Annual Report & Financial Statements 2011

Feeding the Nation

Quality **Affordability** **Accessibility**

Zambeef Products PLC

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Annual Report & Financial Statements 2011

Welcome message

Welcome to the 2011 edition of Zambeef Products PLC's annual report and financial statements. This has been a year of achievements with the largest acquisition in our history, a dual listing on the London AIM, and continued positive performance of the Zambian economy. We continue to grow our business and strive to provide value to all our stakeholders.

We take this opportunity to present you with all the information required to analyse our performance, the milestones we have achieved during this financial year, and the continued strides we take to ensure that we enhance our reputation of ensuring that we are the leading food basket provider in Zambia.

Dr. Jacob Mwanza
Chairman

Francis Grogan
Chief Executive Officer

Who we are

Zambeef Products PLC ("Zambeef", the "Company", or, together with its subsidiaries the "Group") is one of the largest integrated agri-businesses in Zambia.

The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed, flour and bread. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 8,000 Ha of row crops under irrigation and 9,000 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana, as well as developing a palm project in Zambia.

Where we are going

Our vision is to be the most accessible and affordable quality protein provider in the region.

We wish to increase the efficiency and capacity of our primary production facilities and we continue to pursue a vertically integrated business model.

We intend to expand our retail and wholesale distribution channels in order to increase market penetration in the region.

Our History

1994 — Incorporation

2003 — LuSE Listing

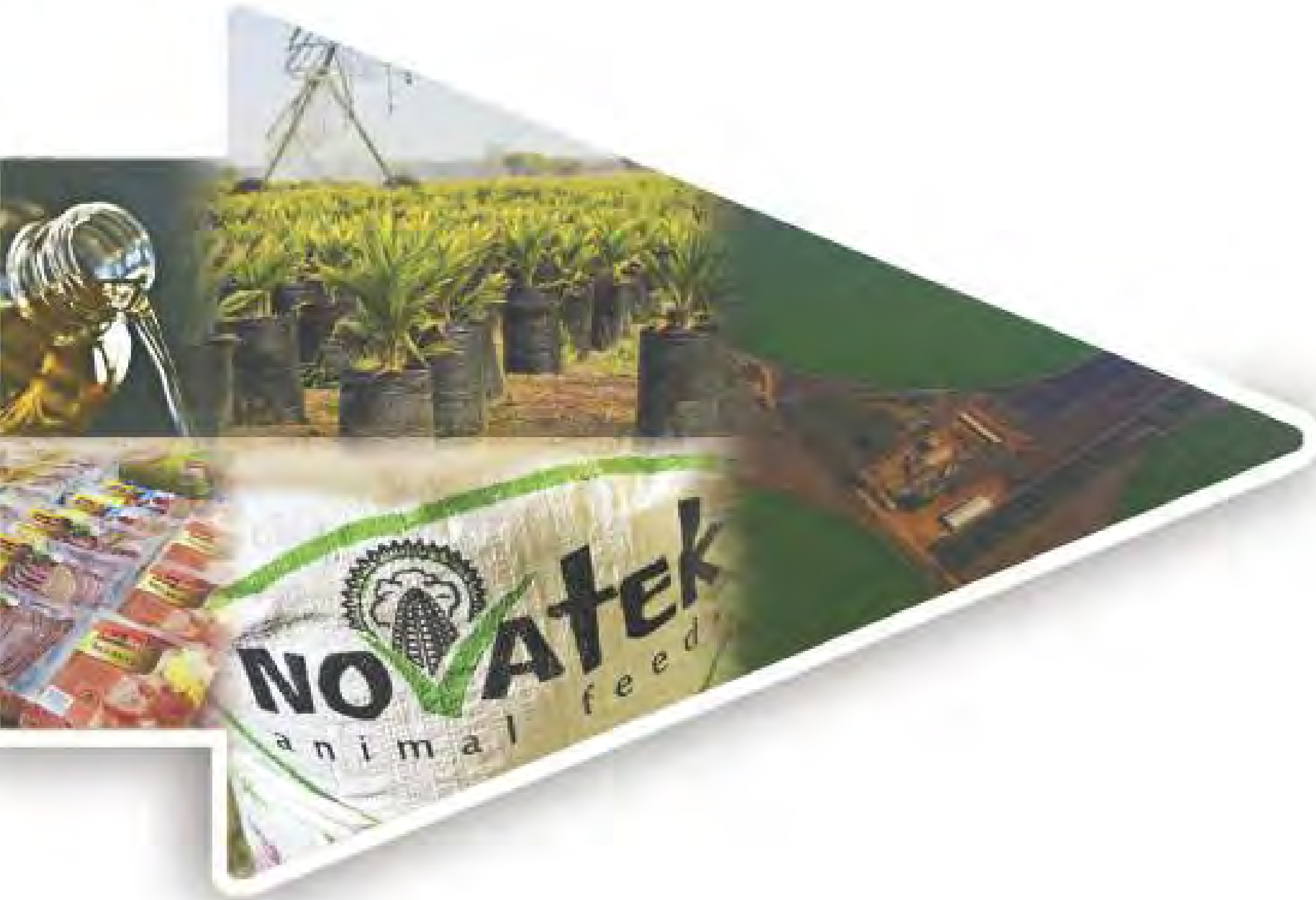
2005 & 2007 — West Africa Expansion

Nigeria & Ghana

From a beef company to an integrated agri-

2008	2010	2011
Acquisitions	**Expansion**	**AIM Listing & Acquisition of Mpongwe Farm**
Master Pork Ltd Zamanita Ltd Chiawa Farm Assets Zampalm Ltd	Chiawa Farm expansion New stock feed plant	

business




Cooking oil

Contents

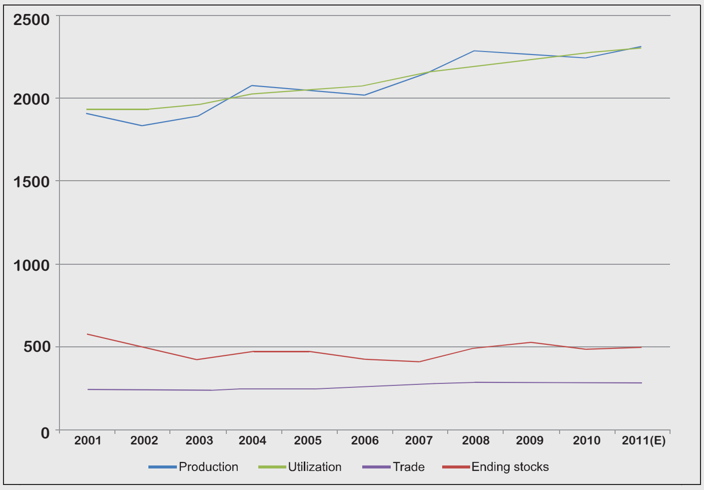
Chiawa Farm Aerial View

Overview

World Food Overview

Food is essential for sustainability and nourishment. The global food dynamics are undergoing rapid change, presenting both challenges and opportunities.

Agricultural production is expected to increase in the short to medium term, along with utilisation.



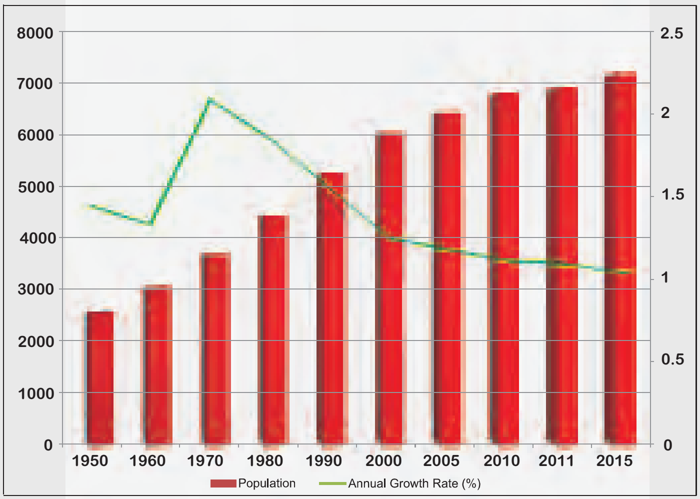
World Cereal Market

During 2008, commodity prices increased substantially to a 20 year high. Since this spike, global prices have been increasingly volatile, as seen below.

World Annual Real Food Prices Indices

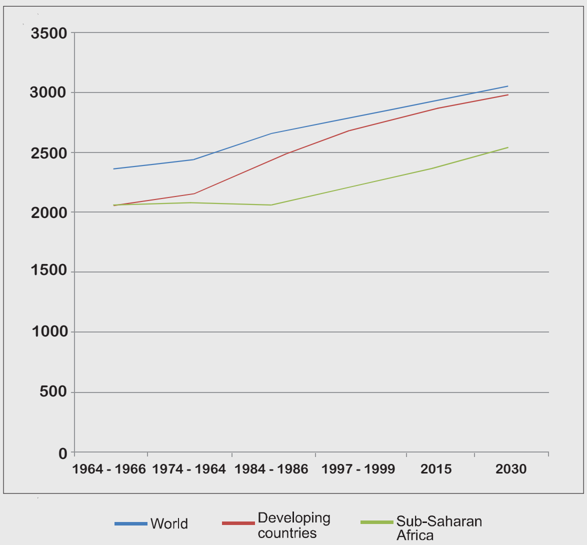
While the taste for regional food continues to spread globally, production of food is still constrained by local conditions including weather, season, and geography. Therefore, global demand for certain food products are already stressing key components of the food system. Commodity supply, utilisation and pricing are all affected by a variety of issues, such as the increase in biofuel production, higher production costs (led primarily by increased fuel costs), change in market palates (seen in emerging markets), environmental and social issues of healthier and sustainable farming methodologies, and an ever increasing global population and income per capita.

Africa possesses approximately 60 per cent. of the world's available cropland, making it a highly competitive agricultural opportunity, particularly as a large proportion of this land is underdeveloped and uncultivated.



World Population

Global emerging markets have experienced an increase in income per capita, and an increase in the presence of protein in average diet composition, which has resulted in an increased calorific intake as seen below.



World Calorific Intake

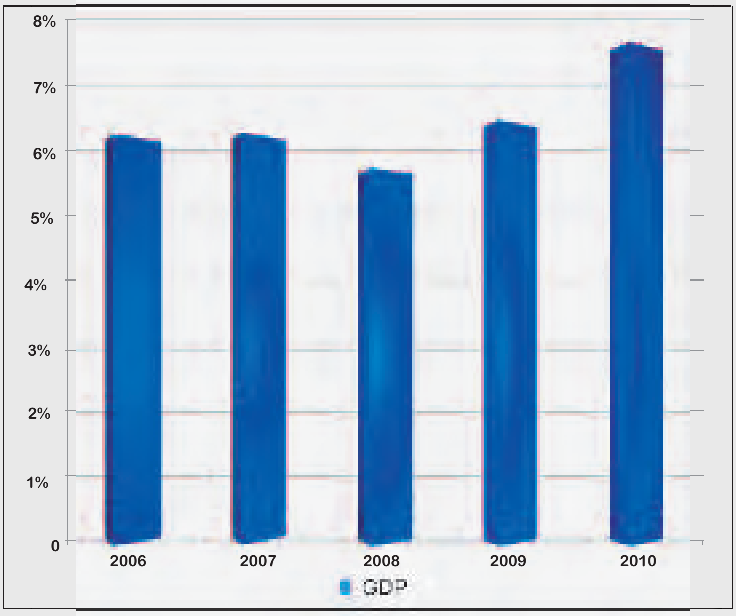
The African collective GDP is expected to increase by approximately USD 1,000 billion between the year 2008 and the year 2020, giving it a compound annual growth rate of four per cent. By 2020 it is predicted that the GDP generated will be as high as USD 2,600 billion with consumer spending envisaged to be USD 1,400 billion.

In 2008 household spending in Africa was primarily dominated by food, which accounted for over 40 per cent. of overall household spending in Africa, at USD 369 billion, followed by housing at USD 144 billion.

World Food Overview (Continued)

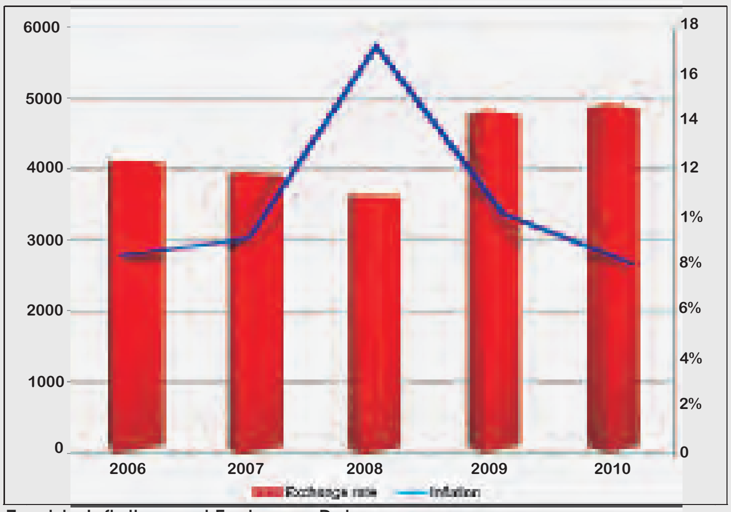
Zambia's economy currently exhibits robust growth and moderate inflation, therefore representing a significant opportunity.

Growth has been strong and broad based with real GDP growth.



Zambia GDP Growth

The country operates on single digit inflation.

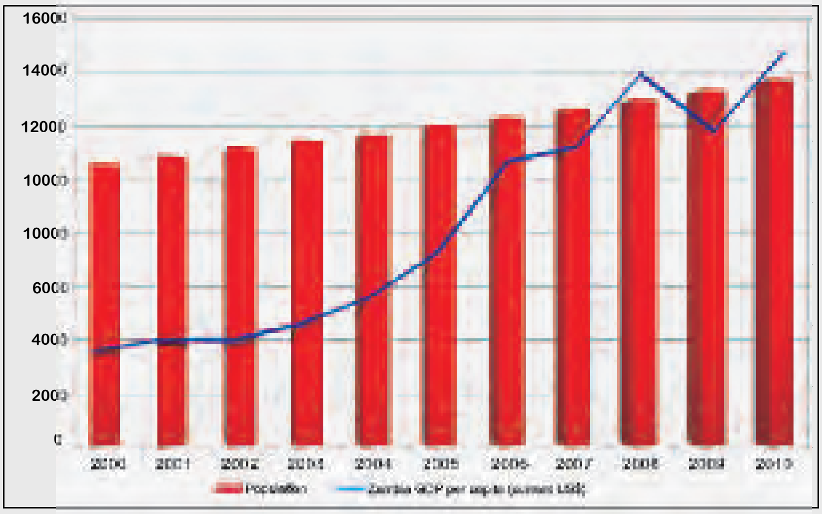


Zambia Inflation and Exchange Rates

Money growth was brisk in the second half of 2010 with reserve money growing by almost 28 per cent., and broad money by almost 30 per cent. in the year to December 2010. Private sector credit has now recovered to pre-global financial crisis levels and non-performing loans are starting to decline. Credit to the private sector increased by almost 14 per cent. in real terms between January 2010 and January 2011.

Over the medium term, the authorities aim to accelerate growth further, in conjunction with the Government's key focus on poverty alleviation. Concerned about the persistently high rural poverty levels, the authorities' five year development plans aim to accelerate development in rural areas, particularly with regard to labour intensive agriculture, which provides many Zambians with employment. This will require a higher level of investment in both infrastructure, and relevant human capital. The authorities are well aware of the importance of achieving inclusive broad-based growth in order to make a more significant impact on levels of poverty and unemployment.

The population of Zambia has grown by nearly ten million since 1960 as seen below and this has resulted in an increased demand for food and farming produce. As the country becomes more 'westernised' it is envisaged that the population will continue to shift their diets to include more protein, prompting the need for more livestock, and therefore the need for increased amounts of crop feed to support that livestock.



Zambia Population and GDP Per Capita

The food basket for a family of six living in Lusaka has risen to ZMK2.2 million (USD478) per month, according to statistics compiled in the country's major cities by the Catholic Church-run Jesuit Centre for Theological Reflection. The food basket is the cost of food and other requirements that a family of six would need to survive for a month.

The Zambian Government and the World Bank have invested heavily in the agricultural sector in recent years in order to promote economic diversification and exports. However, as only a small percentage of Zambia's land is cultivated, it is estimated that the country has the capacity to produce more, giving the agricultural sector in Zambia significant potential for growth.

[Sources: IMF, US Census Bureau, World Bank, FAO, Zambia Central Statistics Office.]

Attractive investment opportunity

Experienced management with established track record

Fully diversified and integrated business model

Sound macro-economic backdrop of sub-Saharan Africa

"Farm to Fork"

Large supplier of cropping and protein in Zambia

Strong, recognised brands

Global demand for food forecast to increase

Key Highlights

Revenue

Up by 28 per cent.

Net Profit

Up by 125 per cent.

Capital Raising & Acquisition of Mpongwe

Successfully raised USD55 million on both the LuSE & AIM to fund the Mpongwe Farm acquisition

AIM Listing

Successfully listed on the AIM Market of the London Stock Exchange: June 2011

Zamanita Performance

Turnover up by 17 per cent., gross margin up by 7 per cent.

Who We Are

FARMING DIVISION	MEAT & DAIRY DIVISION
HUNTLEY FARM	BEEF FEEDLOTS & ABATTOIRS
SINAZONGWE FARM	CHICKEN BROILERS & ABATTOIR
CHIAWA FARM	CHICKEN LAYERS
PALM PLANTATION	DAIRY FARM
MPONGWE FARM	PIGERRY & PIG ABATTOIR

MANUFACTURING/ PROCESSING DIVISION

- EDIBLE OILS PLANT
- STOCK FEED PLANT
- LEATHER & SHOE PLANT
- MILL & BAKERY
- MEAT & DAIRY PROCESSING PLANTS

RETAIL DIVISION

- ZAMBEEF OUTLETS
- SHOPRITE BUTCHERIES
- ZAMCHICK INNS
- WHOLESALE DEPOTS
- THIRD PARTIES

Zambeef at a glance

Farming

KEY FACTS

- One of the largest cereal row cropping operations in Zambia
- 8,000 Ha irrigated and 9,000 Ha rain-fed
- Predominantly wheat, maize and soya
- Over 60,000 tons of storage capacity

Meat & Dairy

KEY FACTS

- One of the largest suppliers of beef, chicken, eggs and pork in Zambia
- 8 beef abattoirs, 1 chicken abattoir and 1 pig abattoir
- Dairy farm with more than 1,900 dairy cattle

Manufacturing/ Processing

KEY FACTS

- One of the largest edible oil and soya cake producers in Zambia
- Recently commissioned stock feed plant to supply growing internal and external demand
- Milk processing plant producing pasteurised and homogenised milk and other value add products
- Wheat mill and bakery producing flour and bread from internally generated wheat

Retail

KEY FACTS

- Extensive distribution and retail footprint in Zambia through:
  - ✓ 88 Zambeef retail outlets
  - ✓ 2 Zambeef wholesale depots
  - ✓ 7 Zamchick Inns (fast food outlets)
  - ✓ 20 Shoprite butcheries
- Growing retail footprint in Nigeria and Ghana, with 5 Shoprite butcheries and 4 self-operated butcheries

STRATEGY
- To provide raw material (soya beans, maize and wheat) for further margin enhancing processing
- To upgrade/expand recently acquired Mpongwe farm assets

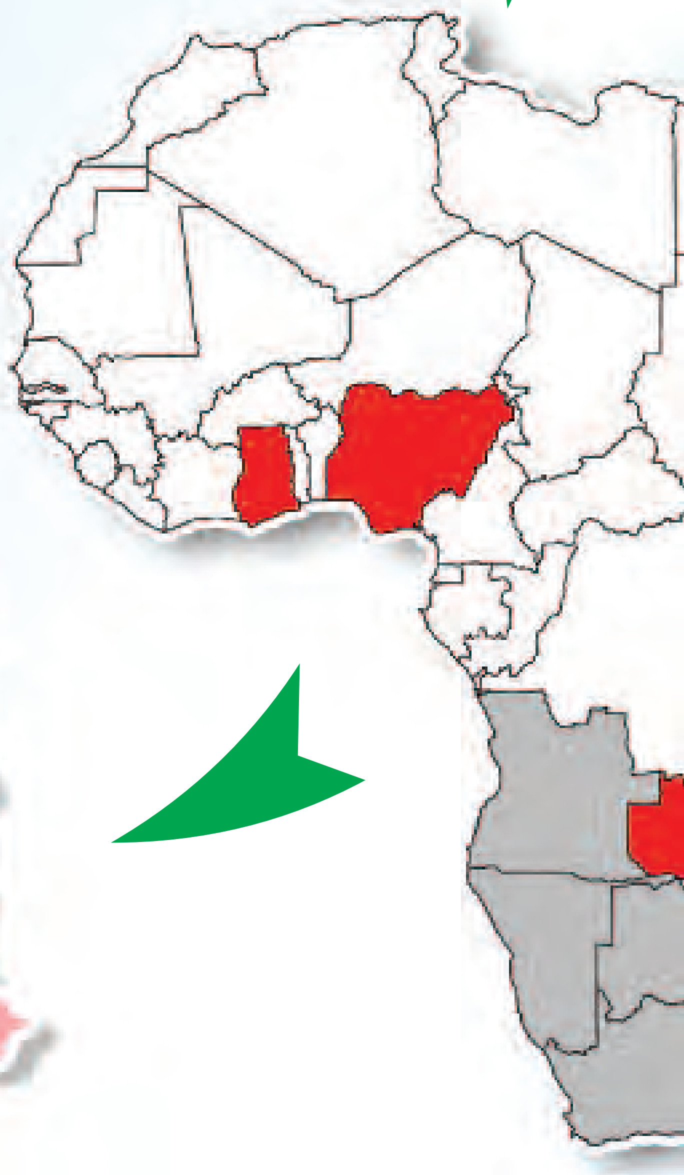
STRATEGY
- To increase supply to satisfy growing consumer demand
- To expand processing capacity in West Africa operations

STRATEGY
- To focus on higher margin oil seed crushing by expanding/upgrading edible oils division
- To gain further market penetration of stock feed in the region
- To expand higher margin milk processing side of the business

STRATEGY
- To focus on the retailing operations of the Group including refurbishment of existing retail outlets, rollout of new retail outlets, rollout of wholesale centres and expansion of fast food footprint

Geographical Representation

- Farm site to house proposed feedlot, abattoir, cold room and processing operations
- 4 self-operated butcheries
- 3 Shoprite butcheries
- 1 processing plant



- 2 Shoprite butcheries
- 1 processing plant

- 88 retail outlets, 2 wholesale depots and 7 Zamchick Inns
- 20 Shoprite butcheries
- 10 abattoirs
- 3 processing plants
- 5 farms

Chairman's Report

Performance Review
I am pleased to report that the financial year ended 30 September 2011 has seen the Zambeef Group report a strong operating performance aided by continued growth of the Zambian economy, higher disposable income among its customers, stability of the Zambian Kwacha, single digit inflation, stable commodity prices, and continued synergies being achieved within the Group.

Trading conditions over the financial year have continued to improve, with demand for all product lines increasing and most divisions of the Group showing higher figures both in turnover and gross profitability. This has enabled us to open seven new retail outlets and two wholesale depots, as well as refurbishing another eight retail outlets in Zambia; all of which are performing very well.

Zambia also saw a peaceful transition of power and president during the September 2011 national elections which is a proud testament to Zambia's political stability and maturing multi-party democracy.

Turnover increased by 28 per cent. to ZMK983 billion (USD207 million) and Group profit for the year increased by 132 per cent. to ZMK45 billion (USD9.4 million).

The Group continues its cash generating trend, with EBITDA significantly up by 44 per cent. to ZMK88 billion (USD18.6 million).

Despite the above, the global economy continues to be volatile with minimal growth in the USA and European economies leading to volatility in share indices and potential volatility in commodity prices, which could present the Group with challenges in the future.

Purchase of the Mpongwe Farm Assets
During the year, we successfully completed the purchase of Mpongwe Farm. This is an extremely exciting opportunity for us to harness Mpongwe's vast cropping operations for cereal row crop production.

This acquisition is in line with Zambeef's objective of growing, expanding and diversifying the Business with the aim of becoming the leading food provider in Zambia and the surrounding region.

AIM IPO and Placing and LuSE Rights Issue
During the year, the Company undertook a rights issue on the LuSE and a placing and admission to the AIM Market of the London Stock Exchange. Having successfully concluded the rights issue and placing, a total of approximately USD54.97 million was raised with the issued share capital increasing from 158,706,045 ordinary shares to 247,978,195 ordinary shares and a market capitalisation of approximately ZMK772 billion (USD160.9 million) as at 30 September 2011.

The funds raised were utilized to complete the acquisition of the Mpongwe assets, to pay for costs related to the fundraising, and to commence the expansion and upgrade of the Mpongwe assets.

The dual listing will aid in facilitating future fundraises for further development and growth, assist in maintaining the high standards of transparency and corporate governance as well as enhancing the Group's reputation, profile and financial

"Zambeef is serving a large and attractive growth market."

standing with its key partners, suppliers and potential vendors of attractive assets. I am delighted by the warm reception that our admission to AIM received and the keen investor interest in Zambeef and believe that this will complement our existing listing in Lusaka.

Human Capital
The Group continues to be a large employer in Zambia, employing an average of 4,367 employees per month with a monthly wage bill of approximately ZMK9 billion (USD1.9 million). Zambeef continues to attract and retain its workforce through good staff welfare and working conditions while maintaining strong relationships and communication with the Labour Union.

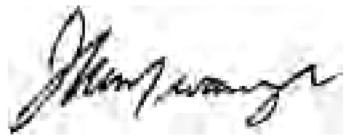
Board of Directors
As part of the continued evolution of the Group and listing on the London AIM, we are pleased with our current Board of Directors which is composed of six Non-executive Directors and four Executive Directors. Rodney Clyde-Anderson and Hilary Duckworth have retired from their positions and I would like to take this opportunity to extend my appreciation and gratitude to them for their excellent contribution and support during their time with the Company.

As the Chairman, I would also like to take this opportunity to express my gratitude for the strategic support I have continued to receive from my co-directors and senior management during a year when Zambeef continued to make great progress in its mission to become a leading food provider.

Dividend and Outlook
The Board of Directors is recommending a final dividend of ZMK21.40 (0.45 cents) per ordinary share, in addition to the interim dividend paid out of ZMK15 (0.32 cents) per ordinary share, to be paid on or before 29 February 2012.

Growth in our core areas is expected to be in line with the continued growth of the Zambian economy. Following a positive turnaround in Zamanita's performance, our edible oils division, we expect this division to continue to be one of our key growth drivers, buoyed by additional throughput of soya beans from the increased farming area of the Mpongwe Farm and proposed upgrade work that is detailed in the Operational Report. Our West African expansion is expected to gather momentum with additional Shoprite stores due to open in Nigeria and Ghana, and we continue to expand our domestic retail network.

We believe we have a strong infrastructure and business model in place which should enable us to realise our objective of becoming the leading food provider in both Zambia and the surrounding region.



