Grant Thornton

Zambeef Products PLC and its subsidiaries

Financial Statements
30 September 2014

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS – 30 SEPTEMBER 2014

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ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

In compliance with Division 8.3 of the Companies Act, the Directors submit their report on the activities of the Group for the year ended 30 September 2014.

1. **Principal activities**
   Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agribusinesses 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 and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 8,350 Ha of row crops under irrigation and 8,650 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. **The Company**
   The Company is incorporated and domiciled in Zambia.

Business address	**Postal address**
Plot 4970, Manda Road	Private Bag 17
Industrial Area	Woodlands
Lusaka	**Lusaka**
ZAMBIA	**ZAMBIA**

3. **Share capital**
   Details of the Company's authorised and issued share capital are as follows:

	30 September 2014		**30 September 2013**	
	ZMW'000s	*USD'000s*	*ZMW'000s*	*USD'000s*
Authorised				
400,000,000 ordinary shares of ZMW0.01 each	**4,000**	**638**	**400**	**83**
Issued and fully paid				
247,978,175 ordinary shares of ZMW0.01 each	**2,480**	**396**	**248**	**61**

4. **Results**
   The Group's results are as follows:

Group	**Notes**	**2014 ZMW'000s**	**2014 USD'000s**	**2013 ZMW'000s**	**2013 USD'000s**
Revenue	5	1,643,253	279,465	1,595,062	300,388
(Loss) /Profit before taxation		(21,159)	(3,598)	21,829	4,111
Taxation credit/ (charge)	9	959	163	(5,794)	(1,091)
Group (loss)/profit for the year		(20,200)	(3,435)	16,035	3,020
Group profit/(loss) attributable to:					
Equity holders of the parent		(24,609)	(4,185)	13,766	2,593
Non-controlling interest		4,409	750	2,269	427
		(20,200)	(3,435)	16,035	3,020

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

5. **Dividends**

There has been no dividend proposed for the year ended 30 September 2014.

6. **Management**

The senior management team comprise the following:

Francis Grogan	-	Joint Chief Executive Officer
Carl Irwin	-	Joint Chief Executive Officer
Yusuf Koya	-	Executive Director
Craig Harris	-	Chief Financial Officer
Danny Museteka	-	Company Secretary
Felix Lupindula	-	Corporate Affairs Manager
Ebrahim Israel	-	Managing Director – West Africa
Murray Moore	-	General Manager – National Retail
Mike Lovett	-	General Manager – Farming Division
Alastair McLeod	-	General Manager – Zam Chick/Zamhatch Limited
David Mynhardt	-	General Manager – Sinazongwe Farm
Robert Hoskins Davies	-	General Manager – Chiawa Farm
Francis Mondomona	-	General Manager – Huntley Farm
Richard Franklin	-	General Manager – Zamleather Limited
Dharmesh Patel	-	General Manager – Zamanita Limited
Walter Roodt	-	General Manager – Stock Feed
Harry Hayden-Payne	-	General Manager – Zampalm Limited
Steven Hapelt	-	General Manager – Dairy
Webster Mapulanga	-	General Manager – Master Pork Limited
Andries Van Rensburg	-	Piggery Manager
Peter Wandira	-	Flour Mill Manager
Charles Milupi	-	Poultry Manager
Theo de Lange	-	Group Technical Manager
Bartholomew Mbao	-	Dairy Processing Manager
Ivor Chilufya	-	Group Financial Controller
Justin Rust	-	Commercial Manager
Eamon Park	-	Commercial Manager
Rory Park	-	Finance Manager – Master Pork Limited, Zampalm Limited
Simon Nkhata	-	Finance Manager – Zambeef Retailing Limited
Chalwe Mpundu	-	Finance Manager – Zamanita Limited
James Banda	-	Finance Manager – West Africa
Baron Chisola	-	Financial Controller – Group Inventory
Eustace Bobo	-	Financial Controller – Group Fixed Assets

