



ABRIDGED GROUP HISTORICAL RESULTS FOR THE YEAR ENDED 31 MARCH 2008



**THE COTTON COMPANY
OF ZIMBABWE LIMITED**

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CHAIRMAN'S STATEMENT

I am pleased to report on the Group performance for the year ended 31 March 2008.

OVERVIEW

Results for the year were achieved under extremely difficult circumstances. Economic challenges continue to hog the limelight with inflation being the biggest constraint. Persistent shortages of raw materials, coal, power and water affected the smooth running of operations for most of the year.

ACQUISITIONS

During the course of the year, the Company acquired a 49% shareholding in Olivine Holdings (Private) Limited (Olivine) for US\$6.825 million. The predominant business of Olivine is the production and marketing of fast moving consumer goods.

In addition, the Company acquired the operating assets of Frupac International Zimbabwe (Private) Limited - a frozen vegetables business situated in Ruwa, through its wholly owned subsidiary Exhort Enterprises (Private) Limited (Exhort) for a net purchase consideration of US\$875,000.

The Company also increased its stake in Seed Co Limited to 50.88% (2007: 50.52%) through open market purchases amounting to Z\$169 billion.

GROUP PERFORMANCE

Group turnover of Z\$803 trillion grew 542 513% above last year. Group profit before tax of Z\$341 trillion was 396 491% ahead of last year. Total assets benefited from a revaluation surplus of Z\$6.5 quadrillion on property, plant and equipment to reach Z\$8.6 quadrillion. Net cash outflow for the year amounted to Z\$335.3 trillion and was driven by a build up of debtors, stocks and input scheme receivables in March 2008 relative to mostly historical earnings and cash flows.

OPERATIONS REVIEW

Cotton

The national crop size declined to 254,000 from the previous year's 260,000 tonnes. The Company purchased 119,000 tonnes compared to 134,000 tonnes last year. The decline in national crop size was due to uneven distribution of rain throughout the season. The Company established a ninth ginny in Chiredzi, which we commissioned in November 2007. With this development, we expect improved logistical efficiencies for both local operations and exports going forward.

International lint prices firmed from US\$9 cents per pound in March 2007 to US\$75 cents per pound in March 2008 and in addition, world lint stocks are forecast to go down for the third year running, both of which auger well for the forthcoming exports season.

Seed

The regional businesses continue to perform well, with both volumes and revenue recording strong growth. The high stock and borrowing positions in the regional business unwound with increased exports in the region.

Local crop production volumes went down again owing to declining seed grower viability due to price controls, resulting in growers switching to more attractive commercial crops. Shortages of critical inputs also weighed down heavily on crop production. We, however, continue to engage the authorities with a view to addressing these issues ahead of the forthcoming season.

Research and development activities continue to be fruitful with several new varieties having been launched during the year.

Spinning

Power supply problems continued to worsen during the course of the year. In particular, the quality of power supply deteriorated resulting in damage

to electronic equipment on several of our machines. These have, however, been repaired and are fully functional.

Market demand for yarns and fabrics remains strong in both the local and export markets. However, meeting this demand has become challenging due to declining productivity occasioned by power outages and unavailability of staff. Sales volumes for the year were 16% below those realised last year.

Fast Moving Consumer Goods (FMCG's)

Olivine operated well below capacity due to a variety of constraints, including foreign currency, coal, water, power and raw material shortages. Despite these challenges, this business registered a modest profit.

Towards the end of the financial year, the Company introduced the "Olivine" brand of canned products to replace the Heinz range and the products have been well received in the market.

In the frozen vegetables business, Exhort, focus was on plant refurbishments for the greater part of the year. A small grower base with an initial hectareage of about 50 hectares was contracted in the fourth quarter of the last calendar year to kick off operations. However, excessive rains damaged a sizeable amount of the crop. As a result, sales were mostly to the domestic market. Nevertheless, the unit still managed to register a small profit.

Meanwhile, export channels have been established and going forward, focus is on expanding the grower base to a minimum of 1,000 hectares and improving its effectiveness and in particular the growth of crop volumes and quality. Contracted hectareage under cultivation stands at 400 hectares.

Growers' Inputs Credit Scheme

The Company continues with its partnership with farmers by availing inputs under the inputs credit scheme. The inputs credit scheme continues to be a key to the industry's growth.

