		(15.4)	0.6

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 September 2007

Group	Note	2007 £m	2006 £m
Recognised (losses)/gains relating to the year		(15.4)	0.6
Shares issued in year	18	16.4	18.0
Credit in respect of share options		2.1	0.1
Net increase in shareholders' funds in the year		3.1	18.7
At beginning of year		39.5	20.8
At end of year		42.6	39.5

Note of Historical Cost Profits and Losses

for the year ended 30 September 2007

Group	2007 £m	2006 £m
REPORTED LOSS BEFORE TAXATION	(18.8)	(0.1)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	0.1	–
HISTORICAL COST BEFORE TAXATION	(18.7)	(0.1)
HISTORICAL COST LOSS AFTER TAXATION AND MINORITY INTERESTS	(15.4)	(0.2)

Principal Accounting Policies

Basis of accounting

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

The financial statements have been prepared on a going concern basis under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable United Kingdom accounting standards and with the requirements of the Companies Act 1985. The consolidated financial statements reflect the results and financial position of the Company, its subsidiaries and its share of participating interests.

As described in the Chief Executive's Review on page 7, in preparing these financial statements, the Directors have concluded that Norse Air Limited should be excluded from the Lonrho Group operations with effect from 30 September 2007. Consequently the share of net assets and goodwill in respect of Norse Air Limited as at 30 September 2007 has been written down to nil in the current year's consolidated accounts. In order to obtain the financial disclosures necessary in respect of Norse Air Limited, the Group has had to rely on unaudited management information.

Following this write down the balance sheet accurately reflects the Group's position as at 30 September 2007.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in order to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The results of subsidiaries acquired or disposed of during the year are consolidated from the effective date of acquisition at which date control commences or up to the effective date of disposal or at which date control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Participating interests

A participating interest is an entity in which the Group has an equity interest and over which it has the ability to exercise significant influence but not control over the financial and operating policies. Participating interests are accounted for using the equity method and are initially measured at cost.

The Group's investment includes goodwill identified on acquisition, net of any impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of any participating interests, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of the losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced first to nil and the recognition of further losses is continued such that it becomes an interest in net liabilities. The only exception to this recognition is when there has been an event that has irrevocably changed the relationship between the company and its investee, marking irreversible withdrawal from its investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Acquisitions and disposals

The results of subsidiaries or participating interests acquired or disposed of during the year are included from the date control or influence is obtained (normally acquisition) or to the date control or influence is lost (normally on sale). On the acquisition of a subsidiary or participating interest, fair values are attributed to the separately identifiable assets and liabilities. On the disposal of a subsidiary or participating interest, the proceeds from disposal less the net assets attributable to the Group at the date of disposal together with any goodwill is shown as profit or loss on sale of operations.

Goodwill

Goodwill on acquisitions, representing the excess of the cost of the investment in a subsidiary or participating interest over the fair value of its identifiable net assets at the date of acquisition, is capitalised and amortised over its useful economic life using the straight line method over a period not exceeding twenty years. The useful economic life is separately determined on an acquisition by acquisition basis.

Foreign currencies

Transactions denominated in currencies other than the functional currency of an operation ("foreign currency") are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the balance sheet date using the exchange rate ruling at that date and the gains and losses arising on retranslation are included in the profit and loss account.

Principal Accounting Policies

continued

Foreign currencies (continued)

On consolidation, the assets and liabilities, except those noted below, and the results for the year of overseas subsidiaries and participating interests are translated from their functional currencies into sterling using the exchange rates ruling at the balance sheet date. The results for the year for overseas subsidiaries and participating interests disposed of during the year are translated from their functional currencies into sterling using the exchange rate ruling at the disposal date. Exchange differences arising from the retranslation of the opening net assets of overseas subsidiaries are disclosed as movements on reserves.

Revaluation of fixed assets

The Directors review systematically the value of freehold land and buildings together with that plant, machinery and equipment which is intrinsically part of the fabric of the buildings, taking account of the advice of independent professional advisers, and incorporate adjustments, where appropriate, into the Group accounts.

If the valuation is in excess of the net book value, the surplus is credited to the revaluation reserve. A deficit on valuation, to the extent that it is considered to have been caused by a clear consumption of economic benefits, is charged to the profit and loss account. Other deficits are taken to the revaluation reserve until the carrying amount of the asset reaches its depreciated historical cost and thereafter are charged to the profit and loss account.

Asset impairment

Tangible fixed assets and goodwill are subject to impairment review in accordance with FRS 11 if there are events or changes in circumstances that indicate that the carrying value of the fixed asset or goodwill may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of net realisable value and value in use. Net realisable value is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre tax basis. The carrying values of fixed assets and goodwill are written down by the amount of any impairment and this loss is recognised in the profit and loss account in the period in which it occurs. If an external event gives rise to a reversal of an impairment loss, the reversal is recognised in the profit and loss account and by increasing the carrying amount of the fixed asset or goodwill in the period in which it occurs. The carrying amount of the fixed asset or goodwill will only be increased up to the amount it would have been had the original impairment not occurred. For the purpose of conducting impairment reviews, income generating units are identified as groups of assets, liabilities and associated goodwill that generate income that is largely independent of

other income streams. The assets and liabilities include those directly involved in generating the income and an appropriate proportion of those used to generate more than one income stream.

Depreciation

The cost or valuation of fixed assets is depreciated evenly over their estimated useful lives to their residual values. Depreciation rates are determined in accordance with commercial practice for the industry concerned. Fixed assets are depreciated as follows:

Freehold buildings	2 per cent. per annum
Leasehold land and buildings	Over the term of the lease
Plant and machinery	10 per cent. per annum
Aircraft (see note below)	Fifteen to twenty years
Vehicles	15 per cent. – 25 per cent. per annum
Fixtures and fittings	15 per cent. – 25 per cent. per annum

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 period benefiting from these enhancements. All other costs relating to maintenance are charged to the income statement as incurred.

Fixed asset investments

Group and Company fixed asset investments are stated at cost less provisions.

Leases

The cost of assets held under finance leases is capitalised and depreciated in the same manner as owned assets. The finance cost is charged over the term of the lease and the capital element of future lease payments is included in creditors. Rentals payable under operating leases are charged to profit and loss account on a straight line basis.

