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African Consolidated Resources plc

Annual Report and Financial Statements

for the year ended 29 February 2008

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African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

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Company information

Directors	Andrew Noel Cranswick – Chief Executive Officer Roy Clifford Tucker – Group Finance Director Herbert Stuart Bottomley – Non-Executive Director Michael Wallis Kellow – Technical Director
Secretary and registered office	Roy Clifford Tucker, FCA Nettlestead Place Nettlestead Maidstone Kent, ME18 5HA
Website	www.acrplc.com
Auditors	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU
NOMAD and Corporate Broker	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ
Bankers	Standard Bank Isle of Man Limited Standard Bank House 1 Circular Road Douglas Isle of Man 1M1 1SB Anglo Irish Banking Corporation plc 10 Old Jewry London EC2R 8DN
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registered number	05414325

Chief Executive Officer's report

Considerable progress has been made with our on-going exploration since the publication of our interim report in November. I will not dwell on this in any detail in this report however in view of our recent technical 'Exploration Update' which was published on 8 April 2008 and is available to download from the Investor Relations section of our website (www.acrplc.com)

ZIMBABWE

General

Politics continues to be the overriding factor affecting the perception of Zimbabwe particularly following the recent events associated with the Parliamentary and Presidential elections. We have no control over this factor and it is a reality we have lived with to date. As always I will point out that we work with the Government of the day.

The lead-up to the elections, while initially quiet, created some unrest and violent activity in parts of Zimbabwe although our latest information is that this is subsiding in most areas. These problems had the effect of disrupting some of our operations particularly in the north of the country where we suspended exploration and infrastructural work in the interests of employee and contractor safety as well as the security of company assets. We have now reviewed the situation on the ground and I am pleased to say that as of this week we now feel secure to return to all areas.

More specifically the problems created a delay in the road-development work taking place at the Snakes Head PGE project which was being prepared for the development of a sample-gathering decline adit for metallurgy testing purposes. Likewise, considering its proximity, sampling work at the Horseshoe nickel laterite project was postponed. We are now returning to site.

In Chakari, electromagnetic survey of the Perseverance Nickel project was suspended for 10 days in early May. It was possible to re-commence work for several weeks but work was suspended again until very recently. Geochemical sampling for gold and base metals in southern Zimbabwe near Zaka was also postponed.

The hyper-inflationary environment presents difficulties and the company is making every effort to minimise the negative effects thereof on the company and its staff. However the bulk of the Company's expenditure is incurred by reference to Sterling, United States dollars or other hard currencies. Therefore the on-going inflation-driven devaluation of the Zimbabwe dollar has only a modest effect on the Sterling budget of ACR and the risk is being satisfactorily managed by our financial department.

I commend all our staff and management for their stoically successful effort to retain the highest possible degree of normality and morale in trying circumstances.

We continue to support the local communities in which we work in terms of infrastructural development and practical assistance.

Exploration

As noted above an 'Exploration Update' was published in April. Since then reverse circulation ("RC") drilling has commenced and continues at the Blue Rock gold prospect while rotary air blast ("RAB") exploration drilling continues elsewhere on the Gadzema gold belt.

In-fill electromagnetic survey over the five already-defined conductors at Perseverance should be complete within two to four weeks. Post interpretation, these results will enable final drill-target definition for the exploratory intersection of these conductors and we hope to commence diamond-core drilling in late July. Negotiations for the contracting of a suitable drill-rig are under way. Detailed, closely-spaced airborne magnetic survey lines will most likely be flown over the Perseverance region in a July/August timeframe. This will provide additional data for further target definition.

Chief Executive Officer's report (continued)

Exploration (continued)

Discussions continue on the resumption of activities in the Marange diamond field and I remain hopeful of an outcome that satisfies both national and corporate interests. The related legal dispute over claim ownership still awaits a court hearing date.

Throughput at both in-house and independent assay / sorting labs has improved and we are processing some 5,000 samples per month. In addition, we have increased our sampling teams and hence are constantly looking for ways to improve throughput even further.

ZAMBIA & MOZAMBIQUE

It remains the Company's philosophy to ameliorate political risk by being active in other regional countries.

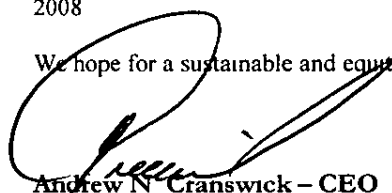
Progress has been made on the application for significant exploration ground in Zambia and ACR is hopeful of a successful outcome on several of these applications. Legalities for formation in Mozambique are nearing finality and the company anticipates imminent discussions with the Mozambique Government at a high level.

First-pass evaluation is complete over large tracts of ground in both countries, much of which is unallocated or due for relinquishment in the not too distant future. This is very much a work-in-progress which I expect will gather momentum in the second half of the year.

GENERAL

The Company's cash resources remain adequate at current spend rates especially since our exploration expenditure is discretionary. However, should the political situation allow and the Board elects to commence further drilling programmes, we would expect to need to raise further funds before the end of 2008.

We hope for a sustainable and equitable solution to the current political impasse in Zimbabwe.



Andrew N. Cranswick – CEO

21 July 2008

Report of the directors

for the year ended 29 February 2008

The directors present their report together with the audited financial statements for the year ended 29 February 2008

Results and dividends

The consolidated income statement is set out on page 10 and shows the loss for the year

The directors do not recommend the payment of a dividend

Principal activities, review of business and future developments

The Group is engaged in the exploration for and development of mineral projects in Sub-Saharan Africa. Since incorporation the Group has built an interesting portfolio of projects in Zimbabwe.

The directors consider the Group's key performance indicators to be the rate of utilization of the Group's cash resources and the on-going evaluation of its exploration assets. These are detailed below.

Cash Resources

As can be seen from the balance sheet, cash resources for the group at 29 February 2008 were approximately £4.1 million (2007: £1.5 million). During the year the loss (administrative expenses less finance income) after adding back the non cash share option charge was £747,590 (£62,299 per month). There was expenditure of some £1.1 million on capital assets, the major part of which consisted of deferred exploration costs. The net monthly expenditure in the year to February 2008 was approximately £151,000. This figure reflects some reduction achieved in overheads and the fact that recent exploration emphasis has been on relatively low cost geochemical and geophysical work. The Company raised £4.5 million (£4.35 million after expenses) through a placing in July 2007 and at 31 July 2007 cash balances stood at £5 million.

On the basis of a monthly overhead cost of £65,000, which may increase with employment of additional senior geologists, the current cash balance of the Group allows significant head room for discretionary expenditure on exploration in the coming year and also, in the event of a favourable resolution to the legal dispute in respect of the Group's Marange project, for initial diamond production costs.