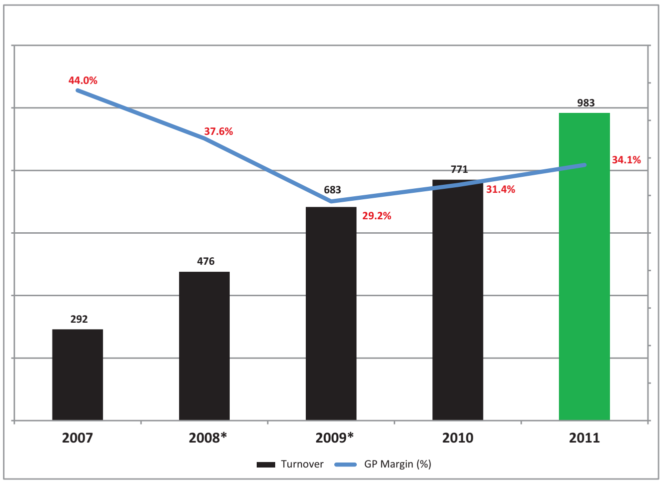
Dr Jacob Mwanza
Chairman
November 2011

Palm Plantation

Business Review

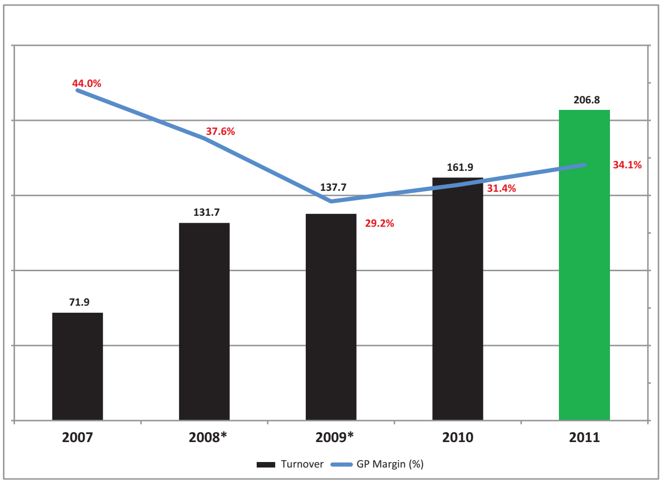
Financial Highlights

Net Revenue and Gross Profit Margins – (ZMK Bn)



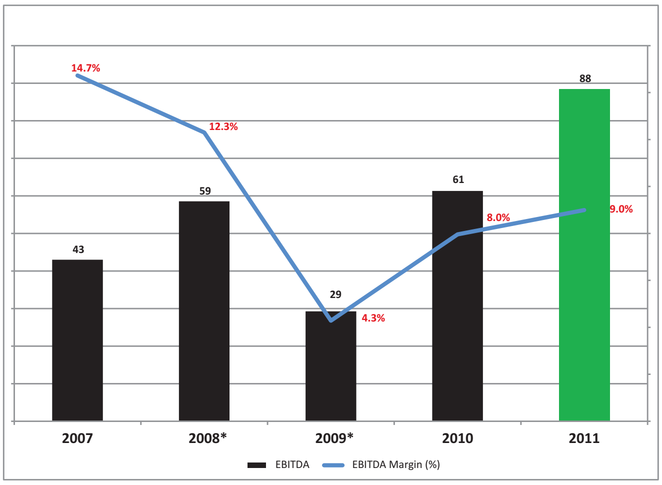
*Discontinued operations, namely Nanga Farms PLC.

Net Revenue and Gross Profit Margin (USD Mn)



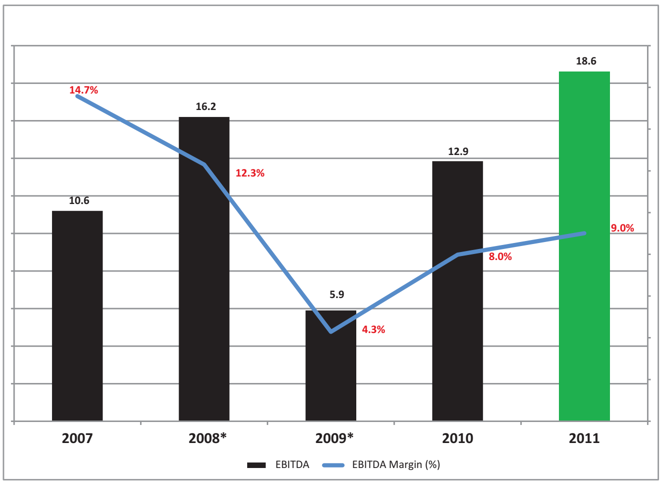
*Discontinued operations, namely Nanga Farms PLC.

EBITDA & Margin (ZMK Bn)



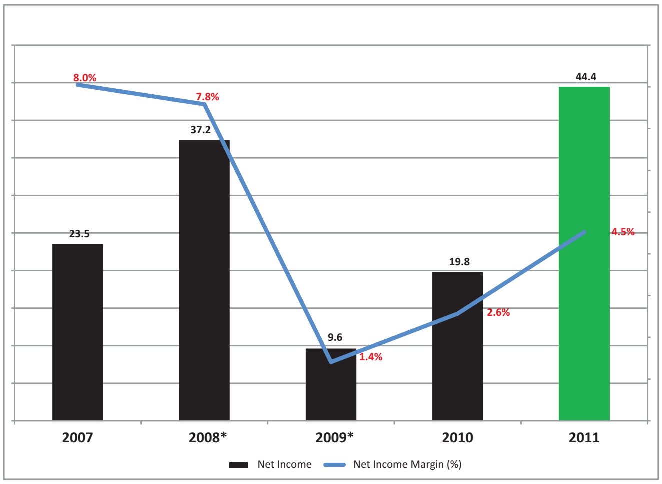
*Discontinued operations, namely Nanga Farms PLC.

EBITDA & Margin (USD Mn)



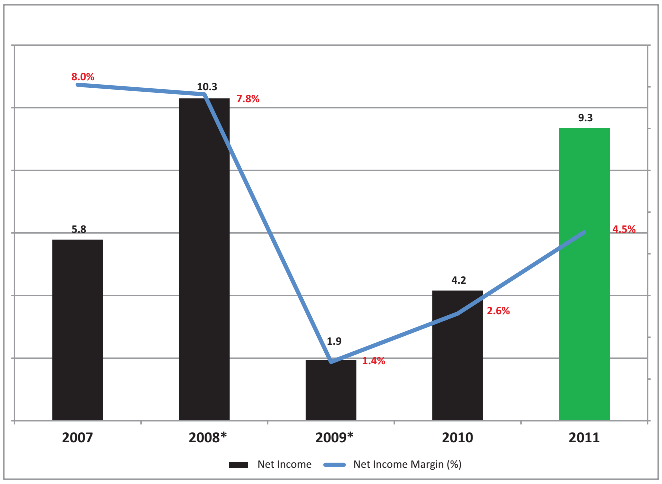
*Discontinued operations, namely Nanga Farms PLC.

Net Income & Margin (ZMK Bn)



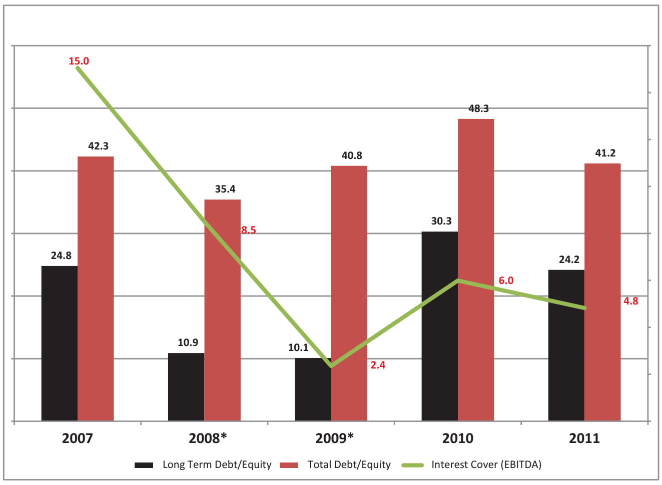
*Discontinued operations, namely Nanga Farms PLC.

Net Income & Margin (USD Mn)



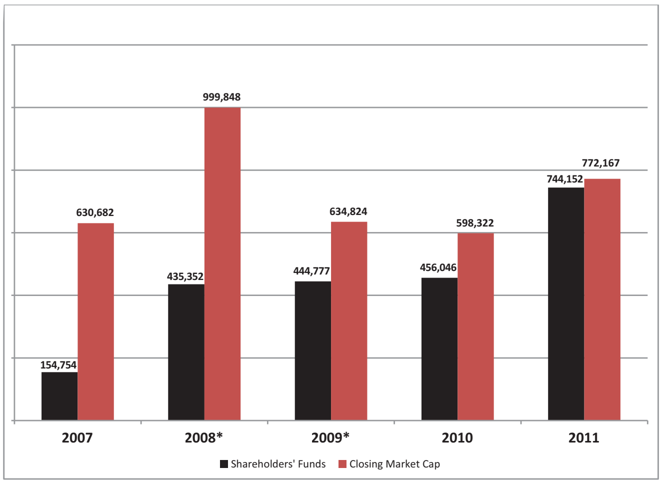
*Discontinued operations, namely Nanga Farms PLC.

Gearing (%) & EBITDA Interest Cover (x)



*Discontinued operations, namely Nanga Farms PLC.

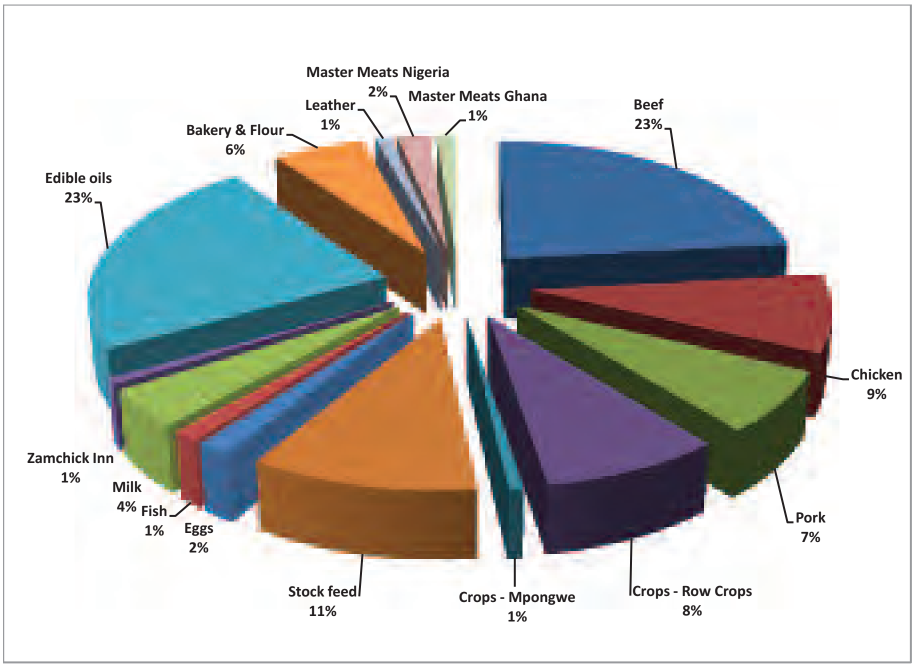
Capital Base (ZMK Mn)



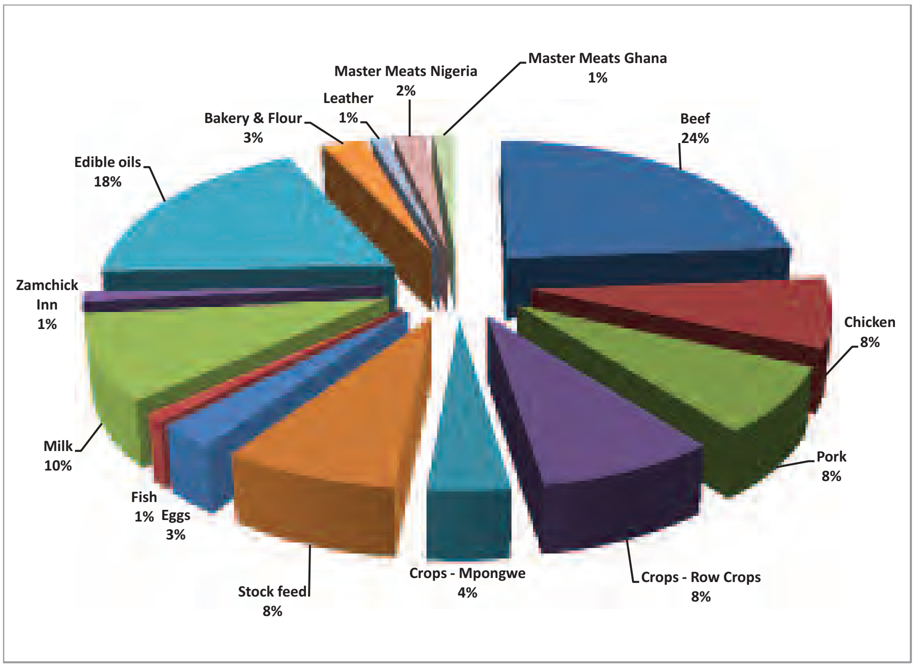
*Discontinued operations, namely Nanga Farms PLC.

Segmental Analysis 2011

Revenue



Gross Profit



Chief Executive Officer's Report

Introduction

On the back of an improving Zambian economy, I am pleased to report on a year that saw Zambeef make positive operational and financial progress. We produce, process, distribute and retail beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed, flour and bread. During the year we have shown increased turnover and gross profitability for the majority of our divisions, by an average of 28 per cent. and 38 per cent. respectively. Trading conditions in Zambia continue to improve, supported by growth in the economy at a steady 7 per cent., single digit inflation, stability of the Zambian Kwacha relative to the US Dollar, stable commodity prices and a higher level of disposable income among our customers.

During the year we completed a successful IPO, a placing on AIM and a successful rights issue on the LuSE, raising in aggregate ZMK263 billion (USD54.97 million). The majority of the proceeds were used to expand our primary production cropping operations through the purchase of Mpongwe Farm. This is in line with our objective of becoming the leading protein provider in the region, which we will achieve through a vertically integrated model ("farm to fork"). This strategy significantly reduces the Group's risk profile, by allowing it to supply its own processing divisions with the required raw materials, and to sell the finished products directly to the end consumer through its extensive retail network.

The purchase of Mpongwe Farm, which consists of 46,876 Ha, increased our farming area by 2,994 Ha of irrigated land and 7,667 Ha of rain-fed available to plant, taking the Group's total owned farming land to 8,000 Ha of irrigated land and 9,000 Ha of rain-fed land. The Board considers the Mpongwe Farm to be some of the best farming lands in Zambia, ownership of which will enable us to increase our production of soya beans for throughput to Zamanita (our edible oils division), and wheat for throughput to our milling and bakery division, as well as for external sale. The entire region is currently deficient in soya beans, and this acquisition seeks to address the Group's exposure to that deficiency. Crushing soya beans produces oil, which is sold at a higher margin than the sale of imported palm oil, whilst also producing feedcake to supply both our internal stock feed division, and external third parties. With a sufficient supply of soya beans we expect Zamanita, which increased turnover by 17 per cent. this year, to become even more important to the Group. The additional irrigation will allow us to obtain higher yields of soya and additional wheat crop.

All of our livestock divisions have increased their revenues over the year, and the quality of our livestock is improving with the quality of our stock feed. The new stock feed plant, commissioned during 2010, has allowed us to become one of the leading stock feed suppliers in Zambia, and also to commence exports to Zimbabwe.

Our protein divisions have performed well, as the national average of disposable income has grown together with demand for protein. Despite supply issues in the beef sector (due to a scarcity of standard cattle), with eight beef abattoirs strategically located around the country, we are in a unique position to gain access to cattle suppliers. As a result of this shortage, we expect consumer demand for chicken to continue growing, and have constructed additional poultry houses in anticipation of this. Demand for cheaper sources of protein, such as eggs and fish, continues to increase, and we have improved revenues in both areas. Demand for pork has also increased significantly, and improvements to our piggery during the year resulted in an increased number of births as well as fewer premature mortalities. This division has reported excellent growth.

In the current economic climate there is low demand for leather products, nevertheless our

tannery and shoe plant division has increased its contribution to Group profitability.

Our retailing operations continue to expand, and we started 2011 with a strong commitment to increasing our distribution and retail network, in order to gain further market penetration. We are delighted to have opened seven new retail outlets, refurbished a further eight self-operated outlets and established our first wholesale stores in Lusaka and Kitwe (taking our total number of outlets to 117). We continue to partner with Shoprite, Africa's largest

food retailer, and we are operating in 20 Shoprite stores across Zambia.

West Africa continues to be an exciting growth prospect, and we have grown our presence in West Africa during the year in partnership with Shoprite, operating additional butcheries in Enugu, (Nigeria), and through increasing our self-operated stores. In Ghana we operate two Shoprite stores. In Nigeria we operate four self-operated stores, and three Shoprite stores and supply Shoprite and our outlets from our feedlot operations in Abeokuta and our processing operations in Lagos. Shoprite is planning to increase its footprint in Nigeria and Ghana with a planned opening of five new additional stores over the next twenty four months.

Our People

Zambeef is one of the most vertically integrated operations in Zambia. With this comes the requirement to ensure that we have appropriate staffing in all divisions and to achieve seamless movement of primary commodity to processing, distribution and retail of edible food. Our staff add exceptional value and are a proud testament to Zambeef being one of the leading enterprises in Zambia.

As such, I would like to take this opportunity to sincerely thank all staff working for the Zambeef Group in Zambia, Nigeria and Ghana, for their continued dedication to the business and for their contribution to Zambeef's success during the year. The Board of Directors and I will strive to ensure that all employees enjoy continuing staff welfare and that we become one of the leading employers in the region.

Chief Executive Officer’s Report (Continued)

Outlook

New projects approved by the Board, which are to be undertaken over the next two to three years, include the upgrade and expansion of Mpongwe Farm, the renewal of some of the farming infrastructure, the continued upgrade and expansion of Zamanita’s processing facilities, the upgrade of Master Pork’s processing facilities, the expansion of our stock feed capacity and product

lines, the upgrade and expansion of our dairy plant and additional layer and broiler operations, the upgrade and expansion of the chicken abattoir, the establishment of a new pig abattoir in the Copperbelt province, and the continued expansion of our retail infrastructure across Zambia and West

Africa and the provision of capital to Zampalm to complete the pilot phase of 4,000 Ha of palm plantation.

I am excited about Zambeef’s future. We have achieved a number of milestones this year which include the successful domestic rights issue, the dual listing on AIM, and the acquisition of Mpongwe Farm. We have made great improvements to the majority of our core activities. We have expanded our retail network and further extended our activities in West Africa. Shoprite’s anticipated rollout of stores in West Africa over the coming 18-24 months is an exciting prospect and we look forward to harnessing further growth in this region.

It is expected that Africa will continue to contribute more to global agricultural output. I believe Zambeef has a bright future and it is a privilege to be Zambeef’s Chief Executive. I believe we have a balanced business with a strong asset portfolio, high quality employees, and a sound balance sheet. Our integrated business model and strategy puts us in a unique position to take advantage of the growing demand for food in Zambia and the surrounding region.

Francis Grogan
Chief Executive Officer
November 2011

“Zambeef is serving a large and attractive growth market.”

Finance Report

The financial year saw significant growth in turnover for the Group of 28 per cent. from ZMK771 billion (USD162 million) to ZMK983 billion (USD207 million). Our strategy is to ensure that we increase top line revenue growth of at least inflation plus GDP growth. Gross margins have increased, growing from 31.4 per cent. to 34.1 per cent., leading to higher gross profit. Overheads increased by 27 per cent. during the year. This was as a result of the issues highlighted below:

1. Increase in statutory minimum wages, and increase in number of employees as a result of expansion in the business;
2. Increase in fuel and electricity costs caused by increase in prices and tariffs;
3. Increase in repairs and maintenance as a result of increased utilisation of certain ageing assets;
4. Increase in total insurance costs as a result of our increased asset base and stock; and
5. Increase in licensing and levies as a result of increased importation of products to support the expanding business, and increase in retail stores.

In addition to the above, there has been an increase in costs, caused by inflation.

However, the cost to income ratio has remained consistent at 27 per cent.

In line with increased turnover and improved gross margins, the Group profit for the year has increased by 125 per cent. from ZMK19.8 billion (USD4.2 million) to ZMK44.5 billion (USD9.4 million),leading to net income margins increasing from 2.6 per cent. in 2010 to 4.5 per cent. in 2011.

EBITDA has increased by 44 per cent. from ZMK 61 billion (USD12.9 million) to ZMK88 billion (USD18.6 million). However, net cash inflow from operating activities has decreased during the year due to a build up of stock to cater for the expansion of the business and incorporation of Mpongwe stock.

With respect to debt capital, during the year Zambeef drew on the USD7 million term loan in Zambia and the USD1.8 million in Nigeria from the International Finance Corporation ("IFC") to finance capital expansion excluding the acquisition of the Mpongwe Farm. Zambeef also drew down a commercial paper of ZMK31.8 billion (to be restructured into a 5 year corporate bond) in order to refinance existing Zanaco Bank and Standard Chartered Bank Zambia loans which were not appropriately structured.

Zambeef obtained a replacement funding line for Zamanita to assist in the working capital financing and capital expansion of the company's plant and machinery. This consisted of a USD5 million overdraft, a USD20 million stock financing line, and a USD 3.5 million term facility obtained from Standard Chartered Bank Zambia PLC.

Master Pork received funding assistance from Freddy Hirsch Zambia Limited through hire purchase schemes, some attracting interest and others structured without any interest. Master Pork's expansion during 2011 will be primarily funded through provision of hire purchase equipment supplied by Freddy Hirsch Zambia Limited.

The Board has also approved the financing of Mpongwe Farm's working capital, as well as other Group capital expansion projects.

Zambeef's gearing level as at 30 September 2011 was 41 per cent. with an interest cover ratio of 4.8x by EBITDA.

Sushmit Maitra
Finance Director
23 November 2011

Operational Report

This year has seen most segments within the Zambeef Group exhibiting good growth and improved margins. These segments are discussed in more detail below:

ZAMBEEF

Beef

The beef division is one of the largest divisions in Zambeef contributing 23 per cent. of Group turnover and 24 per cent. of gross profitability.

Turnover of this division increased by 38 per cent. and gross profitability increased by 26 per cent., while gross margins declined from 31 per cent. in 2010 to 29 per cent. in 2011.

The beef division has had supply problems due to a scarcity of standard cattle in the market. Due to the continued bumper harvests of maize, small scale farmers, whom are the main source of standard cattle, have been reluctant sellers. As a result, the total amount of standard cattle sourced during the year has reduced by over 7,000 head of cattle.

The demand for choice cattle (premium beef) continues to grow. As such, the Group purchased over 17,000 animals from commercial farmers (2010:15,500). We will continue sourcing more choice cattle for supply to the market. During the year, we improved our feedlotting operations by opening a third feedlot in Mongu allowing us to source additional animals. We also opened a new abattoir in Mumbwa, allowing us to obtain a new avenue for animals.

Due to the lack of supply in the market, and the continuing increase in demand for beef products, the price of beef has increased by 22 per cent. In spite of the volume reduction of locally sourced cattle, the Group has sustained market growth in demand, aiding turnover growth through importations of key value items such as liver and kidney.

Although we expect the beef sector to continue to have supply issues in the short to medium term, Zambeef remains in a unique position within the beef industry with eight abattoirs and three feedlots strategically located around the country in order to gain access to cattle.

ZAMCHICK and ZAMCHICK EGG

Chicken

This division contributed nine per cent. of Group turnover and eight per cent. of gross profitability.

Both turnover and gross profitability have increased by 27 per cent. while maintaining margins at 25 per cent.

Margins in the chicken segment have been affected by increased feed prices and higher costs of purchase from an increased external supply of chickens due to demand from consumers increasing and insufficient supply from within Zambeef broiler houses. Additional poultry houses have been set up which will provide us with 360,000 additional broilers.

The total volume of chickens produced for sale increased by 21 per cent., internal chicken production increased by 46 per cent., and external supply of chickens increased by 11 per cent. In line with increased demand, the Group increased prices by six per cent.

With standard beef supply remaining an issue nationally, it is expected that chickens will be in high demand as a substitute protein. As a result the Group will be increasing its broiler houses in anticipation of this increase in demand.

Eggs

This division contributed two per cent. of Group turnover and three per cent. of gross profitability.

Turnover of this division increased by 58 per cent. and gross profitability has remained constant. Gross margins have declined from 49 per cent. in 2010 to 47 per cent. in 2011.

The volume of eggs produced increased by six per cent., in line with recent year on year trends. This has been achieved by increasing the production per layer bird, through an improved variety of birds, which have resulted in a lower requirement for birds to meet production demands. In 2011, the Group had an average number of 131,244 layer birds (2010: 145,169).

However, egg prices declined during the year. Zambia's total production of eggs is thought to generate a surplus versus domestic demand, which leads to a large volume of exports to neighbouring countries such as the Democratic Republic of the Congo and Tanzania. This year Zambia experienced lower exports to these markets which led to an increased supply of eggs in the local market resulting in reduced prices.

Supply issues have now been normalised with export markets reopening and there is currently a shortage of egg supply within Zambia. As a result, the Group will be increasing its layer houses to cater for this demand growth.

MASTER PORK

Pork

This division contributes seven per cent. of Group turnover and eight per cent. of gross profitability.

Turnover of this division increased by 31 per cent. and gross profitability has increased by 29 per cent. while gross margins have remained consistent at 31 per cent.

Demand for pork has risen dramatically during the year and the pork division has had another excellent year.

The piggery continues to improve its performance with increased number of births and fewer mortalities, due to improved animal husbandry and increased number of pigs supplied. This has led to the total number of animals increasing during the year to 4,302 (2010: 3,691).

We have expanded production space at Master Pork in order to house additional processing machinery (purchased during the year for a cost of ZMK 5 billion (USD 1.1 million)) enabling us to increase production volumes and efficiency.

With pork becoming an increasingly important protein product in Zambia, and demand for

processed meat products increasing, it is vital to continue the expansion of our facilities. We are introducing the Hirschpro 400 plant, a unique automated processed meat manufacturing unit capable of increasing production capacity and efficiency significantly, the first of its kind in Africa outside South Africa.

ZAMMILK

Dairy

This division contributes four per cent. of Group turnover and 10 per cent. of gross profitability.

Turnover of this division increased by 22 per cent. and gross profitability has increased by 19 per cent. while gross margins have marginally declined from 65 per cent. in 2010 to 64 per cent. in 2011.

Operational Report (Continued)

One of the leading contributors to increased turnover and contribution was the sales mix of milk (47 per cent.) to non-milk, (53 per cent.) (2010: 54 per cent. to 46 per cent.) products, a such as yogurt and milk based juices, the latter being high value products. However, the margins have declined during the

year due to increased external party purchases at a higher cost than internally produced milk, which has been necessary to meet demand.

Total milk processed during the year increased by nine per cent. as a result of increased output from the Group's dairy farm and increase in external purchases.

This division continues to be the highest gross margin earner. With increased demand from the consumers, there are approved plans to upgrade and expand the production capacity at the milk processing plant.

ZAMBEEF FARMING

Cropping

This division contributes nine per cent. of Group turnover and 12 per cent. of gross profitability.

Zambeef's row cropping operations (maize, soya beans and wheat) have had a satisfactory year with turnover up 79 per cent. and gross profits up 28 per cent., but with gross margins declining from 39 per cent. in 2010 to 28 per cent. in 2011. This excludes the performance of the recently acquired Mpongwe Farm in June 2011.

With Mpongwe Farm included, this division recorded an increase in turnover of 94 per cent., an increase in gross profitability of 86 per cent., and a gross margin of 37 per cent.

Zambeef's 2011 summer crop was soya bean intensive in order to provide Zamanita, the Group's edible oils division, with increased throughput. However, soya bean yields were affected due to poor germination of seed and adverse weather conditions. As a result gross profit margin was affected, although the high market price of soya in 2011 led to increased turnover.