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

6. **Management (continued)**

Shadreck Banda	-	Financial Controller – Group Suppliers
Samantha Dale	-	Group Head – Debtors and Credit Control
Mulendo Siame	-	Commodities Manager – Zamanita Ltd
Anthony Seno	-	Head of IT
Guy Changole	-	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
Jones Kayawe	-	Head of Environment, Health and Safety
Field Musongole	-	Maintenance Manager
Lubinda Chamileke	-	National Merchandising - Retail
Justo Kopulande	-	CSR/PR Manager
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
John Stephenson	-	Regional Manager – Zambeef Outlets
Perry Siame	-	Group Marketing Manager
Hillary Anderson	-	National Retail Manager - Nigeria
Lufeyo Nkhoma	-	Head of Retail – Ghana
Clement Mulenga	-	Head of Processing – Nigeria

7. **Directors and Secretary**

The directors in office at the financial period and at the date of this report were as follows:

Jacob Mwanza (Dr)	-	Chairman
Lawrence S. Sikutwa (Dr)		
John Rabb		
Irene M. Muyenga		
Charles Mpundu	-	Appointed on January 13, 2014
Adam Fleming		
Francis Grogan	-	Joint Chief Executive Officer
Carl Irwin (Dr)	-	Joint Chief Executive Officer
Yusuf Koya		
Danny Museteka	-	Company Secretary

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

8. **Directors' interests**

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

	30 September 2014		30 September 2013	
	Direct	**Indirect**	**Direct**	**Indirect**
Jacob Mwanza (Dr)	1,093,820	-	1,100,000	-
Carl Irwin (Dr)	3,763	4,407,682	3,763	4,322,682
Francis Grogan	-	3,596,631	-	3,596,631
John Rabb	-	7,868,813	-	7,868,813
Lawrence S Sikutwa (Dr)	-	115,176	-	115,176
Irene M Muyenga	13,129	-	13,129	-
Adam Fleming	-	9,608,130	-	13,710,355
Yusuf Koya	42,762	-	42,762	-
	1,153,474	25,596,432	1,159,654	29,613,657

9. **Directors fees and remuneration**

In February 2013, the Remuneration Committee agreed the following gross annual packages.

ZMW	**Salary**	**Housing Allowance**	**Car Allowance**	**Air Fares Allowance**	**Medicals**	**Long Term Incentive Plan (Shares)**
NON-EXECUTIVE						
Jacob Mwanza	646,154	-	-	-	-	-
Lawrence Sikutwa	282,692	-	-	-	-	-
Irene Muyenga	282,692	-	-	-	-	-
Adam Fleming	161,538	-	-	-	-	-
John Rabb	201,923	-	-	-	-	-
Charles Mpundu	121,154	-	-	-	-	-
EXECUTIVE						
Francis Grogan	2,418,756	Company House	Company Car	242,304	Yes	370,000
Carl Irwin	964,900	-	Company Car	242,304	Yes	275,000
Yusuf Koya	1,941,307	242,308	145,385	201,924	Yes	275,000
Danny Museteka	964,900	242,308	96,923	-	Yes	275,000

Further, the Board co-opted Mr. Hastings Mtine into the Audit Committee as an expert advisor. Mr. Mtine's remuneration is ZMW4.6 thousand per sitting and ZMW12 thousand for any special projects and advisory services.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

9. **Directors fees and remuneration (continued)**

In addition to the above, all Executive Directors are also entitled to a Gratuity of 10 per cent. of their gross basic salary paid over the two year contract term, less statutory deductions for tax.

The Long Term Incentive Plan 1 ("LTIP 1") has the following key terms/conditions:

- Three year compound average Earnings Per Share (EPS) growth tested once at the end of the three year period. 25% of performance shares vest at annual compound EPS growth of Average Annual Inflation Rate plus 7% and vest in full (100%) at Average Annual Inflation Rate plus 17% compound EPS growth;
- Straight line vesting between Average Annual Inflation Rate plus 7% and Average Annual Inflation Rate plus 17% compound EPS growth;
- The annual award base value (number of performance shares multiplied by the share price on the date of grant plus number of options multiplied by the exercise price) may not exceed three times the Executive's base salary;
- Vesting period is three years; the three year performance period for LTIP 1 is from FYE 2012 – FYE 2015.