Evaluation of Exploration Areas

The Group has licences or claims over a significant number of discrete areas of exploration. It is the Group's policy for the Board to review progress every quarter on each area in order to approve the timing and amount of further expenditure or to decide that no further expenditure is warranted. If no further expenditure is warranted for any area then the related costs will be written off.

Risks

The principal risks and uncertainties facing the Group are the normal ones inherent in carrying out exploration. Exploration for natural resources is speculative and involves significant risk. Drilling and operating risks include geological, geotechnical, seismic factors, industrial and mechanical incidents, technical failures, labour disputes and environmental hazards. In addition the Group faces particular country risks due to the fact that almost all of its operations are

African Consolidated Resources plc and its Subsidiaries
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Report of the directors for the year ended 29 February 2008 (Continued)

currently in Zimbabwe where there is political and economic instability. These country risks are further addressed in Note 1 to the Financial Statements.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 19 of the financial statements.

Charitable and political contributions

During the year the Group made charitable contributions of £23,497 (2007 - £9,589).
The Group made no political contributions during the year (2007 - £Nil).

Policy and practice on the payment of creditors

The Group's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers are aware of the terms of payment and to abide by them. It is usual for suppliers to be paid within 30 days of receipt of invoice.

The number of average days purchases of the Company represented by trade creditors at 29 February 2008 was 57 days (2007 - 11 days).

Directors

The directors who served during the year and up to the date hereof were as follows -

	<u>Date of Appointment</u>	<u>Date of Resignation</u>
Stuart Bottomley	27 05 05	-
Andrew Cranswick	12 04 05	-
Ian Fisher	12 04 05	31 03 08
Michael Kellow	22 03 06	-
Roy Tucker	05 04 05	-
Peter Vanderspuy	12 12 06	02 03 07

Directors' interests

The interests in the shares of the Company of the Directors who served during the year were as follows -

	Ordinary Shares held at 29 February 2008 of 1p each	Share Options held at 29 February 2008	Ordinary Shares held at 28 February 2007 of 1p each	Share Options held at 28 February 2007
Stuart Bottomley	1,376,480	3,650,000	1,376,480	3,650,000
Andrew Cranswick	5,400,000	7,115,000	5,400,000	7,115,000
Ian Fisher	4,900,000	4,695,000	4,900,000	4,695,000
Michael Kellow	-	4,150,000	-	4,150,000
Roy Tucker	1,122,223	4,695,000	1,122,223	4,695,000
Peter Vanderspuy	-	-	-	-

**African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements**

Report of the directors for the year ended 29 February 2008 (*Continued*)

All the interests were beneficial and no director has any interest in the shares of any of the subsidiary companies

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Post balance sheet events

There are no material post balance sheet events.

By order of the Board

Roy Tucker
Secretary



21 July 2008

Statement of directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to

- consistently select and apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

African Consolidated Resources plc

Report of the independent auditors

To the shareholders of African Consolidated Resources plc

We have audited the group and parent company financial statements (the "financial statements") of African Consolidated Resources plc for the year ended 29 February 2008 which comprise the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of change in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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 other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chief Executive Officer's Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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.

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

African Consolidated Resources plc

Report of the independent auditors (continued)

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

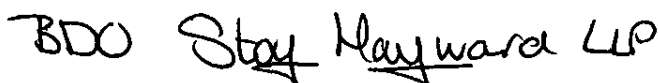
Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 29 February 2008 and of its loss for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 29 February 2008,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Emphasis of Matter - political and economic instability in Zimbabwe

In forming our opinion, which is not qualified, we have considered the directors' assessment (see basis of preparation in note 1) of the political and economic instability in Zimbabwe and the impact on the Group and Company. Current political unrest and variable foreign control policies and practices give rise to a significant uncertainty over the ability of the Group and Company to realise the value of the Group's assets and the Company's investment in Zimbabwe for the benefit of the Company's shareholders. The financial statements do not include the adjustments that would result if the current political and economic position in Zimbabwe changed for the worse and the Group was unable to realise the aforementioned assets.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date 21 July 2008

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

Consolidated income statement
for the year ended 29 February 2008

		2008 Group	2007 Group
		£	£
	Notes		
Revenue		-	-
Administrative expenses		(1,152,861)	(1,809,334)
Operating loss	3	<u>(1,152,861)</u>	<u>(1,809,334)</u>
Finance income	5	160,813	102,077
Loss before and after taxation		<u>(992,048)</u>	<u>(1,707,257)</u>
Loss attributable to the equity holders of the parent company		<u>(992,048)</u>	<u>(1,707,257)</u>
Loss per share – basic and diluted	9	<u>(0 48) pence</u>	<u>(0 96) pence</u>

All amounts above relate to continuing operations

The accompanying accounting policies and notes on pages 15 - 39 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

Group Statement of Changes in Equity
for the year ended 29 February 2008

Group	Share capital account	Share premium account	Share option reserve	Available for sale reserve	Retained earnings/ (losses)	Total
	£	£	£	£	£	£
At 28 February 2006	1,456,270	2,442,790	53,000	-	(340,719)	3,611,341
Available for sale investments	-	-	-	(10,866)	-	(10,866)
– valuation losses	-	-	-	(10,866)	-	(10,866)
Net income recognised directly in equity	-	-	-	-	-	-
Loss for the year	-	-	-	-	(1,707,257)	(1,707,257)
Total recognised income and expense for the year	-	-	-	(10,866)	(1,707,257)	(1,718,123)
Share options	-	-	434,194	-	-	434,194
Issue of share capital (net of issue costs of £336,831)	443,671	3,991,863	-	-	-	4,435,534
At 28 February 2007	1,899,941	6,434,653	487,194	(10,866)	(2,047,976)	6,762,946
Available for sale investments	-	-	-	16,157	-	16,157
– valuation gain	-	-	-	16,157	-	16,157
Net income recognised directly in equity	-	-	-	-	-	-
Loss for the year	-	-	-	-	(992,048)	(992,048)
Total recognised income and expense for the year	-	-	-	16,157	(992,048)	(975,891)
Share options	-	-	244,458	-	-	244,458
Issue of share capital (net of issue costs of £135,000)	310,345	4,054,655	-	-	-	4,365,000
At 29 February 2008	2,210,286	10,489,308	731,652	5,291	(3,040,024)	10,396,513

The accompanying accounting policies and notes on pages 15 to 39 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