Summer maize was only planted at Huntley Farm as, at current prices, this crop is not profitable. As such, maize was only planted for crop rotation purposes.

The winter crop was made up of predominantly wheatgerm. Improved management and better farming practices have led to improved wheat yields. With current wheat prices we expect winter cropping to be the most profitable segment of our farming division going forward. Wheat production is forecast to generate a surplus to the Group's internal requirements and approximately 25,000 MT should be available for sale to third parties.

Mpongwe Farm

During the year, Zambeef acquired Mpongwe Farm. The Directors believe that with the well drained soils, abundant water supply in the area, and consistent climatic conditions, which has resulted in the farm achieving historically high yields, there is opportunity to significantly increase Zambeef's production of row crops.

Critical to Zamanita, our edible oils and animal feedcake division, is the availability of soya beans, which are crushed to produce edible oil and the by-product, feedcake, is used to produce animal feedstock. Prior to the acquisition of Mpongwe, the Group only had capacity to produce up to 10,000 MT of soya beans and relied on the open market for the supply of the balance of 40,000 MT. This has been challenging as the region is soya bean deficient. With the Mpongwe Farm included within Zambeef's portfolio, the Group will now have capacity to internally produce up to 40,000 MT of soya beans and will be less reliant on external supply. It is expected that this will make the Group significantly less exposed to commodity price fluctuations with regard to inputs, whilst allowing the Group to benefit from any price increases when it comes to sell its finished products.

2012 will see the full benefit of the acquisition of Mpongwe Farm with soya beans and maize production during the summer cropping season, and wheat production during the winter cropping season.

Palm

Zambeef has title to 20,000 Ha of land for development of its palm plantation. The pilot phase of 4,000 Ha is underway with ZMK12.3 billion (USD2.6 million) spent in the financial year.

Zambia and the region remain a major importer of vegetable oils and the Group is currently a large importer of palm oil from the Far East for its edible oils division. Once yields of palm fruit commence, it will allow us to substitute imported palm oil, thereby improving margins through an extension of primary commodity production and processing.

NOVATEK
Stock Feed

This division contributes 11 per cent. of Group turnover and eight per cent. of gross profitability.

Turnover of this division increased by 65 per cent. and gross profitability has increased by 67 per cent. while gross margins have marginally increased from 21 per cent. in 2010 to 22 per cent. in 2011.

Zambeef's new stock feed plant commenced operations in 2010. The stock feed plant was commissioned not only to supply Zambeef's internal animal feed requirements but also to generate third party sales both in Zambia as well as providing expert opportunities to markets such as Zimbabwe. On an average monthly basis, Zambeef's internal requirements have risen by over 14 per cent. versus 2010, external sales excluding exports have increased by over 76 per cent., while exports have risen by over 120 per cent. over the same period. The latter includes exports to Zimbabwe, which have increased to over 3,000 MT (2010: 60 MT). Zambeef's internal consumption of total stock feed produced was 38 per cent. during the year.

The stock feed plant is currently running at close to full capacity and with increased third party sales, Zambeef has become one of the leading stock feed suppliers in Zambia.

Management is reviewing the upgrade and expansion of the stock feed operations in order to increase capacity and profitability of this division going forward.

ZAMFLOUR & ZAMLOAF
Milling & Bakery

This division contributed six per cent. of Group turnover and three per cent. of gross profitability.

This division has had a challenging year. Whilst turnover increased by 48 per cent., gross profit decreased by 16 per cent. and gross margin has declined from 23 per cent. in 2010 to 13 per cent. in 2011. This has been as a direct result of increased wheat prices. Therefore, despite increasing volumes of flour production by 49 per cent. and price increases of eight per cent., the increased price of wheat by 31 per cent. has reduced the total gross margin and gross profitability of the division.

With a growing middle class, the domestic demand for flour and bread continues to rise, and we anticipate benefiting from this consumer demand.

ZAMLEATHER & ZAMSHU
Tannery and Shoe Manufacturing

This division contributed one per cent. of Group turnover and one per cent. of gross profitability.

Turnover of this division increased by 12 per cent. and gross profitability has decreased by eight per cent. while gross margins have decreased from 35 per cent. in 2010 to 29 per cent. in 2011.

In spite of a five per cent. reduction in the total number of hides processed during 2011 versus 2010, turnover has increased during the year. This was achieved through an increase in the sales price per square foot.

Operational Report (Continued)

The global leather industry continues to suffer from low demand with leather being a luxury item. There has been limited recovery in wet blue exports. As a result the Group refocused its efforts more on finished leather and shoe production for sale in the domestic and regional markets. This resulted in an increase in the volume of finished leather sales by 12 per cent. However, due to competitiveness in the region, prices were reduced by five per cent. in order to gain a larger market share. Similarly shoe sales increased by 23 per cent. in volume, but prices were reduced by nine per cent.

It is expected that the demand for leather products will continue to remain stagnant as global economic issues persist.

Fish

This division contributed one per cent. of Group turnover and one per cent. of gross profitability.

Turnover of this division increased by 68 per cent. and gross profitability has increased by 45 per cent. while gross margins have decreased from 26 per cent. in 2010 to 22 per cent. in 2011.

Fish is a small part of Zambeef's operations, but this division presents an exciting opportunity to increase the Group's protein footprint as fish continues to be one of the cheaper sources of protein.

ZAMANITA

Edible Oils and Animal Feed Cake

This division contributed 23 per cent. of Group turnover and 19 per cent. of gross profitability.

Zamanita, our edible oils and animal feed cake division, has achieved greatly improved performance. Turnover has increased by 17 per cent. and gross profitability has increased by 73 per cent. while gross margins have significantly improved from 15 per cent. in 2010 to 22 per cent. in 2011.

Zamanita, the largest edible oil producer in Zambia, sells palm, soya and cottonseed oils, as well as animal feed cake (a by-product of oil seed crushing that is a key ingredient in animal stock feed). Zamanita currently imports palm oil,

processes it, packages it and distributes it through Zambeef's retail network and other retailers and wholesalers, including Shoprite. The crushing of soya beans and cotton seeds attract significantly higher margins than the importation and distribution of palm oil.

Zamanita's performance has been erratic since its purchase in 2008. Performance has been affected by expensive stock, forward contracts, volatile commodity prices, inefficiencies in production, and tax legislation. These issues have now been addressed and new management installed to ensure operating efficiency, and to oversee a refocus of the business which includes a redevelopment of the plant.

On acquiring Zamanita, the product mix was 75 per cent. palm oil and 25 per cent. seed crushing. We have since changed the business model with less emphasis on the importation of low margin palm oil an to increased focus on the high margin oil seed crushing. This decision, combined with an increase in pricing of edible oil and feed cake in line with increasing commodity prices, increased blending of soya oil with palm oil and increased crushing efficiencies, have resulted in the gross margin increasing. During the year Zamanita crushed 23 per cent. more soya beans and 152 per cent. more cotton seed, leading to an increase in cake production of 27 per cent.

Critical to Zamanita is the availability of soya beans. However, domestic and regional demand for soya beans far outweighs supply and Zamanita has not been able to capitalise on its potential for soya bean crushing due to insufficient supply. Following the acquisition of Mpongwe Farm the Group will now have capacity to internally produce up to 40,000 MT of soya beans and will be less reliant on external supply.

Once Zampalm commences production of crude palm oil, Zamanita will also stand to benefit through the refining and selling of palm oil at a lower cost than current importation.

Through an investment of over USD6 million to upgrade and expand the plant, Zamanita will increase its crushing capacity and production efficiencies. This investment should increase the crushing capacity to 100,000 MT per annum, increase the percentage extraction of crude oil from the crushing by one per cent., and reduce the cost of production through reduced quantities of hexane and coal consumption. The investment will also provide for improvements in the crude oil refinery.

Zamanita's plant will close between December 2011 and June 2012 in order to carry out this significant upgrade. However, it is expected that with the plant's increased capacity and production efficiencies, Zamanita will achieve similar crushing tonnage in 2012 as in 2011, with the full benefit of the upgrade and expansion being seen in 2013.

The anticipated increase in the Group's soya beans output is the key driver for margin improvement at Zamanita. With sufficient internal and external supply of soya beans we anticipate Zamanita becoming even more important to the Group.

RETAILING NETWORK

Zambeef Stores

The vast majority of Zambeef's food products as well as 45 per cent. of Zamanita's edible oil output is sold through Zambeef's extensive retail networks.

Zambeef currently operates 31 retail outlets in Lusaka, 33 retail outlets in Copperbelt, and 22 retail outlets across the rest of Zambia, all operating under the Zambeef banner, along with one new wholesale centre in Lusaka and one in Copperbelt.

During 2011, we have opened seven new retail outlets, and refurbished a further eight outlets; all of which are performing well. We have also established Zambeef's first wholesaling stores in Lusaka and Kitwe. Wholesale provides the Group with access to the large and untapped informal sector, commercial customers and large scale consumers such as hotels, lodges, restaurant and other similar operations. Our strategy is to ensure that all of our stores are segmented with a perishable goods area (meat, poultry, eggs, dairy, etc.), a dry goods area (flour, maize meal, packed oil) and bulk edible oil at the point of sale.

Average monthly turnover growth from new outlets has been ZMK500 mn (USD0.1 mn). Average monthly turnover from the two wholesale centres has been ZMK2,600 mn (USD0.5 mn) and average increase in turnover from refurbished stores has been 29 per cent.

Turnover from existing outlets has increased by nine per cent. in Lusaka, 25 per cent. in Copperbelt, and 18 per cent. in the other areas of Zambia. Overall, including new outlets, turnover generated from retail operations has increased by 32 per cent. to ZMK392 bn (USD82.5 mn) (2010: ZMK297bn (USD62.4 mn)).

Shoprite

Zambeef continues to partner with Shoprite. Shoprite is Africa's largest food retailer with 1,246 stores and 274 franchise outlets in 16 countries across Africa and the Indian Ocean Islands. Zambeef currently operates all of Shoprite's 20 in-house butcheries in Zambia, as well as being one of the key suppliers of other perishable and non-perishable merchandise to Shoprite.

Fast Food Outlets

Zambeef operates seven fast food outlets which trade under the brand 'Zamchick Inn'.

In 2011 Zambeef will also launch 'Zambeef Express', installing freezer and display units in convenience stores across the country. A pilot phase will initiate 'Zambeef Express' in ten stores, with the opportunity to expand depending on market uptake.

Our large retail network is key to the Zambeef model. It allows the Group to be close to, and understand its end user, the customer. The Group is able to add maximum value to its primary and secondary production facilities while engaging its brand power to drive customer loyalty and the average spend per customer. Management will continue to focus on the retail operations. This will benefit all Zambeef divisions and contribute to volume and margin increases across Zambeef's product range.

WEST AFRICA

Nigeria & Ghana

In 2011,this division contributed three per cent. of Group turnover and three per cent. of gross profitability.

Turnover has increased by 26 per cent. and gross profits have increased by 54 per cent. while gross

margins have increased from 24 per cent. in 2010 to 30 per cent. in 2011.

West Africa is an exciting growth division within the Group. Shoprite, Africa's largest food retailer, currently owns and operates three stores in Nigeria and two stores in Ghana. We continue to expand our presence in West Africa by partnering with Shoprite and currently operate all of their in-house butcheries. 2011 saw the roll out of one additional Shoprite store in Enugu (Nigeria). Shoprite are committed to increasing their footprint in West Africa and expect to increase their infrastructure in Nigeria and Ghana over the next twenty four with an additional five stores lined to open.

The increased supply to external parties, other than Shoprite, at higher prices have led to gross margins increasing during the year. Margins have also increased from the commencement of feedlotting operations.

In Ghana we have opened a processing plant in Accra, which allows for higher value and higher margin product supply.

We are confident that West Africa will play a key part in the Group's future strategy.

Ratios & Statistics

Statement of comprehensive income summary		2011	2010	2009*	2008*	2007
Revenue	ZMK Bn	983.1	770.5	683.1	476.1	292.0
Gross profit	ZMK Bn	334.9	242.1	199.6	178.9	128.5
Group profit attributable to equity holders of Zambeef Products PLC	ZMK Bn	44.4	19.8	9.6	37.2	23.5
Earnings before interest, tax, depreciation & amortisation (EBITDA)	ZMK Bn	88.4	61.3	29.3	58.6	43.0
Revenue	USD Mn	206.8	161.9	137.7	131.7	71.9
Gross profit	USD Mn	70.5	50.9	40.2	49.5	31.6
Group profit attributable to equity holders of Zambeef Products PLC	USD Mn	9.3	4.2	1.9	10.3	5.8
Earnings before interest, tax, depreciation & amortisation (EBITDA)	USD Mn	18.6	12.9	5.9	16.2	10.6
Statement of financial position summary						
Total assets	ZMK Bn	1,177.1	779.3	711.6	718.9	265.5
Shareholders' funds	ZMK Bn	744.2	456	444.8	435.4	154.8
Total liabilities	ZMK Bn	432.5	322.8	266.3	279.5	110.6
Total assets	USD Mn	245.2	162.3	150.8	200.8	69.0
Shareholders' funds	USD Mn	155.0	95.0	94.2	121.6	40.2
Total liabilities	USD Mn	90.1	67.3	56.4	78.1	28.7
Profitability & return ratios						
Gross profit margin	%	34.1	31.4	29.2	37.6	44
Net income margin	%	4.5	2.6	1.4	7.8	8
Return on equity	%	6.0	4.3	2.2	8.6	15.2
Asset turnover	times	0.8	1.0	1.0	0.7	1.1
Liquidity ratios						
Current ratio	times	1.5	1.4	1.1	1.3	1.7
Interest cover (using EBITDA)	times	4.8	6.0	2.4	8.5	15
Capital structure ratios						
Long term debt/equity ratio	%	24.2	30.3	10.1	10.9	24.8
Total debt/equity ratio	%	41.2	48.3	40.8	35.4	42.3
Shareholders' ratios						
Earnings per share	ZMK	242.6	124.7	60.6	270.8	204.9
Dividend per share	ZMK	31.1	49.9	–	85.7	82.9
Earnings per share	cents	5.1	2.6	1.2	7.5	5.1
Dividend per share	cents	0.8	1.0	–	2.4	2.0
Dividend cover	times	7.8	2.5	–	3.2	2.5
Dividend payout ratio	%	12.8	40.0	–	31.7	40.4
Dividend yield	%	1.0	1.3	–	1.4	1.5
Price earnings ratio	times	12.8	30.2	66.0	23.3	26.8
Net asset value per share	ZMK	3,000.9	2,873.5	2,802.5	2,743.1	1,349.6
Net asset value per share	cents	62.5	59.9	59.4	76.6	35.1
Lusaka stock exchange statistics						
Market value per share						
– At year end	ZMK	3,100	3,770	4,000	6,300	5,500
– Highest	ZMK	4,200	4,100	7,000	7,000	5,500
– Lowest	ZMK	2,500	3,500	3,000	5,500	2,499
Number of shares issued		166,231,234	158,706,045	158,706,045	158,706,045	114,669,450
Closing market capitalisation	ZMK Bn	515	598	635	1,000	631
Closing market capitalisation	USD Mn	107	125	135	279	164
AIM statistics						
Market value per share						
– At year end	pence	42	–	–	–	–
– Highest	pence	67	–	–	–	–
– Lowest	pence	38	–	–	–	–
Number of shares issued		81,746,961	–	–	–	–
Closing market capitalisation	GBP Mn	34	–	–	–	–
Closing market capitalisation	ZMK Bn	257	–	–	–	–
Closing market capitalisation	USD Mn	54	–	–	–	–

* Discontinued operations, namely Nanga Farms PLC

Environment, Health & Safety and Social Responsibility Report


Value added
Environmental protection
Staff training
Supporting local business
Long-term partnership
Healthy working environment
Community development
Quality product
Customer satisfaction
Corporate Social Responsibility

Environment, Health & Safety and Social Responsibility Report

The Company is committed to the ongoing improvement of its environmental and social management in its pursuit of international environmental and social standards.

Environmental Policy

Zambeef's environmental policy aims to provide a safe and healthy work place, to protect the environment, and to be a responsible corporate citizen in the communities where Zambeef operates. This policy provides the foundation for achieving the following corporate policy objectives:

- To provide a safe and healthy workplace and to ensure that personnel are properly trained and have access to the appropriate safety and emergency equipment;
- To be an environmentally responsible neighbour in the communities where we operate, and to act promptly and responsibly to correct situations or events that may endanger health, safety, or the environment;
- To conduct our business in compliance with applicable environmental and health and safety laws and regulations;
- To be a responsible and committed corporate citizen, and be a useful and effective member of the communities within which we operate;
- To endeavour to reduce poverty through the establishment of strong partnerships with local communities & supporting community initiatives, with particular focus on health and education initiatives which deliver sustainable long-term results & real benefits to the communities within which we operate;
- To review annually our strategies, objectives and targets and to monitor environmental programmes, that ensures the ongoing improvement of our environmental performance; and
- To conduct ongoing audits that ensure compliance with environmental and health and safety legislation, and to report periodically to the Board of Directors.

Compliance Mechanisms

As part of some of the Company's term loans, Zambeef signed up to an Environmental and Social Action Plan ("ESAP"). The key deliverables of the ESAP relate to:

1. Social and environmental assessment and management systems;
2. Labour and working conditions;
3. Pollution prevention and abatement;
4. Community health, safety and security;
5. Land acquisition and involuntary settlement; and
6. Biodiversity conservation and sustainable natural resource management.

The ESAP requires the Group to meet both local and international standards relating to the environment.

Zambeef must also report annually to some of its lenders on certain qualitative and quantitative project performance data according to the following key headings:

1. Environmental and Social Management;
2. Occupational Health and Safety Performance;
3. Significant Environmental and Social Events;
4. Sustainability of Project and Associated Operations;
5. Compliance with the World Bank Group and Local Environmental Requirements;
6. Progress on Implementing the ESAP Agreed with Some of its Lenders; and
7. General Information and Feedback

In order to meet the requirements of the ESAP, the Group has a dedicated department with six staff.

Furthermore, some of our term lenders have provided Zambeef with technical assistance funding which has been utilised to employ local and international consultants who assist Zambeef in successfully delivering the ESAP.

Status

The Company ensures that all projects go through an impact assessment in order to identify the potential positive and negative impacts and mitigating factors, as per the requirements of local and international standards. During the year, the Mumbwa abattoir and Lusaka wholesale project briefs were approved by the Zambia Environmental Management Agency, in addition to the Master Pork abattoir and processing plant, Kalundu dairy and Zamleather project briefs, which all received approval during 2010.

Two new Effluent Treatment Plants ("ETPs") and stabilisation ponds have been constructed at the Company's main production centre in Huntley Farm, Chisamba. The Company intends to follow this model and equip all its production centres where effluent is generated with ETPs.

In order to enhance biodiversity, the Company has left a large middle portion of the Chiawa farm undeveloped. This section of the farm has been recognised as an important area of game movement.

To meet local and international standards the Group continued its refurbishment programme for all operations, whilst at the same time winning consumer confidence. So far 28 retail outlets have been refurbished and the programme continues.

Microbiological testing and monitoring of the quality and safety of food and water, including disease surveillance in livestock, continued to be routinely carried out. This was in conjunction with independent quarterly Salmonella tests for all the Company's poultry houses, which yielded negative results, further attesting to the Company's quest to produce safe and quality food products. The establishment of the microbiological laboratory at Master Pork is expected to greatly enhance the frequency with which products along the production line are monitored, and thus to increase the relative safety of the food.

Surveillance of diseases affecting staff exposed to coal (at Zamanita facilities) and chromium (at Zamleather facilities) has continued to register results within acceptable levels. Medical examination for food handlers in all retail outlets was conducted in compliance with the Food Legislation with satisfactory result.

The most recent independent consultant's reports states that Zambeef continues to make good progress in delivering the approved ESAP.

Workers Welfare

The development of the HIV/AIDS policy was finalised and implemented during 2009. HIV programmes, such as training peer educators, voluntary counselling and testing and training of HIV/AIDS awareness for key personnel was carried out during the year. Workers' welfare is further enhanced by the provision of canteens, changing rooms with sanitary facilities, protective wear, medical surveillance for those that may require it, and timely medical examinations for food handlers.

Training

Zambeef continues to train its staff throughout the Group. The training includes introduction to Hazard Analysis of Critical Control Point ("HACCP") as a pre-requisite for the implementation of a company-wide ISO 22 000 Food Safety Management System, which aims to minimize contamination of the final products and ensure food safety.

Other training modules include fire drill training, basic first aid training, food hygiene, customer service, pre-slaughter care and customer service and marketing. Training will be extended, in the near future, to include global Good Agricultural Practices, Good Manufacturing Practices, Good Hygienic Practices and Food Legislation and Environmental sanitation as a pre-requisite for implementation of HACCP.

Social Responsibility

Zambeef continues to subscribe to the following United Nations Millennium Development Goals which aim to:

1) Eradicate extreme poverty and hunger;
2) Achieve universal primary education;
3) Promote gender equality and empower women;
4) Reduce child mortality;
5) Improve maternal health;
6) Combat HIV/AIDS, Malaria, TB and other diseases; and
7) Ensure environmental sustainability.

Environment, Health & Safety and Social Responsibility Report (Continued)

Zambeef continues to assist and/or support worthy causes aimed at poverty alleviation, through both cash donations, and the provision of free Zambeef products on a regular basis. Zambeef continues to give support in the following areas:

- Construction of schools and health centres
- Electrification and provision of clean water facilities
- Financial support to teachers and health workers
- Funding of educational and healthcare materials
- Donation of food to the vulnerable
- Support to promotion of sport
- Support to traditional ceremonies
- Support to local authorities
- Support to the Ministry of Agriculture for the development of their Food Safety Policy

Some of the key activities during the year included:

Zambeef sponsored a combined field day in conjunction with two institutions, the Zambia Agricultural and Research Institute ("ZARI") and the Seed Control and Certification Institute ("SCCI"). The field day was held to showcase technological advances in seed control and agricultural packages for food crops in Zambia. Farmers at all levels from different parts of the country had an opportunity to interact with agricultural research experts and to learn various new techniques including new ways of growing food crops in differing environments, new methods of fertiliser application, new crop protection methods, new soil management methods and new food storage methods.

Zambeef also partnered with the British Council to sponsor the "Enterprise Challenge" for high school children selected from across the country. The Enterprise Challenge is a programme that encourages the development of skills and innovation among students to help encourage their entrepreneurial aspirations and to improve their future employability.

Zambeef contributed to, and helped facilitate, the development of the Chisamba Martin Trust School and Mwayasunka School.

Zambeef continues to support the UK based charity ('Alive & Kicking'), which aims to use the power of football to deliver health education, in particular, to raise HIV/AIDS awareness and Malaria prevention.

Zampalm continues to support community development by contributing funds to the local Community Trusts. The amount of money donated is USD1 per Ha per year.

Zampalm is also in the process of executing a baseline study on the socio-economic impact of its palm plantation on the local community. The main purposes of this baseline study are to support sustainability of commercial projects and to mitigate social and economic impacts on the local communities involved.


Singazongwe Farm

Corporate Governance

Board of Directors

Dr Jacob Mwanza (age 74)

Non-Executive Chairman

Nationality: Zambian

Qualifications: Phd (Cornell University, USA); MA Economics (W. Germany)

Experience: Over 30 years' business management experience, both in the public and private sectors. Previously Governor of the Bank of Zambia; currently Chancellor of the University of Zambia. Has served and is currently serving on several boards, including the Lusaka Stock Exchange, and Konkola Resources Ltd.

Francis Grogan (age 49)

Chief Executive Officer

Nationality: Irish

Qualifications: BSc Agriculture (Ireland)

Experience: Over 22 years' experience in agriculture and meat, both in Ireland and Zambia.

Co-founder of Zambeef. Other directorships include Zambezi Ranching & Cropping Ltd, and Tractorzam Ltd.

Carl Irwin (age 45)

Director of Strategy & Development

Nationality: Zambian

Qualifications: B. Com; ACA (UK); FZICA

Experience: Over 20 years' accounting and finance experience with a number of companies, including Coopers & Lybrand UK. Co-founder of Zambeef. Other directorships include Proflight Commuter Services Ltd, Zambezi Ranching & Cropping Ltd, Kanyanja Development Company Ltd, Leopard Investment Company Ltd and Tractorzam Ltd.

Yusuf Koya (age 46)

Executive Director

Nationality: British

Qualifications: BSc in Geology & Economics (Keele University, UK); MSc in Economics (Keele University, UK); AIFS (UK)

Experience: Over 20 years' business management experience in corporate finance and credit risk management, both in the UK and Zambia. Previously Country Credit Director with Barclays Bank Zambia PLC.

Sushmit Maitra (age 33)

Finance Director

Nationality: Indian

Qualifications: BA (Hons) in Accounting & Finance (London South Bank University, UK); MSc in International Accounting & Finance (London School of Economics & Political Science, UK); ACCA.

Experience: Over 10 years' experience in auditing, corporate finance, and management consultancy with a number of companies in Zambia including Barclays Bank Zambia PLC and Grant Thornton (Zambia).

Lawrence Sikutwa (age 56)
Non-Executive Director
Nationality: Zambian

Qualifications: MBA; FCII; Post Grad Diploma in Insurance (UK)

Experience: Over 30 years' experience in business management. Previously General Manager of Zambia State Insurance Corporation Limited; currently Chairman of Lawrence Sikutwa Associates Ltd Group of Companies.

John Rabb (age 68)
Non-Executive Director
Nationality: South African

Qualifications: BSc (Agriculture); MBA (RSA)

Experience: Over 30 years' business management experience. Formerly Managing Director of the Wooltru Group in South Africa, which was listed on the Johannesburg Stock Exchange. Has served on, and is currently serving on, several boards, including Wellspring Ltd and Foresythe Estates Ltd.

Irene Muyenga (age 52)
Non-Executive Director
Nationality: Zambian

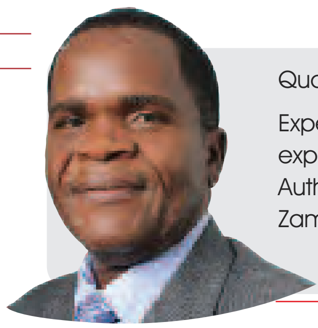
Qualifications: BA (ed); DIS; LIII

Experience: Over 20 years' business management experience. Currently CEO and Group Managing Director of Zambia State Insurance Corporation Limited. Has served and is currently serving on several boards, including Barclays Bank Zambia PLC. Organisation of Eastern & Southern Africa Insurers and the National Pension Scheme Authority of Zambia.

Adam Fleming (age 63)
Non-Executive Director
Nationality: British

Experience: Over 30 years' business management and banking experience. Previously Chairman of Harmony Gold (listed on Johannesburg Stock Exchange and one of the largest gold mining companies in the world); currently Chairman of Witwatersrand Consolidated Gold Resources Ltd. Has served and is currently serving on several boards, including Zambezi Ranching & Cropping Ltd.

Stanley Phiri (age 51)
Non-Executive Director
Nationality: Zambian



Qualifications: BAcc; FCCA; FZICA

Experience: Over 22 years' in business management and finance experience; Currently Director General of National Pension Scheme Authority of Zambia. Previously Director of Finance and Investment for Zambia State Insurance Corporation Ltd.

Report of the Directors

In compliance with Division 8.3 of the Zambian Companies Act, the Directors submit their report on the activities of the Group for the year ended 30 September 2011.

1. Principal activities

Zambeef Products PLC ("the Company") and its subsidiaries ("Group") is one of the largest agri-businesses in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed, flour and bread. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 8,000 Ha of row crops under irrigation and 9,000 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana, as well as a palm plantation within Zambia.

2. The Company

The Company is incorporated and domiciled in Zambia.