Lease income

Rentals receivable under operating leases are credited to the profit and loss account on a straight line basis.

Turnover

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

Principal Accounting Policies

continued

Aircraft division

Turnover for the aircraft division comprises the invoiced value of airline services, net of passenger taxes, discounts, plus ancillary revenue. Turnover from the sale of flight seats (passenger revenue) is recognised in the period in which the service is provided. Unearned income represents flight seats sold but not yet flown and is included within deferred income.

Shipping division

Turnover for the shipping division comprises the invoiced value of shipping services, net of taxes and duties.

Turnover is generated from the transport of containerised goods. The transport of these goods is referred to as a voyage, and a completed voyage comprises both a North bound and South bound leg.

When the outcome of a voyage can be reliably measured, revenue associated with the voyage is recognised according to the stage of completion of the voyage at the balance sheet date. The stage of completion can be reliably measured when all the following conditions are met:

- the amount of turnover can be measured reliably;
- it is probable economic benefits will flow to the enterprise;
- the stage of completion of the voyage at the balance sheet date can be measured reliably;
- the costs incurred for the voyage and costs to complete the voyage can be measured reliably.

Deferred income

When the outcome of a voyage cannot be reliably estimated, revenue is recognised to the extent that expenses recognised are recoverable. Any surplus is recognised as deferred income.

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Where relevant, cost includes all direct expenditure and attributable overheads. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation.

Taxation

The charge or credit for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Financial instruments

Financial Instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Share based payments

The Group provides benefits to 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.

Loss per share

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

Notes to the Financial Statements

1 Segmental analysis by division

	Total	
	2007	2006
	£m	£m
TURNOVER		
Infrastructure	5.4	2.2
Transportation	4.0	–
Support services	0.4	–
Hotels	1.4	1.2
	11.2	3.4

	Group		Participating interests		Total	
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
OPERATING (LOSS)/PROFIT						
Infrastructure	(0.7)	0.6	–	–	(0.7)	0.6
Transportation	(3.7)	–	(3.0)	–	(6.7)	–
Support services	(0.1)	–	–	–	(0.1)	–
Hotels	0.1	–	–	–	0.1	–
Central	(10.6)	(1.6)	–	–	(10.6)	(1.6)
	(15.0)	(1.0)	(3.0)	–	(18.0)	(1.0)

NET ASSETS/(LIABILITIES)						
Infrastructure	22.6	12.7	–	–	22.6	12.7
Transportation	7.8	–	–	–	7.8	–
Support services	2.7	0.1	–	–	2.7	0.1
Hotels	3.8	3.7	–	–	3.8	3.7
Central	(4.1)	7.0	–	–	(4.1)	7.0
Total operating assets	32.8	23.5	–	–	32.8	23.5
Interest bearing assets and liabilities	9.6	16.5	–	–	9.6	16.5
	42.4	40.0	–	–	42.4	40.0

Turnover by division

Of the infrastructure turnover of £5.4m (2006 £2.2m) £5.4m relates to continuing operations (2006 related to acquisitions). Of the transportation turnover of £4.0m (2006 £Nil) £4.0m relates to acquisitions. Of the support services turnover £0.4m (2006 £Nil) £0.4m relates to acquisitions. The hotel turnover in 2007 and 2006 relates to continuing operations. The turnover of the participating interest acquired during the year was £6.1m.

Operating (loss)/profit by division

Of the infrastructure operating loss of £0.7m (2006 £0.6m profit) £0.7m relates to continuing operations (2006 related to acquisitions). Of the transportation operating loss of £6.7m (2006 £Nil) £6.7m related to acquisitions (£3.0m loss in respect of participating interests). Of the support services operating loss of £0.1m (2006 £Nil) £0.1m relates to acquisitions. Of the hotels operating profit of £0.1m (2006 £Nil) £0.1m relates to continuing operations. Of the central operating loss of £10.6m (2006 £1.6m) £10.6m relates to continuing operations.

Notes to the Financial Statements

continued

2 Segmental analysis by region

	Total					
	2007	2006				
	£m	£m				
TURNOVER BY ORIGIN						
Turnover by origin						
Southern Africa	2.7	1.2				
East Africa	3.1	–				
West Africa	5.4	2.2				
	11.2	3.4				
TURNOVER BY MARKET						
Southern Africa	2.6	1.2				
East Africa	3.1	–				
West Africa	5.4	2.2				
Europe	0.1	–				
	11.2	3.4				
	Group	Participating interests	Total			
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
OPERATING (LOSS)/PROFIT						
Southern Africa	(2.3)	–	(3.0)	–	(5.3)	–
East Africa	(1.4)	–	–	–	(1.4)	–
West Africa	(0.7)	0.6	–	–	(0.7)	0.6
Europe	(10.6)	(1.6)	–	–	(10.6)	(1.6)
	(15.0)	(1.0)	(3.0)	–	(18.0)	(1.0)
NET ASSETS/(LIABILITIES)						
Southern Africa	9.3	3.8	–	–	9.3	3.8
East Africa	5.0	–	–	–	5.0	–
West Africa	22.6	12.7	–	–	22.6	12.7
Europe	(4.1)	7.0	–	–	(4.1)	7.0
Total operating assets	32.8	23.5	–	–	32.8	23.5
Interest bearing assets and liabilities	9.6	16.5	–	–	9.6	16.5
	42.4	40.0	–	–	42.4	40.0

Turnover by origin

Of the Southern Africa turnover of £2.7m (2006 £1.2m) £1.3m relates to acquisitions, £1.4m relates to continuing operations (2006 related to continuing operations). Of the East Africa turnover of £3.1m (2006 £Nil) £3.1m relates to acquisitions. Of the West Africa turnover of £5.4m (2006 £2.2m) £5.4m relates to continuing operations (2006 £2.2m related to acquisition). The turnover of the participating interest acquired during the year was £6.1m.

Notes to the Financial Statements

continued

2 Segmental analysis by region (continued)

Turnover by market

Of the Southern Africa turnover of £2.6m (2006 £1.2m) £1.2m relates to acquisitions, £1.4m relates to continuing operations (2006 related to continuing operations). Of the East Africa operations £3.1m (2006 £Nil) £3.1m relates to acquisitions. Of the West Africa turnover of £5.4m (2006 £2.2m) £5.4m relates to continuing operations (2006 related to acquisitions). Of the Europe turnover of £0.1m (2006 Nil) £0.1m relates to acquisitions.

