CAPS HOLDINGS LIMITED

UNAUDITED RESULTS

FOR THE HALF YEAR ENDED 30 JUNE 2008

THE CHAIRMAN'S STATEMENT

I am pleased to present the unaudited financial statements for the half-year ended 30 June 2008.

OVERVIEW

The economic environment posed several challenges to the Group during the period under review. The macroeconomic fundamentals continued to decline and were not conducive for business. Although the demand for the Group's products remained high, it was largely unfulfilled due to foreign currency shortages, product availability challenges for locally sourced products and frequent power outages. Consequently, capacity utilisation remained suppressed during the period.

In the 1st quarter of 2008, the Group experienced significant delays in accessing and utilising the foreign currency that was in the Group's foreign currency accounts. This included a Euro 1.2 million advance payment for the European Union funded tender for the supply of antibiotics and pain killers to the Government of Zimbabwe. This meant that the tender deadline would be missed due to the late start in the production cycle and consequently capacity utilisation was low.

At the beginning of the 2nd quarter, the Central Bank made a number of options available to industry in respect of the foreign currency balances that the former had locked up. For a number of units, the Group took the option where these balances were to be paid back in Zimbabwe dollars. The resultant payouts, however, were at uneconomic exchange rates and could not restore the affected companies to their former positions. For St Anne's Hospital, US$75,573 which was earmarked to purchase theatre equipment, was liquidated and the resultant paltry payouts led to operational challenges including cancellation of pre-booked operations at the hospital.

In spite of all these challenges and financial losses incurred by the Group due to the operating environment, the Group remains committed to providing affordable medicines to the country and to Sub Saharan Africa.

BASIS OF PREPARATION

The financial statements are presented in Zimbabwe dollars, based on historical cost restated to take into account the effects of inflation in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies". The restatement is based on conversion factors derived from the Zimbabwe Consumer Price Indices (CPI) compiled by the Zimbabwe Central Statistics Office.

The indices used were as follows:

Date	Indices	Conversion Factors
30 June 2008	1,227,614,935,650.80	1.00
31 December 2007	441,490,130.80	2,780.62
30 June 2007	11,666,028.71	105,222.69

KEY FINANCIAL HIGHLIGHTS

Turnover decrease of 28% to $22 Quadrillion.

Monetary gain of $16 Quadrillion

Investment income of $2,6 Quadrillion

Profit before taxation decrease of 58% to $7 Quadrillion

Basic earnings per share increase of 507% to $76 million

SEGMENTAL OVERVIEW

Manufacturing

The performance of this segment is directly linked to foreign currency availability. The delays experienced in accessing funds that were in the foreign currency accounts in order to purchase raw materials, resulted in poor production and sales volumes. The country's manufacturing sector continues to contract and most of the activities have moved to the informal sector. This has resulted in counterfeit products making their way into the market. The Group's products have not been spared; fake cough syrups and fake anesthetics have been found at government referral hospitals and are being investigated by the authorities.

The advent of the new all inclusive Government, is expected to result in an improvement in the foreign currency inflows into the country. We intend to take full advantage of the results of any possible positive political settlement.

Wholesale

The segment's performance was below expectation. This is attributed to product availability challenges from most local suppliers, coupled with an inability to import finished goods due to foreign currency scarcity.

Retail

Product shortages experienced by manufacturers and wholesalers affected the performance of this segment. The high rate of inflation made pricing of products extremely difficult. The cash shortages in the economy also reduced consumers' propensity to spend. The number of Point of Sale machines was increased in selected branches in an effort to counter this problem. The business still retains the potential of contributing positive results to the Group. Its brand name is still intact and the spread of its branches around the major cities in the country remains a major advantage.

Hospital

St Anne's performance was mainly affected by professional tariffs which were non viable and in some instances frozen during the period under review against galloping costs. Terms from suppliers were unfavourable. Demand for the hospital's products, however, remained high.

Regional Operations

Erratic supply of products from the factory as a result of foreign currency constraints affected the regional entities given that they rely almost entirely on the factory for products. We still view the location of these entities to be strategic. In this regard, the supply of products to these markets will continue to be prioritised.

FUTURE OUTLOOK

Additional foreign currency is required for the retooling of the recently refurbished factories and also for the relocation of the sterile plant. The Group is seeking to pursue a US$40million private placement in the last quarter of 2008. However, the signing of the agreement between ZANU PF and the two MDC formations on resolving the challenges facing the country could provide a source of funds for Group companies through the private sector regeneration programme and the health service recovery.