Business address
Plot 4970, Manda Road
Industrial Area
Lusaka
ZAMBIA

Postal address
Private Bag 17
Woodlands
Lusaka
ZAMBIA

3. Share capital

During the year, the Company had undertaken a rights issue on the Lusaka Stock Exchange ('LuSE') for which shareholders subscribed for 35,558,580 new Ordinary Shares and also undertook a dual listing on the AIM market of the London Stock Exchange through a placing of shares comprising the issue of 53,713,570 new Ordinary Shares. The shares on LuSE were issued at a price of ZMK2,975 per share and the shares on the AIM market were issued at a price of 38.06 pence per share.

More details of the Company's authorised and issued share capital are included in note 21 to the financial statements.

4. Results

The Group's results are as follows:

	2011 ZMK'Mns	2011 USD'000s	2010 ZMK'Mns	2010 USD'000s
Revenue	983,138	206,802	770,528	161,910
Profit before taxation	50,356	10,592	15,534	3,264
Taxation (charge)/credit	(5,816)	(1,223)	4,286	901
Group profit for the year	**44,540**	**9,369**	**19,820**	**4,165**
Group profit attributable to:				
Equity holders of the parent	44,436	9,347	19,789	4,158
Equity holders of non-controlling interest	104	22	31	7
	44,540	**9,369**	**19,820**	**4,165**

5. Dividends

An interim dividend of ZMK15 (0.32 cents) per share was paid out on 15 August 2011. A final dividend of ZMK 21.40 (0.45 cents) (2010 – ZMK49.88 [1.04 cents]) per share has been proposed by the Company's Board of Directors.

6. Management

The Senior Management team comprise the following:

Francis Grogan – Chief Executive Officer
Carl Irwin – Director of Strategy and Planning
Yusuf Koya – Executive Director
Sushmit Maitra – Finance Director
Danny Museteka – Company Secretary

Michael Ledwith	–	Chief Operating Officer – Manufacturing
Murray Moore	–	General Manager – National Retail
Ebrahim Israel	–	General Manager – International Retail
Mike Lovett	–	General Manager – Mpongwe Farm
Alastair McLeod	–	General Manager – Huntley Farm
David Mynhardt	–	General Manager – Sinazongwe Farm
Anthony Wells	–	General Manager – Chiawa Farm
Richard Franklin	–	General Manager – Leather
Dharmesh Patel	–	General Manager – Zamanita Limited
Walter Roodt	–	General Manager – Stock Feed
Arjan Muijs	–	General Manager – Zampalm Limited
Michael Hardcastle	–	General Manager – Dairy Farm
Webster Mapulanga	–	Factory Manager – Master Pork Limited
Andries Van Rensburg	–	Piggery Manager
Francis Mondomona	–	Ranching Manager
Peter Wandira	–	Flour Mill Manager
Charles Milupi	–	Poultry Manager
Ettiene Snyman	–	Processing Manager – Copperbelt
Theo de Lange	–	Technical Manager
Bartholomew Mbao	–	Dairy Processing Manager
Felix Lupindula	–	Agronomist
Ivor Chilufya	–	Group Finance Manager
Irfan Sayed	–	Finance Manager – Zambeef Products PLC
James Banda	–	Finance Manager – Zambeef Retailing Limited
Baron Chisola	–	Finance Manager – Zamanita Limited
Rory Park	–	Finance Manager – Master Pork and Zampalm Limited
Rehan Sayed	–	Finance Manager – Stock Feed and Leather
Mulendo Siame	–	Administration Manager – Huntley Farms
Akshay Charan	–	Retail Administration & Financial Controller
Anthony Seno	–	Head of IT
Chalwe Kashila	–	Head of Human Resources
Mathews Mbasela	–	Head of Payroll Processing
Ryan Stassen	–	Head of Procurement
Edward Tembo	–	Chief Security Manager
Pravin Abraham	–	Chief Internal Auditor
Marcus Hedstrom	–	Chief Administrative Officer
Jones Kayawe	–	Head of Environment, Health and Safety
Field Musongole	–	Maintenance Manager
Cyprian Musonda	–	Workshop Manager
Christabel Malijani	–	Compliance Manager
Hilary Anderson	–	National Retail Manager – Shoprite & Excellent Meats
Ernest Gondwe	–	Regional Manager – Shoprite & Excellent Meats
Francis Mulenga	–	Regional Manager – Shoprite
Noel Chola	–	Regional Manager – Shoprite
Rodgers Chinkuli	–	Regional Manager – Zambeef Outlets
Darren Young	–	Regional Manager – Zambeef Outlets
Jabulani Mpofu	–	Regional Manager – Zambeef Outlets
Rizaldy Yoro	–	Regional Manager – Zambeef Outlets
Perry Siame	–	Group Head Marketing
Pieter Swanepoel	–	Head of West Africa
Lufeyo Nkhoma	–	Head of Retail – Ghana
John Stephenson	–	Head of Retail – Nigeria
Clement Mulenga	–	Head of Processing – Nigeria

7. Directors and Secretary

The Directors in office during the financial year and at the date of this report were as follows:

Jacob Mwanza (Dr)	–	Chairman
Lawrence S. Sikutwa		
John Rabb	–	(Alternate Mark D. Shnaps)

Irene M. Muyenga		
Stanley Z. Phiri		
Adam Fleming	–	(Alternate Brian Dowden)
Francis Grogan		
Carl Irwin		
Yusuf Koya		
Sushmit N Maitra	–	Appointed 25 January 2011
Rodney Clyde – Anderson	–	Resigned on 19 May 2011
Hilary Duckworth	–	Resigned on 19 May 2011
Danny Museteka	–	Company Secretary

8. Directors' interests

The Directors held the following interests in the Company's ordinary shares at the reporting date:

	2011		2010	
	Direct	**Indirect**	**Direct**	**Indirect**
Jacob Mwanza (Dr)	1,100,000	–	900,000	–
Francis Grogan	–	3,596,631	–	3,582,450
Lawrence S Sikutwa	–	115,176	–	749,040
Irene M Muyenga	13,129	–	8,569	–
Stanley Z Phiri	–	–	–	–
John Rabb	–	7,868,813	–	5,024,920
Adam Fleming	–	13,656,917	–	8,266,471
Carl Irwin	3,763	4,322,682	–	3,468,501
Yusuf Koya	42,762	–	14,323	–
Sushmit N Maitra	–	–	–	–
	1,159,654	**29,560,219**	**922,892**	**21,091,382**

The Directors and Company Secretary have no beneficial interests in any of the Group's subsidiary or associated undertakings.

9. Directors' fees and remuneration

Details of Director's fees, remuneration and contract terms are included in the remuneration section of the Corporate Governance Report.

There were no loans made to Directors or any outstanding loans from Directors at the year end.

Members of the Board were not entitled to any form of defined pension benefits from the Company, other than the terms set forth above.

10. Significant Shareholdings

As at 30 September 2011, the Company has been advised of the following notifiable interests in its ordinary share capital:

Investor Name	Current Position	% of Shareholding
M & G Investment Management Ltd.	26,623,908	10.74
Ashmore EMM, L.L.C.	24,631,080	9.93
SQM Frontier Management LP	19,764,333	7.97

Apart from these holdings, the Company has not been notified at 23 November 2011 of any interest of 5 per cent. or more in its ordinary share capital.

11. Employees

The Group employed an average of 4,367 (2010 – 3,875) employees and total salaries and wages were ZMK108,904 million (USD22.9 million) for the year ended 30 September 2011 (2010 – ZMK84,378 million [USD17.7 million]). The Company employed an average 1,331 (2010 – 1,298) employees and total salaries and wages were ZMK23,913 million (USD5.0 million) for the year ended 30 September 2011 (2010 – ZMK18,147 million [USD3.8 million]).

The average number of persons employed by the Group in each month of the financial year is as follows:

	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
Headcount	4,067	4,367	4,543	4,231	4,207	4,158	4,220	4,353	4,510	4,414	4,587	4,745

12. Environment, health & safety, and social responsibility

Details of the Group's environment, health & safety, and social responsibility have been included in the Environment, Health & Safety and Social Responsibility Report.

13. Legal matters

There are no significant legal or arbitration proceedings (including, to the knowledge of the Directors, any such proceedings which are pending or threatened, by or against the Company or any subsidiary of the Group) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or any member of the Group.

14. Gifts and donations

The Group made donations of ZMK523 million (USD0.11 million) (2010 – ZMK223 million [USD0.05 million]) to a number of activities.

15. Export sales

The Group made exports of ZMK25.7 billion (USD5.4 million) during the period (2010 – ZMK20.5 billion [USD4.3 million]).

16. Property, plant and equipment

The Group purchased assets totalling ZMK311,145 million (USD65.4 million) (2010 – ZMK77,251 million [USD16.2 million])and recorded expenditure on the palm plantation development during the period of ZMK12,318 million (USD2.6 million) (2010 – ZMK12,414 million [USD2.6 million]).

17. Events since the Year-End

There have been no significant events affecting the Group since the year-end other than as disclosed in note 33 of the Financial Statements.

18. Auditor

In accordance with the provisions of section 171(3) of the Zambian Companies Act, the auditors, Messrs Grant Thornton, will retire as auditors of the Company at the forthcoming Annual General Meeting, and having expressed their willingness to continue in office a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

Danny Shaba Museteka
Company Secretary
Date: 23 November 2011

Corporate Governance Statement

The Directors of Zambeef Products PLC recognise the value of good governance and endorse the principles of openness, integrity, transparency, accountability and the application of high ethical standards in the conduct of business.

The Board approved the Company's original Code of Corporate Governance in November 2006, which complied with the requirements of the LuSE. Over the last five years, this original Corporate Governance Code has been subject to various updates. In June 2011, the Company was also admitted to the AIM market of the London Stock Exchange, and, whilst not technically required to comply with the UK Corporate Governance Code, the Board agreed to progressively adopt best practises in line with the UK Corporate Governance Code so far as it is practicable for a public company of its size, stage of development and nature quoted on AIM.

The Board recognises that the Group's internal financial control system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Company has adopted a share dealing code for dealings in shares by the Directors and senior employees that is appropriate for an AIM company. The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and to take all reasonable steps to ensure compliance by the Company's relevant employees.

Board of Directors

The Board of Directors has been appointed by the shareholders and is responsible to the shareholders for setting the direction of Zambeef through the establishment of strategic objectives and key policies, as well as approving major capital expenditure.

The Board meets at least four times during each financial year.

The Board currently consists of ten directors, of whom six are independent Non-executive Directors and four are Executive Directors. During the financial year, two Non-executive Directors resigned from the Board (Rodney Clyde-Anderson and Hilary Duckworth); these Non-executive Directors were not replaced.

The Board believes that its overall composition is appropriate, with no individual or group dominating the decision making process. The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them. The Chairman is considered to be independent.

All Directors have had access to management, including the Company Secretary, and to such information as was needed to carry out their duties and responsibilities fully and effectively.

The Directors have stayed fully abreast of the Group's business through meetings with senior management. Presentations are made to the Board by senior management on the activities and operations of the Group and Executive Directors undertake regular visits to operations.

Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the Group at its expense.

One third of the Non-executive Directors are subject to the "retirement by rotation" provisions contained in the Company's Articles of Association and the Companies Act of Zambia.

Board Committees

The Board governs through clearly mandated Board committees, accompanied by monitoring and reporting systems. Each committee operates within defined terms of reference and authority granted to it by the Board.

The Board has the following sub-committees to assist it with its duties:

- Executive/Nomination committee
- Audit committee
- Remuneration committee

Executive/Nomination Committee

The Executive/Nomination Committee is chaired by the Board Chairman, Dr. Jacob Mwanza, and its current membership consists of three Non-executive Directors; Lawrence Sikutwa, Irene Muyenga and Stanley Phiri.

The Executive/Nomination Committee's key roles and responsibilities are:

- to keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- to formulate, implement and deliver the strategic plans of the Group and to advise the Executive Directors in relation thereto as necessary;

Corporate Governance Statement (Continued)

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and to make recommendations to the Board with regard to any changes;
- to be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- to give full consideration to succession planning for Directors and other senior executives, and in particular, for the key roles of Chairman and Chief Executive Officer of the Company; and
- to consider such other matters as may be requested by the Board and to make such decisions on behalf of the Board on issues which cannot wait for the convening of the formal Board.

Audit Committee

The Audit Committee is chaired by Mr. Lawrence Sikutwa, Non-executive Director, and its current membership consists of three Non-executive Directors; Lawrence Sikutwa, Irene Muyenga and Stanley Phiri.

The Audit Committee meets at least four times during each financial year.

The primary role of the Audit Committee is to ensure the integrity of the financial reporting and audit process, including the review of the interim and annual financial statements before they are submitted to the Board for final approval, and to ensure that a sound risk management and internal control system is maintained, as well as reviewing the system for monitoring compliance with applicable laws and regulation.

At least once a year, the members of the Committee meet the external auditors without the presence of any Executive Director.

The Committee also considers and makes recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment and/or re-appointment of the Company's external auditor.

Remuneration Committee

The Remuneration Committee is chaired by the Board Chairman, Dr. Jacob Mwanza and its current membership consists of two Non-executive Directors; Lawrence Sikutwa and Irene Muyenga.

The Committee meets at least once a year.

The main responsibility of the Committee is to review and approve the remuneration and employment terms and conditions of the Executive Directors.

In determining the remuneration packages of the Executive Directors, the Remuneration Committee aims to provide appropriate packages required to attract, retain and motivate the Executive Directors.

The Committee also considers and submits recommendations to the Board concerning the fees to be paid to each Non-executive Director.

In April 2011, Remuneration Committee agreed the following gross annual packages (USD):

	Salary	Housing Allowance	Car Allowance	Air Fares Allowance	Medicals
NON-EXECUTIVE					
Jacob Mwanza (Dr.)	123,000	–	–	–	–
Lawrence Sikutwa	54,000	–	–	–	–
Irene M Muyenga	54,000	–	–	–	–
Stanley Z Phiri	46,000	–	–	–	–
Adam Fleming	31,000	–	–	–	–
John Rabb	31,000	–	–	–	–
EXECUTIVE					
Francis Grogan	459,000	Company House	Company Car	46,000	Yes
Carl Irwin	90,000	–	–	46,000	Yes
Yusuf Koya	367,000	46,000	Company Car	38,000	Yes
Sushmit N Maitra	284,000	46,000	28,000	9,000	Yes

In addition to the above, all Executive Directors are also entitled to the following:

1. Gratuity – 10 per cent. of gross basic salary paid over the two year contract term, less statutory deductions for tax;
2. Annual Cash Bonus – 25 per cent. of the Group's net profit above the annual budgeted figure will be made available as a bonus pot, to be shared between the Executive Directors, subject to Remuneration Committee discretion and subject to a maximum pay-out of 50 per cent. of an Executive Directors annual basic salary.

Each Non-executive Director has entered into a letter of appointment with the Company on 1st April 2011, for an initial term of three years, unless terminated by either party giving three months notice.

Each Executive Director entered into a fixed term service agreement on 1st April 2011, for an initial term of two years, unless terminated by either party giving six months notice (provided that any such notice given from the executive to the Company shall not take effect on a date which is earlier than the first anniversary of admission on AIM).

Directors' Interests in other Companies

In compliance with Section 218 of the Companies Act of Zambia, all Directors are required to declare to the Board their interests in other companies and this is taken into account in the event that any such company enters into any contracts with any Group company. The Group has a Related Parties Transactions policy which aims to ensure transparency in related party transactions as well as removal of any potential conflicts of interest in such transactions.

Directors' Shareholdings

In compliance with Section 225 of the Companies Act of Zambia, all Directors are required to disclose their holdings in the Company and any related companies. The register containing this information is available for inspection by shareholders for 14 days before the AGM, at the meeting and 3 days thereafter.

DIRECTORS' ATTENDANCE AT BOARD

	Board		Audit		Executive		Remuneration	
NON-EXECUTIVE	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Jacob Mwanza (Dr.)	4	4	–	–	7	7	1	1
Lawrence Sikutwa	4	4	4	4	7	6	1	1
Irene M Muyenga	4	4	4	4	7	6	1	1
Adam Fleming	4	4	–	–	–	–	–	–
John Rabb	4	4	–	–	–	–	–	–
Stanley Z Phiri	4	4	4	4	7	6	–	–
EXECUTIVE								
Francis Grogan	4	4	–	–	–	–	–	–
Carl Irwin	4	4	–	–	–	–	–	–
Yusuf Koya	4	4	–	–	–	–	–	–
Sushmit N Maitra	4	4	–	–	–	–	–	–
COMPANY SECRETARY								
Danny Museteka	4	4	4	4	7	7	1	1

Column A indicates the number of meetings held during the period in which the Director was a member of the Board and/or committee.

Column B indicates the number of meetings attended during the period in which the Director was a member of the Board and/or committee.

Citizens Economic Empowerment Report

In 2006, the Government of the Republic of Zambia enacted the Citizens Economic Empowerment Act Number 6 ("CEE"). The CEE provides the legal basis for implementing the economic empowerment programme in Zambia. The programme's objective is to expand citizen ownership and effective participation in the affairs of the economy. The CEE also established the Citizens Economic Empowerment Commission (the "CEEC") whose mandate, is among other things, to promote the economic empowerment of: Targeted Citizen, Citizen Empowered Company, Citizen Influenced Company and Citizen Owned Company. The nine key elements of the programme are listed below:

1) Equity and Ownership;
2) Skills Development;
3) Greenfield Investment;
4) Access to Finance;
5) Foreign Direct Investment;
6) Preferential Procurement;
7) Good Corporate Governance;
8) Corporate Social Responsibility; and
9) Transformation of Society

Targeted Citizens

These have been identified as citizens that have historically been marginalised and whose access to economic resources and developmental capacity has been constrained due to various factors including, but not limited to, race, sex, educational background, status and disability. Targeted citizens include; youths; women; the disabled; people living with HIV/AIDS; senior citizens; retirees; cooperatives/farmer associations.

Citizen Empowered Company

This is a company where 25 to 50 per cent. of its equity is owned by citizens.

Citizen Influenced Company

This is a company where 5 to 25 per cent. of its equity is owned by citizens, and in which citizens have significant control of the management of the company.

Citizen Owned Company

This is a company in which citizens have control of the company, which is defined as ownership of an equity holding of greater than 50 per cent.

Zambeef is fully committed to ensure that the Company adheres to the provisions of the CEE.

Citizens Economic Empowerment Report

Employment
The Zambeef Group employs over 4,700 employees as at year end of which over 98 per cent. are Zambian. Furthermore, the Group, through its farming division, provides significant employment to the rural communities, where poverty levels are higher than in the urban areas. In addition to providing employment, the Group has set up health, education and sanitary facilities for these communities. The Group also runs a programme for people living with HIV/AIDS which is run on a strictly confidential basis to discourage stigmatisation.

Equity and Ownership
Zambeef joined the LuSE in 2003. This provided an opportunity for any citizen to buy shares in the Company. It also provided an opportunity for local pension funds to invest in the Company's shares. In this regard, the Group provided an environment that allowed for any citizen to acquire equity through the stock market. A large percentage of Zambeef's shares are owned by Zambian individuals and institutions.

Skills Development
The Group is fully committed to developing and training its employees at all levels within the organisation. This year, the Group carried out and/or supported training in various fields including HACCP, fire drill and basic first aid, corporate governance, food processing, food hygiene and safety, pre-slaughter care and customer service and marketing. Training will be extended in the near future to include global good agricultural practices, good manufacturing practices, good hygienic practices and food legislation and environmental sanitation as pre-requisite for implementation of HACCP.

The Group's continual re-investment into its workforce has resulted in many senior positions being occupied by Zambian nationals, evidenced by the fact that three Zambian nationals managing the West Africa operations.

Preferential Procurement
Zambeef's nine regional abattoirs contribute to the Group's injection of over ZMK7 billion (USD1.5 million) per month into rural communities, through the procurement of locally produced raw materials. This results in poverty alleviation and sustainable development of the surrounding rural economies.

Statement of Directors' Responsibilities

Section 164 of the Zambian Companies Act 1994 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the Directors are responsible for

- designing, implementing and maintaining internal control, relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the International Financial Reporting Standards ("IFRS"), and on the going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Zambian Companies Act 1994. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps to ensure the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion

(a) the financial statements give a true and fair view of the financial position of Zambeef Products PLC and its subsidiaries as of 30 September 2011, and of its financial performance and its cash flows for the year then Ended;

(b) at the date of this statement there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when these fall due; and

(c) the financial statements are drawn up in accordance with the provisions of the second schedule to section 164 of the Zambian Companies Act 1994 and International Financial Reporting Standards.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

This statement is made in accordance with a resolution of the directors.

Dr. Jacob Mwanza
Chairman

Sushmit N. Maitra
Finance Director

23 November 2011

Approval of Annual Financial Statements

The Annual Financial Statements that appear on pages 66 to 127 were approved by the Board of Directors on 23 November 2011 and signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Sushmit Maitra
Finance Director

Signed in Lusaka on 23 November 2011

Annual Compliance Certificate

Pursuant to the requirements of schedule 18 to the rules of the Lusaka Stock Exchange, I the undersigned Danny Museteka being the duly appointed and registered Secretary certify to the Lusaka Stock Exchange that Zambeef Products PLC has during the twelve months ended 30 September 2011, complied with every disclosure requirement for continued listing on the Lusaka Stock Exchange imposed by the Board of the Exchange during that period.

In addition, I hereby confirm that for the year ended 30 September 2011, the Company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Companies Act 1994 and that all such returns are true and correct.

Danny Museteka
Company Secretary

23 November 2011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Zamloaf

Financial Statements

Report of the Independent Auditors

Grant Thornton

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Zambeef Products PLC and its subsidiaries, which comprise the consolidated statement of financial position as at 30 September 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As described on page 67 Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zambeef Products PLC and its subsidiaries as of 30 September 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report of the Independent Auditors

Report on other legal and regulatory requirements

In our opinion, the financial statements of Zambeef Products PLC and its subsidiaries as of 30 September 2011 have been properly prepared in accordance with the Zambian Companies Act 1994, and the accounting and other records and registers have been properly kept in accordance with the Act.

Chartered Accountants

Wesley M Beene
Partner
Lusaka: 23 November 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Group	Notes	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Revenue	5	983,138	206,802	770,528	161,910
Net gain arising from price changes in fair value of biological assets	16	17,057	3,587	2,565	534
Cost of sales		(665,248)	(139,934)	(530,949)	(111,562)
Gross profit		**334,947**	**70,455**	**242,144**	**50,882**
Administrative expenses		(265,857)	(55,922)	(208,673)	(43,849)
Other income		1,147	241	290	61
Operating profit	6	**70,237**	**14,774**	**33,761**	**7,094**
Exchange losses on translating foreign currency transactions and balances		(1,562)	(328)	(7,991)	(1,679)
Finance costs	8	(18,319)	(3,854)	(10,236)	(2,151)
Profit before taxation		**50,356**	**10,592**	**15,534**	**3,264**
Taxation (charge)/credit	9	(5,816)	(1,223)	4,286	901
Group profit for the year		**44,540**	**9,369**	**19,820**	**4,165**
Group profit attributable to:					
Equity holders of the parent		44,436	9,347	19,789	4,158
Non-controlling interest		104	22	31	7
		44,540	9,369	19,820	4,165
Other comprehensive income:					
Exchange losses on translating presentational currency		(390)	(275)	(707)	(1,755)
Total comprehensive income for the year		**44,150**	**9,094**	**19,113**	**2,410**
Total comprehensive income for the year attributable to:					
Equity holders of the parent		44,089	9,082	19,185	2,426
Non-controlling interest		61	12	(72)	(16)
		44,150	9,094	19,113	2,410
		Kwacha	**Cents**	**Kwacha**	**Cents**
Earnings per share					
Basic and diluted earnings per share	11	242.60	5.10	124.69	2.62

The accompanying notes form part of the financial statements.