Each Executive Director has entered into a fixed term service agreement on 1 April 2013, for a term of two years, unless terminated by either party giving six months' notice.

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 2014, the Company has been advised of the following notable interests in its ordinary share capital:

Investor Name	**Current Position**	**% of Shareholding**
M & G Recovery Fund	44,113,908	17.8%
Investec Asset Management	27,245,920	11%
National Pension Scheme Authority (Zambia)	24,979,819	10%
SG-SSB Emerging Markets Fund	24,631,080	10%
SQM Frontier Management	19,764,333	8%
Ashmore Emerging Markets Management	16,754,551	6.8%
Artio Global Management	9,363,990	3.8%
Franklin Templeton (UK) Management	11,150,071	4.5%
JB Management	8,175,000	3.3%
Shaka Holdings Inc.	7,868,813	3.2%

Apart from these holdings, the Company has not been notified as at 21 November 2014 of any interest of 3 per cent. or more in its ordinary share capital.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

11. **Employees**

The Group employed an average of 5,861 (30 September 2013 – 5,715) employees and total salaries and wages were ZMW198.5 million (USD33.7 million) for the year ended 30 September 2014 (30 September 2013 – ZMW187.6 million [USD35.3 million]).

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

	Headcount
Oct-13	5,796
Nov-13	5,768
Dec-13	5,772
Jan-14	5,767
Feb-14	5,900
Mar-14	5,924
Apr-14	5,963
May-14	5,938
Jun-14	5,932
Jul-14	5,847
Aug-14	5,888
Sep-14	5,841

12. **Safety, Health and Environmental issues**

As part of some of the Group's term loans, the Group signed up to an Environmental and Social Action Plan ("ESAP"), which requires the Group to meet both local Zambian standards as well as international standards relating to the environment. The most recent independent consultant reports state that Zambeef continues to make positive progress in delivering the approved ESAP.

The Group provides education and healthcare services to its employees. The Group also supports various community activities in the areas that it operates from.

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, except the outstanding tax liability on Zamanita Limited of ZMW54.6 million (USD10.4 million) which the Group has referred to the Revenue Tribunals Authority as per the announcements to the market on 3 February 2012 and 27 April 2012 respectively.

14. **Gifts and donations**

The Group made donations of ZMW1.9 million (USD0.32 million) (30 September 2013: ZMW3 million [USD0.6 million]) to a number of activities.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

15. **Export sales**
The Group made exports of ZMW177.5million (USD30.2 million) during the period (30 September 2013: ZMW154.7 million [USD30.3 million]).

16. **Property, plant and equipment**
Assets totalling ZMW79.4 million (USD13.5 million) were purchased by the Group during the period (30 September 2013 – ZMW73.8 million [USD13.9 million]) which included expenditure on the palm plantation development during the period of ZMW15.3 million (USD2.6 million) (30 September 2013 – ZMW12.1 million [USD2.3 million]).

17. **Other material facts, circumstances and events**
The directors are not aware of any material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Group's financial position or the results of its operations.

18. **Events since the Year-End**
There have been no significant events affecting the Group since the year-end other than as disclosed in note 35 of the Financial Statements.

19. **Annual financial statements**
The annual financial statements set out on pages 11 to 111 have been approved by the directors.

20. **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: 24 November 2014

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 164 of the 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 Zambeef Products PLC and its subsidiaries 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 applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the company 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 group and enable them to ensure that the financial statements comply with the Companies Act 1994. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for 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 2014, 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 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 Companies Act and International Financial Reporting Standards.

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

Signed at **Lusaka** on 24 November 2014

Dr. Jacob Mwanza	**Francis Grogan**
Chairman	**Chief Executive Officer**

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

We have audited the accompanying financial statements of Zambeef Products PLC, which comprise the statement of financial position as at 30 September 2014, and the statement of comprehensive income, statement of changes in equity and 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 8 the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 entity'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 entity'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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES (CONTINUED)

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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements of Zambeef Products PLC and its subsidiaries as of 30 September 2014 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
Name of Partner signing on behalf of the firm