Company Statement of Changes in Equity
for the year ended 29 February 2008

Company	Share capital account	Share premium account	Share option reserve	Retained earnings/ (losses)	Total
	£	£	£	£	£
At 28 February 2006	1,456,270	2,442,790	53,000	(329,449)	3,622,611
Loss for the year	-	-	-	(1,552,294)	(1,552,294)
Total recognised income and expense for the year	-	-	-	(1,552,294)	(1,552,294)
Share options	-	-	434,194	-	434,194
Issue of share capital (net of issue costs of £336,831)	443,671	3,991,863	-	-	4,435,534
At 28 February 2007	1,899,941	6,434,653	487,194	(1,881,743)	6,940,045
Loss for the year	-	-	-	(534,321)	(534,321)
Total recognised income and expense for the year	-	-	-	(534,321)	(534,321)
Share options	-	-	244,458	-	244,458
Issue of share capital (net of issue costs of £135,000)	310,345	4,054,655	-	-	4,365,000
At 29 February 2008	2,210,286	10,489,308	731,652	(2,416,064)	11,015,182

The accompanying accounting policies and notes on pages 15-39 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
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Group and Company balance sheets

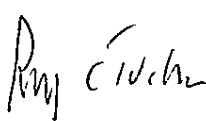
As at 29 February 2008

	Note	29 February 2008 Group £	28 February 2007 Group £	29 February 2008 Company £	28 February 2007 Company £
Assets					
Non-current assets					
Intangible assets	11	5,841,604	4,962,150	528,924	216,358
Property, plant and equipment	12	403,419	372,749	33,382	37,219
Available for sale investments	13	34,655	6,606	394	394
Investment in subsidiaries	14	-	-	653	3
		<u>6,279,678</u>	<u>5,341,505</u>	<u>563,353</u>	<u>253,974</u>
Current assets					
Inventory	15	25,499	32,608	-	-
Receivables	16	162,945	84,632	6,545,497	5,350,025
Available for sale investments	17	37,038	20,891	-	-
Cash and cash equivalents	19	4,142,105	1,514,548	4,133,774	1,503,232
Total current assets		<u>4,367,587</u>	<u>1,652,679</u>	<u>10,679,271</u>	<u>6,853,257</u>
Total Assets		<u>10,647,265</u>	<u>6,994,184</u>	<u>11,242,624</u>	<u>7,107,231</u>
Equity and Liabilities					
Capital and reserves attributable to equity holders of the company					
Called-up share capital	20	2,210,286	1,899,941	2,210,286	1,899,941
Share premium account	20	10,489,308	6,434,653	10,489,308	6,434,653
Available for sale reserve	22	5,291	(10,866)	-	-
Share option reserve	22	731,652	487,194	731,652	487,194
Retained earnings	22	(3,040,024)	(2,047,976)	(2,416,064)	(1,881,743)
Total equity		<u>10,396,513</u>	<u>6,762,946</u>	<u>11,015,182</u>	<u>6,940,045</u>
Current liabilities					
Trade and other payables	18	250,752	231,238	227,442	167,186
Total current liabilities		<u>250,752</u>	<u>231,238</u>	<u>227,442</u>	<u>167,186</u>
Total Equity and Liabilities		<u>10,647,265</u>	<u>6,994,184</u>	<u>11,242,624</u>	<u>7,107,231</u>

The accompanying accounting policies and notes on pages 15 to 39 form an integral part of these financial statements

The accounts on pages 10 to 39 were approved and authorised for issue by the Board of Directors on 21 July 2008 and were signed on its behalf by

Roy C Tucker
Director


21st July 2008

African Consolidated Resources plc and its Subsidiaries
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Group and Company cash flow statements
for the year ended 29 February 2008

	2008 Group £	2007 Group £	2008 Company £	2007 Company £
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the year	(992,048)	(1,707,257)	(534,321)	(1,552,294)
Adjustments for				
Depreciation	116,861	59,910	15,755	13,998
Write-off of deferred expenditure/intangible assets	31,984	-	30,254	-
Finance income	(160,813)	(102,077)	(160,797)	(94,306)
Profit on sale of available for sale investments	2,186	(38,607)	-	-
Profit on sale of property, plant and equipment	(353)	-	-	-
Share option charges	244,458	409,461	244,458	409,461
	234,323	328,687	129,670	329,153
Changes in working capital				
Increase in receivables	(78,313)	(30,647)	(1,195,472)	(2,892,911)
Decrease in inventories	7,109	18,167	-	50,775
Increase/(Decrease) in payables	19,514	(752,207)	60,256	(792,582)
	(51,690)	(764,687)	(1,135,216)	(3,634,718)
Cash generated from operations	(809,415)	(2,143,257)	(1,539,867)	(4,857,859)
Investing activities				
Payments to acquire intangible assets	(911,438)	(2,632,939)	(342,820)	(154,413)
Payments to acquire property, plant and equipment	(152,248)	(305,279)	(11,918)	(11,435)
Payments to acquire available for sale investments	(59,432)	(120,000)	-	-
Payments to acquire investment in subsidiaries	-	-	(650)	-
Proceeds on disposal of property, plant and equipment	5,070	14,996	-	-
Proceeds on disposal of available for sale investments	29,207	163,517	-	-
Interest received	160,813	102,077	160,797	94,306
	(928,028)	(2,777,628)	(194,591)	(71,542)
Financing Activities				
Proceeds from the issue of ordinary shares, net of issue costs	4,365,000	4,460,267	4,365,000	4,460,267
(Decrease)/Increase in cash and cash equivalents	2,627,557	(460,618)	2,630,542	(469,134)
Cash and cash equivalents at beginning of year	1,514,548	1,975,166	1,503,232	1,972,366
Cash and cash equivalents at end of year	4,142,105	1,514,548	4,133,774	1,503,232

The accompanying notes and accounting policies on pages 15 to 39 form an integral part of these financial statements

African Consolidated Resources plc and its Subsidiaries
2008 Group Annual Report and Financial Statements

Statement of accounting policies
for the year ended 29 February 2008

1 Accounting Policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied throughout the current and prior year presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

In the preparation of the financial statements the directors have considered the current political and economic instability in Zimbabwe and the impact on the Group and Company.

The presidential election run off on 27 June 2008, together with the soaring inflation, high unemployment and collapse of the value of the Zimbabwean dollar, and the strong opposition to change in the country has attracted global criticism. There has been press speculation that mining assets could be nationalised, but there have been no such actions to date that the Directors are aware of.

The foreign currency account approval process of the Central Reserve Bank does not, in practice, operate in line with the published Central Reserve Bank terms of trade and adversely affects the timing of receipt of foreign currency for the Group.

The directors have further considered the quality of the assets held by the Company through its investment in its subsidiary undertakings in Zimbabwe and have concluded that the current political and economic instability are not detrimental to the long term value of the assets to the shareholders of the Company.