Operating (loss)/profit by region

Of the Southern Africa operating loss of £5.3m (2006 £Nil), £5.4m loss relates to acquisitions (£3.0m in respect of participating interest) and £0.1m profit relates to continuing operations. Of the East Africa operating loss of £1.4m (2006 £Nil) £1.4m relates to acquisitions. Of the West Africa operating loss of £0.7m (2006 £0.6m profit) £0.7m relates to continuing operations (2006 related to acquisitions). Of the Europe operating loss of £10.6m (2006 £1.6m) £10.6m relates to continuing operations.

3 Group net operating costs

	Continuing operations 2007 £m	Acquisitions 2006 £m	Total 2007 £m	Total 2006 £m
Cost of sales	(5.0)	(6.0)	(11.0)	(1.4)
Administrative expenses	(13.4)	(2.2)	(15.6)	(3.5)
Other operating income	0.4	–	0.4	0.5
	(18.0)	(8.2)	(26.2)	(4.4)

Administrative expenses include management related overheads for operations and Head Office.

Operating costs include:

Depreciation charges:

owned tangible assets	(1.1)	(0.2)	(1.3)	(0.3)
Amortisation of goodwill	(0.2)	–	(0.2)	(0.1)
Share based payments	(2.1)	–	(2.1)	(0.1)
Operating lease rentals:				
land and buildings	(0.1)	(0.1)	(0.2)	–
plant and machinery	(0.5)	(0.2)	(0.7)	–
other	–	(1.7)	(1.7)	–

Auditor's remuneration	2007 £	2006 £
Audit of these financial statements	100,000	50,000
Audit of subsidiaries pursuant to legislation	100,000	10,000
Other services	30,000	100,000

Notes to the Financial Statements

continued

4 Non-operating exceptional items

	2007 £m	2006 £m
Profit on sale of properties	0.1	0.4
	0.1	0.4
Non-operating exceptional items analysed by division are as follows:		
Support Services	0.1	0.4
	0.1	0.4
Profits	0.1	0.4

5 Employees

An analysis of the average number of persons employed during the year by division and geographical area is given below.

	Continuing operations 2007 No	Acquisitions 2007 No	Total 2007 No	Total 2006 No
Infrastructure	154	–	154	54
Transportation	–	128	128	–
Support services	–	72	72	–
Hotels	133	–	133	132
Central	11	–	11	6
	298	200	498	192
Southern Africa	133	80	213	132
East Africa	–	120	120	–
West Africa	154	–	154	54
Europe	11	–	11	6
	298	200	498	192

Notes to the Financial Statements

continued

5 Employees (continued)

The aggregate payroll cost was as follows:

	Continuing operations 2007 £m	Acquisitions 2007 £m	Total 2007 £m	Total 2006 £m
Wages and salaries	3.5	1.3	4.8	1.7
Social security costs	0.2	–	0.2	0.2
	3.7	1.3	5.0	1.9

	2007 £	2006 £
Remuneration of Directors		
Directors' emoluments	748,289	503,579
Amounts paid to third parties in respect of Directors' services (included in Directors' emoluments above)	15,410	28,750

The emoluments of the highest paid Director, Mr D Lenigas were £329,611 (2006: £169,167).

6 Finance income and charges

	2007 £m	2006 £m
Interest payable:		
On loans repayable within five years and overdrafts	(0.2)	(0.2)
Exchange loss on foreign currency loans	(0.5)	–
Share of participating interest	(0.2)	–
	(0.9)	(0.2)
Interest receivable :		
Bank interest receivable	0.5	0.7

Notes to the Financial Statements

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7 Taxation

	Note	2007 £m	2006 £m
UK corporation tax		–	–
Overseas:			
Charge for the year		–	–
Current tax charge for the year		–	–
Deferred tax credit in the year	17	(0.6)	–
Actual tax credit for the year		(0.6)	–
Reconciliation of current tax charge:			
		2007 £m	2006 £m
Loss on ordinary activities before tax		(18.8)	(0.1)
Loss on ordinary activities before tax at the standard UK rate of corporation tax of 30%		(5.6)	–
Loss on sale and closure of subsidiaries		–	(0.1)
Provision against carrying value of participating interest		1.3	–
Net losses where no group relief available		4.3	0.1
Actual current tax		–	–

8 Loss per share

	2007	2006
Numerator (£m)		
LOSS FOR THE FINANCIAL YEAR	(15.5)	(0.2)
Denominator (millions of shares)		
Weighted average number of ordinary shares	242.6	165.8
Diluted weighted average number of ordinary shares	249.8	169.6
Basic earnings per share	(6.4)p	0.1p
Diluted earnings per share	(6.4)p	0.1p

For diluted earnings per share, the weighted average number of ordinary shares in issue as calculated above is adjusted to assume conversion of all dilutive ordinary potential shares, that is, those share options where the exercise price is less than an assumed average market value during the period.

The calculation of diluted loss per share is based on the weighted average number of shares outstanding adjusted by the dilutive share options. There is no dilution per share in respect of both the current and prior year as the Group has made a loss.

Notes to the Financial Statements

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9 Intangible fixed assets

	Note	Goodwill £m
At 1 October 2006		3.3
Fair value adjustment in respect of prior year		0.1
Acquisition of group undertakings	29	3.5
Acquisition of participating interest		2.9
Write off of goodwill relating to acquisition of participating interest		(2.9)
Amortisation		(0.2)
AT 30 SEPTEMBER 2007		6.7

Goodwill is amortised using the straight line method over twenty years being the period which the Directors estimate equates to the useful economic lives of the businesses acquired. The fair value adjustment relates to a hindsight review of the fixed asset values acquired on the acquisition of Luba Freeport Limited in 2006.