The Group is currently negotiating with a sovereign state fund to establish a US$70 million factory in a neighbouring country to minimise the Group's exposure to the local environment.

OUR STAFF

I recognise that our people are our most valuable resource. They are the essential ingredient that will allow the Group to offer a service which will not only meet but also exceed our customers' expectations. I am grateful to all of them for their loyalty and dedication. Mr. S. Mavende, the Chief Financial Officer, resigned in August 2008. I would like to thank him for his contribution and wish him all the best in his future endeavours.

OUR SHAREHOLDERS AND DIVIDEND

The Board has resolved that no interim dividend will be declared in order to conserve working capital bases.

F. C. Mtandah
Executive Chairman

25 September 2008

CONSOLIDATED INCOME STATEMENT
for the half year ended 30 June 2008

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED 30 JUNE 2008 Z$Million	UNAUDITED 30 JUNE 2007 Z$Million	UNAUDITED 30 JUNE 2008 Z$Million	UNAUDITED 30 JUNE 2007 Z$Million
Turnover	22,018,186,368	30,458,146,679	5,493,334,294	168,973
(Loss) / profit before interest and taxation and investment income	(9,330,873,361)	(2,763,902,561)	3,671,055,447	37,578
Net interest payable	(2,291,277,184)	(196,937,598)	(1,362,701,149)	(703)
Investment income	2,615,113,305	-	3,091,647,500	-
Monetary gain	15,836,555,435	19,086,301,720	-	-
Profit before taxation	6,829,518,195	16,125,461,561	5,400,001,798	36,875
Taxation	23,005,057,783	(10,359,193,207)	296,142,311	(10,393)
Profit after taxation	29,834,575,978	5,766,268,354	5,696,144,109	26,482
Attributable to:				
Equity holders of the parent	34,354,224,900	5,658,465,044	5,413,784,819	23,244
Minority interests in (loss) / profit	(4,519,648,922)	107,803,310	282,359,290	3,238
	29,834,575,978	5,766,268,354	5,696,144,109	26,482
Earnings per share				
Basic earnings per share ($)	75,855,018	12,488,552	11,953,777	51
Diluted earnings per share ($)	75,855,018	10,535,371	11,953,777	43
Headline earnings per share ($)	75,855,018	12,488,552	11,953,777	51

CONSOLIDATED CASHFLOW STATEMENT
for the half year ended 30 June 2008

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED 30 JUNE 2008 Z$Million	UNAUDITED 30 JUNE 2007 Z$Million	UNAUDITED 30 JUNE 2008 Z$Million	UNAUDITED 30 JUNE 2007 Z$Million
Net cash used in operating activities	(2,225,148,983)	(1,561,473,872)	(4,946,065,838)	(14,840)
Net cash used in investing activities	(9,612,168,551)	(1,518,838,424)	(24,552,053,800)	(14,434)
Net cash (used in) / generated from financing activities	(7,167,279,739)	2,356,483,904	33,061,078,320	22,395
Net (decrease) / increase in cash and cash equivalents for the period	(19,004,597,273)	(723,828,392)	3,562,958,682	(6,879)
Cash and cash equivalents at the beginning of the period	22,575,674,900	1,434,349,883	8,118,945	13,631
Cash and cash equivalents at the end of the period	3,571,077,627	710,521,491	3,571,077,627	6,752