Change in Accounting Policy

New standards, amendments to published standards and interpretations to existing standards effective on 1 March 2007 adopted by the group

New and revised standards effective for 29 February 2008 year-ends	Standard	Effective for annual periods beginning on or after
New Standard	<i>IFRS 7 – Financial Instruments Disclosures</i> The Group is in compliance with the requirements of IFRS 7	1 January 2007
Amendment	<i>IAS 1 – Presentation of Financial Statements – Capital Disclosures</i> There was no impact on the adoption of IAS 1 on the results or net assets of the group	1 January 2007
Interpretations	<i>IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i> <i>IFRIC 8 – Scope of IFRS 2</i> <i>IFRIC 9 – Reassessment of Embedded Derivatives</i> <i>IFRIC 10 – Interim Financial Reporting and Impairment</i>	1 March 2006 1 May 2006 1 June 2006 1 November 2006

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Statement of accounting policies (continued)
for the year ended 29 February 2008

Change in Accounting Policy (continued)

New standards, amendments to published standards and interpretations to existing standards in issue at 28 February 2008 but not yet effective, that will be applicable to the group in the future

New and revised standards issued but not effective for 29 February 2008 year-ends	Standard	Effective for annual periods beginning on or after
New Standard	<i>IFRS 8 – Operating Segments</i>	1 January 2009
Amendment	<i>IFRS 3* – Business Combinations</i>	1 July 2009
	<i>IFRS 2* – Share-based Payment – Vesting Conditions and Cancellations</i>	1 January 2009
	<i>LAS 1* – Presentation of Financial Statements – A revised Approach</i>	1 January 2009
	<i>LAS 23* – Borrowing Costs</i>	1 January 2009
	<i>LAS 27* – Consolidated and Separate Financial Statements</i>	1 July 2009
	<i>LAS 32 and 1* – Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2009
	<i>Improvements to IFRS*</i>	1 July 2009
Interpretations	<i>IFRIC 11 – IFRS 2 Group and Treasury Share Transactions</i>	1 March 2007
	<i>IFRIC 12* – Service Concession Arrangements</i>	1 January 2008
	<i>IFRIC 13* – Customer Loyalty Programmes</i>	1 July 2008
	<i>IFRIC 14* – LAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretation</i>	1 January 2008
	<i>IFRIC 15* – Agreements for the Construction of Real Estate</i>	1 January 2009
	<i>IFRIC 16* – Hedges of a Net Investment in a Foreign Operation</i>	1 October 2008

Items marked* had not yet been endorsed by European Union at the date that these financial statements were approved and authorised for issue by the Board. The standards listed above are not yet effective and are not expected to have a significant impact on the Group.

The preparation of the group financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below.

a) Useful lives of property, plant & equipment

Property, plant and equipment are depreciated over their useful economic lives. Useful economic lives are based on management's estimates of the period that the assets will be in operational use,

Statement of accounting policies (continued)
for the year ended 29 February 2008

Basis of preparation (continued)

which are periodically reviewed for continued appropriateness. Due to the long life of certain assets, changes to estimates used can result in significant variations in the carrying value. More details, including carrying values, are included in note 12 to the financial statements.

b) Impairment of intangibles

The Group is required to test, on an annual basis, whether deferred exploration costs, mining options and licence acquisition costs have suffered any impairment. The recoverable amounts are determined based on an assessment of the economically recoverable mineral reserves, the ability of the group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition of recoverable reserves. Actual outcomes may vary. More details, including carrying values, are included in note 11 to the financial statements.

c) Share based payments

The Group operates an equity settled share based remuneration scheme for key employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of equity instruments at the date of grant. The fair value of the share options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in note 21 and include, among others, the expected volatility and expected life of the options.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The financial information presents the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full.

Business combinations

The financial information incorporates the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. The licences acquired have been valued at their fair value using appropriate valuation techniques and posted to intangible assets.

Revenue

The Group and Company had no turnover during the period.

Foreign currency

The functional currency of the Company and all of its subsidiaries, is Pounds Sterling, which is the currency of the primary economic environment in which the Company and all of its subsidiaries operate. The Zimbabwean subsidiaries retain ledgers in the functional currency and where transactions are denominated in Zimbabwe Dollars, they are translated at the best rate achievable given all relevant circumstances at the time.

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement,

Statement of accounting policies (continued) for the year ended 29 February 2008

except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation

Provision for abandonment costs

Provision for abandonment costs are recognised at the commencement of mining. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is calculated by discounting the future cash flows at a pre tax rate that reflects current market assessments of the time value of money at that time. A corresponding property, plant and equipment asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of production. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the property, plant and equipment assets.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received, except where it is in respect to costs associated with the issue of shares, in which case, it is charged to the share premium account.

Tax

The major components of income tax on the profit or loss include current and deferred tax.

Current tax is based on the profit or loss adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- The initial recognition of goodwill,
- Goodwill for which amortisation is not tax deductible
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the differences will not reverse in the foreseeable future.

Statement of accounting policies (continued)
for the year ended 29 February 2008

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised

Deferred tax (continued)

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted

Deferred development and exploration costs

In accordance with the full cost method, all costs associated with mining property development and investment are capitalized on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining property development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Group, the related costs will be written off.

Unevaluated mining properties are assessed at each year end and where there are indications of impairment these costs are written off to the income statement. The recoverability of deferred mining property costs and interests is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

If commercial reserves are developed, the related deferred development and exploration costs are then reclassified as development and production assets within property, plant and equipment.

Proved mining properties

Depletion and amortisation of the full-cost pools is computed using the units-of-production method based on proved reserves as determined annually by management.

Mineral rights

Mineral rights are recorded at cost less amortisation and provision for diminution in value. Amortisation will be over the estimated life of the commercial ore reserves on a unit of production basis.

Licences for the exploration of natural resources will be amortised over the lower of the life of the licence and the estimated life of the commercial ore reserves on a unit of production basis.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Plant is subsequently carried at fair value, based on periodic (usually triennial) valuations by a professionally qualified valuer. Changes in fair value are recognised in equity (the "revaluation reserve"). An appropriate transfer is made from the revaluation reserve to retained earnings when plant is expensed through the income statement (eg through depreciation, impairment or sale). All other items of property and equipment are carried at depreciated cost. Depreciation is provided on all other items of property and equipment is to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Statement of accounting policies (continued)
for the year ended 29 February 2008

Property, plant and equipment (continued)

Plant and machinery –	25% per annum, straight line
Fixtures and fittings –	25% per annum, straight line
Computer equipment –	33% per annum, straight line
Motor vehicles –	20% per annum, straight line

The depreciation on assets utilised directly for exploration activities is capitalised as deferred exploration costs. Depreciation in respect of all other assets is charged to administrative expenses in the income statement.