10 Tangible fixed assets

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Aircraft £m	Fixtures and fittings £m	Total £m
Cost or valuation:						
At 1 October 2006	3.4	16.6	2.0	–	1.2	23.2
Exchange adjustments	(0.2)	(1.4)	(0.2)	–	(0.2)	(2.0)
Subsidiaries acquired	0.6	–	0.5	–	0.2	1.3
Additions	0.1	12.4	1.8	4.5	0.2	19.0
AT 30 SEPTEMBER 2007	3.9	27.6	4.1	4.5	1.4	41.5
Depreciation:						
At 1 October 2006	–	1.9	0.6	–	0.9	3.4
Exchange adjustments	–	(0.1)	(0.1)	–	(0.1)	(0.3)
Subsidiaries acquired	–	–	0.1	–	0.1	0.2
Charge for the year	0.1	0.7	0.3	0.1	0.1	1.3
AT 30 SEPTEMBER 2007	0.1	2.5	0.9	0.1	1.0	4.6
Net book value:						
AT 30 SEPTEMBER 2007	3.8	25.1	3.2	4.4	0.4	36.9
At 30 September 2006	3.4	14.7	1.4	–	0.3	19.8

Notes to the Financial Statements

continued

10 Tangible fixed assets (continued)

Included above are assets held under finance leases or hire purchase contracts as follows:

						Aircraft £m
NET BOOK VALUES						
AT 30 SEPTEMBER 2007						1.3
At 30 September 2006						–
DEPRECIATION CHARGE FOR THE YEAR						
AT 30 SEPTEMBER 2007						–
At 30 September 2006						–
	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Aircraft £m	Fixtures and fittings £m	Total £m
Valuation – 2006	3.3	–	–	–	–	3.3
Cost	0.6	27.6	4.1	4.5	1.4	38.2
	3.9	27.6	4.1	4.5	1.4	41.5
Depreciation :						
Valuation	0.1	–	–	–	–	0.1
Cost	–	2.5	0.9	0.1	1.0	4.5
	0.1	2.5	0.9	0.1	1.0	4.6
Historical cost of revalued asset:						
Cost	1.3	–	–	–	–	1.3
Depreciation	–	–	–	–	–	–
	1.3	–	–	–	–	1.3

The Directors have valued the following assets on an open market value for existing use, after taking account of the advice of the independent professional advisers listed below:

Property valued	Independent professional adviser	Qualification
Properties in Mozambique (September 2006)	Zambujo & Associates	Property Consultants

Where property has not been re-valued, the Directors have fully reviewed all carrying values and are satisfied that valuations have not changed significantly. The Directors believe the freehold property value of £0.6m is its market value.

Notes to the Financial Statements

continued

11 Investments

	Group Total £m	Company £m
FIXED ASSET INVESTMENTS – PARTICIPATING INTERESTS		
Share of net assets on acquisition	0.8	–
Share of loss after taxation	(0.3)	–
Provision in year	(0.5)	–
AT 30 SEPTEMBER 2007	–	–

In addition to the £0.5m provision against the above investment in Norse Air Limited, further provisions of £2.9m and £1.0m were made against the goodwill relating to the acquisition of Norse Air Limited and intercompany loans due from Norse Air Limited respectively.

	Group Listed at cost £m	Group Unlisted at cost £m	Group Total £m	Company £m
FIXED ASSET INVESTMENTS – OTHER INVESTMENTS				
At 1 October 2006	–	–	–	31.5
Acquisitions in year	2.7	0.8	3.5	–
Reclassification in year	1.5	–	1.5	–
AT 30 SEPTEMBER 2007	4.2	0.8	5.0	31.5

Group

During the year the Group:

- (i) Made further market purchases of Lonrho Mining Limited (formerly Nare Diamonds Limited) shares for £2.0m increasing its holding in its ordinary share capital to 21.94%. This investment has now been reclassified as a fixed asset investment from a current asset investment in the previous year.
- (ii) Acquired 21.4% of the ordinary share capital of Swissta RDC SpRL, a water bottling and distribution company incorporated in the Democratic Republic of Congo, at a value of £0.1m as part of its acquisition of Swissta Holdings Limited.
- (iii) Invested £0.4m in the ordinary share capital of Consolidated Africa Mining Plc (formerly Energy Capital Plc), a mining resource investment company with activities in Cameroon. The Group's holding in its ordinary share capital was 6.71% as at 30 September 2007.
- (iv) Invested £0.2m in Countermine Plc, a Swedish company engaged in land mine clearance. The Group's holding in its ordinary share capital was 1.28% as at 30 September 2007.
- (v) Invested £0.5m (US\$1.0m) in Southwest Energy (BVI) Limited, an oil and gas exploration company with activities in Ethiopia. The Group's holding in its ordinary share capital was 2.41% as at 30 September 2007.
- (vi) Invested £0.4m in Watermark Global Plc (formerly Microfuzze International Plc), a provider of emerging market technology and technology management solutions. The Group's holding in its ordinary share capital was 3.21% as at 30 September 2007.

Notes to the Financial Statements

continued

11 Investments (continued)

Company

The investment in respect of Lonrho Africa (Holdings) Limited is stated at the nominal value of the shares issued, in accordance with Section 131 and 133 of the Companies Act 1985.

A list of principal subsidiaries is set out in note 30 of the accounts.

	Group Listed at cost £m	Group Unlisted at cost £m	Group Total £m	Company £m
CURRENT ASSET INVESTMENTS				
At 1 October 2006	5.6	1.5	7.1	–
Acquisitions in year	0.5	–	0.5	–
Reclassification in year	–	(1.5)	(1.5)	–
Disposals in year	(6.1)	–	(6.1)	–
AT 30 SEPTEMBER 2007	–	–	–	–

Group

During the year the Group made further market purchases and disposals of Brinkley Mining Plc shares reducing its holding in the company's ordinary share capital to 0.05% as at 30 September 2007. The Group made a net loss of £0.3m on the disposal of their interests. As noted above, the Group's investment in Lonrho Mining Limited (formerly Nare Diamonds Limited) has been reclassified as a fixed asset investment.

12 Stock

	2007 £m	2006 £m
Raw materials and consumables	0.2	0.1
Work in progress	0.3	–
Finished goods and goods for resale	0.9	0.1
	1.4	0.2

13 Debtors

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts falling due within one year:				
Trade debtors	1.7	1.0	–	–
Other debtors	1.5	1.1	–	–
Prepayments and accrued income	0.8	0.2	–	–
Amount owed by Group undertakings	–	–	8.0	–
Deferred tax asset	2.2	–	–	–
	6.2	2.3	8.0	–

Debtors falling due after more than one year are £2.2m (2006 £Nil).