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	INFLATION ADJUSTED		HISTORICAL	
	UNAUDITED 30 JUNE 2008 Z$Million	AUDITED 31 December 2007 Z$Million	UNAUDITED 30 JUNE 2008 Z$Million	AUDITED 31 December 2007 Z$Million
ASSETS				
Non-current assets				
Property, plant and equipment	145,322,749,291	149,040,485,372	145,322,749,327	50,638,433
Intangible assets	189,161,693,218	122,065,996,389	189,161,693,218	43,898,890
Long term receivables	8,969,036,192	10,008,296,993	8,969,036,192	3,599,308
	343,453,478,701	281,114,778,754	343,453,478,737	98,136,631
Current assets				
Inventories	22,424,561,584	21,331,408,428	12,153,402,336	2,713,813
Accounts receivable	14,511,108,095	17,712,031,295	7,255,517,664	5,400,585
Held for trading investments	3,091,655,538	255,471,684	3,091,655,538	91,876
Bank and cash balances	3,571,077,627	22,575,674,900	3,571,077,627	8,118,945
	43,598,402,844	61,874,586,307	26,071,653,165	16,325,219
TOTAL ASSETS	387,051,881,545	342,989,365,061	369,525,131,902	114,461,850
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	295,949,230,934	206,508,870,790	225,541,913,887	64,754,322
Minority interests	30,200,546,824	34,720,195,747	84,586,206,443	13,410,718
Total equity	326,149,777,758	241,229,066,537	310,128,120,330	78,165,040
Non-current liabilities				
Deferred taxation	14,223,734,045	39,634,585,231	12,718,641,830	13,954,390
Long term liabilities	11,673,893,212	3,120,191,387	11,673,893,212	126,066
Shareholder loan	21,358,828,871	37,111,492,771	21,358,828,871	13,346,496
	47,256,456,128	79,866,269,389	45,751,363,913	27,426,952
Current liabilities				
Accounts payable	12,739,580,284	21,193,148,353	12,739,580,284	8,617,799
Short term loans	41,832,450	10,150,114	41,832,450	3,650
Provision for taxation	864,234,925	690,730,668	864,234,925	248,409
	13,645,647,659	21,894,029,135	13,645,647,659	8,869,858
TOTAL EQUITY AND LIABILITIES	387,051,881,545	342,989,365,061	369,525,131,902	114,461,850

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half year ended 30 June 2008

INFLATION ADJUSTED

	Equity attributable to equity holders of the parent								Minority Interests	Total Equity
	Share Capital Z$Million	Adjustment To Share Capital Z$Million	Share Premium Z$Million	Treasury Shares Z$Million	Revaluation Surplus Z$Million	Retained Earnings Z$Million	Foreign Currency Translation Reserve Z$Million	Total Z$Million	Z$Million	Z$Million
Balance at 31 December 2007	-	6,958,711,832	13,836,138,568	(102,284,132)	14,224,675,930	171,554,398,209	37,230,383	206,508,870,790	34,720,195,747	241,229,066,537
Revaluation surplus	-	-	-	-	-	-	-	-	-	-
Deferred taxation on revaluation	-	-	-	-	-	-	-	-	-	-
Minority interests in revaluation	-	-	-	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	-	55,107,207,240	55,107,207,240	-	55,107,207,240
Acquisition of treasury shares	-	-	-	(21,071,996)	-	-	-	(21,071,996)	-	(21,071,996)
Profit attributable to shareholders	-	-	-	-	-	34,354,224,900	-	34,354,224,900	(4,519,648,923)	29,834,575,977
Balance at 30 June 2008	-	6,958,711,832	13,836,138,568	(123,356,128)	14,224,675,930	205,908,623,109	55,144,437,623	295,949,230,934	30,200,546,824	326,149,777,758

HISTORICAL

	Equity attributable to equity holders of the parent						Minority Interests	Total Equity
	Share Capital Z$Million	Share Premium Z$Million	Treasury Shares Z$Million	Revaluation Surplus Z$Million	Retained Earnings Z$Million	Foreign Currency Translation Reserve Z$Million	Z$Million	Z$Million
Balance at 31 December 2007	-	75	(36,784)	26,750,869	809,779	37,230,383	13,410,718	78,165,040
Revaluation surplus	-	-	-	261,965,283,567	-	-	-	261,965,283,567
Deferred taxation on revaluation	-	-	-	(12,718,641,830)	-	-	-	(12,718,641,830)
Minority interests in revaluation	-	-	-	(84,290,436,435)	-	-	84,290,436,435	-
Translation reserve	-	-	-	-	-	55,107,207,240	-	55,107,207,240
Acquisition of treasury shares	-	-	(37,797)	-	-	-	-	(37,797)
Profit attributable to shareholders	-	-	-	-	5,413,784,819	-	282,359,290	5,696,144,109
Balance at 30 June 2008	-	75	(74,581)	164,982,956,171	5,414,594,598	55,144,437,623	84,586,206,443	310,128,120,330

Directors: F.C. Mtandah* (Chairman), G. Conrad, S. Jordaan*, S. Mavende*, J. Nderere, B. Nkomo, R. Nyaruwanga*, M. Vickery
* - Executive

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