Financial assets

The Group's financial assets consist of cash and cash equivalents, trade and other receivables and available for sale investments. The Group's accounting policy for each category of financial asset is as follows:

Loans and receivables These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise other receivables and cash and cash equivalents in the balance sheet.

There is no significant difference between the carrying value and fair value of receivables.

Available for sale Non-derivative financial assets not included in the categories above are classified as available-for-sale and comprise the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

Financial liabilities

The Group's financial liabilities consist of trade and other payables, which are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

Statement of accounting policies (continued)
for the year ended 29 February 2008

Cash and cash equivalents

Cash comprises cash in hand and balances with banks. Cash equivalents are short term, highly liquid accounts that are readily converted to known amounts of cash. They include short term bank deposits originally purchased with maturities of less than three months.

Leased assets

Where assets are financed by leasing agreements that do not give rights approximating ownership, these are treated as operating leases. The annual rentals are charged to the income statement on a straight line basis over the term of the lease.

Pension costs

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

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Notes to financial statements
for the year ended 29 February 2008

2 Segmental analysis

The Group operates in one business segment, the exploration for and production of mineral assets. African Consolidated Resources plc has interests in one geographical segment being Southern Africa, primarily Zimbabwe and Zambia.

3 Group loss from operations

	2008	2007
	Group	Group
	£	£
Operating loss is stated after charging/(crediting)		
Auditors' remuneration – audit (Company £28,000) (2007 - £29,000)	32,208	34,255
Auditors' remuneration – for services relating to corporate finance transactions (Company £ nil) (2007 - £32,948)	-	32,948
Depreciation	116,861	59,910
Office lease	15,185	12,262
Foreign exchange gains	(14,975)	(17,380)
Share issue and IPO related expenses	-	523,717
Employee share option expense	244,458	409,461
Employee pension costs	7,650	6,075
Wages and salaries	206,342	179,026
Profit on disposal of fixed assets	(352)	-
Loss/(Profit) on disposal of financial assets	2,186	(38,607)

4 Auditors' remuneration

For auditing of accounts of the Company pursuant to legislation	28,000	29,000
For auditing of accounts of the subsidiaries pursuant to legislation	4,208	5,255
For services relating to corporate finance transactions	-	40,000
	32,208	74,255

Fees for services relating to corporate finance transactions include £7,052 relating to the company's Initial Public Offering which have been set off against the share premium account.

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Notes to financial statements (continued)
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5	Finance income	2008 Group £	2007 Group £
	Interest received on bank deposits	160,813	102,077

The amounts disclosed above represent the total interest income calculated using the effect interest rate method

6 Taxation

There is no tax charge arising for the Group for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained

Loss before taxation	(992,048)	(1,707,257)
Loss before taxation at the standard rate of corporation tax in the UK of 30% (2007 30%)	(297,614)	(512,177)
Expenses disallowed for tax (principally depreciation, share issue expenses and share option expenses)	109,010	297,926
Loss carried forward	188,604	214,251

Tax charge for the year	-	-
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Factors that may affect future tax charges

At the 29 February 2008, the Company had UK tax losses of approximately £1,170,000 (2007- £863,000) carried forward which can be utilised against future profits. However these losses are only recoverable against future profits, the timing of which is uncertain and as a result no deferred tax asset is being recognised in respect of these losses

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Notes to financial statements (continued)
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7 Employees

Staff costs (including directors) consist of

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Wages and Salaries - management	186,636	156,125	178,440	143,125
Wages and Salaries – other	19,706	22,901	-	-
	206,342	179,026	178,440	143,125
Consultancy fees	452,416	281,458	345,716	276,663
Social Security costs	1,782	639	1,756	639
Healthcare costs	3,222	-	3,222	-
Pension costs	7,650	6,075	7,650	6,075
	671,412	467,198	536,784	426,502

The average number of employees (including directors) during the year was as follows

	Group 2008 Number	Group 2007 Number	Company 2008 Number	Company 2007 Number
Management	7	6	6	6
Other operations	44	8	-	-
	51	14	6	6

8 Directors' remuneration

	2008 £	2007 £
Directors emoluments	178,440	143,125
Company contributions to pension schemes	7,650	6,075
Healthcare costs	3,222	-
Amounts paid to third parties in respect of directors' services	137,409	188,488
	326,721	337,688

The directors' remuneration represents the emoluments paid to key management

Out of the share based payment charge (see note 3) of £ 244,458 (2007 £409,461), £168,407 (2007 £339,461) relates to directors

Emoluments paid to the highest paid director, including amounts paid to third parties in respect of directors services is £89,292 (2007 - £82,500)

One director (2007 one) accrued benefits under a defined contribution scheme during the year

No directors (2007 nil) exercised share options during the year

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Notes to financial statements (continued)
for the year ended 29 February 2008

9	Loss per share	2008	2007
		Group	Group
	Loss per Ordinary Share has been calculated using the weighted average number of Ordinary Shares in issue during the relevant financial period		
	The weighted average number of Ordinary Shares in issue for the year is	208,614,788	177,289,260
	Losses for the Group for the year are (£)	(992,048)	(1,707,257)
	Loss per share basic and diluted	(0.48p)	(0.96p)
	The effect of all potentially dilutive share options is anti-dilutive. Details of the share options which may dilute the loss per share are disclosed in note 21 in the financial statements		

10 **Loss for the financial year**

The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own income statement in these financial statements. The Group loss for the year includes a loss after taxation of £534,321 (2007 - £1,552,294), which is dealt with in the financial statements of the parent company.

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Notes to financial statements (continued)
for the year ended 29 February 2008

11	Intangible assets	Deferred	Mining	Licence	Total
	Group	exploration	options	acquisition	
		costs		costs	
		£	£	£	£
	Cost at 28 February 2007	2,882,595	47,661	2,031,894	4,962,150
	Additions during the year	891,041	-	20,397	911,438
	Disposals during the year	(1,873)	(30,111)	-	(31,984)
	Cost at 29 February 2008	3,771,763	17,550	2,052,291	5,841,604
	Company				
	Cost at 28 February 2007	110,598	47,661	58,099	216,358
	Additions during the year	342,820	-	-	342,820
	Disposals during the year	(143)	(30,111)	-	(30,254)
	Cost at 29 February 2008	453,275	17,550	58,099	528,924
	Group				
	Cost at 28 February 2006	554,689	14,178	1,760,344	2,329,211
	Additions during the year	2,327,906	33,483	271,550	2,632,939
	Cost at 28 February 2007	2,882,595	47,661	2,031,894	4,962,150
	Company				
	Cost at 28 February 2006	468,144	14,178	46,291	528,613
	Additions during the year	109,122	33,483	11,808	154,413
	Disposals during the year	(466,668)	-	-	(466,668)
	Cost at 28 February 2007	110,598	47,661	58,099	216,358

The balance of license acquisition costs at 28 February 2007 of £58,099 excludes an amount of £252,742 which has been reclassified as an amount due from Group companies and is now included in note 16 to the financial statements. This reclassification has no impact on the total assets and the net assets of the Company at either the current or the previous year end. The reclassification has no impact on the Group financial statements.