Notes to the Financial Statements

continued

14 Creditors: amounts falling due within one year

	Note	Group		Company	
		2007 £m	2006 £m	2007 £m	2006 £m
Bank loans and overdrafts	15	4.3	4.3	–	–
Obligations under finance leases		0.2	–	–	–
Trade creditors		8.8	2.6	–	–
Amounts owed to group undertakings		–	–	0.4	11.5
Indirect tax and social security liabilities		1.0	0.2	–	–
Other creditors		11.7	5.9	8.0	–
Accruals		0.1	0.4	–	–
		26.1	13.4	8.4	11.5

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Obligations under finance leases	1.1	–	–	–
Other creditors	1.8	–	–	–
	2.9	–	–	–

ANALYSIS OF LOANS

Wholly repayable within five years	3.6	4.2	–	–
Included in current liabilities	(3.6)	(4.2)	–	–
	–	–	–	–

LOAN MATURITY ANALYSIS

Within one year or less or on demand	3.6	4.2	–	–
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Net obligations under finance lease are secured by fixed charges on the assets concerned.

The loan balance is denominated in the Central African Franc. The loan is repayable on demand and interest is being charged at a rate of 12%. The loan is unsecured.

Notes to the Financial Statements

continued

15 Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
NET OBLIGATIONS UNDER FINANCE LEASES				
Repayable within one year	0.3	–	–	–
Repayable in more than one year but not more than two years	0.3	–	–	–
Repayable in more than two years but not more than five years	1.0	–	–	–
	1.6	–	–	–
Finance charges and interest allocated to future accounting periods	(0.3)	–	–	–
	1.3	–	–	–
Included in liabilities falling due within one year	(0.2)	–	–	–
	1.1	–	–	–

16 Financial assets and liabilities

The currency and interest rate profile of the Group's financial assets and liabilities are as follows:

Group	2007 £m	2006 £m
CASH		
Sterling Pounds	14.0	20.5
Kenya Pounds	–	0.1
Mozambique Metical	0.1	0.1
United States Dollar	0.8	–
South African Rand	0.3	–
	15.2	20.7
OVERDRAFTS		
Central African Franc	(0.2)	(0.1)
South African Rand	(0.5)	–
	(0.7)	(0.1)
LOANS		
Central African Franc (12%)	(3.6)	(4.2)
	(3.6)	(4.2)
OBLIGATION UNDER FINANCE LEASES		
United States Dollar	(1.3)	–
	(1.3)	–

Notes to the Financial Statements

continued

16 Financial assets and liabilities (continued)

Net obligations under finance lease are secured by fixed charges on the assets concerned. Other financial liabilities are unsecured.

Interest rates

Financial assets are at floating rates comprising of cash earning interest at rates set with reference to prevailing LIBOR or equivalent for the relevant country.

Financial liabilities comprise of overdrafts which are at floating rates set with reference to the LIBOR equivalent in the relevant country, and loans which are at a fixed rate as shown above.

Currency risk

The table below shows the extent to which Group companies have monetary assets/(liabilities) in currencies other than their functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the profit and loss account.

	Net foreign currency monetary assets					Total 2007 £m
	Sterling 2007 £m	US\$ 2007 £m	Central African Franc 2007 £m	Kenyan Pound 2007 £m	Euro 2007 £m	
Functional currency of Group operations						
US Dollar	(1.8)	–	(5.2)	0.1	(0.2)	(7.1)
South African Rand	–	(1.9)	–	–	(0.3)	(2.2)
Mozambique Metical	–	0.1	–	–	–	0.1
AT 30 SEPTEMBER 2007	(1.8)	(1.8)	(5.2)	0.1	(0.5)	(9.2)

	Net foreign currency monetary assets					Total 2007 £m
	Sterling 2007 £m	US\$ 2007 £m	Central African Franc 2007 £m	Kenyan Pound 2007 £m	Euro 2007 £m	
Functional currency of Group operations						
Sterling Pounds	–	0.5	–	–	–	0.5
US Dollar	–	–	(4.3)	–	–	(4.3)
AT 30 SEPTEMBER 2006	–	0.5	(4.3)	–	–	(3.8)

Notes to the Financial Statements

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17 Deferred taxation

	Note	Group Deferred Taxation £m	Company Deferred Taxation £m
Subsidiary acquired	29	1.5	–
Profit and loss account credit	7	0.6	–
Exchange		0.1	–
AT 30 SEPTEMBER 2007	13	2.2	–

The deferred tax asset, disclosed within debtors, represents trading losses carried forward to relieve against future projected trading profits. There is a further deferred tax asset of £0.5m which has not been recognised.

Deferred tax in respect of the revaluation of fixed assets of £0.4m (2006 £0.5m) has not been provided in accordance with the provisions of FRS19.

18 Share capital

	2007 £m	2006 £m
COMPANY		
Authorised		
400,000,000 ordinary shares of 1p each (2006: 300,000,000 ordinary shares of 1p each)	4.0	3.0
Allotted, called up and fully paid		
277,178,471 ordinary shares of 1p each (2006: 224,229,090 ordinary shares of 1p each)	2.8	2.2

During the year the Company issued 51,449,381 ordinary shares of 1p at a price of 32p per share. The costs of the share issue of £0.7m have been deducted from the share premium created on the issue. During the year the Company also issued and allotted 1,500,000 ordinary shares of 1p each at a price of 34.5p per share which resulted in a charge to the profit and loss account of £0.5m as a bonus award to Gerard Holden.

Notes to the Financial Statements

continued

18 Share capital (continued)

Share Options

The following share options over 1p ordinary shares were granted under an Unapproved Share Option scheme during the year:

	Date granted	Number of share options granted	Exercise price	Period during which exercisable	Market price per share at date of grant
David Lenigas	30.04.2007	3,750,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Emma de Borchgrave	30.04.2007	1,250,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Geoffrey White	30.04.2007	2,500,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Donald Strang	30.04.2007	500,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Martin Horgan	30.04.2007	1,000,000	34.5p	30.04.2007 – 29.04.2012	32.5p
James Hughes	30.04.2007	750,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Gerard Holden	30.04.2007	3,500,000	34.5p	30.04.2007 – 29.04.2012	32.5p
Other employees and consultants	30.04.2007	1,810,000	34.5p	30.04.2007 – 29.04.2012	32.5p

	Date granted	Number of share options granted	Exercise price	Period during which exercisable	Market price per share at date of grant
David Lenigas	20.07.2007	1,615,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Emma de Borchgrave	20.07.2007	1,065,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Geoffrey White	20.07.2007	1,065,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Donald Strang	20.07.2007	200,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Martin Horgan	20.07.2007	200,000	44.0p	20.07.2007 – 19.07.2012	39.5p
James Hughes	20.07.2007	350,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Jean Ellis	20.07.2007	350,000	44.0p	20.07.2007 – 19.07.2012	39.5p
Other employees and consultants	20.07.2007	350,000	44.0p	20.07.2007 – 19.07.2012	39.5p

In accordance with FRS 20 'Share-based payments', share options granted in the year have been measured at fair value and recognised as an expense in the profit and loss account 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-pricing model. The estimated value of the options granted on 30.04.07 was £1.5m and the estimated value of options granted on 20.07.07 was £0.6m.