ISO Certification

All the group companies were recertified. Scottco was certified for the first time, joining all other group companies by attaining the ISO certified status.

CORPORATE SOCIAL RESPONSIBILITY

The Company continued with its contribution to sport by hosting the annual Cottco rugby festival. A number of charitable organizations received donations from Cottco.

DIVIDEND

The Directors have declared a final dividend of Z\$189,000.00 per share (2007: Z\$14.29).

OUTLOOK

Subject to recent policy announcements, and in particular, the liberalisation of the exchange rate being sustained, we expect significant growth in turnover and earnings across the Group. Nevertheless, strict management of costs and our key risks will be critical for success as will diligent management of product margins.

ACKNOWLEDGEMENTS

I wish to extend my appreciation and that of the Board to the Group Chief Executive, his Management team and Staff for their commitment and diligence. I also want to thank my colleagues on the Board for their invaluable contribution.

P. Sithole
CHAIRMAN
11 June 2008

Registered Office
1 Lytton Road
Workington
HARARE

DIVIDEND ANNOUNCEMENT

The Directors have today declared a final dividend number 12 of Z\$189,000.00 per share (2007: \$14.29) payable to shareholders registered in the books of the Company at the close of business on 20 June 2008. The transfer books and register of members will be closed from 23 June 2008 to 26 June 2008, both dates inclusive. Dividend payments will be effected on or about 30 June 2008 and withholding tax will be deducted where applicable. The remittance of dividends to shareholders resident outside Zimbabwe is subject to exchange control approval.

By Order of the Board

P. Manamike
COMPANY SECRETARY
11 June 2008

GROUP INCOME STATEMENT for the year ended 31 March 2008

	HISTORICAL	
	31 March 2008 Z\$billion	31 March 2007 Z\$billion
Revenue	803,067	148
Profit from operations	377,951	61
Net finance (costs)/income	(36,887)	25
Share of profit of associate	4	-
Profit before taxation	341,068	86
Income tax expense	(86,212)	(24)
Profit for the year	254,856	62
Attributable to:		
Equity holders of the parent	195,771	56
Minority interest	59,085	6
	254,856	62
Basic earnings per share - Z\$	247,447	72
Diluted earnings per share - Z\$	240,702	71
Weighted average number of shares in issue (000's)	791,164	776,180

GROUP BALANCE SHEET as at 31 March 2008

	HISTORICAL	
	31 March 2008 Z\$billion	31 March 2007 Z\$billion
ASSETS		
Non-current assets		
Property, plant and equipment	6,777,844	144
Investment property	45,367	-
Investment in associates	64	-
Deferred tax assets	13,341	-
Total non-current assets	6,836,616	144
Current assets		
Biological assets	1,770,250	280
Inventories	316	-
Prepayments	545,904	120
Trade and input scheme receivables	74,729	10
Other financial assets	1,020,297	117
Cash and cash equivalents	46,076	4
	82,928	29
Total assets	8,606,866	424
EQUITY AND LIABILITIES		
Capital and reserves		
Issued share capital	-	-
Capital reserves	4,252,546	55
Retained earnings	195,816	58
Attributable to equity holders of the parent	4,448,362	113
Minority interest	964,699	73
Total equity	5,413,061	186
Non-current liabilities		
Long-term borrowings	3,084	2
Deferred tax liabilities	1,962,392	30
Total non-current liabilities	1,965,476	32
Current liabilities		
Trade and other payables	1,228,329	206
Short-term borrowings	299,193	39
Bank overdraft	207,151	147
Taxation	618,213	1
	103,772	19
Total equity and liabilities	8,606,866	424