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Notes to financial statements (continued)
for the year ended 29 February 2008

12 Property, plant and equipment	Plant and machinery	Fixtures, fittings and equipment	Computer assets	Motor vehicles	Total
Group					
	£	£	£	£	£
Cost at 28 February 2007	183,562	18,741	31,481	209,118	442,902
Additions during the year	64,890	14,227	10,844	62,287	152,248
Disposals during the year	(2,176)	-	-	(3,441)	(5,617)
Cost at 29 February 2008	246,276	32,968	42,325	267,964	589,533
Depreciation at 28 February 2007	14,863	3,848	10,884	40,558	70,153
Charge for the year	52,294	6,032	12,535	46,000	116,861
Disposals during the year	(499)	-	-	(401)	(900)
Depreciation at 29 February 2008	66,658	9,880	23,419	86,157	186,114
Net book amount at 29 February 2008	179,618	23,088	18,906	181,807	403,419

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Notes to financial statements (continued)
for the year ended 29 February 2008

12 Property, plant and equipment (continued)	Plant and machinery	Fixtures, fittings and equipment	Computer assets	Motor vehicles	Total
Company	£	£	£	£	£
Cost at 28 February 2007	11,483	3,953	26,574	12,333	54,343
Additions during the year	1,419	4,154	3,608	2,737	11,918
Cost at 29 February 2008	12,902	8,107	30,182	15,070	66,261
Depreciation at 28 February 2007	3,760	1,234	10,205	1,925	17,124
Charge for the year	2,953	1,075	9,081	2,646	15,755
Depreciation at 29 February 2008	6,713	2,309	19,286	4,571	32,879
Net book amount at 29 February 2008	6,189	5,798	10,896	10,499	33,382
Group					
Net book amount at 28 February 2006	13,275	10,215	21,632	97,254	142,376
Additions during the year	169,375	8,163	8,359	119,382	305,279
Disposals during the year	-	-	-	(14,996)	(14,996)
Charge for the year	(13,951)	(3,485)	(9,394)	(33,080)	(59,910)
Net book amount at 28 February 2007	168,699	14,893	20,597	168,560	372,749
Company					
Net book amount at 28 February 2006	10,594	3,707	20,771	4,710	39,782
Additions during the year	-	-	4,335	7,100	11,435
Charge for the year	(2,871)	(988)	(8,737)	(1,402)	(13,998)
Net book amount at 28 February 2007	7,723	2,719	16,369	10,408	37,219

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Notes to financial statements (continued)
for the year ended 29 February 2008

13 Available for sale investments (Non current)	2008 Group	2007 Group	2008 Company	2007 Company
	£	£	£	£
Fair value at the beginning of the year	6,606	17,472	394	394
Movement in fair value	28,049	(10,866)	-	-
Fair value at the end of the year	34,655	6,606	394	394

The available for sale investments represents investments in quoted companies. The face value of the Company's available for sale investments is not materially different to the market value at either the current or previous year end.

14 Investment in subsidiaries		
Cost at the beginning of the year	3	2
Additions during the year	650	1
Cost at the end of the year	653	3

The principal subsidiaries of African Consolidated Resources plc, all of which are included in these consolidated Annual Financial Statements are as follows:

Company	Country of registration	Class	Proportion held by group 2008	Proportion held by group 2007	Nature of business
Abbarre Limited	United Kingdom	Ordinary	100%	100%	Holding company
Millwall International Investments Limited	BVI	Ordinary	100%	100%	Mining exploration and development
Mimic Mining UK Limited	United Kingdom	Ordinary	100%	100%	Holding company
African Consolidated Resources (Zambia) Limited	Zambia	Ordinary	100%	-	Mining exploration and development
Touzel Holdings Limited	BVI	Ordinary	100%	100%	Nominee company
Canape Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development
* Breckridge Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development
* Lescaut Investments (Private) Limited	Zimbabwe	Ordinary	100%	100%	Mining exploration and development

* Indirectly held

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Notes to financial statements (continued)
for the year ended 29 February 2008

15 Inventory	2008 Group	2007 Group	2008 Company	2007 Company
	£	£	£	£
Material and supplies	25,499	32,608	-	-

There is no material difference between the replacement cost of stocks and the amount stated above

The amount of inventory recognized as an expense during the year was £140,900
(2007 - £448,298)

16 Receivables				
Advance to Group Companies	-	-	6,403,447	5,275,577
Other receivables	162,945	84,632	142,050	74,448
	162,945	84,632	6,545,497	5,350,025

All amounts fall due for payment within one year

Advances to Group companies are repayable on demand, subject to relevant exchange control approvals being obtained

17 Available for sale investments (Current)				
Fair value at the beginning of the year	20,891	25,801	-	-
Additions during the year	59,432	120,000	-	-
Disposals	(31,393)	(124,910)	-	-
Movement in fair value	(11,892)	-	-	-
Fair value at the end of the year	37,038	20,891	-	-

Available for sale investments comprise shares in quoted companies. The face value of the Group's available for sale investments was not materially different to the market value at the previous year end

18 Trade and other payables				
Trade payables	38,739	59,848	33,480	10,642
Other payables	110,124	119,567	92,172	113,525
Other taxes and social security taxes	2,090	6,610	1,991	1,988
Accrued expenses	99,799	45,213	99,799	41,031
	250,752	231,238	227,442	167,186

All amounts fall due for payment within one year

Notes to financial statements (continued)
for the year ended 29 February 2008

19 Financial instruments – risk management

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 to the financial statements. The Group's financial instruments, comprise available for sale investments financial assets (notes 13 and 17), cash and items arising directly from its operations such as trade receivables and trade payables.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however this will be considered periodically by the Board. No derivatives or hedges were entered into during the period.

The Group and Company is exposed through its operations to the following financial risks:

- Credit risk
- Cash flow interest rate risk
- Foreign currency risk
- Liquidity risk

The policy for each of the above risks is described in more detail below.

The principal financial instruments used by the Group, from which financial instruments risk arises are as follow:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Available for sale investments

The fair value of all financial assets and financial liabilities is not materially different to the book value.