The share options granted on 30.04.07 have been valued at 10.0p and the share options granted on 20.07.07 have been valued at 11.48p. These have been calculated using the Black-Scholes pricing model with the following assumptions:

	Date of grant	
	30.04.2007	20.07.2007
Share price	32.5p	39.5p
Exercise price	34.5p	44.0p
Expected volatility	45.3%	45.3%
Expected life	2.5 years	2.5 years
Expected dividends	0.0%	0.0%
Risk-free interest rate	5.5%	5.5%

Volatility has been calculated by reference to the movement of the Company's share price over the previous two and a half years.

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

Notes to the Financial Statements

continued

19 Reserves

	Note	Other reserve- share based payment £m	Share premium reserve £m	Revaluation reserve £m	Profit and loss account £m
GROUP					
At 1 October 2006		0.1	17.4	1.6	18.2
Loss for the financial year		–	–	–	(15.5)
Exchange adjustments to net investment in overseas companies		–	–	(0.1)	0.2
Shares issued in year (net of issue costs)	18	–	15.8	–	–
Arising on share options issued in year	18	2.1	–	–	–
AT 30 SEPTEMBER 2007		2.2	33.2	1.5	2.9

	Note	Other reserve- share based payment £m	Share premium reserve £m	Revaluation reserve £m	Profit and loss account £m
COMPANY					
At 1 October 2006		0.1	17.4	–	0.3
Loss for the financial year		–	–	–	(7.4)
Shares issued in year (net of issue costs)	18	–	15.8	–	–
Arising on share options issued in year	18	2.1	–	–	–
AT 30 SEPTEMBER 2007		2.2	33.2	–	(7.1)

No separate profit and loss account is provided for the Company as permitted by Section 230 of the Companies Act 1985.

20 Minority interests

	Note	2007 £m	2006 £m
At 1 October 2006		0.5	1.1
Exchange adjustments		–	(0.2)
(Loss)/profit after taxation		(2.7)	0.1
Revaluation of fixed assets		–	0.5
Minority interests in subsidiaries acquired	29	2.0	(1.0)
AT 30 SEPTEMBER 2007		(0.2)	0.5

Notes to the Financial Statements

continued

21 Contingent liabilities

The Group had no contingent liabilities as at 30 September 2007 and 30 September 2006.

22 Commitments

The Group had no commitments under capital contracts at 30 September 2007 and 30 September 2006.

The annual commitments of the Group under operating leases are as set out below:–

	Shipping Vessels	
	2007	2006
	£m	£m
Operating leases which expire:		
Within one year	3.4	–
Between two and five years	7.0	–
	10.4	–

23 Related party transactions

During the year the Group:

- Sold the majority of its shareholding in Brinkley Mining plc for £5.3m and increased its shareholding in Lonrho Mining Limited (formerly Nare Diamonds Limited) to 21.94% by the purchase of an additional 4.94% of the issued share capital of that company for £2.0m.

The Group has the following Board representation in the above investments:

Brinkley: Donald Strang is an Executive Director.

Lonrho Mining: David Lenigas and Geoffrey White are non-executive Directors.

- Paid fees amounting to £0.2m to DSG, Chartered Accountants, of which Jean Ellis is a partner, for accounting, taxation and corporate finance services.

Notes to the Financial Statements

continued

24 Post balance sheet events

In October 2007, the Group:

- Raised £16.6m, net of expenses, through a placing of 44,657,736 new ordinary shares of 1 pence each in the share capital of the Company at 38 pence per share.
- Signed a Heads of Agreement to lease and manage a five star hotel in the Democratic Republic of Congo.
- Acquired a controlling interest in a Zimbabwean Stock Exchange listed company, Celsys Limited, and a controlling interest in Millpal Limited. These investments were sold in January 2008 to LonZim Plc (see below) at cost.
- Increased its equity stake in SAILS to 51% for a cash consideration of US\$500,000 (£250,000).
- Acquired 51% of Kwikbuild, a provider of innovative cost efficient building solutions in Africa.
- Announced its intention to acquire three BAE 146 aircraft for the expansion of Fly540.

In December 2007, the Group:

- Was awarded 20% of the issued share capital of LonZim Plc and an exclusive management contract for the new Zimbabwean investment company listed on AIM.
- Announced a US\$9m water bottling project in Angola.

In January 2008, the Group:

- Announced its intention to acquire eight new ATR 72-500 aircraft for the expansion of Fly540.

In February 2008, the Group:

- Acquired the existing water use rights from Aquamine (Propriety) Limited in South Africa.
- Announced its intention to acquire two further new ATR 72-500 aircraft for the expansion of Fly540.
- Raised £24.25m, net of expenses, through a placing of 56,978,788 new ordinary shares of 1 pence each in the share capital of the Company at 43 pence per share.
- Won a contract to develop and manage the Karavia Hotel, a 250 room hotel in Lubumbashi, in the Democratic Republic of Congo.
- Signed an agreement to develop a natural spring water bottling facility in Lubumbashi in the Democratic Republic of Congo.

In March 2008, the Group:

- Increased its equity stake in SAILS to 66.7% for a cash consideration of US\$8.9m (£4.5m).

In addition to the above the Group is continuing to pursue the completion of the acquisition of 51% of Socremo - Banco de Microfinancas, a microfinance bank in Mozambique, which was announced in September 2007.