Consolidated Statement of Movements in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

(i) In Zambian Kwacha	Issued share capital ZMK'Ms	Share premium ZMK'Ms	Capital reserve ZMK'Ms	Revaluation reserve ZMK'Ms	Retained earnings ZMK'Ms	Total attributable to owners of the parent ZMK'Ms	Non-controlling interest ZMK'Ms	Total equity ZMK'Ms
At 1 October 2009	159	259,967	(311)	69,852	115,111	444,778	450	445,228
Dividends declared	–	–	–	–	(7,916)	(7,916)	–	(7,916)
Transactions with owners	**–**	**–**	**–**	**–**	**(7,916)**	**(7,916)**	**–**	**(7,916)**
Profit for the year	–	–	–	–	19,789	19,789	31	19,820
Transfer of surplus depreciation	–	–	–	(2,542)	2,542	–	–	–
Other comprehensive income:								
Exchange losses on translating presentational currency	–	–	(604)	–	–	(604)	(103)	(707)
Total comprehensive income	**–**	**–**	**(604)**	**(2,542)**	**22,331**	**19,185**	**(72)**	**19,113**
At 30 September 2010	**159**	**259,967**	**(915)**	**67,310**	**129,526**	**456,047**	**378**	**456,425**
Issue of shares	89	262,519	–	–	–	262,608	–	262,608
Cost of issue of shares written off	–	(16,209)	–	–	–	(16,209)	–	(16,209)
Dividends paid	–	–	–	–	(2,381)	(2,381)	–	(2,381)
Transactions with owners	**89**	**246,310**	**–**	**–**	**(2,381)**	**244,018**	**–**	**244,018**
Profit for the year	–	–	–	–	44,436	44,436	104	44,540
Transfer of surplus depreciation	–	–	–	(2,542)	2,542	–	–	–
Other comprehensive income:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exchange losses on translating presentational currency	– –	– –	– (347)	– –	– –	– (347)	– (43)	– (390)
Total comprehensive income	**–**	**–**	**(347)**	**(2,542)**	**46,978**	**44,089**	**61**	**44,150**
At 30 September 2011	**248**	**506,277**	**(1,262)**	**64,768**	**174,123**	**744,154**	**439**	**744,593**

Consolidated Statement of Movements in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

(ii) In US Dollar	Issued share capital USD'000s	Share premium USD'000s	Foreign exchange reserve USD'000	Revaluation reserve USD'000s	Retained earnings USD'000s	Total attributable to owners of the parent USD'000s	Non controlling interest USD'000s	Total equity USD'000s
At 1 October 2009	42	71,861	(25,518)	18,215	29,633	94,233	95	94,328
Dividends declared	–	–	–	–	(1,649)	(1,649)	–	(1,649)
Transactions with owners	**–**	**–**	**–**	**–**	**(1,649)**	**(1,649)**	**–**	**(1,649)**
Profit for the year	–	–	–	–	4,158	4,158	7	4,165
Transfer of surplus depreciation	–	–	–	(530)	530	–	–	–
Other comprehensive income:								
Exchange losses on translating presentational currency	–	–	(1,732)	–	–	(1,732)	(23)	(1,755)
Total comprehensive income	**–**	**–**	**(1,732)**	**(530)**	**4,688**	**2,426**	**(16)**	**2,410**
At 30 September 2010	**42**	**71,861**	**(27,250)**	**17,685**	**32,672**	**95,010**	**79**	**95,089**
Issue of shares	19	54,806	–	–	–	54,825	–	54,825
Cost of issue of shares written off	–	(3,384)	–	–	–	(3,384)	–	(3,384)
Dividends paid	–	–	–	–	(501)	(501)	–	(501)
Transactions with owners	**19**	**51,422**	**–**	**–**	**(501)**	**50,940**	**–**	**50,940**
Profit for the year	–	–	–	–	9,347	9,347	22	9,369
Transfer of surplus depreciation	–	–	–	(530)	530	–	–	–
Other comprehensive income:								
Exchange losses on translating presentational currency	–	–	(265)	–	–	(265)	(10)	(275)
Total comprehensive income	**–**	**–**	**(265)**	**(530)**	**9,877**	**9,082**	**12**	**9,094**
At 30 September 2011	**61**	**123,283**	**(27,515)**	**17,155**	**42,048**	**155,032**	**91**	**155,123**

Company Statement of Movements in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

(i) In Zambian Kwacha	Issued share capital ZMK'Ms	Share premium ZMK'Ms	Revaluation reserve ZMK'Ms	Retained earnings ZMK'Ms	Total equity ZMK'Ms
At 1 October 2009	159	259,967	45,867	131,349	437,342
Dividends declared	–	–	–	(7,916)	(7,916)
Transactions with owners	–	–	–	(7,916)	(7,916)
Profit for the year	–	–	–	10,124	10,124
Transfer of surplus depreciation	–	–	(586)	586	–
Total comprehensive income	**–**	**–**	**(586)**	**10,710**	**10,124**
At 30 September 2010	**159**	**259,967**	**45,281**	**134,143**	**439,550**
Issue of shares	89	262,519	–	–	262,608
Cost of issue of shares written off	–	(16,209)	–	–	(16,209)
Dividends paid	–	–	–	(2,381)	(2,381)
Transactions with owners	**89**	**246,310**	**–**	**(2,381)**	**244,018**
Profit for the year	–	–	–	9,315	9,315
Transfer of surplus depreciation	–	–	(586)	586	–
Total comprehensive income	–	–	(586)	9,901	9,315
At 30 September 2011	**248**	**506,277**	**44,695**	**141,663**	**692,883**

Company Statement of Movements in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

(ii) In US Dollar	**Issued share capital USD'000s**	**Share premium USD'000s**	**Revaluation reserve USD'000s**	**Foreign exchange reserve USD'000s**	**Retained earnings USD'000s**	**Total equity USD'000s**
At 1 October 2009	42	71,861	9,718	(16,792)	27,828	92,657
Dividends declared	–	–	–	–	(1,649)	(1,649)
Transactions with owners	–	–	–		(1,649)	(1,649)
Profit for the year	–	–	–	–	2,127	2,127
Transfer of surplus depreciation	–	–	(122)	–	122	–
Other comprehensive income:						
Exchange losses on translating presentational currency	–	–	–	(1,562)	–	(1,562)
Total comprehensive income	**–**	**–**	**(122)**	**(1,562)**	**2,249**	**565**
At 30 September 2010	**42**	**71,861**	**9,596**	**(18,354)**	**28,428**	**91,573**
Issue of shares	19	54,806	–	–	–	54,825
Cost of issue of shares written off	–	(3,384)	–	–	–	(3,384)
Dividends paid	–	–	–	–	(501)	(501)
Transactions with owners	**19**	**51,422**	**–**	**–**	**(501)**	**50,940**
Profit for the year	–	–	–	–	1,959	1,959
Transfer of surplus depreciation	–	–	(122)	–	122	–
Other comprehensive income:						
Exchange losses on translating presentational currency	–	–	–	(120)	–	(120)
Total comprehensive income	**–**	**–**	**(122)**	**(120)**	**2,081**	**1,839**
At 30 September 2011	**61**	**123,283**	**9,474**	**(18,474)**	**30,008**	**144,352**

Consolidated Statement of Financial Position – 30 September 2011

ASSETS	Notes	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Non-current assets					
Goodwill	13	15,699	3,270	15,699	3,270
Property, plant and equipment	14	756,013	157,503	477,622	99,505
Plantation development expenditure	14	43,126	8,985	30,808	6,418
Biological assets	16	2,573	536	3,666	764
Deferred tax asset	9(e)	291	61	2,567	535
		817,702	**170,355**	**530,362**	**110,492**
Current assets					
Biological assets	16	116,760	24,325	59,793	12,457
Inventories	17	167,522	34,900	132,690	27,644
Trade and other receivables	18	72,746	15,155	55,195	11,499
Amounts due from related companies	19	2,091	436	984	205
Income tax recoverable	9(c)	246	51	246	51
		359,365	**74,867**	**248,908**	**51,856**
Total assets		**1,177,067**	**245,222**	**779,270**	**162,348**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	248	61	159	42
Share premium	22	506,277	123,283	259,967	71,861
Reserves		237,629	31,688	195,921	23,107
		744,154	155,032	456,047	95,010
Non-controlling interest		439	91	378	79
		744,593	**155,123**	**456,425**	**95,089**
Non-current liabilities					
Interest bearing liabilities	23	172,627	35,964	136,912	28,523
Obligations under finance leases	24	7,316	1,524	1,294	270
Deferred liability	25	5,107	1,064	5,168	1,077
Deferred tax liability	9(e)	3,444	718	1,420	296
		188,494	**39,270**	**144,794**	**30,166**
Current liabilities					
Interest bearing liabilities	23	25,925	5,401	29,258	6,095
Obligations under finance leases	24	3,369	702	1,083	226
Trade and other payables	26	116,117	24,191	86,549	18,030
Amounts due to related companies	27	331	69	763	159
Taxation payable	9(c)	962	200	608	127
Dividends payable	10	18	4	7,916	1,649
Cash and cash equivalents	20	97,258	20,262	51,874	10,807
		243,980	**50,829**	**178,051**	**37,093**
Total equity and liabilities		**1,177,067**	**245,222**	**779,270**	**162,348**

The accompanying notes form part of the financial statements. The financial statements on pages 66 to 127 were approved by the Board of Directors on 23 November 2011 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Sushmit N Maitra
Finance Director

Company Statement of Financial Position – 30 September 2011

ASSETS	Notes	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Non-current assets					
Property, plant and equipment	14	552,424	115,088	299,565	62,409
Investment in subsidiaries	15	94,112	19,607	94,112	19,607
		646,536	**134,695**	**393,677**	**82,016**
Current assets					
Biological assets	16	114,506	23,855	57,812	12,044
Inventories	17	80,898	16,854	51,293	10,686
Trade and other receivables	18	12,976	2,704	9,362	1,950
Amounts due from related companies	19	148,320	30,900	159,813	33,295
Income tax recoverable	9(c)	26	5	26	5
		356,726	**74,318**	**278,306**	**57,980**
Total assets		**1,003,262**	**209,013**	**671,983**	**139,996**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	248	61	159	42
Share premium	22	506,277	123,283	259,967	71,861
Reserves		186,358	21,008	179,424	19,670
		692,883	**144,352**	**439,550**	**91,573**
Non-current liabilities					
Interest bearing liabilities	23	158,081	32,934	136,912	28,523
Obligations under finance leases	24	5,811	1,211	696	145
Deferred liability	25	523	109	634	132
Deferred tax liability	9(e)	1,761	367	288	60
		166,176	**34,621**	**138,530**	**28,860**
Current liabilities					
Interest bearing liabilities	23	24,184	5,038	29,258	6,095
Obligations under finance leases	24	1,734	361	252	52
Trade and other payables	26	55,073	11,472	20,671	4,307
Amounts due to related companies	27	288	60	751	157
Dividends payable	10	18	4	7,916	1,649
Cash and cash equivalents	20	62,906	13,105	35,055	7,303
		144,203	**30,040**	**93,903**	**19,563**
Total equity and liabilities		**1,003,262**	**209,013**	**671,983**	**139,996**

The accompanying notes form part of the financial statements. The financial statements on pages 66 to 127 were approved by the Board of Directors on 23 November 2011 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Sushmit N Maitra
Finance Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Cash inflow from operating activities				
Profit before taxation	50,356	10,592	15,534	3,264
Finance costs	18,319	3,854	10,236	2,151
Depreciation	31,296	6,583	28,683	6,028
Impairment of biological assets	1,452	302	1,822	380
Fair value price adjustment	(17,057)	(3,587)	(2,565)	(534)
Net unrealised foreign exchange losses	4,054	887	7,619	1,633
Earnings before interest, tax, depreciation and amortisation	88,420	18,631	61,329	12,922
Increase in biological assets	(40,265)	(8,389)	(15,179)	(2,615)
(Increase)/decrease in inventory	(34,832)	(7,256)	9,156	2,408
Increase in trade and other receivables	(17,551)	(3,656)	(6,114)	(1,100)
(Increase)/decrease in amounts due from related companies	(1,107)	(231)	1,143	246
Increase in trade and other payables	29,568	6,161	16,810	3,256
Decrease in amounts due to related companies	(432)	(90)	(964)	(207)
(Decrease)/increase in deferred liability	(61)	(13)	416	70
Income tax (paid)/recovered	(1,160)	(244)	1,908	401
Net cash inflow from operating activities	22,580	4,913	68,505	15,381
Investing activities				
Purchase of property, plant and equipment	(76,370)	(16,064)	(77,251)	(16,232)
Purchase of Mpongwe Farm assets	(234,774)	(49,384)	–	–
Expenditure on plantation development	(12,318)	(2,591)	(12,414)	(2,592)
Proceeds from sale of assets	1,559	328	1,016	214
Net cash outflow on investing activities	(321,903)	(67,711)	(88,649)	(18,610)
Net cash outflow before financing	(299,323)	(62,798)	(20,144)	(3,229)
Financing				
Proceeds from issue of shares	246,399	51,441	–	–
Long term loans repaid	(49,290)	(10,269)	(10,291)	(2,873)
Receipt from long term loans	81,672	17,015	117,500	25,000
Lease finance received	11,900	2,479	2,243	452
Lease finance paid	(3,592)	(748)	(1,410)	(284)
Finance costs	(18,319)	(3,854)	(10,236)	(2,151)
Dividends paid	(9,965)	(2,096)	–	–
Net cash inflow from financing	258,805	53,968	97,806	20,144
(Decrease)/Increase in cash and cash equivalents	(40,518)	(8,830)	77,662	16,915
Cash and cash equivalents at beginning of year	(51,874)	(10,807)	(121,184)	(25,675)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(4,866)	(625)	(8,352)	(2,047)
Cash and cash equivalents at end of year	(97,258)	(20,262)	(51,874)	(10,807)
Represented by:				
Cash in hand and at bank	30,844	6,426	33,949	7,073
Bank overdrafts	(102,625)	(21,380)	(64,576)	(13,454)
Structured agricultural finance	(25,477)	(5,308)	(21,247)	(4,426)
	(97,258)	(20,262)	(51,874)	(10,807)

Company Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Cash inflow from operating activities				
Profit before taxation	10,810	2,274	5,121	1,076
Finance costs	13,053	2,746	5,950	1,250
Depreciation	14,679	3,088	14,210	2,986
Fair value price adjustment	(16,966)	(3,569)	(2,474)	(515)
Net unrealised foreign exchange differences	(13)	31	3,948	830
Earnings before interest, tax, depreciation and amortisation	21,563	4,570	26,755	5,627
Increase in biological assets	(39,728)	(8,277)	(13,720)	(2,711)
Increase in inventory	(29,605)	(6,168)	(1,737)	(187)
(Increase)/decrease in trade and other receivables	(3,614)	(752)	492	137
Decrease/(increase) in amounts due from related companies	11,494	2,394	(74,311)	(15,179)
Increase in trade and other payables	34,402	7,167	2,141	380
(Decrease)/increase in amounts due to related companies	(463)	(96)	509	105
Decrease in deferred liability	(111)	(23)	(711)	(153)
Income tax (paid)/recovered	(22)	(5)	1,916	403
Net cash outflow from operating activities	(6,084)	(1,190)	(58,666)	(11,578)
Investing activities				
Purchase of property, plant and equipment	(32,763)	(6,892)	(48,020)	(10,090)
Purchase of Mpongwe Farm assets	(234,774)	(49,385)	–	–
Proceeds from sale of assets	–	–	–	–
Net cash outflow from investing activities	**(267,537)**	**(56,277)**	**(48,020)**	**(10,090)**
Net cash outflow before financing	**(273,621)**	**(57,467)**	**(106,686)**	**(21,668)**
Financing activities				
Proceeds from issue of shares	246,399	51,440	–	–
Long term loans repaid	(49,290)	(10,269)	(7,777)	(1,634)
Receipt from long term loans	65,385	13,622	117,500	25,000
Lease finance received	8,923	1,861	948	199
Lease finance paid	(2,326)	(485)	–	–
Interest paid	(13,053)	(2,746)	(5,950)	(1,250)
Dividends paid	(9,965)	(2,096)	–	–
Net cash inflow from financing activities	**246,073**	**51,327**	**104,721**	**22,315**
(Decrease)/Increase in cash and cash equivalents	**(27,548)**	**(6,140)**	**(1,965)**	**647**
Cash and cash equivalents at beginning of year	(35,055)	(7,303)	(29,142)	(6,174)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(303)	338	(3,948)	(1,776)
Cash and cash equivalents at end of year	**(62,906)**	**(13,105)**	**(35,055)**	**(7,303)**
Represented by:				
Cash in hand and at bank	8,904	1,855	13,359	2,783
Bank overdrafts	(65,529)	(13,652)	(43,276)	(9,016)
Structured agricultural finance	(6,281)	(1,308)	(5,138)	(1,070)
	(62,906)	(13,105)	(35,055)	(7,303)

Notes to the Financial Statements – 30 September 2011

1. The Group

Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agri-businesses in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed, flour and bread. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 8,000 Ha of row crops under irrigation and 9,000 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana, as well as a palm project within Zambia.

2. Principal accounting policies

The principal accounting policies applied by the Group in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the parent Company and its subsidiary companies made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of their acquisition or up to the date of their disposal. Intercompany transactions and profits are eliminated on consolidation and all income and profit figures relate to external transactions only.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses incurred are allocated to the non-controlling interest in equity until this value is nil, at which point any subsequent losses are allocated against the interests of the parent.

(b) Going Concern

At the balance sheet date loan amounts repayable within twelve (12) months amount to ZMK29.3 billion (USD6.1 million). After reviewing the available information including the Group's strategic plans and continuing support from the Group's working capital funders, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(c) Basis of presentation

The financial statements are prepared in accordance with the provisions of the Companies Act and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive income" in one statement namely the "Statement of Comprehensive Income". IAS 1 also requires the presentation of a comparative balance sheet and related notes at the beginning of the first comparative period. Management consider that this is not necessary as the September 2009 balance sheet is the same as that previously published.

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(d) Foreign currencies

(i) *Presentational and functional currency*

The Company's functional currency is Zambian Kwacha (ZMK), which is the Group's presentational currency. In order to assist the understanding of the readers, the Directors have also presented supplementary information in United States Dollars (USD) which is appropriate as supplementary information only.

(ii) *Basis of translating presentational currency to USD for the purposes of supplementary information.*

Income statement items have been translated using the average exchange rate for the year as an approximation to the actual exchange rate. Assets and liabilities have been translated using the closing exchange rate.Any differences arising from this process have been recognised in other comprehensive income and accumulated in the foreign exchange reserve in equity.

Equity items have been translated at the closing exchange rate. Exchange differences arising on retranslating equity items and opening net assets have been transferred to the foreign exchange reserve within equity.

The following exchange rates have been applied:

ZMK:USD	Average exchange rate	Closing exchange rate
Year ended 30 September 2009	4,960	4,720
Year ended 30 September 2010	4,759	4,800
Year ended 30 September 2011	4,754	4,800

All historical financial information, except where specifically stated, is presented in Zambian Kwacha rounded to the nearest ZMK'millions and United States Dollars rounded to the nearest USD'000s.

(iii) *Basis of translating transactions and balances*

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of comprehensive income.

Non-operating foreign exchange gains and losses mainly arise on fluctuations of the exchange rate between United States Dollars and Zambian Kwacha. Due to the instability of the exchange rate, which may result in significant variances of foreign exchange related assets and liabilities, these gains and losses have been presented below operating profit in the statement of comprehensive income.

(iv) *Basis of translating foreign operations*

In the consolidated financial statements the financial statements of the foreign subsidiaries originally presented in their local currency have been translated into Zambian Kwacha. Assets and liabilities have been translated into Zambian Kwacha at the exchange rates ruling at the year end. Statement of comprehensive income items have been translated at an average monthly rate for the year. Any differences arising from this procedure are taken to the foreign capital reserve.

Notes to the Financial Statements – 30 September 2011 (Continued)

Principal accounting policies (continued)

ZMK:Nigeria Naira	Average exchange rate	Closing exchange rate
Year ended 30 September 2010	32.00	32.00
Year ended 30 September 2011	31.48	31.58

ZMK:Ghana Cedi	Average exchange rate	Closing exchange rate
Year ended 30 September 2010	3,310	3,298
Year ended 30 September 2011	3,128	2,981

(e) **New standards and interpretations**

Interpretations to published standards that are not yet effective and have not been early adopted by the Company:

The following new interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but the Group has not early adopted or are not relevant for the Group's operations:

Standard or Interpretation	Effective for reporting periods starting on or after
IFRS 9 Financial instruments (to replace IAS39)	1 January 2013
Annual improvements 2010	1 July 2010

Most of these amendments become effective for reporting dates in annual periods beginning on or after 1 July 2010 or January 2011. The 2010 Improvements amend certain provisions of IFRS 3 Revised, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments.

Based on the Group's current business model and accounting policies, management does not expect material impact on its financial statements when the standards or interpretations become effective.

The Directors have assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they may not be relevant to the Group based on the current operations.

(f) **Business combinations**

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net asset acquired is credited to the statement of comprehensive income in the period of acquisition. Changes in the Group's ownership interest that do not result in a loss of control are accounted for as equity transactions. Purchase of noncontrolling interests are recognized directly within equity being the difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of the net assets to the subsidiary.

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. Contingent and Deferred consideration is based on management's best estimate of the likely outcome and best estimate of fair value, which is usually, but not always, a contracted formula based on a multiple of net profit after tax. Prior to 1 October 2009 business combinations were accounted for under the provisions of the previous version of IFRS 3 such that acquisition costs were not expensed.

Principal accounting policies (continued)

(g) **Discontinued operations**

A discontinued operation is a component of the entity that has been disposed of. A component can be distinguished operationally and for financial reporting purposes if:

- its operating assets and liabilities can be directly attributed to it
- its income (gross revenue) can be directly attributed to it
- at least a majority of its operating expenses can be directly attributed to it.

Profit or loss from discontinued operations, including prior year comparatives, is presented in a single amount in the income statement. This amount comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the disposal of the Group's share of the entity's net assets.

The disclosures for discontinued operations in the prior years relate to all operations that have been discontinued by the reporting date for the latest period presented.

(h) **Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 13 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 13 for a description of impairment testing procedures.

(i) **Revenue recognition**

Revenue comprises revenue from the sale of goods and revenue from major products as shown in note 5. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyers and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

Revenue comprises the fair value of consideration received or receivable for the sale of the Group's products in the ordinary course of the Group's activities. Revenue is shown net of trade allowances, duties and taxes paid and after eliminating sales within the Group.

(j) **Property, plant and equipment**

All classes of property, plant and equipment are stated at valuation except for plantation development expenditure and capital work in progress which are stated at historical cost. Capital work in progress relates to internally produced building parts and plant and machinery and are categorised as such on completion. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item Can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus in shareholders' equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying

Notes to the Financial Statements – 30 September 2011 (Continued)

Principal accounting policies (continued)

amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Land and buildings	2%
Motor vehicles	20%
Furniture & equipment	10%
Plant & machinery	5-10%

Capital work in progress is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in the other operating income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

The Group has adopted a policy of revaluing all classes of property, plant and equipment, excluding capital work in progress and plantation development expenditure. Revaluations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Valuations are carried out in local currency, Zambian Kwacha.

(k) **Plantation Development Expenditure**

Plantation development expenditure comprises assets held for plantation development activities. All costs relating directly to plantation development are capitalized until such time as the oil palms reach maturity and meet the criteria for commercial production, at which point capitalized items are reclassified as mature plantations and all further costs expensed and depreciation commences. Such capitalized costs include:

- construction of roads and bridges attached to the plantation
- installation of drainage
- land preparation
- construction of an office block and workshops
- borrowing costs

These are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated on the straight-line method to write off the cost of assets over their estimated useful lives. The principal annual rates of depreciation are:

Bridges and roads	5%
Mature plantations	4%

Principal accounting policies (continued)

Mature plantations are amortised over the estimated productive life of the trees estimated to be 25 years. The period of the plantations' yield was determined by vegetative growth calculated and estimated by the management.

(l) **Leased assets**

Where fixed assets are financed by leasing agreements which give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance lease. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the statement of comprehensive income over the period of the lease so as to produce a constant periodic rate of interest in the remaining balance of the liability under the lease agreement for each accounting period.

Rentals payable under operating leases are charged to the statement of comprehensive income over the term of the relevant lease and in accordance with the terms of the relevant leases.

(m) **Financial assets**

For the purpose of measurement financial assets are classified into categories. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(n) **Impairment of assets**

(i) *Financial assets carried at amortised cost*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization; or

Notes to the Financial Statements – 30 September 2011 (Continued)

Principal accounting policies (continued)

- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individual assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by Adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) *Impairment of goodwill*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds is recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash generating units).

(o) **Financial liabilities**

The Group's financial liabilities include bank overdrafts, obligations under finance leases and trade and other payables. Financial liabilities are recognised when the Group becomes party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the consolidated statement of comprehensive income. Trade payables are recognised initially at their fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. Financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(p) **Biological assets**

Current assets

Biological assets are valued at their fair values less estimated point of sale costs as determined by the Directors. The fair value of livestock is determined based on market prices of animals of similar age, breed and genetic merit. Standing crops are revalued to fair value at each reporting date based on the estimated market value of fully grown standing crops adjusted for the age and condition of the crops at the reporting date. Feedlot, standing and dairy cattle, chickens (broilers and layers), and pigs have been classified as current biological assets based on Directors' expectation of their useful economic life.

Net gains and losses arising from changes in fair value less estimated point of sale costs of biological assets are recognised in profit and loss separately in the statement of comprehensive income.

Non-current assets

Oil palms are revalued to fair value at each reporting date on a discounted cash flow basis by reference to the fresh fruit branches ("FFB") expected to be harvested over the full remaining productive life of the trees up to 25 years. Oil palms which are not yet mature at the accounting date, and hence are not producing FFB, are valued at cost as an approximation of fair value.

All expenditure on the oil palms up to maturity is treated as an addition to the oil palms. Such costs include seedling costs, holing and planting, transport and field distribution, lining and pruning. The variation in the value of the oil palms in each accounting period, after allowing for additions to the oil palms in the period, is charged or credited to the statement of comprehensive income is appropriate, with no depreciation being provided on such assets.

(q) **Inventory**

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis and includes all expenditure incurred in the normal course of business in bringing the goods to their present location and condition, including production overheads based on normal level of activity. Net realizable value takes into account all further costs directly related to marketing, selling and distribution.

Biological assets are transferred to inventory at the point of harvest/slaughter at fair value in accordance with IAS 41.

(r) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, bank overdrafts, deposits held at call with banks, structured agricultural finance, other short-term highly liquid investments and balances held with banks.

Bank overdrafts are defined as facilities which are repayable on demand and classified as current liabilities.

(s) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognized within 'finance costs' in the statement of comprehensive income in the period in which they are incurred.

(t) **Interest bearing liabilities**

Short term interest bearing liabilities include all amounts expected to be repayable within twelve months from the reporting date, including instalments due on loans of longer duration. Long term interest bearing liabilities represent all amounts payable more than twelve months from the reporting date.

Notes to the Financial Statements – 30 September 2011 (Continued)

Principal accounting policies (continued)

(u) **Other operating income**

Other operating income is income not related to the operation or management of the specific business activities of the Group, but which arises from the function of operating an agri-business. Other income comprises the fair value of the consideration received or receivable.

(v) **Taxation**

Tax expense recognized in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognized in othe comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statement. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

(w) **Employee benefits**

(i) *Pension obligations*

The Group has a plan with National Pension Scheme Authority (NAPSA) where the group pays an amount equal to the employee's contributions. Employees contribute 5 per cent. of their gross earnings up to the statutory cap.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(x) **Dividend distributions**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

(y) **Equity and reserves**

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.This reserve is non-distributable.

Foreign currency translation differences arising from translating to presentational currency and translating foreign operations are included in the capital reserve and foreign exchange reserve. These reserves are non-distributable.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

Dividend distributions payable to equity shareholders are included in 'Dividends payable' when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

Principal accounting policies (continued)

(z) **Segmental reporting**

IFRS 8 requires segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources and to assess their performance. The Group operates 14 main reportable divisions which match the main external revenues earned by the Group:

- Beef
- Chicken
- Pork
- Crops
- Stock feed
- Eggs
- Fish
- Milk
- Zamchick Inn
- Edible oils
- Bakery and flour
- Leather/shoe
- Master Meats (Nigeria)
- Master Meats (Ghana)

Due to the nature of the Group's operations, namely that groups of assets and liabilities are each used to generate a number of the revenue streams above, balance sheet items cannot be discretely allocated to the above components, and the CODM also reviews management information regarding the operating assets and liabilities of the main reporting entities within the Group as follows:

- Zambeef
- Retailing
- Zamanita
- Master Pork
- Zampalm
- Other

The 'Other' segment includes the foreign subsidiaries and Zamleather Limited. Foreign subsidiaries include the Group's two majority-owned subsidiaries in Nigeria and Ghana. Inter and intra-divisional, and inter-company sales are recognised based on an internally set transfer price. The prices are reviewed periodically and aim to reflect what each Business segment could achieve if it sold its output to external parties at arm's length.

(aa) **Provisions**

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Financial Statements – 30 September 2011 (Continued)

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and judgements are under continuous review.

Significant accounting judgements

(i) *Acquisition of Mpongwe Farm assets*

Management exercised judgement that the acquisition of assets of Mpongwe Farms undertaken during the financial year ended 30 September 2011 was not a business combination under IFRS 3 as the Group acquired only non-current assets and inventory without any liabilities, and not the purchase of the business or entity owning the relevant assets. All non-current assets have been included at cost less depreciation and inventory at cost in the financial statements.

(ii) *Plantation development expenditure*

Management exercises judgement in assessing whether costs incurred at the Zampalm plantation:

- continue plantation development expenditure (and are therefore capitalised).
- constitute other classes of property, plant and equipment (and are therefore capitalised and allocated as such).
- relate directly to oil palm trees (and are therefore expensed as such costs are accounted for via the valuation of biological assets).

(iii) *Deferred tax*

Management applies judgement in assessing whether a deferred tax asset is recognised on carried forward trading losses based on anticipated future profits.

Significant accounting estimates

(i) *Translating presentational currency*

Management have applied the average exchange rate as an approximation to the actual exchange rate for the purposes of translating the Group's consolidated financial statements into USD. The Directors have conducted an exercise to evaluate the impact of these fluctuations on the presentation of the Group's results and has concluded that the application of the average exchange rate is a reasonable approximation to the actual rate. The Group has long-term borrowings denominated in USD and management has conducted sensitivity analysis on the Group's reported profits and equity for the periods reported (see note 28).

(ii) *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the present value of future cash flows generated from the cash generating units to which the goodwill has been allocated. The present value calculation requires an estimation of the future cash flows expected to arise and a suitable discount rate in order to calculate present value.

Critical accounting estimates and judgements (continued)

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(iii) *Valuation of biological assets and inventory*

Biological assets are measured as fair value less estimated costs to sell. In estimating fair values and costs to sell, management takes into account the most reliable evidence at the times the estimates are made.

The most significant estimate relates to management's assessment of anticipated yield per hectare for establishing the fair value of standing crops. This assessment takes into account historic yields, climate conditions and certain other key factors. Realisation of the carrying amounts of biological assets of ZMK17,057 million (USD3.6 million) (2010: ZMK2,565 million [USD 0.53 million]) is affected by price changes in different market segments, and ZMK45,978 million (USD9.9 million) (2010: ZMK50,734 million [USD10.6 million]) is affected by physical changes in different segments.