GROUP CASH FLOW STATEMENT for the year ended 31 March 2008

	HISTORICAL	
	31 March 2008 Z\$billion	31 March 2007 Z\$billion
Cash flows from operating activities		
Operating cash flows before re-investment in working capital	779,544	86
Increase in working capital	(1,344,892)	(210)
Interest paid	(55,021)	(18)
Net taxation paid	(64,588)	(8)
Net cash utilised in operating activities	(684,957)	(150)
Cash flows from investing activities		
Interest received	15,734	43
Proceeds on disposal of property, plant and equipment	208	1
Acquisition of minority interest	(169)	-
Acquisition of joint venture, net of cash acquired	(87)	-
Acquisition of property, plant and equipment	(47,538)	(16)
Acquisition of investment property	(17,492)	-
Acquisition of other investments	(11,144)	-
Net cash (utilised in)/from investing activities	(60,488)	28
Cash flows from financing activities		
Issue of shares by parent Company	57	2
Proceeds from shares issued to minorities of subsidiary	2	-
Net loan capital raised	210,086	144
Dividend paid	(13)	(1)
Net cash from financing activities	210,132	145
(Decrease)/increase in cash and cash equivalents	(535,313)	23
Cash and cash equivalents		
At the beginning of the year	28	5
At the end of the year	(535,285)	28
(Decrease)/increase in cash and cash equivalents	(535,313)	23

GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2008

	HISTORICAL					
	Attributable to equity holders of the parent Share capital Z\$billion	Capital reserves Z\$billion	Retained earnings Z\$billion	Total Z\$billion	Minority interest Z\$billion	Total equity Z\$billion
Balance at 31 March 2006	-	-	2	2	1	3
Changes in equity for 2007						
Share-based payment transactions	-	2	-	2	-	2
Transfers to revaluation reserve	-	51	-	51	52	103
Deferred taxation on revaluation	-	(14)	-	(14)	(14)	(28)
Exchange differences on translating foreign operations	-	16	-	16	28	44
	-	55	2	57	67	124
Profit for the year	-	-	56	56	6	62
Balance at 31 March 2007	-	55	58	113	73	186
Changes in equity for 2008						
Share-based payment transactions - share options	-	426	-	426	2	428
Share-based payment transactions - shares issued to acquire subsidiary assets	-	24	-	24	-	24
Transfers to revaluation reserve	-	5,711,567	-	5,711,567	758,675	6,470,242
Deferred taxation on revaluation	-	(1,702,927)	-	(1,702,927)	(200,571)	(1,903,498)
Exchange differences on translating foreign operations	-	243,255	-	243,255	347,556	590,811
Acquisition of additional interest in local subsidiary	-	-	-	-	(55)	(55)
Disposal of foreign subsidiary	-	2	-	2	(2)	-
Loss on cash flow hedge	-	(4,933)	-	(4,933)	-	(4,933)
Deferred taxation on cash flow hedge	-	1,524	-	1,524	-	1,524
Gains/(losses) on treasury assets	-	3,553	-	3,553	(64)	3,489
	-	4,252,546	58	4,252,604	905,614	5,158,218
Profit for the year	-	-	195,771	195,771	59,085	254,856
Dividends	-	-	195,829	4,448,375	964,699	5,413,074
Balance at 31 March 2008	-	4,252,546	195,816	4,448,362	964,699	5,413,061

NOTES TO THE FINANCIAL STATEMENTS

1. Presentation

The financial statements are presented in Zimbabwe dollars, rounded off to the nearest billion.

2. Accounting policies

Accounting policies have been applied consistently with those used in the previous periods. The financial information has not been adjusted for the effects of inflation as required by International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies as the Central Statistical Office is yet to release official data for determination of the conversion factors derived from the Consumer Price Index for the month of March 2008.

3. Translation of foreign subsidiaries

In order to more fairly present the underlying value of the Group's foreign assets, the balance sheets of foreign subsidiaries were translated at a rate of Z\$53,863,739/US\$, which rate was deemed to be more closely aligned to market forces. The results of the parent and all local subsidiaries were translated at the realised official exporters' exchange rates ruling on the date of transaction, while respective balance sheets were translated at Z\$525,000/US\$, the closing realised official exporters' exchange rate.

4. Acquisitions

4.1 Acquisition of the operating assets of Frupac International Zimbabwe (Private) Limited

In May 2007, the Group concluded the purchase of the operating assets (comprising land, buildings, plant and equipment) of Frupac International Zimbabwe (Private) Limited - a frozen vegetables business situated in Ruwa. This acquisition was effected through

6. Supplementary information

- Depreciation
- Capital expenditure

	HISTORICAL	
	Year ended 31 March 2008 Z\$billion	Year ended 31 March 2007 Z\$billion
1. Depreciation	35,892	4
2. Capital expenditure	47,538	16

Directors: P Sithole (Chairman), H Mapara* (Group Chief Executive), C Chitiyo (Ms), B Mudzimurema*, A Nhau, B L Nkomo, L Preston, T Wicks* (*Executive)