Notes to the Financial Statements

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25 Net cash flow from operating activities

	Continuing operations 2007 £m	Acquisitions 2007 £m	Total 2007 £m	Continuing operations 2006 £m	Acquisitions 2006 £m	Total 2006 £m
Operating loss	(11.2)	(6.8)	(18.0)	(1.6)	0.6	(1.0)
Depreciation charge	1.1	0.2	1.3	0.1	0.2	0.3
Amortisation of goodwill	0.2	–	0.2	0.1	–	0.1
Write off of goodwill in respect of the participating interest	–	2.9	2.9	–	–	–
Provision against loan due from participating interest	1.0	–	1.0	–	–	–
Loss on disposal of investment	0.3	–	0.3	–	–	–
Share options and share based payments	2.6	–	2.6	0.1	–	0.1
(Increase)/decrease in stocks	–	(0.6)	(0.6)	–	–	–
(Increase)/decrease in debtors	(0.1)	(1.2)	(1.3)	0.5	(0.3)	0.2
Increase in creditors	3.2	1.0	4.2	0.3	–	0.3
	(2.9)	(4.5)	(7.4)	(0.5)	0.5	–

26 Net proceeds from closure/disposal of subsidiaries

	2007 £m	2006 £m
Receipt of deferred consideration in respect of sale of subsidiary	1.0	–
Disposal and closure costs	–	(1.8)
	1.0	(1.8)

27 Reconciliation of net cash flow to movement in net cash

	2007 £m	2006 £m
(Decrease)/increase in net cash in the year	(6.1)	0.3
Loan acquired on acquisition of subsidiary	–	(4.2)
Loan advance in year	(1.3)	–
Loan repayments	0.3	0.2
Other – exchange	0.3	(0.2)
Movement in net cash	(6.8)	(3.9)
Balance at beginning of year	16.4	20.3
Net cash at the end of year	9.6	16.4

Notes to the Financial Statements

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28 Analysis of net cash

	1 October 2006 £m	Acquisitions £m	Net cash flow £m	Exchange £m	30 September 2007 £m
Cash	20.7	–	(5.5)	–	15.2
Overdrafts	(0.1)	(0.5)	(0.1)	–	(0.7)
	20.6	(0.5)	(5.6)	–	14.5
Loans	(4.2)	–	0.3	0.3	(3.6)
Finance leases	–	–	(1.3)	–	(1.3)
Net cash at end of year	16.4	(0.5)	(6.6)	0.3	9.6

29 Acquisition of subsidiaries

	Five Forty Aviation Limited £m	SA Liner International Services Pty Limited £m	Sociedade Comercial Bytes & Pieces, Limitada £m	Swissta Holdings Limited £m	Total £m
FAIR VALUE OF NET ASSETS/(LIABILITIES) ACQUIRED					
Tangible fixed assets	0.2	–	0.7	0.2	1.1
Fixed asset investment	–	–	–	0.1	0.1
Stock	–	–	0.7	–	0.7
Debtors	0.6	0.4	0.4	0.1	1.5
Cash	0.3	3.0	0.3	–	3.6
Bank Overdraft	–	(0.5)	–	–	(0.5)
Creditors	(0.1)	(2.7)	(0.3)	(0.6)	(3.7)
Taxation	–	1.5	–	–	1.5
	1.0	1.7	1.8	(0.2)	4.3
Less: Minority interests	(0.5)	(0.9)	(0.6)	–	(2.0)
Groups share of fair value of net assets/(liabilities) acquired	0.5	0.8	1.2	(0.2)	2.3
Cash consideration (inc expenses)	0.8	3.1	1.3	0.6	5.8
GOODWILL ON ACQUISITION	0.3	2.3	0.1	0.8	3.5
NET COST OF ACQUISITION OF SUBSIDIARY					
Cash consideration (inc expenses)	0.8	3.1	1.3	0.6	5.8
Less: cash acquired	(0.3)	(3.0)	(0.3)	–	(3.6)
	0.5	0.1	1.0	0.6	2.2

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets and liabilities acquired the difference is treated as purchased goodwill. Goodwill is amortised using the straight line method over its estimated useful economic life not exceeding twenty years. The useful economic life is separately determined on an acquisition by acquisition basis.

Notes to the Financial Statements

continued

30 Subsidiaries

The principal subsidiaries of Lonrho Plc are set out below:

	Country of incorporation	Direct and beneficial interest in ordinary share capital as at 30 September 2007 %
INFRASTRUCTURE		
Luba Freeport Limited	Jersey	63
TRANSPORTATION		
Five Forty Aviation Limited	Kenya	49
Lonrho Air (BVI) Limited	British Virgin Islands	100
SA Independent Liner Services Pty Ltd	South Africa	45
SUPPORT SERVICES		
Sociedade Comercial Bytes & Pieces, Limitada	Mozambique	65
Swissta Holdings Limited	Mauritius	100
HOTELS		
Hotel Cardoso SARL	Mozambique	59

Corporate Information

Secretary and registered office

J H Hughes
C/o DSG
Castle Chambers
43 Castle Street
Liverpool L2 9TL
Tel: +44 (0) 20 7016 5105
Fax: +44 (0) 20 7016 5109
e-mail: hughes@lonrho.com
Registered in England
Number 2805337

Auditors

KPMG Audit Plc
8 Princes Parade
Liverpool
L3 1QH

PR Advisors

Pelham PR
No 1 Cornhill
London
EC3V 3ND
Tel: +44 (0) 20 7743 6670
Fax: +44 (0) 20 7743 6671

Principal group bankers

Barclays Bank Plc
Lord Street
Liverpool
L2 6PB

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Tel: 0871 384 2383
Textel: 0871 384 2255 (for the hard of hearing)

Please be advised calls to these lines are charged at 8p/min from BT landlines. Other telephone providers' costs may vary.