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets of ZMK167,522 million (USD34.9 million) (2010: ZMK132,690 million [USD27.6 million]) is affected by price changes in different market segments.

4. Management of financial risk

4.1 *Financial risk*

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk, foreign exchange risk and credit risk. These risks are exposed to general and specific market movements.

The Group manages these positions with a framework that has been developed to monitor its customers and return on its investments.

Notes to the Financial Statements – 30 September 2011 (Continued)

Management of financial risk (continued)

4.2 ***Credit risk***

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The area where the Group is exposed to credit risk is amounts due from customers.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to the level of credits given to a single customer. Such risk is subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

4.3 ***Capital management***

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group has complied with all capital requirements of its funders.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issues new shares, or sell assets to reduce debt.

Capital structure

(I) *In Zambian Kwacha*	**2011 ZMK'Ms**	**2010 ZMK'Ms**
Cash and cash equivalents	(97,258)	(51,874)
Interest bearing liabilities	(209,237)	(168,547)
Equity	744,154	456,047
	437,659	**235,626**

(II) *In United States Dollars*	**2011 USD'000s**	**2010 USD'000s**
Cash and cash equivalents	(20,262)	(10,807)
Interest bearing liabilities	(43,591)	(35,113)
Equity	155,032	95,010
	(91,179)	**49,090**

Management of financial risk (continued)

The Directors define capital as equity plus cash less borrowings and its financial strategy in the short term is to minimize the level of debt in the business whilst ensuring sufficient finances are available to continue the Group's business activities.

4.4 *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from exchange rate fluctuations. Foreign currency denominated purchases and sales, together with foreign currency denominated borrowings, comprise the currency risk of the Group. These risks are minimized by matching the foreign currency receipts to the foreign currency payments as well as holding foreign currency bank accounts and export sales.

4.5 *Agricultural risk*

Agricultural production by its nature contains elements of significant risks and uncertainties which may adversely affect the business and operations of the Group, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to floods or droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; (iii) wild and domestic animal conflicts and cropraiding; and (iv) livestock disease outbreaks. Adverse weather conditions represent a significant operating risk to the Business, affecting the quality and quantity of production and the levels of farm inputs.

The Group minimises these risks through a robust insurance on biological stock (crop and livestock) and grain in inventory.

5. Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker ('CODM') to make decisions about the allocation of resources and assessment of performance about which discrete financial information is available. Gross margin information is sufficient for the CODM to use for such purposes. The CODM reviews information regarding the operating divisions which match the main external revenues earned by the Group, and management information regarding the operating assets and liabilities of the main business divisions within the Group.

Notes to the Financial Statements – 30 September 2011 (Continued)

Segmental reporting (continued)

Year ended 30 September 2011

(I) *In Zambian Kwacha*

Segment	Revenue ZMK'Ms	Gross Profit ZMK'Ms
Beef	279,898	79,796
Chicken	106,108	26,571
Pork	84,169	25,848
Crops – Row Crops	102,107	28,132
Crops – Mpongwe	8,293	12,876
Crops – Palm	–	(1,452)
Stock feed	127,808	27,493
Eggs	19,973	9,355
Fish	15,113	3,345
Milk	51,892	33,011
Zamchick Inn	8,327	3,600
Edible oils	279,643	62,317
Bakery & Flour	69,987	9,104
Leather	12,047	3,443
Master Meats Nigeria	24,741	6,969
Master Meats Ghana	14,109	4,539
Total	**1,204,215**	**334,947**
Less: Intra/Inter Group Sales	(221,077)	
Group Total	**983,138**	**334,947**
Central operating costs		(264,710)
Operating profit		70,237
Foreign exchange losses		(1,562)
Finance costs		(18,319)
Profit before tax		50,356

Operating assets/(liabilities)	Zambeef ZMK'Ms	Retailing ZMK'Ms	Zamanita ZMK'Ms	Master Pork ZMK'Ms	Zampalm ZMK'Ms	Other ZMK'Ms	Total ZMK'Ms
Property plant and equipment	552,424	89,513	74,265	19,206	43,705	20,026	**799,139**
Biological assets and inventories	195,404	24,598	49,372	5,779	2,573	9,129	**286,855**
Cash, cash equivalents and bank overdrafts	(62,906)	(1,486)	(39,602)	(150)	119	6,767	**(97,258)**

Notes to the Financial Statements – 30 September 2011 (Continued)

Segmental reporting (continued)

(ii) *In US Dollars*

Segment	Revenue USD'000s	Gross Profit USD'000s
Beef	58,876	16,785
Chicken	22,320	5,589
Pork	17,705	5,437
Crops – row crops	21,478	5,918
Crops – Mpongwe	1,744	2,708
Crops – Palm	–	(305)
Stock feed	26,884	5,783
Eggs	4,201	1,968
Fish	3,179	704
Milk	10,915	6,944
Zamchick Inn	1,752	757
Edible oils	58,823	13,108
Bakery & flour	14,722	1,914
Leather/shoe	2,534	724
Master Meats (Nigeria)	5,204	1,466
Master Meats (Ghana)	2,968	955
Total	**253,305**	**70,455**
Less: intra/inter group sales	(46,503)	
Total	**206,802**	**70,455**
Central operating costs		(55,682)
Operating profit		14,773
Foreign exchange gains		(327)
Finance costs		(3,854)
Profit before tax		10,592

Operating assets/(liabilities)	Zambeef USD'000s	Retailing USD'000s	Zamanita USD'000s	Master Pork USD'000s	Zampalm USD'000s	Other USD'000s	Total USD'000s
Property plant and equipment	115,088	18,648	15,472	4,001	9,105	4,174	**166,488**
Biological assets and inventories	40,709	5,125	10,286	1,204	536	1,901	**59,761**
Cash, cash equivalents and bank overdrafts	(13,105)	(309)	(8,250)	(31)	25	1,418	**(20,262)**

Notes to the Financial Statements – 30 September 2011 (Continued)

Segmental reporting (continued)

Year ended 30 September 2010

(i) *In Zambian Kwacha*

Segment	Revenue ZMK'Ms	Gross Profit ZMK'Ms
Beef	202,895	63,320
Chicken	83,382	20,978
Pork	64,288	20,084
Crops – Row Crops	56,996	21,997
Crops – Palm	0	(1,822)
Stock feed	77,333	16,414
Eggs	18,951	9,365
Fish	8,992	2,300
Milk	42,572	27,665
Zamchick Inn	8,547	3,758
Edible oils	239,946	36,048
Bakery & Flour	47,276	10,817
Leather	10,749	3,739
Master Meats Nigeria	18,896	3,812
Master Meats Ghana	11,889	3,669
Total	**892,712**	**242,144**
Less: Intra/Inter Group Sales	(122,184)	
Group Total	**770,528**	**242,144**
Central operating costs		(208,383)
Operating profit		33,761
Foreign exchange gains		(7,991)
Finance costs		(10,236)
Profit before tax		15,534

Operating assets/(liabilities)	Zambeef ZMK'Ms	Retailing ZMK'Ms	Zamanita ZMK'Ms	Master Pork ZMK'Ms	Zampalm ZMK'Ms	Total ZMK'Ms	Total ZMK'Ms
Property plant and equipment	299,565	71,481	75,061	15,492	31,463	15,368	**508,430**
Biological assets and inventories	109,105	21,833	51,220	4,932	3,666	5,393	**196,149**
Cash, cash equivalents and bank overdrafts	(35,055)	(8,757)	(11,252)	82	241	2,867	**(51,874)**

Notes to the Financial Statements – 30 September 2011 (Continued)

Segmental reporting (continued)

(II) *In US Dollars*

Segment	Revenue USD'000s	Gross Profit USD'000s
Beef	42,634	13,305
Chicken	17,521	4,408
Pork	13,509	4,220
Crops – Row Crops	11,976	4,622
Crops – Palm	0	(383)
Stock feed	16,250	3,449
Eggs	3,982	1,968
Fish	1,889	483
Milk	8,946	5,813
Zamchick Inn	1,796	790
Edible oils	50,419	7,575
Bakery & Flour	9,934	2,274
Leather	2,259	786
Master Meats Nigeria	3,971	801
Master Meats Ghana	2,498	771
Total	**187,584**	**50,882**
Less: Intra/Inter Group Sales	(25,674)	
Group Total	**161,910**	**50,882**
Central operating costs		(43,788)
Operating profit		7,094
Foreign exchange gains		(1,679)
Finance costs		(2,151)
Profit before tax		3,264

Operating assets/(liabilities)	Zambeef USD'000s	Retailing USD'000s	Zamanita USD'000s	Master Pork USD'000s	Zampalm USD'000s	Total USD'000s	Total USD'000s
Property plant and equipment	62,409	14,892	15,638	3,228	6,555	3,201	**105,923**
Biological assets and inventories	22,730	4,548	10,671	1,028	764	1,124	**40,865**
Cash, cash equivalents and bank overdrafts	(7,303)	(1,824)	(2,344)	17	50	597	**(10,807)**

	2011				2010			
	ZMK'Ms	ZMK'Ms	USD'000s	USD'000s	ZMK'Ms	ZMK'Ms	USD'000s	USD'000s
Geographical	**Revenues**	**Non-current assets**	**Revenues**	**Non-current assets**	**Revenues**	**Non-current assets**	**Revenues**	**Non-current assets**
Zambia	918,578	803,542	193,222	527,412	718,783	521,241	151,036	108,592
West Africa	38,850	14,161	8,172	2,950	30,785	9,120	6,469	1,900
Rest of world	25,710	–	5,408	–	20,960	–	4,405	–
	983,138	817,703	206,802	530,362	770,528	530,361	161,910	110,492

Notes to the Financial Statements – 30 September 2011 (Continued)

6. Operating profit

	2011		2010	
	Group ZMK'Ms	Company ZMK'Ms	Group ZMK'Ms	Company ZMK'Ms
Operating profit is stated after charging/(crediting):				
Depreciation				
– Owned assets	29,796	13,405	28,207	14,178
– Leased assets	1,500	1,273	476	32
Staff costs	108,904	23,913	84,378	18,147
Legal and other professional fees	2,979	2,977	890	90
Directors' remuneration				
– Executive	7,193	5,689	4,932	4,932
– Non-Executive	1,427	1,427	1,063	1,063
	8,620	7,116	5,995	5,995
Auditors remuneration				
– Audit services	671	313	772	386
– Non audit services	26	–	–	–
	697	282	772	386
Impairment of trade receivable	1,593	238	1,590	–
Impairment of biological assets	1,452	–	1,822	–
Profit on disposal of property, plant and equipment	2	–	45	
Rentals under operating leases	6,321	–	6,593	–

Operating profit (continued)

Operating profit	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Operating profit before taxation is stated after charging/(crediting):				
Depreciation				
– Owned assets	6,268	2,820	5,928	2,979
– Leased assets	315	268	100	7
Staff costs	22,908	5,030	17,730	3,813
Legal and other professional fees	627	626	187	19
Directors' remuneration				
– Executive	1,508	1,197	1,040	1,040
– Non-Executive	300	300	223	223
	1,808	1,497	1,263	1,263
Auditors remuneration				
– Audit services	141	66	162	81
– Non audit services	5	–	–	–
	146	66	162	81
Impairment of trade receivable	335			
Impairment of biological assets	305	50	334	–
Profit on disposal of property, plant and equipment	–	–	383	–
Rentals under operating leases	–	–	9	–
	1,330	–	1,385	–

7. Staff costs

The Group employed an average of 4,367 employees during the year ended 30 September 2011 (2010: 3,875).

	2011 Number	2010 Number
Zambeef Products PLC, Retailing Limited, & Leather Limited	3,393	3,066
Zamanita Limited	363	272
Zampalm Limited	275	284
Master Pork Limited	206	166
Foreign Subsidiaries	130	87
	4,367	3,875

Notes to the Financial Statements – 30 September 2011 (Continued)

Staff costs (continued)

Employee costs (including Executive Directors) were:

	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
Wages and salaries	104,621	22,007	79,436	16,691
Social security costs	1,308	275	1,276	269
Pension costs	2,975	626	3,666	770
	108,904	**22,908**	**84,378**	**17,730**

2011	Carl Irwin ZMK'Ms	Francis Grogan ZMK'Ms	Yusuf Koya ZMK'Ms	Sushmit N Maitra ZMK'Ms	Total ZMK'Ms
Salary and fees	285	1,246	1,002	622	**3,155**
Bonus	252	347	381	264	**1,244**
Pension contributions	8	20	16	2	**46**
Benefits in kind	–	–	124	122	**246**
Employment taxes	284	859	815	544	**2,502**
Total	829	2,472	2,338	1,554	**7,193**

2010	Carl Irwin ZMK'Ms	Francis Grogan ZMK'Ms	Yusuf Koya ZMK'Ms	Nick Wilkinson ZMK'Ms	Total ZMK'Ms
Salary and fees	537	1,033	823	95	**2,488**
Pension contributions	–	–	–	1,055	**1,055**
Benefits in kind	–	–	29	24	**53**
Employment taxes	274	548	451	63	**1,336**
Total	811	1,581	1,303	1,238	**4,932**

2011	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Sushmit N Maitra USD'000s	Total USD'000s
Salary and fees	60	262	210	130	**662**
Bonus	52	72	79	55	**258**
Pension contributions	2	4	3	0	**9**
Benefits in kind	0	0	26	28	**54**
Employment taxes	60	180	171	114	**525**
Total	174	518	489	327	**1,508**

Notes to the Financial Statements – 30 September 2011 (Continued)

Staff costs (continued)

2010	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Nick Wilkinson USD'000s	Total USD'000s
Salary and fees	113	217	173	20	523
Pension contributions	–	–	–	225	225
Benefits in kind	–	–	6	5	11
Employment taxes	58	115	95	13	281
Total	171	332	274	263	1,040

Details of Directors' contracts may be found in the Corporate Governance Statement.

8. Finance costs

	2011		2010	
	ZMK'Ms	USD'000s	ZMK'Ms	USD'000s
Interest on bank loans and overdrafts	17,981	3,784	9,258	1,945
Finance lease cost	338	70	978	206
Total	**18,319**	**3,854**	**10,236**	**2,151**

9. Taxation

(i) *In Zambian Kwacha*

	2011		2010	
	Group ZMK'Ms	Company ZMK'Ms	Group ZMK'Ms	Company ZMK'Ms
(a) Tax charge/(credit)				
Current tax:				
Tax charge	1,503	22	1,203	41
Under/(over) provision in prior period	11	–	(1,980)	–
	1,514	22	(777)	41
Deferred tax:				
Deferred taxation (note 9(e))	4,302	1,473	(3,509)	(5,043)
Tax charge/(credit) for the year	5,816	1,495	(4,286)	(5,002)

Notes to the Financial Statements – 30 September 2011 (Continued)

Taxation (continued)

	2011		2010	
	Group ZMK'Ms	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
(b) Reconciliation of tax charge/(credit)				
Profit before taxation	50,536	10,810	15,534	5,121
Taxation on accounting profit	12,456	959	3,349	215
Effects of:				
Permanent differences:				
Disallowable expenses	1,887	922	7,721	3,885
Loss on sale of assets	(54)	–	–	–
Timing differences:				
Capital allowances and depreciation	(11,725)	(9,232)	(8,705)	(4,373)
Livestock and crop valuations adjustment	(2,366)	(2,364)	(2,269)	(2,382)
Overprovision in prior years	11	–	(1,980)	
Other income	(21)	(36)	(9)	(11)
Unrealised exchange gains	(129)	(29)	(1,608)	–
Unrealised tax loss	1,455	9,802	2,724	2,707
Tax charge for the year	1,514	22	(777)	41
(c) Movement in taxation account				
Taxation payable/(recoverable) at 1 October	362	(26)	(839)	(1,983)
Charge for the year	1,503	22	1,203	41
Overprovision in the prior year	11	–	(1,980)	69
Arising on consolidation	–	–	70	–
Taxation (paid)/repaid	(1,160)	(22)	1,908	1,916
Taxation payable/(recoverable) as at 30 September	716	(26)	362	(26)
Taxation payable	962	–	608	–
Taxation recoverable	(246)	(26)	(246)	(26)
Taxation payable/(recoverable)	716	(26)	362	(26)

(d) Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 30 September 2006. Income tax returns have been filed with the ZRA for the subsequent years up to ended 30 September 2010. Quarterly tax returns for the year ended 30 September 2011 were made on the due dates during the year.

Notes to the Financial Statements – 30 September 2011 (Continued)

Taxation (continued)

	2011		2010	
	Group ZMK'Ms	**Company ZMK'Ms**	**Company ZMK'Ms**	**Company ZMK'Ms**
(e) Deferred taxation				
Represented by:				
Biological valuation	1,653	1,596	2,464	2,383
Accelerated tax allowances	19,735	7,127	14,270	4,260
Tax loss	(18,235)	(6,942)	(17,881)	(6,355)
	3,153	1,761	(1,147)	288
Analysis of movement:				
Deferred (Asset)/Liability as at 1 October	(1,147)	288	2,362	5,331
Charge to profit and loss account (note 9(a))	4,302	1,473	(3,509)	(5,043)
Arising on consolidation	(2)	–	–	–
Liability as at 30 September	3,153	1,761	(1,147)	288
Deferred Tax Asset	(291)	–	(2,567)	–
Deferred Tax Liability	3,444	1,761	1,420	288
	3,153	1,761	(1,147)	288

(ii) *In US Dollars*

	2011		2010	
	Group USD'000s	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
(a) **Tax charge**				
Current tax:				
Tax charge	316	5	253	9
Under/(over) provision in prior period	2	–	(420)	–
	318	5	(167)	9
Deferred tax:				
Deferred taxation (note 9(e))	905	310	(734)	(1,060)
Tax charge/(credit) for the year	1,223	315	(901)	(1,051)

Notes to the Financial Statements – 30 September 2011 (Continued)

Taxation (continued)

(b) **Reconciliation of tax charge**

	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Profit before taxation	10,592	2,864	3,264	1,076
Taxation on accounting profit	2,595	224	698	45
Effects of:				
Permanent differences:				
Disallowable expenses	393	48	1,609	809
Loss on sale of assets	(11)	–	–	–
Timing differences:				
Capital allowances and depreciation	(2,443)	(1,920)	(1,814)	(911)
Livestock and crop	(493)	(173)	(473)	(496)
Overprovision in prior years	2	–	(413)	–
Other income	(4)	(7)	(2)	(2)
Unrealised exchange gains	(27)	(29)	(335)	–
Unrealised tax loss	306	1,862	570	564
Tax charge for the year	318	5	(167)	9

(c) **Movement in taxation account**

	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Taxation payable/(recoverable) at 1 October	76	(5)	(178)	(420)
Charge for the year	316	5	253	9
Overprovision in the prior year	2	0	(420)	0
Arising on consolidation	0	0	14	0
Taxation (paid)/repaid	(244)	(5)	401	403
Foreign exchange	(1)	0	6	3
Taxation payable/(recoverable) as at 30 September	149	(5)	76	(5)
Taxation payable	200	–	127	–
Taxation recoverable	(51)	(5)	(51)	(5)
Taxation payable/(recoverable)	149	(5)	76	(5)

(d) Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 30 September 2006. Income tax returns have been filed with the ZRA for the subsequent years up to 30 September 2010. Quarterly tax returns for the year ended 30 September 2011 were made on the due dates during the year.

Notes to the Financial Statements – 30 September 2011 (Continued)

Taxation (continued)

(e) **Deferred taxation**

	2011		2010	
	Group USD'000s	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
This Represents:				
Biological valuation	345	328	513	496
Accelerated tax allowances	4,111	1,485	2,973	888
Tax loss	(3,799)	(1,446)	(3,725)	(1,324)
	657	367	(239)	60
Analysis of movement:				
(Asset)/Liability as at 1 October	(239)	60	501	1,129
Charge to profit and loss account (note 9(a))	905	310	(734)	(1,060)
Arising on consolidation	–	–	–	–
Foreign exchange	(9)	(3)	(9)	(9)
Liability as at 30 September	657	367	(239)	60
Deferred tax asset	(61)	–	(535)	–
Deferred tax liability	718	367	296	60
	657	367	(239)	60

10. Equity dividends

	2011		2010	
	ZMK'Ms	**USD'000s**	**ZMK'Ms**	**USD'000s**
Declared and paid during the year				
Interim dividend for 2011 [ZMK 15 per share, 0.32 cents per share]	2,381	501	–	–
Final dividend for 2010 [ZMK 49.88 per share, 1.04 cents per share]			7,916	1,649

A dividend of ZMK 21.40 per share (0.45 cents) per share has been proposed by the Directors for 2011. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and therefore has not been included as a liability in these financial statements.

11. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of the basic and diluted earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Notes to the Financial Statements – 30 September 2011 (Continued)

Earnings per share (continued)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011		2010	
	ZMK'Ms	USD'000s	ZMK'Ms	USD'000s
Basic earnings per share				
Profit for the year	44,436	9,347	19,789	4,158
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	183,164,168	183,164,168	158,706,045	158,706,045
Basic and diluted earnings per share (ZMK and US cents)	242.60	5.10	124.69	2.62

12. Acquisitions

Acquisitions have been accounted for by the purchase method of accounting. The goodwill arising on these acquisitions will be subject to an annual impairment review. The following tables set out the book values of the identifiable assets and liabilities acquired in previous years:

Zamanita

On 1 January 2008 the Group acquired 100 per cent. of the shares in Zamanita. The acquisition was an important strategic decision as the edible oils from Zamanita would compliment the Group's range of basic foods retailed through its retailing network and the by-product of feedcake would supply the Group's stockfeed division.

	Book value On acquisition USD'000s	Fair value adjustment USD'000s	Fair value to the Group USD'000s
Non-current assets:			
Property, plant and equipment	18,652	–	18,652
Current assets:			
Trade and other receivables	6,904	–	6,904
Total assets	25,556	–	25,556
Non-current liabilities:			
Long term loans	2,652	–	2,652
Current liabilities:			
Trade and other payables	6,904	–	6,904
Total liabilities	9,556	–	9,556
Net assets acquired	16,000	–	16,000
Goodwill arising on acquisition			–
Total consideration as at 30 September 2008		–	**16,000**

Earnings per share (continued)

Master Pork

On 1 January 2008 the Group acquired 100 per cent. of the shares in Master Pork. The acquisition of Master Pork was to increase the Group's product lines and to integrate it into the extensive Zambeef retailing network.

	Book value On acquisition USD'000s	Fair value adjustment USD'000s	Fair value to the Group USD'000s
Non-current assets:			
Property, plant and equipment	3,167	–	3,167
Current assets:			
Trade and other receivables	1,669	–	1,669
Total assets	4,836	–	4,836
Current liabilities:			
Trade and other payables	1,800	–	1,800
Total liabilities	1,800	–	1,800
Net assets acquired	3,036	–	3,036
Goodwill arising on acquisition			4,390
Total consideration as at 30 September 2008			**7,426**

13. Goodwill

	ZMK'Ms	USD'000s
Cost and Net Book Value		
At 1 October 2009	15,699	3,326
Foreign exchange	–	(56)
At 30 September 2010	**15,699**	**3,270**
Foreign exchange	–	–
At 30 September 2011	**15,699**	**3,270**

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating unit, which is the unit expected to benefit from the synergies of the business combinations in which the goodwill arises:

	2011		2010	
	ZMK'Ms	USD'000s	ZMK'Ms	USD'000s
Master Pork Limited	15,699	3,270	15,699	3,270

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The recoverable amounts of the cash generating units (CGU's) are determined from value in use calculations.

Management's key assumptions are based on their past experience and future expectations of the market over the longer term. Management estimate a discount rate of 18 per cent. derived from the Group's cost of external borrowing and dividend payment history, adjusted to reflect currency risk and price risk, in accordance with IAS 36 'Impairment of Assets'.

Due to the significant headroom within historical impairment calculations, assumptions including growth rates of cash flows and changes to selling prices and direct costs have not been sensitised.

For the year ended 30 September 2011 Master Pork reported a profit for the year of ZMK10 billion (USD2.1 million).

Notes to the Financial Statements – 30 September 2011 (Continued)

Goodwill (continued)

Management are not aware of any other changes that would necessitate changes to its calculations.

14. Property, plant and equipment

(i) In Zambian Kwacha

(a) Group	Plantation development expenditure ZMK'Ms	Leasehold land and buildings ZMK'Ms	Plant and machinery ZMK'Ms	Motor vehicles ZMK'Ms	Furniture and equipment ZMK'Ms	Capital work in progress ZMK'Ms	Total ZMK'Ms
Cost or valuation							
As at 1 October 2009	18,394	190,800	151,675	26,494	8,582	95,138	491,082
Exchange Difference	–	–	49	–	–	–	49
Additions	12,414	5,216	8,048	7,299	7,345	49,343	89,665
Transfers	–	60,068	68,059	–	3,450	(131,577)	–
Disposals	–	–	(2)	(1,557)	–	–	(1,559)
As at 30 September 2010	**30,808**	**256,084**	**227,829**	**32,236**	**19,377**	**12,904**	**579,237**
Additions	12,318	560	13,602	23,967	5,665	32,576	88,690
Additions – Mpongwe Farms	–	124,295	102,942	7,274	263	–	234,774
Transfers	–	3,753	6,958	390	1,591	(12,692)	–
Disposals	–	–	(1,597)	(395)	(3)	–	(1,995)
As at 30 September 2011	**43,126**	**384,692**	**349,734**	**63,472**	**26,893**	**32,788**	**900,706**
Cost	43,126	283,248	298,811	52,635	23,898	32,788	734,507
Valuation (2007)	–	101,444	50,923	10,837	2,995	–	166,199
	43,126	**384,692**	**349,734**	**63,472**	**26,893**	**32,788**	**900,706**
Depreciation							
As at 1 October 2009	–	7,427	26,021	7,752	1,514	–	42,714
Charge for the year	–	4,483	15,851	6,913	1,436	–	28,683
Disposals	–	–	–	(589)	–	–	(589)
As at 30 September 2010	**–**	**11,910**	**41,872**	**14,076**	**2,950**	**–**	**70,808**
Charge for the year	–	3,542	15,336	9,903	2,515	–	31,296
Disposals	–	–	(291)	(245)	(2)	–	(589)
As at 30 September 2011	**–**	**15,452**	**56,917**	**23,734**	**5,463**	**–**	**101,566**
Net book value							
At 30 September 2011	**43,126**	**369,240**	**292,817**	**39,738**	**21,430**	**32,788**	**799,140**
At 30 September 2010	**30,808**	**244,174**	**186,062**	**18,055**	**16,427**	**12,904**	**508,429**

Property, plant and equipment (continued)

(ii) In US Dollars

(a) Group	Plantation Development Expenditure USD'000s	Leasehold land and Buildings USD'000s	Plant and Machinery USD'000s	Motor vehicles USD'000s	Furniture and Equipment USD'000s	Capital work in Progress USD'000s	Total USD'000s
Cost or valuation							
As at 1 October 2009	3,897	40,424	32,135	5,613	1,818	20,157	104,044
Foreign translation	(87)	(791)	(662)	(104)	(50)	(188)	(1,994)
Additions	2,608	1,096	1,691	1,534	1,543	10,368	18,840
Transfers	–	12,622	14,301	–	725	(27,648)	–
Disposals	–	–	(1)	(327)	–	–	(328)
As at 30 September 2010	**6,718**	**53,351**	**47,464**	**6,716**	**4,036**	**2,689**	**120,642**
Foreign translation	(24)	(259)	(245)	(63)	(14)	(41)	(646)
Additions	2,591	118	2,861	5,041	1,192	6,852	18,656
Additions – Mpongwe Farms	–	26,145	21,654	1,530	55	–	49,384
Transfers	–	789	1,464	82	335	(2,670)	–
Disposals	–	–	(336)	(83)	(1)	–	(420)
As at 30 September 2011	**8,985**	**80,144**	**72,862**	**13,223**	**5,603**	**6,830**	**187,599**
Cost	8,985	53,795	59,634	10,409	4,825	6,830	144,430
Valuation (2007)	–	26,349	13,227	2,815	778	–	43,169
	8,985	**80,144**	**72,861**	**13,224**	**5,603**	**6,830**	**187,599**
Depreciation							
As at 1 October 2009	–	1,574	5,513	1,642	321	–	9,066
Charge for the year	–	942	3,331	1,453	302	–	6,044
Disposals	–	–	–	(124)	–	–	(124)
Foreign Translation	–	(35)	(121)	(38)	(9)	–	(203)
As at 30 September 2010	**–**	**2,481**	**8,723**	**2,932**	**614**	**–**	**14,782**
Charge for the year	–	745	3,226	2,083	529	–	6,599
Disposals	–	–	(61)	(52)	(0)	–	(113)
Foreign Translation	–	(7)	(52)	2	(4)	–	(61)
As at 30 September 2011	**–**	**3,219**	**11,836**	**4,966**	**1,138**	**–**	**21,207**
Net book value							
At 30 September 2011	**8,985**	**76,925**	**61,026**	**8,257**	**4,465**	**6,830**	**166,487**
At 30 September 2010	**6,418**	**50,870**	**38,741**	**3,783**	**3,422**	**2,689**	**105,923**

Notes to the Financial Statements – 30 September 2011 (Continued)

Property, plant and equipment (continued)

(i) The Group's property, plant and equipment situated in Zambia were last revalued in 2007 by Messrs Knight Frank, Registered Valuation Surveyors, on the basis of market value. The surplus on valuation totalling ZMK49,384 million (USD10.3 million) was transferred to a revaluation reserve.