Credit risk

Financial assets which potentially subject the Group and the Company to concentrations of credit risk consist principally of cash, short term deposits and trade receivables. Cash balances are all held at recognised financial institutions. Trade receivables are presented net of allowances for doubtful receivables. Trade receivables currently form an insignificant part of the Group's and the Company's business and therefore the credit risk associated with them is also insignificant to the Group and the Company as a whole.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk by class of financial instrument is shown in the table below:

	2008	Maximum	2007	Maximum
	Carrying	exposure	Carrying	exposure
	value		value	
	£	£	£	£
Cash and cash equivalents	4,142,105	4,142,105	1,514,548	1,514,548
Trade and other receivables	162,945	162,945	84,632	84,632

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19 Financial instruments – risk management (continued)

The Company's maximum exposure to credit risk by class of financial instrument is shown in the table below

	2008 Carrying value £	Maximum exposure £	2007 Carrying value £	Maximum exposure £
Cash and cash equivalents	4,133,774	4,133,774	1,503,232	1,503,232
Trade and other receivables	142,050	142,050	74,448	74,448
Advances to Group Companies	6,403,447	6,403,447	5,275,577	5,275,577

Cash flow interest rate risk

The Group has adopted a non speculative policy on managing interest rate risk. Only approved financial institutions with sound capital bases are used to borrow funds and to invest surplus funds in. The Group and the Company had no borrowing facilities at either the current or previous year end.

The Group and the Company seeks to obtain a favourable interest rate on its cash balances through the use of bank deposits. At the year end the Group had a cash balance of £4,142,105 (2007 £1,514,548) which was made up as follows

	2008 Group £	2007 Group £
British pounds	2,964,011	1,385,720
United States dollars	1,172,601	119,485
Zimbabwean dollars	5,373	9,343
Zambian Kwacha	120	-
	4,142,105	1,514,548

Included within the above are amounts of £144,625 and US\$1,821,306 (2007 £1,044,253 and US\$nil) held within fixed rate deposit accounts. Interest rates are 2% to 5% based on bank interest rates.

The Group received interest for the year on bank deposits of £160,813 (2007 £102,077)

The effect of a 10% reduction in interest rates during the year would, all other variables held constant, have resulted in reduced interest income of £16,081 (2007 – £10,208). Conversely, the effect of a 10% increase in interest rates during the year would, on the same basis, have increased interest income by £16,081 (2007 – £10,208).

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19 Financial instruments – risk management (continued)

At the year end, the Company had a cash balance of £4,133,774 (2007 £1,503,232) which was made up as follows

	2008 Company	2007 Company
	£	£
Pounds Sterling	2,964,011	1,385,720
United States dollars	1,169,763	117,512
	4,133,774	1,503,232

The Group and the Company has no interest bearing debts at either the current or previous year end

Liquidity risk

Borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. All assets and liabilities are at the floating interest rate. The Group and the Company seeks to manage its financial risk to ensure that sufficient liquidity is available to meet the foreseeable needs both in the short and long term.

Foreign currency risk

Foreign exchange risk is inherent in the Group's and the Company's activities and is accepted as such. The majority of African Consolidated Resources Plc's expenses are denominated in Pounds Sterling.

At 29 February 2008 and 28 February 2007, the currency exposure of the Group was as follows

	UK Sterling £	US Dollars £	Other Currencies £
At 29 February 2008			
Cash and cash equivalents	2,964,011	1,172,601	5,493
Trade and other receivables	136,339	22,424	4,182
Trade and other payables	(164,590)	(64,727)	(21,435)
Available for sale investments	-	-	71,693
Net assets	2,935,760	1,130,298	59,933

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At 28 February 2007	UK Sterling £	US Dollars £	Other Currencies £
Cash and cash equivalents	1,385,720	119,484	9,344
Trade and other receivables	53,627	20,871	10,134
Trade and other payables	(156,378)	(57,138)	(17,722)
Available for sale investments	-	-	27,497
Net assets	1,282,969	83,217	29,253

The effect of a 10% strengthening of Sterling against the US dollar at the balance sheet date, all other variables held constant, would have resulted in increasing post tax losses by £105,471 (2007 – loss of £7,565). Conversely the effect of a 10% weakening of Sterling against the US dollar at the balance sheet date, all other variables held constant, would have resulted in decreasing post tax losses by £128,191 (2007 – loss of £9,246).

At 29 February 2008 and 28 February 2007, the currency exposure of the Company was as follows

At 29 February 2008	UK Sterling £	US Dollars £
Cash and cash equivalents	2,964,011	1,169,763
Trade and other receivables	84,632	-
Advances to Group companies	6,403,447	-
Trade and other payables	(162,715)	(64,727)
	9,289,375	1,105,036
At 28 February 2007		
Cash and cash equivalents	1,385,720	117,512
Trade and other receivables	74,448	-
Advances to Group companies	5,275,577	-
Trade and other payables	(110,046)	(57,140)
	6,625,699	60,372

Capital

The objective of the directors is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. To date the Company and Group has minimised risk by being purely equity financed. The capital employed by the Group and Company is comprised of equity attributable to shareholders.

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for the year ended 29 February 2008

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Share capital	Number of shares	Nominal value £	Share premium £
Authorised			
Ordinary shares of £0.01 each	1,000,000,000	10,000,000	-
Issued			
Called up, allotted and fully paid			
As at 28 February 2006	145,626,980	1,456,270	2,442,790
Issued during the year	44,367,118	443,671	3,991,863
As at 28 February 2007	189,994,098	1,899,941	6,434,653
Issued during the year	31,034,482	310,345	4,054,655
As at 29 February 2008	221,028,580	2,210,286	10,489,308

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Share options	Outstanding at 28 February 2007	Granted during year	Outstanding at 29 February 2008	Final exercise date
Exercise price				
4.5p	2,500,000	-	2,500,000	Dec 2010
4.5p	1,111,111	-	1,111,111	June 2010
4.5p	11,000,000	-	11,000,000	June 2011
7.0p	1,500,000	-	1,500,000	March 2009
7.0p	37,500	-	37,500	June 2011
12.0p *	666,667	-	666,667	June 2009
12.0p *	5,500,000	-	5,500,000	June 2011
12.5p	-	1,965,000	1,965,000	Dec 2010
14.5p	-	1,945,000	1,945,000	June 2011
15.0p *	5,500,002	-	5,500,002	June 2011
18.0p *	5,499,998	-	5,499,998	June 2011
	33,315,278	3,910,000	37,225,278	

* These options outstanding at the 28 February 2007 were all granted in the previous year
No share options were exercised, lapsed or cancelled in the previous year
All share options have been valued using the Black Scholes method on valuing options from the date of grant. No share options were exercised, lapsed or cancelled in the current year

Notes to financial statements (continued)
for the year ended 29 February 2008

21 Share based payments (continued)

The Company operates an unapproved share option plan for directors, senior management and staff consultants. Details of the valuation basis and the grant and vesting dates are contained below.