South African transfer secretaries

Computershare Investor Services (Pty) Ltd
PO Box 1053
Johannesburg 2107
South Africa
Tel: +27 (0) 11 370 5000
Fax: +27 (0) 11 370 5271/2

Nominated Advisor

Collins Stewart Europe Limited
9th Floor
88 Wood Street
London
EC2V 7QR
Tel: +44 (0) 20 7523 8350

Stockbrokers

Collins Stewart Europe Limited
Java Capital (Pty) Ltd

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the next Annual General Meeting of Lonrho Plc will be held at Plaisterers' Hall, One London Wall, London EC2Y 5JU at 11.00 a.m. on Monday 28 April 2008 for the following purposes:

Ordinary Business:

1. To receive the Report of the Directors, the accounts for the year ended 30 September 2007, and the auditors' report thereon.
2. To re-elect Ambassador F D Cook, who has been appointed by the Board since the last Annual General Meeting, as a Director.
3. To re-elect Mrs J M Ellis, who has been appointed by the Board since the last Annual General Meeting, as a Director.
4. To re-elect Mr G T White, who has been appointed by the Board since the last Annual General Meeting, as a Director.
5. To re-elect Mr D A Lenigas, who retires by rotation, as a Director.
6. To re-appoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which financial statements are laid before the Company and to authorise the Directors to agree their remuneration.
7. To approve the continuation of the investment strategy as detailed in the circular to the shareholders dated 8 February 2006.

By order of the Board
J Hughes
Secretary

27 March 2008

Registered office:

C/o DSG
Castle Chambers
Castle Street
Liverpool
L2 9TL

Registered No. 2805337

Notice of Annual General Meeting

continued

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company, but is entitled to exercise all or any of the member's rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights to a different share or shares held by him.
2. To be valid, a completed form of proxy, together with a power of attorney or other authority, if any, under which it is signed (or a notarially certified copy thereof), must be deposited at the offices of the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or Computershare Investor Services (Pty) Limited, postal address PO Box 1053, Johannesburg 2107, South Africa, not less than 48 hours before the time set for the meeting or adjourned meeting (as the case may be).

In respect of South African shareholders, forms of proxy must only be filled in by certificated shareholders or own name dematerialised shareholders. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders must follow the instructions set out in note 6 below.
3. Completion and return of a form of proxy will not prevent a shareholder from subsequently attending and voting in person at the Annual General Meeting.
4. In the case of joint holders of shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00 p.m. on 26 April 2008, or in the event that the meeting is adjourned, in the Register of Members as at 6.00 p.m. on the day that is two days prior to any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6.00 p.m. on 26 April 2008 or, in the event that the meeting is adjourned, 6.00 p.m. on the day that is two days prior to the day of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
7. Any person to whom this notice is sent who is a person that has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights ("nominated person") does not have a right to appoint a proxy. However, a nominated person may, under an agreement with the registered shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. Alternatively, if a nominated person does not have such a right, or does not wish to exercise it, he/she may have a right under any such agreement to give instructions to the registered shareholder as to the exercise of voting rights.
8. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who wish to attend the Annual General Meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting in person, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.

Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who cannot attend but who wish to vote at the Annual General Meeting should provide their CSDP or broker with their voting instructions, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.
9. Recommendation

The Directors believe that the passing of all resolutions will be in the best interests of the Company and its shareholders as a whole and are unanimous in recommending that shareholders vote in favour of them.

Shareholder Information

Analysis of ordinary shareholdings as at 29 February 2008

	Number of holders	% of total holders	Number of shares	% of total shares
UNITED KINGDOM REGISTER				
Category of shareholder				
Individuals	18,828	90.28	22,480,512	5.93
Banks, nominees and other corporate bodies	1,039	4.98	355,770,885	93.92
	19,867	95.26	378,251,397	99.85
SA REGISTER				
Category of shareholder				
Individuals	842	4.04	260,003	0.07
Banks, nominees and other corporate bodies	147	0.70	303,595	0.08
	989	4.74	563,598	0.15
BOTH REGISTERS				
Shareholding range				
1 – 500	14,306	68.60	2,237,108	0.59
501 – 1,000	2,638	12.65	1,874,497	0.49
1,001 – 5,000	2,758	13.22	6,067,458	1.60
5,001 – 50,000	956	4.58	13,437,165	3.55
50,001 – 100,000	61	0.29	4,564,880	1.21
100,001 – 500,000	87	0.42	20,556,870	5.43
500,001 – 1,000,000	17	0.08	12,334,301	3.26
1,000,001 and over	33	0.16	317,742,716	83.88
	20,856	100.00	378,814,995	100.00

Capital gains tax base cost of shares at demerger

For capital gains tax purposes, shareholders disposing of shares in either Lonrho Plc or Lonmin Plc after 7 May 1998, who held shares prior to that date, should apportion the base cost of their original Lonmin Plc shares between the two companies. Based on the closing share prices on 7 May 1998 of Lonrho Plc and Lonmin Plc this apportionment would be 19.502 per cent. for Lonrho Plc and 80.498 per cent. for Lonmin Plc.

For capital gains tax purposes, shareholders disposing of shares in either Lonrho Plc or Castle Acquisitions Plc after 3 May 2005, who held shares prior to that date, should apportion the base cost of their original Lonrho Plc shares between the two companies. Based on the closing share prices on 3 May 2005 of Lonrho Plc and Castle Acquisitions Plc this apportionment would be 81.8333 per cent for Lonrho Plc and 18.1667 per cent for Castle Acquisitions Plc.

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.

Any United Kingdom shareholder wishing dividends to be paid directly into a bank or building society, with the tax voucher being sent directly to the shareholder's registered address, should contact the registrar for a dividend mandate form.

Shareholder Information *continued*

Free share sale facility

The Company welcomes shareholders regardless of the size of their holding. However, it recognises the often disproportionate cost to smaller shareholders of disposing of their investments. In view of this the Company has arranged for its Registrars to offer a share sale service free of charge to investors with a holding of 1,000 shares or less. Details of the service can be obtained by telephoning Equiniti on +44 (0) 871 384 2383, or Computershare Investor Services Limited on (011) 370 5198.

ShareGift

Lonrho supports ShareGift, the share donation charity (registered charity 1052686) which accepts donations of shares which would otherwise be uneconomic to sell, collects them into holdings that are large enough to sell and uses the proceeds for the benefit of UK Charities. ShareGift has given millions of pounds to hundreds of different charities since it was launched in 1996. Donating shares to charity in this way gives rise neither to a gain nor a loss for Capital Gains Tax purposes.

Shareholders who wish to donate shares in this way can contact Equiniti (telephone +44 (0) 871 384 2383) or, for further information, ShareGift (The Orr Mackintosh Foundation), www.ShareGift.org or telephone + 44 (0) 207 930 3737.

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 22, London W1E 7EZ.

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