Lusaka

Date: 24 November 2014

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014

Group	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Revenue	5	1,643,253	279,465	1,595,062	300,388
Net gain arising from price changes in fair value of biological assets	16	770	131	2,377	448
Cost of sales		(1,089,013)	(185,207)	(1,044,658)	(196,734)
Gross profit		555,010	94,389	552,781	104,102
Administrative expenses		(494,116)	(84,033)	(474,179)	(89,300)
Other income		2,848	484	514	97
Operating profit	6	63,742	10,840	79,116	14,899
Exchange losses on translating foreign currency transactions and balances		(34,302)	(5,834)	(15,689)	(2,955)
Impairment		-	-	(714)	(134)
Finance costs	8	(50,599)	(8,604)	(40,884)	(7,699)
(Loss)/profit before taxation		(21,159)	(3,598)	21,829	4,111
Taxation credit /(charge)	9	959	163	(5,794)	(1,091)
Group (loss)/ profit for the year		(20,200)	(3,435)	16,035	3,020

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

	Notes	2014	2014	2013	2013
Group profit attributable to:		**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Equity holders of the parent		(24,609)	(4,185)	13,766	2,593
Non-controlling interest		4,409	750	2,269	427
		(20,200)	(3,435)	16,035	3,020
Other comprehensive income:					
Exchange gains/ (losses) on translating presentational currency		10,408	(36,664)	(7,993)	(7,816)
Total comprehensive income for the year		(9,792)	(40,099)	8,042	(4,796)
Total comprehensive income for the year attributable to:					
Equity holders of the parent		(13,747)	(40,178)	8,262	(4,755)
Non-controlling interest		3,955	79	(220)	(41)
		(9,792)	(40,099)	8,042	(4,796)
		Kwacha	**Cents**	**Kwacha**	**Cents**
Earnings per share					
Basic and diluted earnings per share	11	(0.0992)	(1.69)	0.0555	1.05

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

(i) In Zambian Kwacha	Issued share capital ZMW'000s	Share premium ZMW'000s	Foreign exchange reserve ZMW'000s	Revaluation reserve ZMW'000s	Retained earnings ZMW'000s	Total attributable to owners of the parent ZMW'000s	Non-controlling interest ZMW'000s	Total equity ZMW'000s
At 1 October 2012	**248**	**506,277**	**(1,852)**	**62,226**	**185,942**	**752,841**	**(821)**	**752,020**
Gain on disposal of non controlling interest (i)	-	-	-	-	69,040	69,040	-	69,040
Transactions with owners	-	-	-	-	**69,040**	**69,040**	**-**	**69,040**
Profit for the year	-	-	-	-	13,766	13,766	2,269	16,035
Arising during the period (ii)	-	-	-	503,601	-	503,601	20,427	524,028
Transfer of surplus depreciation	-	-	-	(46,065)	46,065	-	-	-
Other comprehensive income:								
Exchange losses on translating presentational currency	-	-	(5,504)	-	-	(5,504)	(2,489)	(7,993)
Total comprehensive income	-	-	(5,504)	457,536	59,831	511,863	20,207	532,070
At 30 September 2013	**248**	**506,277**	**(7,356)**	**519,762**	**314,813**	**1,333,744**	**19,386**	**1,353,130**
Shares issued	2,232	-	-	-	(2,232)	-	-	-
Transactions with owners	2,232	-	-	-	(2,232)	-	-	-
Loss for the year	-	-	-	-	(24,609)	(24,609)	4,409	(20,200)
Transfer of surplus depreciation	-	-	-	(6,142)	6,142	-	-	-
Other comprehensive income:								
Exchange gain/(losses) on translating presentational currency	-	-	10,862	-	-	10,862	(454)	10,408
Total comprehensive income	-	-	10,862	(6,142)	(18,467)	(13,747)	3,955	(9,792)
At 30 September 2014	**2,480**	**506,277**	**3,506**	**513,620**	**294,114**	**1,319,997**	**23,341**	**1,343,338**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

(i) During the previous year ended 30 September 2013 Zambeef Products PLC disposed of 49 per cent. of its shareholding in Zam Chick Limited to Rainbow for a sum of USD14.25 million. At 30 September 2012, the book value of Zam Chick's assets was ZMW14.3 million (USD2.8 million). The assets were revalued in Zam Chick Limited during the previous period to ZMW39.6 million (USD7.5 million) resulting in a revaluation reserve of ZMW25.3 million (USD4.7 million). The profit on the sale of 49 per cent recognised in the Statement of movements in equity during the previous period was ZMW69 million (USD13 million).