Fair value of options - Employees

Inputs to the valuation model

The fair values of awards granted under the Employee Share Option Plan have been calculated using the Black Scholes pricing model that takes into account factors specific to share incentive plans such as the vesting periods of the Plan, the expected dividend yield of ACR's shares and the estimated volatility of those shares.

	4 5p options	12p options	12p options	12p options	14 5p options	15p options	15p options	18p options	18p options
Grant date	June- Nov 2005	June 2006	June 2006	March 2007	Jan 2008	June 2006	June 2006	June 2006	June 2006
Vesting periods	June 2007-	June 2006-	Dec 2007-	Dec 2007-	Dec 2008-	June 2006-	Dec 2007-	June 2006-	Dec 2007-
	June 2011	June 2011	June 2011	Dec 2010	June 2011	June 2011	June 2011	June 2011	June 2011
Share price at date of grant	4 5p	12p	12p	7 7p	14 5p	12p	12p	12p	12p
Exercise price	4 5p	12p	12p	12p	14 5p	15p	15p	18p	18p
Volatility	30%	50%	50%	50%	50%	50%	50%	50%	50%
Option life	3 years	2 years	2 5 years	3 years	2 5 years	2 years	2 5 years	2 years	2 5 years
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk free investment rate	4 5%	4 5%	4 5%	4 86%	4 86%	4 5%	4 5%	4 5%	4 5%

Volatility has been based on the volatility of comparable listed companies in the mining, oil and gas sector, based on historical share price information.

Based on the above assumptions, the fair values of the options granted are estimated to be:

	4 5p options	12p options	12p options	12p options	14 5p options	15p options	15p options	18p options	18p options
Fair value	1 2p	3 7p	4 2p	1 3p	4 5p	2 8p	3 2p	2 1p	2 6p

Expense arising from share-based payments

Based on the above fair values and ACR's expectations of employee turnover, the expense arising from equity-settled share options and share awards made to employees was £244,458 (2007 £409,461).

Notes to financial statements (continued)
for the year ended 29 February 2008

21 Share based payments (continued)

The Company has also granted share options to Geoinformatics Limited and Williams de Broe plc in respect of geological and financial consultancy services provided to the company. Details of the valuation basis and the grant and vesting dates are contained below.

Fair value of options - Commercial

Inputs to the valuation model

The fair values of awards granted under the commercial option agreements have been calculated using the Black Scholes pricing model that takes into account factors specific to share incentive plans such as the vesting periods of the Plan, the expected dividend yield of ACR's shares and the estimated volatility of those shares.

	7p options	12p options
Grant date	January 2006- February 2006	June 2006
Vesting periods	June 2007- June 2011	June 2006- June 2009
Share price at date of grant	7 0p	12p
Exercise price	7 0p	12p
Volatility	30%	50%
Option life	3 years	2 years
Dividend yield	Nil	Nil
Risk free investment rate	4.5%	4.5%

Volatility has been based on the volatility of comparable listed companies in the mining, oil and gas sector, based on historical share price information.

Based on the above assumptions, the fair values of the options granted are estimated to be:

	7p options	12p options
Fair value	1.8p	3.7p

Expense arising from share-based payments

Based on the above fair values and ACR's expectations of commercial realisation, the expense arising from equity-based commercial share options issued for financial consultancy services was £24,733, which has been debited to share premium in the prior period.

Notes to financial statements (continued)
for the year ended 29 February 2008

22 Reserves

Details of the nature and purpose of each reserve within owners' equity are provided below

The share premium account holds the balance of consideration received net of fund raising costs in excess of the par value of the shares

The share options reserve represents the accumulated balance of share benefit charges recognised in respect of share options granted by the company

The available for sale reserve holds the gains/(losses) arising on recognising financial assets classified as available for sale at fair value

The retained earnings reserve represents the cumulative net gains and losses recognised in the consolidated income statement

23 Related party transactions

Group

There were no related party transactions during the year in the group other than directors and key management emoluments which are disclosed in note 8 and the following

- ◊ Andrew Cranswick holds a 25% equity stake in FG Investments (Private) Limited from which Canape Investments (Private) Limited incurred £8,832 (2007 nil) rental expense in the current financial year
- ◊ Canape Investments (Private) Limited purchased two commercial vehicles worth £38,606 (2007 nil) in which Andrew Cranswick had a 50% interest

Company

The Company emoluments to directors and key management are disclosed in note 8 to the financial statements

At the year end, the Company had an outstanding loan to Canape Investments (Private) Limited (a wholly owned subsidiary) of £3,237,224 (2007 £2,289,295) During the year, interest of £114,820 (2007 £51,093) was accrued on this loan This is included in the balance payable by Canape Investments (Private) Limited at the year end

At the year end, the Company had an outstanding loan to Millwall International Investments Limited (a wholly owned subsidiary) of £2,900,574 (2006 £2,733,538) During the year, interest of £110,205 (2007 £7,065) was accrued on this loan This is included in the balance payable by Millwall International Investments Limited at the year end

At the year end, the Company had an outstanding loan to Mimic Mining (UK) Limited (a wholly owned subsidiary) of £242,742 (2007 £242,742)

At the year end, the Company had an outstanding loan to African Consolidated Resources (Zambia) Limited (a wholly owned subsidiary) of £12,905 (2007 £Nil)

At the year end, the Company had an outstanding loan to Abbarre Limited (a wholly owned subsidiary) of £2 (2007 £2)

These receivables totalled £6,403,447 (2007 £5,275,577) at the year end and are included in note 16 to the financial statements

The Company also charged a management fee to Canape Investments (Private) Limited of £10,000 (2007 £10,000) during the year

Notes to financial statements (continued)
for the year ended 29 February 2008

24 Contingent liabilities and capital commitments

There is a contingent liability, which in the opinion of the directors is not likely to exceed £63,650, in respect of the Giant acquisition made in the period to 28 February 2006 relating to resource ounces still in the process of being quantified

25 Litigation

Amongst intangible assets for the Group is included £256,314 (2007 £95,307) representing costs of title acquisition and of exploration over a diamond deposit near Marange. On 28 September 2006, the Group received notification from the Zimbabwe Minister of Mines that he intended to challenge the group's legal title with respect to Marange. The Group has initiated proceedings in the Zimbabwe High Court in order to confirm this title. Counsel has advised that in his opinion the Group's title is good and therefore no provision against loss of this asset has been made.

There is no other litigation involving any group company.