(ii) The depreciation charge for the year includes ZMK2,542 million (USD0.5 million) (2010: ZMK2,542 million [USD0.5 million]) which relates to the surplus over the original cost of fixed assets shown at a valuation. As this amount should not be taken to reduce the Group's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.

(iii) Included in land, buildings and equipment are borrowing costs amounting to ZMK2,538 million (USD0.5 Million) (2010: ZMK2,762 million [USD0.6 million]). These have been capitalised in accordance with IAS 23 "Borrowing costs - (revised)".

(iv) The plantation development expenditure relates to costs incurred in developing the palm plantation at Zampalm Limited.

(v) The carrying value of the Group's property, plant and equipment includes an amount of ZMK10,685 million (USD2.2 million) (2010: ZMK2,377 million [USD0.5 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMK1,500 million (USD0.3 million) (2010: ZMK476 million [USD0.1 million]).

(vi) In the opinion of the Directors, the carrying values of property, plant and equipment stated above are not Higher than their fair values.

(i) In Zambian Kwacha

(b) Company	Leasehold land and Buildings ZMK'Ms	Plant and Machinery ZMK'Ms	Motor Vehicles ZMK'Ms	Furniture and Equipment ZMK'Ms	Capital work in Progress ZMK'Ms	Total ZMK'Ms
Cost or valuation						
At 1 October 2009	121,615	69,675	5,153	1,784	89,559	287,786
Additions	–	2,356	2,211	3,032	40,421	48,020
Transfers	58,128	62,758			(120,886)	–
At 30 September 2010	**179,743**	**134,789**	**7,364**	**4,816**	**9,094**	**335,806**
Foreign translation	123	2,802	8,831	540	20,468	32,764
Additions	124,295	102,942	7,274	263	–	234,774
At 30 September 2011	**304,161**	**240,533**	**23,469**	**5,619**	**29,562**	**603,344**
Depreciation						
As at 1 October 2009	4,718	15,445	1,545	323	–	22,031
Charge for the year	3,000	9,040	1,905	265	–	14,210
As at 30 September 2010	**7,718**	**24,485**	**3,450**	**588**	**–**	**36,241**
Charge for the year	1,793	9,457	2,828	601	–	14,679
As at 30 September 2011	**9,511**	**33,942**	**6,278**	**1,189**	**–**	**50,920**
Net book value						
At 30 September 2011	**294,650**	**206,591**	**17,191**	**4,430**	**29,562**	**552,424**
At 30 September 2010	**172,025**	**110,304**	**3,914**	**4,228**	**9,094**	**299,565**

Notes to the Financial Statements – 30 September 2011 (Continued)

Property, plant and equipment (continued)

(ii) In US Dollars

(b) Company	**Leasehold land and Buildings USD'000s**	**Plant and Machinery USD'000s**	**Motor Vehicles USD'000s**	**Furniture and Equipment USD'000s**	**Capital work in Progress USD'000s**	**Total USD'000s**
Cost or valuation						
As at 1 October 2009	25,766	14,762	1,091	378	18,974	60,971
Foreign translation	(534)	(363)	(22)	(12)	(172)	(1,103)
Additions	–	495	464	637	8,494	10,090
Transfers	12,214	13,187	–	–	(25,401)	–
As at 30 September 2010	**37,446**	**28,081**	**1,533**	**1,003**	**1,895**	**69,958**
Foreign translation	(251)	(212)	(32)	(2)	(41)	(538)
Additions	26	589	1,858	114	4,305	6,892
Additions – Mpongwe Farms	26,145	21,654	1,530	55	–	49,384
As at 30 September 2011	**63,366**	**50,112**	**4,888**	**1,171**	**6,159**	**125,696**
Depreciation						
As at 1 October 2009	1,000	3,272	327	68	–	4,667
Charge for the period	630	1,899	400	56	–	2,985
Foreign translation	(22)	(70)	(9)	(2)	–	(103)
As at 30 September 2010	**1,608**	**5,101**	**718**	**122**	**–**	**7,549**
Charge for the period	377	1,989	595	127	–	3,088
Foreign Translation	(4)	(19)	(5)	(2)	–	(29)
As at 30 September 2011	**1,981**	**7,070**	**1,307**	**247**	**–**	**10,608**
Net book value						
At 30 September 2011	**61,385**	**43,040**	**3,581**	**924**	**6,159**	**115,088**
At 30 September 2010	**35,838**	**22,980**	**815**	**881**	**1,894**	**62,409**

(i) During the year to 30 September 2007 the Company's property, plant and equipment were revalued by Messrs. Knight Frank, Registered Valuation Surveyors, on the basis of market value. The surplus on valuation and depreciation no longer required totalling ZMK27,772 million (USD5.8 million) was transferred to a revaluation reserve.

(ii) The depreciation charge for the period includes ZMK586 million (USD0.1 million) (2010: ZMK586 million [USD0.1 million]) which relates to the surplus over the original cost of property, plant and equipment shown at a Valuation. As this amount should not be taken to reduce the Company's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.

(iii) Included in land, buildings and equipment are borrowing costs amounting to ZMK455 million (USD0.1 million) (2010: ZMK2,762 million [USD0.6 million]). These have been capitalised in accordance with IAS 23 " Borrowing Costs (revised)".

(iv) The carrying value of the Company's property, plant and equipment includes an amount of ZMK7,545 million (USD1.6 million) (2010: ZMK948 million [USD0.2 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMK1,273 million (USD0.3 million) (2010: ZMK32 million [USD0.01 million]).

(v) In the opinion of the Directors, the carrying values of property, plant and equipment stated above are not higher Than their fair values.

Notes to the Financial Statements – 30 September 2011 (Continued)

15. Investments in subsidiaries

The principal subsidiaries of the Company, their country of incorporation, ownership of their issued, ordinary share Capital and the nature of their trade are listed below:

(a) Directly owned:	Country of incorporation	Proportion of all classes of issued share capital owned by the Company 2011	Proportion of all classes of issued share capital owned by the Company 2010	Principal activity
Zambeef Retailing Limited	Zambia	100	100	Retailing of Zambeef products
Zamleather Limited	Zambia	100	100	Processing of leather and shoes
Master Meat and Agro Production Co of Nigeria Limited (*)	Nigeria	90	90	Processing and sale of meat products
Master Meat (Ghana) Limited	Ghana	90	90	Processing and sale of meat products
Master Pork Limited	Zambia	100	100	Processing and sale of pork and processed products
Zamanita Limited	Zambia	100	100	Processing and sale of edible oils and feed cake
Zampalm Limited	Zambia	100	100	Palm tree plantation
Novatek Limited (**)	Zambia	100	100	Dormant

The proportion of voting rights held is the same as the proportion of shares held.

(*) The Board has resolved, conditional upon the financial and business performance of Master Meat (Nigeria), to Transfer Shares in Master Meat (Nigeria) up to a maximum aggregate of 23 per cent of the total issued Share Capital to three Employees.

(**) Novatek Feeds Limited is a dormant company whose operations were merged into Zambeef's stock feed Division.

(b) Movement at cost:	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
At beginning of the year	94,112	19,607	94,112	19,939
Arising during the year	–	–	–	–
Disposal during the year	–	–	–	–
Foreign translation	–	–	–	(332)
At end of the year	**94,112**	**19,607**	**94,112**	**19,607**

Notes to the Financial Statements – 30 September 2011 (Continued)

Investments in subsidiaries (continued)

(c) The Company's interests in its subsidiaries, which are unlisted, are as follows:

Name of company	Country of Incorporation	Assets ZMK'Ms	Liabilities ZMK'Ms	Revenues ZMK'Ms	Profit/(loss) ZMK'Ms
Zambeef Retailing Limited	Zambia	151,438	139,421	633,144	1,340
Zamleather Limited	Zambia	15,492	10,485	12,047	(78)
West Africa Operations	Nigeria & Ghana	30,745	26,313	38,850	1,041
Master Pork Limited	Zambia	72,365	38,028	79,967	10,011
Zamanita Limited	Zambia	258,290	182,395	299,290	24,362
Zampalm Limited	Zambia	46,398	47,976	–	(1,452)
Novatek Limited	Zambia	10	–	–	–
Total at the end of 30 September 2011		**574,738**	**444,618**	**1,063,298**	**35,224**
Zambeef Retailing Limited	Zambia	127,397	116,730	500,852	3,657
Zamleather Limited	Zambia	13,863	8,779	10,749	237
West Africa Operations	Nigeria & Ghana	16,694	12,909	30,285	309
Master Pork Limited	Zambia	53,541	29,216	61,353	9,055
Zamanita Limited	Zambia	166,842	115,308	249,190	(1,740)
Zampalm Limited	Zambia	35,369	35,496	–	(1,822)
Novatek Limited	Zambia	10	–	–	–
Total at the end of 30 September 2010		**413,716**	**318,438**	**852,429**	**9,696**

Name of company	Country of Incorporation	Assets USD'000s	Liabilities USD'000s	Revenues USD'000s	Profit/(loss) USD'000s
Zambeef Retailing Limited	Zambia	31,550	29,046	133,181	282
Zamleather Limited	Zambia	3,228	2,184	2,534	(16)
West Africa Operations	Nigeria & Ghana	6,402	5,482	8,172	219
Master Pork Limited	Zambia	15,076	7,929	16,821	2,104
Zamanita Limited	Zambia	53,810	37,800	62,955	5,125
Zampalm Limited	Zambia	9,666	9,995	–	(305)
Novatek Limited	Zambia	2	–	–	–
Total at the end of 30 September 2011		**119,733**	**92,430**	**223,663**	**7,409**
Zambeef Retailing Limited	Zambia	26,541	24,319	105,243	768
Zamleather Limited	Zambia	2,888	1,829	2,259	50
West Africa Operations	Nigeria & Ghana	3,478	2,689	6,364	65
Master Pork Limited	Zambia	11,154	6,087	12,892	1,903
Zamanita Limited	Zambia	34,759	24,023	52,362	(366)
Zampalm Limited	Zambia	7,369	7,395	–	(383)
Novatek Limited	Zambia	2	–	–	–
Total at the end of 30 September 2010		**86,191**	**66,342**	**179,120**	**2,037**

Notes to the Financial Statements – 30 September 2011 (Continued)

Investments in subsidiaries (continued)

	2011		2010	
Name of Company	**ZMK'Ms**	**USD'000s**	**ZMK'Ms**	**USD'000s**
Zambeef Retailing Limited	30	6	30	6
Zamleather Limited	1,477	308	1,477	308
Master Meat and Agro Production Co of Nigeria Limited	270	56	270	56
Master Meat (Ghana) Limited	1,310	273	1,310	273
Master Pork Limited	26,600	5,542	26,600	5,542
Zamanita Limited	62,720	13,067	62,720	13,067
Zampalm Limited	1,695	353	1,695	353
Novatek Limited	10	2	10	2
	94,112	**19,607**	**94,112**	**19,607**

(d) In the opinion of the Directors, the value of the Company's interests in the subsidiary companies is not less Than the amounts at which they are stated in these financial statements.

16. (a) **Biological assets – Group**

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 30 September 2011 there were 9,535 cattle (7,095 feedlot cattle, 506 standing cattle and 1,934 dairy cattle) and 331,081 chickens (134,345 layers and 196,736 broilers), and 4,302 pigs. A total of 14,516 feedlot cattle, 579 dairy cattle, 6,240 pigs and 1,282,743 chickens were culled during the year.

(i) Zambian Kwacha	As at 1 October ZMK'Ms	Increase due to purchases ZMK'Ms	Gains/(losses) Arising from fair value Attributable to physical changes ZMK'Ms	Gains arising from fair value attributable to price changes ZMK'Ms	Decrease due to harvest/ transferred to inventory ZMK'Ms	As at 30 September ZMK'Ms
Standing Crops	30,959	84,968	42,096	11,533	(110,639)	58,917
Feedlot Cattle	8,713	76,582	(113)	2,970	(54,453)	33,699
Dairy Cattle	12,222	11,684	5,687	2,463	(16,991)	15,065
Pigs	1,981	4,244	2,137	91	(6,199)	2,254
Chickens	5,918	90,339	(2,377)	–	(87,055)	6,825
Palm oil plantation	3,666	359	(1,452)	–	–	2,573
Total	**63,459**	**268,176**	**45,978**	**17,057**	**(275,337)**	**119,333**
Less: Non-current biological assets	(3,666)	(359)	1,452	–	–	(2,573)
Total	**59,793**	**267,817**	**47,430**	**17,057**	**(275,337)**	**116,760**

Biological assets – Group (continued)

(ii) In US Dollars	As at 1 October USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains/ (losses) arising from fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to harvest/ transferred to inventory USD'000s	As at 30 September USD'000s
Standing Crops	6,450	52	17,873	8,770	2,403	(23,273)	12,275
Feedlot Cattle	1,815	(78)	16,109	(24)	653	(11,454)	7,021
Dairy Cattle	2,546	11	2,458	1,185	513	(3,575)	3,138
Pigs	413	4	893	445	18	(1,304)	469
Chickens	1,233	(7)	19,003	(494)	–	(18,313)	1,422
Palm oil plantation	764	(2)	76	(302)	–	–	536
Total	**13,221**	**(20)**	**56,412**	**9,580**	**3,587**	**(57,919)**	**24,861**
Less: Non-current biological assets	(764)	2	(76)	302	–	–	(536)
Total	**12,457**	**(18)**	**56,336**	**9,882**	**3,587**	**(57,919)**	**24,325**

(b) Biological assets – Company

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, and chickens. At 30 September 2011 there were 9,535 cattle (7,095 feedlot cattle, 506 standing cattle and 1,934 dairy cattle) and 331,081 chickens (134,345 layers and 196,736 broilers). A total of 14,516 feedlot cattle, 579 dairy cattle, and 1,282,743 chickens were culled during the year.

(i) In Zambian Kwacha	As at 1 October ZMK'Ms	Increase due to purchases ZMK'Ms	Gains/ (losses) arising from fair value attributable to physical changes ZMK'Ms	Gains arising from fair value attributable to price changes ZMK'Ms	Decrease due to harvest/ transferred to inventory ZMK'Ms	As at 30 September ZMK'Ms
Standing Crops	30,959	84,968	42,096	11,533	(110,639)	58,917
Feedlot Cattle	8,713	76,582	(113)	2,970	(54,453)	33,699
Dairy Cattle	12,222	11,684	5,687	2,463	(16,991)	15,065
Chickens	5,918	90,338	(2,377)	–	(87,055)	6,825
Total	**57,812**	**263,573**	**45,293**	**36,966**	**(269,138)**	**114,506**

Notes to the Financial Statements – 30 September 2011 (Continued)

Biological assets – Company (continued)

(ii) In US Dollars	As at 1 October USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains/(losses) arising from fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to harvest/ transferred to inventory USD'000s	As at 30 September USD'000s
Standing Crops	6,450	52	17,873	8,770	2,403	(23,273)	12,275
Feedlot Cattle	1,815	(78)	16,109	(24)	653	(11,454)	7,021
Dairy Cattle	2,546	11	2,458	1,185	513	(3,575)	3,138
Chickens	1,233	(7)	19,003	(495)	–	(18,313)	1,421
Total	**12,044**	**(22)**	**55,443**	**9,436**	**3,569**	**(56,615)**	**23,855**

17. Inventories

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Trading stocks	66,299	38,765	49,409	28,419
Abattoir stocks	579	–	287	–
Raw materials	41,790	–	44,312	–
Stock feeds	15,310	12,801	12,156	12,156
Consumables	42,318	29,332	25,793	10,718
Raw hides and chemicals	1,226	–	733	–
	167,522	**80,898**	**132,690**	**51,293**

(ii) In US Dollars	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Trading stocks	13,812	8,076	10,292	5,920
Abattoir stocks	121	–	60	–
Raw materials	8,706	–	9,232	–
Stock feeds	3,190	2,667	2,533	2,533
Consumables	8,816	6,111	5,374	2,233
Raw hides and chemicals	255	–	153	–
	34,900	**16,854**	**27,644**	**10,686**

A total of ZMK649,347 million (USD136.6 million) (2010: ZMK528,384 million (USD111.0 million]) was included in profit and loss as an expense within cost of sales.

Biological assets totalling ZMK275,337 (USD57.9 million) (2010: ZMK183,156 million [USD38.7 million]) were transferred to inventories during the year.

18. Trade and other receivables

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Gross trade receivables	68,244	12,769	55,502	9,898
Less: provision for impairment of trade receivables	(3,707)	(992)	(2,624)	(753)
Trade receivables	65,237	11,777	52,878	9,145
Prepayments	5,369	1,126	1,620	192
Other receivables	2,140	73	697	25
	72,746	**12,976**	**55,195**	**9,362**

(ii) In US Dollars	2011 Group USD'000	2011 Company USD'000	2010 Group USD'000	2010 Company USD'000
Gross trade receivables	14,363	2,660	11,563	2,062
Less: provision for impairment of trade receivables	(772)	(207)	(547)	(157)
Trade receivables	13,591	2,453	11,016	1,905
Prepayments	1,118	235	338	40
Other receivables	446	16	145	5
	15,155	**2,704**	**11,499**	**1,950**

(b) *Provision for impairment of trade receivables*

The Directors have made a provision against some of the trade receivables that are long standing. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

Movements on the Group's provision for impairment of trade receivables are set out in the table below:

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
At 1 October	2,624	753	1,392	753
Utilised	(510)	–	(358)	–
Charge for the year	1,593	239	1,590	–
At 30 September	3,707	992	2,624	753

Trade receivables have a 15 or 30 day credit period.

Some of the unimpaired trade receivables are past due as at reporting date. Financial assets past due but not impaired are shown below:

Notes to the Financial Statements – 30 September 2011 (Continued)

Trade and other receivables (continued)

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Not more than 3 months	–	–	–	–
More than 3 months but not more than 6 months	639	308	1,949	993
More than 6 months but not more than a year	477	–	104	1,725
More than one year	–	–	–	–
Total	**1,116**	**308**	**2,053**	**2,718**

(ii) In US Dollars	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
At 1 October	547	157	295	160
Foreign exchange	(3)	1	(5)	(3)
Utilised	(107)	–	(74)	–
Charge for the year	335	50	331	–
At 30 September	772	207	547	157
Not more than 3 months	–	–	–	–
More than 3 months but not more than 6 months	133	64	406	207
More than 6 months but not more than a year	99	–	22	359
More than one year	–	–	–	–
Total	**232**	**64**	**428**	**566**

The average credit period given in 2011 was 33 days; (2010: 26 days).

19. Amounts due from related companies

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Leopard Investments Limited	–	29	540	219
Tractorzam Limited	–	–	217	217
Kanyanja Development Company Limited	–	–	70	70
Zambezi Ranching and Cropping	1,077	1,023	157	–
Wellspring Limited	52	52	–	–
Brick Back Limited	962	962	–	–
Zambeef Retailing Limited	–	6,002	–	38,298
Zamleather Limited	–	3,521	–	2,669
Master Pork Limited	–	27,226	–	21,238
Zampalm Limited	–	43,306	–	31,073
Zamanita Limited	–	55,820	–	56,850
Mastermeat & Agro Production Co. of Nigeria Limited	–	10,379	–	9,179
	2,091	**148,320**	**984**	**159,813**

Amounts due from related companies (continued)

	2011		2010	
(i) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Leopard Investments Limited	–	6	113	46
Tractorzam Limited	–	–	45	45
Kanyanja Development Company Limited	–	–	15	15
Zambezi Ranching and Cropping	225	213	32	–
Wellspring Limited	11	11	–	–
Brick Back Limited	200	200	–	–
Zambeef Retailing Limited	–	1,250	–	7,979
Zamleather Limited	–	733	–	556
Master Pork Limited	–	5,672	–	4,425
Zampalm Limited	–	9,022	–	6,474
Zamanita Limited	–	11,629	–	11,844
Mastermeat & Agro Production Co. of Nigeria Limited	–	2,164	–	1,911
	436	**30,900**	**205**	**33,295**

The above balances relate to arm's length transactions between the transacting parties.

20. Cash and cash equivalents

	2011		2010	
(i) In Zambian Kwacha	**Group ZMK'Ms**	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
Cash in hand and at bank	30,844	8,904	33,949	13,359
Bank overdrafts (Note (b))	(102,625)	(65,529)	(64,576)	(43,276)
Structured agricultural finance (note (c))	(25,477)	(6,281)	(21,247)	(5,138)
	(97,258)	(62,906)	(51,874)	(35,055)

	2011		2010	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Cash in hand and at bank	6,426	1,856	7,072	2,783
Bank overdrafts (note (b))	(21,380)	(13,652)	(13,453)	(9,016)
Structured agricultural finance (note (c))	(5,308)	(1,309)	(4,426)	(1,070)
	(20,262)	**(13,105)**	**(10,807)**	**(7,303)**

(a) **Banking facilities**

The Group has overdraft facilities totalling ZMK8.137 billion (2010 – ZMK8.137 billion) and USD7.1 million (2010 – USD7.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of 364 days Treasury Bill weighted average rate plus 4 per cent. for the Kwacha facility and 12 month LIBOR plus 4 per cent. for the United States Dollar facility.

The Group has overdraft facilities totalling ZMK4.5 billion (2010 – ZMK4.5 billion) and USD8 million (2010 – USD3 million) with Standard Chartered Bank Zambia PLC. The Standard Chartered Bank overdrafts bear interest of the bank Kwacha base rate minus 3 per cent. on the Kwacha facility and 1 month LIBOR plus 4.25 per cent.

Notes to the Financial Statements – 30 September 2011 (Continued)

Cash and cash equivalents (continued)

(USD3,000,000 for Zambeef Products PLC) and 3 month LIBOR plus 4.5 per cent. (USD5,000,000 for Zamanita Limited) on the USD facilities.

The Group has overdraft facilities totalling ZMK6 billion (2010 – ZMK6 billion) and USD1.3 million (2010 – USD1.3 million) with Zanaco Bank PLC. The Zanaco Bank overdrafts bear interest rate of the bank Kwacha base rate minus 4 per cent. on the Kwacha facility and 3 month LIBOR plus 4.25 per cent. on the USD facility.

The Group has overdraft facilities totalling ZMK5 billion (2010 – nil) and USD8 million (2010 – nil) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of 91 days Treasury Bill weighted average rate plus 4 per cent. on the Kwacha facility and 3 month LIBOR plus 4 per cent. on the USD facility.

(b) **Bank overdrafts**

	2011		2010	
(i) In Zambian Kwacha	**Group ZMK'Ms**	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
Bank overdrafts represented by:				
Zanaco Bank PLC	(7,762)	(6,162)	(9,469)	(5,862)
Citibank Zambia Limited	(37,930)	(24,831)	(35,891)	(19,115)
Stanbic Bank Zambia Limited	(18,573)	(18,573)	–	–
Standard Chartered Bank Zambia PLC	(38,360)	(15,963)	(18,299)	(18,299)
First National Bank Zambia Limited	–	–	(917)	–
	(102,625)	**(65,529)**	**(64,576)**	**(43,276)**

	2011		2010	
(ii) In US Dollars	**Group USD'000**	**Company USD'000**	**Group USD'000**	**Company USD'000**
Bank overdrafts represented by:				
Zanaco Bank PLC	(1,617)	(1,284)	(1,973)	(1,222)
Citibank Zambia Limited	(7,902)	(5,173)	(7,477)	(3,982)
Stanbic Bank Zambia Limited	(3,869)	(3,869)	–	–
Standard Chartered Bank Zambia PLC	(7,992)	(3,326)	(3,812)	(3,812)
First National Bank Zambia Limited	–	–	(191)	–
	(21,380)	**(13,652)**	**(13,453)**	**(9,016)**

(i) The bank overdrafts, excluding Stanbic Bank Zambia Limited, are secured by a first floating charge over all the assets of The Company. The floating charge ranks pari passu between Standard Chartered Bank Zambia PLC (USD5 million), Citibank Zambia Limited (USD9.5 million), Zanaco Bank PLC (USD1.5 million and ZMK6 billion) and DEG (USD5 million).

(ii) The Zamanita facility is secured by a first legal mortgage over stand 5960 and 5001 Mumbwa Road, Lusaka and a floating charge over all other assets. The First National Bank Zambia Limited facilities provided during the year ended 30 September 2010 were repaid during the year.

(iii) The Stanbic Bank Zambia Limited overdraft facility is secured by a first legal mortgage over F4450, F4451 and F5388 (Mpongwe Farm).

Notes to the Financial Statements – 30 September 2011 (Continued)

Cash and cash equivalents (continued)

(c) **Structured agricultural finance**

(i) In Zambian Kwacha	**2011 Group ZMK'Ms**	**2011 Company ZMK'Ms**	**2010 Group ZMK'Ms**	**2010 Company ZMK'Ms**
Structured agricultural finance represented by:				
Standard Chartered Bank Zambia PLC	25,477	6,281	5,138	5,138
First Rand Bank Limited	–	–	16,109	–
	25,477	**6,281**	**21,247**	**5,138**

(ii) In US Dollars	**2011 Group USD'000s**	**2011 Company USD'000s**	**2010 Group USD'000s**	**2010 Company USD'000s**
Structured agricultural finance represented by:				
Standard Chartered Bank Zambia PLC	5,308	1,309	1,070	1,070
First Rand Bank Limited	–	–	3,356	–
	5,308	**1,309**	**4,426**	**1,070**

Standard Chartered Bank Zambia PLC

The Group has structured agricultural facilities totalling USD25,000,0000 (2010 – USD5,000,000) with Standard Chartered Bank Zambia PLC. The purpose of the facility is the financing of wheat, soya beans, and maize under collateral management agreements and is for 180–270 days. Interest on this facility is 3 month LIBOR plus 4 per cent. per annum calculated on the daily overdrawn balances.

First Rand Bank Limited

Zamanita Limited had structured agricultural facilities with First Rand Bank Limited during the year ended 30 September 2010. This facility has been repaid.