(ii) An independent valuation of the group's property, plant and equipment situated in Zambia was performed by Messrs. Fairworld Properties Limited, a firm of registered valuation surveyors, to determine their market value. The effective date of the valuation was 31 December 2012 for Zam Chick Limited and 30 September 2013 for the rest of the group. The surplus on valuation totalling ZMW524 million (USD98.7 million) was transferred to a revaluation reserve.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

(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 2012	**61**	**123,283**	**(36,755)**	**16,657**	**44,370**	**147,616**	**(161)**	**147,455**
Gain on disposal of non controlling interest	-	-	-	-	13,002	13,002	-	13,002
Transactions with owners	**-**	**-**	**-**	**-**	**13,002**	**13,002**	**-**	**13,002**
Profit for the year	-	-	-	-	2,593	2,593	427	3,020
Arising during the period	-	-	-	94,840	-	94,840	3,847	98,687
Transfer of surplus depreciation	-	-		(8,675)	8,675	-	-	-
Other comprehensive income:								
Exchange losses on translating presentational currency	-	-	(7,347)	-	-	(7,347)	(469)	(7,816)
Total comprehensive income	**-**	**-**	**(7,347)**	**86,165**	**11,268**	**90,086**	**3,805**	**93,891**
At 30 September 2013	**61**	**123,283**	**(44,102)**	**102,822**	**68,640**	**250,704**	**3,644**	**254,348**
Shares issued	335	-	-	-	(335)	-	-	-
Transactions with owners	335	-	-	-	(335)	-	-	-
Loss for the year	-	-	-	-	(4,185)	(4,185)	750	(3,435)
Transfer of surplus depreciation	-	-	-	(1,045)	1,045	-	-	-
Shares issued	335	-	-	-	(335)	-	-	-
Other comprehensive income:								
Exchange losses on translating presentational currency	-	-	(35,993)	-	-	(35,993)	(671)	(36,664)
Total comprehensive income	**-**	**-**	**(35,993)**	**(1,045)**	**(3,140)**	**(40,178)**	**79**	**(40,099)**
At 30 September 2014	**396**	**123,283**	**(80,095)**	**101,777**	**65,165**	**210,526**	**3,723**	**214,249**

ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2014

(i) In Zambian Kwacha	Issued share capital ZMW'000s	Share premium ZMW'000s	Revaluation reserve ZMW'000s	Retained earnings ZMW'000s	Total equity ZMW'000s
At 1 October 2012	**248**	**506,277**	**44,109**	**198,571**	**749,205**
Gain on disposal of non controlling interest	-	-	-	69,040	69,040
Transactions with owners	**-**	**-**	**-**	**69,040**	**69,040**
Loss for the year				(12,242)	(12,242)
Arising during the period	-	-	309,622	-	309,622
Transfer of surplus depreciation	-	-	(44,109)	44,109	-
Other comprehensive income					
Exchange losses on translating presentational currency	-	-	-	(6,380)	(6,380)
Total comprehensive income	**-**	**-**	**265,513**	**25,487**	**291,000**
At 30 September 2013	**248**	**506,277**	**309,622**	**293,098**	**1,109,245**
Shares issued	2,232	-	-	(2,232)	-
Transactions with owners	2,232	-	-	(2,232)	-
Loss for the year	-	-	-	(457)	(457)
Transfer of surplus depreciation	-	-	(3,139)	3,139	-
Other comprehensive income:					
Exchange gains on translating presentational currency	-	-	-	14,885	14,885
Total comprehensive income	**-**	**-**	**(3,139)**	**17,567**	**14,428**
At 30 September 2014	**2,480**	**506,277**	**306,483**	**308,433**	**1,123,673**

ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

(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 2012	**61**	**123,283**	**9,359**	**(27,005)**	**41,205**	**146,903**
Gain on disposal of non controlling interest	-	-	-	-	13,002	13,002
Transactions with owners	**-**	**-**	**-**	**-**	**13,002**	**13,002**
Loss for the year	-	-	-	-	(2,305)	(2,305)
Arising during the period	-	-	58,309	-	-	58,309
Transfer of surplus depreciation	-	-	(9,359)	-	9,359	-
Other comprehensive income:						
Exchange losses on translating presentational currency	-	-	-	(7,404)	-	(7,404)
Total comprehensive income	**-**	**-**	**48,950**	**(7,404)**	**7,054**	**48,600**
At 30 September 2013	**61**	**123,283**	**58,309**	**(34,409)**	**61,261**	**208,505**
Shares issued	335	-	-	-	(335)	-
Transactions with owners	335	-	-	-	(335)	-
Loss for the year	-	-	-	-	(78)	(78)
Transfer of surplus depreciation	-	-	(534)	-	534	-
Other comprehensive income:						
Exchange losses on translating presentational currency	-	-	-	(29,213)	-	(29,213)
Total comprehensive income	**-**	**-**	**(534)**	**(29,213)**	**456**	**(29,291)**
At 30 September 2014	**396**	**123,283**	**57,775**	**(63,622)**	**61,382**	**179,214**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2014

ASSETS	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Non-current assets					
Goodwill	12	15,699	2,504	15,699	2,951
Property, plant and equipment	13	1,456,087	232,231	1,395,815	262,371
Plantation development expenditure	13	67,913	10,831	51,357	9,654
Investment in Associate	14	23,827	3,800	-	-
Biological assets	16	20,202	3,222	11,859	2,229
Deferred tax asset	9(e)	28,802	4,594	16,385	3,080
		1,612,530	**257,182**	**1,491,115**	**280,285**
Current assets					
Biological assets	16	142,001	22,648	113,827	21,396
Inventories	17	444,453	70,886	473,093	88,927
Trade and other receivables	18	122,343	19,511	61,787	11,614
Amounts due from related companies	19	11,533	1,839	1,810	340
Income tax recoverable	9(c)	4,098	654	1,535	289
		724,428	**115,538**	**652,052**	**122,566**
Total assets		**2,336,958**	**372,720**	**2,143,167**	**402,851**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	2,480	396	248	61
Share premium	22	506,277	123,283	506,277	123,283
Reserves		811,240	86,847	827,219	127,360
		1,319,997	210,526	1,333,744	250,704
Non-controlling interest		23,341	3,723	19,386	3,644
		1,343,338	**214,249**	**1,353,130**	**254,348**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2014 (CONTINUED)

	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Non-current liabilities					
Interest bearing liabilities	23	353,209	56,333	335,124	62,993
Obligations under finance leases	24	14,602	2,329	8,447	1,588
Deferred liability	25	7,473	1,192	6,793	1,277
Deferred tax liability	9(e)	22,073	3,520	15,257	2,868
		397,357	**63,374**	**365,621**	**68,726**
Current liabilities					
Interest bearing liabilities	23	66,416	10,593	90,398	16,992
Collateral management agreement	23	155,677	24,829	119,966	22,550
Obligations under finance leases	24	4,974	793	9,189	1,727
Trade and other payables	26	218,297	34,816	155,398	29,210
Amounts due to related companies	27	-	-	1,573	296
Taxation payable	9(c)	3,031	483	3,676	691
Cash and cash equivalents	20	147,868	23,583	44,216	8,311
		596,263	**95,097**	**424,416**	**79,777**
Total equity and liabilities		**2,336,958**	**372,720**	**2,143,167**	**402,851**

The financial statements on pages 11 to 111 were approved by the Board of Directors on 24 November 2014 and were signed on its behalf by:

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)
) **DIRECTORS**
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ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2014