21. Share capital

	2011 ZMK'Ms	**2011 USD'000s**	**2010 ZMK'Ms**	**2010 USD'000s**
Authorised				
400,000,000 ordinary shares of ZMK 1 each	**400**	**83**	**400**	**83**
(2010: 400,000,000 ordinary shares of ZMK 1 each)				
Issued and fully paid				
At 1 October	159	42	159	42
Issued during the year	89	19	–	–
At 30 September				
247,978,195 ordinary shares of ZMK 1 each	**248**	**61**	**159**	**42**
(2010: 158,706,045 ordinary shares of ZMK 1 each)				

(a) During the year ended 30 September 2011, the Company's issued share capital was increased by the issue of 35,558,580 ordinary shares of ZMK1 each at the premium price of ZMK2,975 per share .

(b) During the year ended 30 September 2011, the Company's issued share capital was increased by the issue of 53,713,570 ordinary shares of 38.06 pence each through a dual listing on the London AIM and placing of shares.

Notes to the Financial Statements – 30 September 2011 (Continued)

Share capital (continued)

(c) The Company has 626 shareholders holding 247,978,195 ordinary shares. Of these shares, 81,746,961 are held by shareholders on AIM London and 166,231,234 shares are held by shareholders on the Lusaka Stock Exchange.

22. Share premium

	2011 ZMK'Ms	2011 USD'000s	2010 ZMK'Ms	2010 USD'000s
At 1 October	259,967	71,861	259,967	71,861
Arising during the year	262,519	54,806	–	–
Cost of issue of shares written off	(16,209)	(3,384)	–	–
At 30 September	**506,277**	**123,283**	**259,967**	**71,861**

23. Interest bearing liabilities

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
DEG – Deutsche Investitions				
GUD Entwicklungsgesellschift MBH (note (a))	116,880	116,880	138,010	138,010
Zanaco Bank Plc (note (b))	–	–	9,440	9,440
Standard Chartered Bank Zambia Plc (note (c))	7,647	–	18,720	18,720
Commercial paper (note (d))	31,785	31,785	–	–
International Finance Corporation (note (e))	42,240	33,600	–	–
	198,552	**182,265**	**166,170**	**166,170**
Less: Short term portion (repayable within next 12 months)	(25,925)	(24,184)	(29,258)	(29,258)
Long term portion (repayable after 12 months)	**172,627**	**158,081**	**136,912**	**136,912**

(ii) In US Dollars	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
DEG – Deutsche Investitions-und				
Entwicklungsgesellschaft MBH (note (a))	24,350	24,350	28,752	28,752
Zanaco Bank Plc (note (b))	–	–	1,966	1,966
Standard Chartered Bank Zambia Plc (note (c))	1,593	–	3,900	3,900
Commercial paper (note (d))	6,622	6,622	–	–
International Finance Corporation (note (e))	8,800	7,000	–	–
	41,365	**37,972**	**34,618**	**34,618**
Less: Short term portion (repayable within next 12 months)	(5,401)	(5,038)	(6,095)	(6,095)
Long term portion (repayable after 12 months)	**35,964**	**32,934**	**28,523**	**28,523**

(a) (i) **DEG Term Loan 1**

The Company has a loan facility of USD2,920,000 (2010 – USD3,752,000 and original amount USD5,000,000) from DEG. Interest on the loan is 2.75 per cent. above the six-month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 12 equal bi-annual instalments commencing April 2009 and expiring in October 2014.

The DEG loan is secured by a floating charge/debenture of USD5 million ranking pari passu with Citibank Zambia Limited (USD9.5 million), Standard Chartered Bank Zambia PLC (USD5 million) and Zanaco Bank PLC (USD1.5 million and ZMK6 billion).

Notes to the Financial Statements – 30 September 2011 (Continued)

Interest bearing liabilities (continued)

(ii) **DEG Term Loan 2**

The Company has a loan facility of USD21,430,000 (original amount of USD25,000,000 drawn in 2010) from DEG. Interest on the loan is 4.55 per cent. above the six-month USD Libor rate per annum payable six-monthly in arrears. The principal is repayable in 14 bi-annual instalments commencing November 2010 and expiring in May 2017.

The USD25 million DEG term loan is secured by:

- First legal mortgage over Farm No. 4906, Lot No. 18835/M and Lot No. 18836/M (Sinazongwe farm); and
- First legal mortgage over Farm No. 10097, Farm No. 5063 and Lot No. 8409/M (Chiawa farm).

(b) **Zanaco Bank PLC**

The Company had a loan facility of ZMKNil (original amount of ZMK11.8 billion) with Zanaco Bank PLC. Interest on the medium term loan was calculated at 2 per cent. per annum below the Bank's ZMK base rate. The loan was fully repaid during the year.

(c) **Standard Chartered Bank Zambia PLC**

The Company had a medium term loan facility of USDNil (2010 - USD3.9 million and original amount USD5.2 million) with Standard Chartered Bank Zambia PLC. Interest on the loan was 3 month LIBOR plus 5.5 per cent. margin per annum payable monthly in arrears. The loan was fully repaid during the year.

Zamanita Limited, a subsidiary of the group, has a loan facility of USD1,593,125 (2010: USDNil) with Standard Chartered Bank Zambia PLC. Interest on the loan is 5 per cent. above 12 month LIBOR rate per annum, payable monthly in arrears and is secured by a first legal mortgage relating to stands 5960 and 5001 Mumbwa Road, Lusaka, and floating debenture over all assets of the company. The principal is repayable in 16 quarterly instalments commencing April 2012 and expiring in January 2016.

(d) **Commercial Paper**

The Company issued a commercial paper (CP) amounting to ZMK31.8 billion at an interest rate of 12 per cent. fixed per annum which is to be restructured into a five year bond upon expiry of the CP. The CP is due to expire on 23 December 2011. Security for the CP/bond is first ranking mortgage over stand No. 4970, Industrial Area, Lusaka in favour of the note holders. The purpose of the CP/bond was to restructure the term loans with Standard Chartered Bank Zambia PLC and Zanaco Bank PLC as well as provide improved security structure and reduce foreign currency borrowings.

(e) **International Finance Corporation**

The Group committed itself to a loan facility of USD10 million during the year ended 30 September 2010 from International Finance Corporation (IFC), of which USD7,000,000 was drawn for the Zambian operations and USD 1,800,000 for the Nigeria operations during the year ended 30 September 2011. The loan has been obtained for the following operations:

- Expansion of Nigeria operations at a cost of USD3,000,000.
- Expansion of retail operations in Zambia and other capital projects at a cost of USD7,000,000.

The portion of the loan attributable to Zambia is secured through a first legal mortgage over Plot 9070,9071 and 9074, off Mumbwa Road, Lusaka, and the portion of the loan attributable to the Nigerian operations is secured by a floating charge over all assets of Master Meat and Agro Production Co of Nigeria Limited and a parental guarantee from Zambeef Products PLC. The loan is repayable over 11 bi-annual instalments commencing June 2012 and expiring in June 2017.

Notes to the Financial Statements – 30 September 2011 (Continued)

24. Obligations under finance leases

	2011		2010	
In Zambian Kwacha	**Group ZMK'Ms**	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
ALS Capital Limited (note (a))	–	–	134	–
Freddy Hirsh Zambia Limited (note (b))	3,140	–	1,295	–
Stanbic Zambia Limited (note (c))	7,545	7,545	948	948
	10,685	7,545	2,377	948
Less: Payable within 12 months	(3,369)	(1,734)	(1,083)	(252)
Repayable after 12 months	**7,316**	**5,811**	**1,294**	**696**

	2011		2010	
(ii) In US Dollar	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
ALS Capital Limited (note (a))	–	–	28	–
Freddy Hirsh Zambia Limited (note (b))	654	–	270	–
Stanbic Zambia Limited (note (c))	1,572	1,572	198	197
	2,226	1,572	496	197
Less: Payable within twelve months	(702)	(361)	(226)	(52)
Repayable after 12 months	**1,524**	**1,211**	**270**	**145**

The ageing for the finance leases is as detailed below:

	Within 1 year ZMK'Ms	**1 to 5 years ZMK'Ms**	**After 5 years ZMK'Ms**	**Total ZMK'Ms**
2011				
Lease payments	3,839	7,934	–	11,773
Finance charges	(470)	(618)	–	(1,088)
Net present values	**3,369**	**7,316**	**–**	**10,685**
2010				
Lease payments	1,122	1,343	–	2,465
Finance charges	(39)	(49)	–	(88)
Net present values	**1,083**	**1,294**	**–**	**2,377**

2011	**Within 1 year USD'000s**	**1 to 5 years USD'000s**	**After 5 years USD'000s**	**Total USD'000s**
Lease payments	800	1,653		2,453
Finance charges	(98)	(129)	–	(227)
Net present values	**702**	**1,524**	**–**	**2,226**
2010				
Lease payments	234	280	–	514
Finance charges	(8)	(10)	–	(18)
Net present values	**226**	**270**	**–**	**496**

Obligations under finance leases (continued)

(a) The ALS Capital Limited finance lease related to the abattoir in Livingstone of a subsidiary company with a lease term of 3 years. The subsidiary had options to purchase the equipment for a nominal amount at the conclusion of the lease agreements, which option was exercised.

(b) Master Pork Limited, a subsidiary of the Group, has hire purchase facilities of ZAR411,594 and ZMK2,857,854,777 with Freddy Hirsh Zambia Ltd. The interest on the hire purchase is 6 per cent. fixed per annum with respect to the ZAR facility, 0 per cent. for the Ulma, Smokehouse and Weber Slice machines (totalling ZMK 1,163,666,667) and 6 per cent. fixed per annum on the Cozzini Grinder machine (totalling ZMK 1,694,188,110) with respect to the Kwacha facilities. The interest and principal on the ZAR hire purchase facility is repayable in 24 equal monthly instalments commencing August 2010 and expiring in July 2012. The principle on the Kwacha hire purchase facilities, excluding the Grinder machine, is repayable in 26 equal monthly instalments. The Grinder is repayable over 48 equal monthly instalments commencing July 2011 and expiring in June 2015.

(c) The Stanbic Bank Zambia Limited finance lease relates to the purchase of motor vehicles and agricultural machinery with terms of 48 months. The interest on the finance lease is charged at 3 month LIBOR plus 5 per cent. The obligations under finance leases are secured by the lessor's absolute ownership over the leased assets comprehensively insured with the bank's interest noted as first loss payee.

25. Deferred Liability

Under the terms of employment, employees are entitled to certain terminal benefits. Provision has been made during the year towards these benefits. This statutory entitlement, which is lost if the employee is summarily dismissed, becomes payable only when the employee retires after attaining the age of 55 years and that employee has been employed for more than ten years. Uncertainty exists over the amount of future outflows due to staff turnover levels.

	2011		2010	
	Group	Company	Group	Company
(i) In Zambian Kwacha	**ZMK'Ms**	**ZMK'Ms**	**ZMK'Ms**	**ZMK'Ms**
At 1 October	5,168	634	4,753	1,343
Provision made during the year	843	(40)	1,152	(631)
Payments made during the year	(904)	(71)	(737)	(78)
At 30 September	**5,107**	**523**	**5,168**	**634**

	2011		2010	
	Group	Company	Group	Company
(ii) In US Dollar	**USD'000s**	**USD'000s**	**USD'000s**	**USD'000s**
At 1 October	1,077	132	990	280
Provision made during the year	175	(8)	258	(132)
Payments made during the year	(190)	(15)	(154)	(16)
Foreign translation	2	–	(17)	–
At 30 September	**1,064**	**109**	**1,077**	**132**

Notes to the Financial Statements – 30 September 2011 (Continued)

26. Trade and other payables in Zambian Kwacha

(i) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Trade payables	76,967	35,439	59,326	13,074
Provisions and accruals	39,150	19,634	27,223	7,597
	116,117	**55,073**	**86,549**	**20,671**

(ii) In US Dollars	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Trade payables	16,035	7,382	12,360	2,724
Provisions and accruals	8,156	4,090	5,670	1,583
	24,191	**11,472**	**18,030**	**4,307**

The average credit period given in 2011 was 43 days (2010: 41 days).

All amounts shown under trade and other payables fall due for payment within one year. The carrying value of trade and other payables are considered to be a reasonable approximation of fair value.

27. Amounts due to related companies

(ii) In Zambian Kwacha	2011 Group ZMK'Ms	2011 Company ZMK'Ms	2010 Group ZMK'Ms	2010 Company ZMK'Ms
Zambezi Ranching and Cropping Limited	–	–	376	376
Wellspring Limited	55	54	365	365
Foresythe Estates Limited	89	89	–	–
Squares Ranch	134	135	–	–
Proflight Commuter Services Limited	25	–	22	–
Leopard Investments Limited	28	–	–	–
Novatek Limited	–	10	–	10
	331	**288**	**763**	**751**

(ii) In US Dollars	2011 Group USD'000s	2011 Company USD'000s	2010 Group USD'000s	2010 Company USD'000s
Zambezi Ranching and Cropping Limited	–	–	78	78
Wellspring Limited	11	11	76	76
Foresythe Estates Limited	19	19	–	–
Squares Ranch	28	28	–	–
Proflight Commuter Services Limited	5	–	5	–
Leopard Investments Limited	6	–	–	–
Novatek Limited	–	2	–	3
	69	**60**	**159**	**157**

The above balances relate to arm's length transactions with the related parties.

28. Financial instruments

Financial assets

The Group's principal financial assets are bank balances and cash and trade receivables. The group maintains its bank accounts with major banks in Zambia of high credit standing. Trade receivables are stated at amounts reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities

The Group's financial liabilities are bank overdrafts, long term loans and trade payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Trade payables and loans are stated at their nominal Value.

Monetary assets and liabilities in foreign currencies

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency:

	2011		2010	
(i) In Zambian Kwacha	**Group ZMK'Ms**	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
Financial assets	34,977	5,326	23,637	18,343
Financial liabilities	(312,311)	(205,712)	(263,124)	(192,850)
Net Exposure	**(277,334)**	**(200,386)**	**(239,487)**	**(191,017)**

	2011		2010	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Financial assets	7,287	1,110	4,924	382
Financial liabilities	(65,065)	(42,857)	(54,818)	(40,177)
Net Exposure	**(57,778)**	**(41,747)**	**(49,893)**	**(39,795)**

(i) In Zambian Kwacha	**US Dollar ZMK'Ms**	**SA Rand ZMK'Ms**	**Other ZMK'Ms**	**Total ZMK'Ms**
2010				
Financial Assets	21,437	262	1,937	23,637
Financial Liabilities	(256,384)	(1,748)	(4,992)	(263,124)
Total Exposure	(234,947)	(1,486)	(3,055)	(239,487)
2011				
Financial Assets	25,103	77	9,797	34,977
Financial Liabilities	(304,492)	(2,381)	(5,438)	(312,311)
Total Exposure	(279,389)	(2,304)	4,359	(277,334)

Notes to the Financial Statements – 30 September 2011 (Continued)

Financial instruments (continued)

(ii) In US Dollars	US Dollar USD'000s	SA Rand USD'000s	Other USD'000s	Total USD'000s
2010				
Financial Assets	4,466	55	404	4,925
Financial Liabilities	(53,413)	(364)	(1,040)	(54,818)
Total Exposure	(48,947)	(309)	(636)	(49,893)
2011				
Financial Assets	5,230	16	2,041	7,287
Financial Liabilities	(63,436)	(496)	(1,133)	(65,065)
Total Exposure	(58,206)	(480)	908	(57,778)

Exposure to currency exchange rates arise from the Group's sales and purchases which are primarily denominated in US Dollar and South African Rand. It also arises from the retranslation of its foreign subsidiaries in West Africa. The Group activities expose it to a variety of financial risks. The main risks faced by the Group relate to foreign exchange rates, the risk of default by counter-parties to financial transactions and the availability of funds to meet business needs.

These risks are managed as described below.

(a) Price risk

(i) *Currency risk*

The interest bearing borrowings are denominated in foreign currencies and therefore lead to a risk of fluctuation of Value due to changes in the foreign exchange rate. This risk is partially hedged by holding United States Dollar bank balances and United States Dollar denominated exports.

The table below shows the extent to which group companies have interest bearing liabilities in currencies other Than their local currency:

	2011		2010	
	ZMK'Ms	USD'000s	ZMK'Ms	USD'000s
DEG – Deutsche Investitions-und				
Entwicklungsgesellschaft MBH	116,880	24,350	138,010	28,752
Standard Chartered Bank Zambia PLC	7,647	1,593	9,440	1,965
International Finance Corporation	42,240	8,800	18,720	3,900
	166,767	34,743	166,170	34,617

Foreign currency risk sensitivity analysis

Zambian Kwacha/United States Dollar exchange risk

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the Group's foreign currency borrowings. It assumes a +/-10 per cent. and 5 per cent., movement in the United States Dollar/Zambian Kwacha exchange rate for the two years ended 30 September 2011.

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

Notes to the Financial Statements – 30 September 2011 (Continued)

Financial instruments (continued)

If the Zambian Kwacha had weakened against the United States dollar by (2011: 10 per cent.) (2010: 10 per cent.) then this would have resulted in the following impact on net profit and equity:

	2011		2010	
Weakening of the Kwacha	**ZMK'Ms**	**USD'000s**	**ZMK'Ms**	**USD'000s**
Net profit	32,087	6,136	16,147	3,084
Equity	732,527	138,736	452,752	85,748

If Zambian Kwacha had strengthened against the United States Dollar by (2011: 5 per cent.) (2010: 5 per cent.) then this would have resulted in the following impact on net profit and equity:

	2011		2010	
Strengthening of the Kwacha	**ZMK'Ms**	**USD'000s**	**ZMK'Ms**	**USD'000s**
Net profit	50,766	11,241	21,657	4,790
Equity	751,206	164,738	458,262	100,496

(ii) *Interest rate risk*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from overdraft facilities and long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. The interest rate risk. The interest rates to which the Group is exposed are set out in notes 20, 23 and 24. the risk of interest rate movements is managed through on-going monitoring of the Group's overdrafts and long-term borrowings, the spreading of debt between a number of financial institutions and the denomination of debt in Zambian Kwacha, South African Rand and USD.

(iii) *Market risk*

The Group is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

(b) Credit risk

(i) *Trade receivables*

The Directors believe the credit risk of trade receivables is low. The credit risk is managed by the selective granting of credit

(c) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations associated with its financial liabilities. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on any undrawn borrowing facilities so that the Group does not breach limits or covenants (where applicable) on any of its borrowing facilities. The maturity of the Group's financial liabilities is set out in notes 20, 23 and 24.

The ageing for the interest bearing facilities is as detailed below:

Notes to the Financial Statements – 30 September 2011 (Continued)

Financial instruments (continued)

	Within 1 year ZMK'Ms	1 to 5 years ZMK'Ms	After 5 years ZMK'Ms	Total ZMK'Ms
2011				
Capital payments	25,925	140,873	–	166,798
Finance charges	8,283	20,086	–	28,369
Net present values	**34,208**	**160,959**	**–**	**195,167**

	Within 1 year USD'000s	1 to 5 years USD'000s	After 5 years USD'000s	Total USD'000s
2011				
Capital payments	5,401	29,349	–	34,750
Finance charges	1,726	4,184	–	5,910
Net present values	**7,127**	**33,533**	**–**	**40,660**

29. Contingent liability

Certain legal cases are pending against the Company in the Court of Law. In the opinion of the Directors, and the Company's lawyers, none of these cases will result in any material loss to the Company for which a provision is required.

30. Capital commitments

	2011		2010	
	ZMK'Ms	USD'000s	ZMK'Ms	USD'000s
Capital commitments entered into at the reporting date	**68,496**	**14,270**	**3,448**	**718**
Not contracted for at the reporting date	**20,093**	**4,186**	**49,984**	**10,413**

31. Operating leases

The total value of future minimum annual lease payments under non-cancellable operating leases is as follows:

	2011		2010	
	Group	Company	Group	Company
(i) In Zambian Kwacha	ZMK'Ms	ZMK'Ms	ZMK'Ms	ZMK'Ms
Within one period	**3,288**	**–**	**3,365**	**–**
One to five periods	**2,438**	**–**	**1,816**	**–**

	2011		2010	
	Group	Company	Group	Company
(i) In US Dollars	USD'000s	ZMK'Ms	USD'000s	ZMK'Ms
Within one period	**685**	**–**	**701**	**–**
One to five periods	**508**	**–**	**378**	**–**

The Company's subsidiary company, Zambeef Retailing Limited, has operating leases for its butcheries that are for 12 month periods and renewable at the request of either party. There are no purchase options, contingent rent payments or restrictions arising on these leases.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the significant transactions between the Group and other related parties during the year ended 30 September 2011 are as follows:

(a) The group made the following sales to related parties:

		2011		2010	
	Sale of	**ZMK'Ms**	**USD'000s**	**ZMK'Ms**	**USD'000s**
Wellspring Limited	Animal feeds/bran	624	131	131	28
Squares Ranch	Animal feeds/bran	16	3	36	8
Bric Brac Limited	Animal feeds/bran	650	137	391	82
Foresythe Estates Limited	Animal feeds/bran	217	46	83	17
Zambezi Ranching and Cropping Limited	Animal feeds/bran	11,839	2,490	10,736	2,256
Kanyanja Development Company Limited	Animal feeds/bran	244	51	398	84
Leopard Investments Limited	Animal feeds/bran	1,483	312	55	12
Proflight Commuter Services Limited	Retail products	–	–	–	–
		15,073	**3,170**	**11,830**	**2,487**

(b) The group made the following purchases from related parties:

		2011		2010	
	Purchase of	**ZMK'Ms**	**USD'000s**	**ZMK'Ms**	**USD'000s**
Zambezi Ranching and Cropping Limited	Cattle beef, wheat,	24,578	5,140	21,073	4,428
Wellspring Limited	soya beans	3,986	838	3,836	806
Bric Brac Limited	Cattle beef	6,091	1,281	6,043	1,270
Foresythe Estates Limited	Cattle beef	4,695	988	2,607	548
Squares Ranch	Cattle beef	583	123	557	117
Kanyanja Development Company Limited	Chickens	618	130	792	166
Leopard Investments Limited	Cattle beef,	4,775	1,004	3,219	676
	chickens, pigs,				
	rental of property				
Proflight Commuter Services Limited	Air travel tickets	272	67	69	14
Tractorzam Limited	Tractors/spares	2,034	428	797	167
Claudia Burton	Rental of property	38	8	30	6
Fraca Meat Company Limited	Rental of property	13	3	11	2
Madison General Insurance Company Limited	Insurance	2,398	505	1,551	326
		50,081	**10,535**	**40,585**	**8,526**

Notes to the Financial Statements – 30 September 2011 (Continued)

Related party transactions (continued)

(c) Sales of goods to related parties were made at the group's usual list prices.

(d) Purchases were made at market price.

(e) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(f) No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

(g) The parties are related by virtue of certain Directors of the Group having a shareholding in the respective companies.

(h) Directors of the Group have shareholdings in the Company as stated in the Report of the Directors. Dividends have been paid to the Directors via their direct and indirect shareholdings at the same dividend per share as per Note 10.

(i) Key management compensation:

The remuneration of Directors and other members of key management during the year were as follows:

	2011		2010	
	Group ZMK'Ms	**Company ZMK'Ms**	**Group ZMK'Ms**	**Company ZMK'Ms**
Short-term benefits	46,192	18,126	33,013	10,307
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–
	Group USD'000s	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Short-term benefits	9,716	3,813	6,937	2,166
Post-employment benefits	–	–	–	–
Other long-term benefits	–	–	–	–

The remuneration of Directors and key executives is determined by the remuneration committee having regard to The performance of individuals and market trends.

(j) There were no loans to related parties and key management personnel.

33. Events subsequent to reporting date

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in the subsequent financial years, except:

(a) that the Group has obtained additional working capital funding from Standard Chartered Bank Zambia PLC to support the increase in farming operations through the increase in structured agricultural facilities by USD19 million. Interest on this facility is 3 month LIBOR plus 4 per cent. per annum calculated on the daily overdrawn balances and the facility is secured through a fixed and floating debenture over the grain stock collateralised; and

(b) that the Group has obtained funding for its upgrade and rehabilitation of the Mpongwe Farm assets through a facility of USD7 million from Standard Bank South Africa Limited. Interest on the facility is 3 month LIBOR plus 4 per cent. and the facility is secured through a first legal mortgage over the Mpongwe Farm assets.

Notice is hereby given that the 17th Annual General Meeting of Zambeef Products PLC will take place at the Taj Pamodzi Hotel, along Addis Ababa Drive, Lusaka, on Thursday, December 22, 2011 at 10:00 hours.

AGENDA

1. To read the Notice of the Meeting and confirm that a quorum is present.
2. To read and confirm the minutes of the 16th Annual General Meeting held on January 25, 2011.
3. Consider any matters arising from the minutes.
4. To receive the report of the Directors, the Auditors report and the Financial Statements for the year ended September 30, 2011. (Resolution 1)
5. To re-appoint Grant Thornton (Zambia) as Auditors for 2011/12 and to authorise the Directors to fix their Remuneration. (Resolution 2)
6. In terms of the articles Stanley Phiri, Irene Muyenga and John Rabb retire but are eligible to offer themselves for re-election. (Resolution 3)
7. To approve the allocation of 2,000,000 (two million) new ordinary shares for senior management share option plan iv. (Resolution 4)
8. To approve the recommendation of the Board to pay a final dividend for the year ended September 30, 2011 of ZMK21.40 (USD 0.0045) per share. (Resolution 5)
9. To consider any competent business of which due notice has been given.

By order of the Board, Danny Museteka, Company Secretary

Note:

A Member is entitled to appoint one or more proxies to attend, speak and vote in his or her stead. A proxy need to be a member of the Company. Proxies must be lodged at the registered office of the Company at least 48 hours before the time fixed for the meeting.

Proxy Form

I/We, ...

of ....

being a member/s of and the registered holder/s of ....
shares in the above named company, hereby appoint:

of ....
or, in his/her absence, the Chairman of the Company

As my/our proxy to vote for me/us on my/our behalf at the Annual/Extraordinary General Meeting of the Company to be held on the 22nd day of December 2011 and at any adjournment of that meeting.

* In Favour of/against	* Against	*In favour
Resolution 1 To receive, approve and adopt annual financial statements for the year ended 30 September 2011.	☐	☐
Resolution 2 Re-appointment of Grant Thornton as Auditors for 2011/12.	☐	☐
Resolution 3 Confirm appointment of		
• Mr S.Z Phiri	☐	☐
• Mrs I. Muyenga	☐	☐
• Mr J.Rabb	☐	☐
as directors		
Resolution 4 Approve the allocation of 2,000,000 new ordinary shares for senior management share option plan iv.		
Resolution 5 Approve the final dividend of ZMK21.40 (USD 0.0045) per share for all shareholders registered at the close of business on 26 December 2011, and if approved, dividends will be paid on or before 29 February 2012.	☐	☐

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

Signed:

Name:

Date:

Witnessed by: Signature:

Name:

Address:

Notes to the Proxy Form

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be A shareholder of the Company, is entitled to attend, speak and vote on behalf of the shareholder.
2. A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.
3. If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. This form of proxy must be received by the Company secretary at the registered head office, Plot Number 1164, House Number 1, Nkanchibaya Road, off Addis Ababa Drive, Rhodes Park, Lusaka, by no later than 09:30 on Monday, 18th December, 2011
5. Documentary evidence establishing the authority of the person signing the proxy in representative capacity must be attached hereto unless previously recorded by the Company' s transfer secretaries.
6. The completion and lodging of this form of proxy will not preclude a shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. The chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.

Notes

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