ASSETS	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Non-current assets					
Property, plant and equipment	13	935,866	149,261	884,249	166,212
Investment in Associate	14	23,827	3,800	-	-
Investment in subsidiaries	15	157,582	25,133	154,514	29,044
Deferred tax asset	9(e)	16,913	2,697	7,765	1,460
		1,134,188	**180,891**	**1,046,528**	**196,716**
Current assets					
Biological assets	16	136,948	21,842	109,741	20,628
Inventories	17	185,915	29,652	193,274	36,330
Trade and other receivables	18	53,692	8,562	17,601	3,308
Amounts due from related companies	19	318,307	50,767	269,436	50,646
Income tax recoverable	9(c)	4,098	654	731	137
		698,960	**111,477**	**590,783**	**111,049**
Total assets		**1,833,148**	**292,368**	**1,637,311**	**307,765**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	2,480	396	248	61
Share premium	22	506,277	123,283	506,277	123,283
Reserves		614,916	55,535	602,720	85,161
		1,123,673	**179,214**	**1,109,245**	**208,505**

ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2014 (CONTINUED)

	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Non-current liabilities					
Interest bearing liabilities	23	329,365	52,530	295,136	55,477
Obligations under finance leases	24	13,342	2,128	3,538	665
Deferred liability	25	1,572	251	1,504	283
Deferred tax liability	9(e)	5,476	873	-	-
		349,755	**55,782**	**300,178**	**56,425**
Current liabilities					
Interest bearing liabilities	23	109,433	17,453	133,563	25,106
Obligations under finance leases	24	1,399	223	4,736	890
Trade and other payables	26	75,976	12,119	47,654	8,957
Amounts due to related companies	27	60,797	9,696	18,222	3,425
Taxation payable	9(c)	-	-	-	-
Cash and cash equivalents	20	112,115	17,881	23,713	4,457
		359,720	**57,372**	**227,888**	**42,835**
Total equity and liabilities		**1,833,148**	**292,368**	**1,637,311**	**307,765**

The financial statements on pages 11 to 111 were approved by the Board of Directors on 24 November 2014 and were signed on its behalf by:

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) **DIRECTORS**
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ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

	Notes	2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Cash inflow from operating activities					
(Loss) / profit before taxation		(21,159)	(3,598)	21,829	4,111
Finance costs	8	50,599	8,605	40,884	7,699
Loss on disposal of property, plant and equipment		(2,144)	(365)	(44)	(8)
Depreciation	13	61,470	10,454	50,264	9,465
Impairment of property, plant and equipment		-	-	714	134
Fair value price adjustment	16	(770)	(131)	(2,377)	(448)
Net unrealised foreign exchange losses		19,369	3,294	8,204	1,545
Earnings before interest, tax, depreciation and amortisation, fair value adjustments and net unrealised foreign exchange losses		**107,365**	**18,259**	**119,474**	**22,498**
(Increase)/decrease in biological assets		(36,517)	(6,210)	426	80
Decrease in inventory		28,640	4,871	32,163	6,057
(Increase)/Decrease in trade and other receivables		(60,557)	(10,299)	1,645	310
(Increase)/Decrease in amounts due from related companies		(11,533)	(1,961)	527	99
Increase/(Decrease) in trade and other payables		62,898	10,697	(36,792)	(6,929)
(Decrease)/Increase in amounts due to related companies		(1,573)	(268)	1,164	219
Increase/(Decrease) in deferred liability		683	116	(944)	(178)
Income tax paid	9(c)	(7,850)	(1,402)	(8,956)	(1,687)
Net cash inflow from operating activities		**81,556**	**13,803**	**108,707**	**20,469**
Investing activities					
Purchase of property, plant and equipment	13	(64,124)	(10,905)	(61,736)	(11,626)
Expenditure on plantation development	13	(15,306)	(2,603)	(12,095)	(2,278)
Movement in investments		(23,827)	(4,052)	75,668	14,250
Proceeds from sale of assets		3,337	568	1,295	244
Net cash (outflow) /inflow (on)/ from investing activities		**(99,920)**	**(16,992)**	**3,132**	**590**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

		2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Net cash (outflow)/ inflow before financing activities		(18,364)	(3,189)	111,839	21,059
Financing activities					
Long term loans repaid		(49,800)	(8,469)	(30,500)	(5,744)
Receipt from long term loans		23,520	4,000	37,273	7,019
Receipt of short term funding		13,400	2,279	6,476	1,220
Lease finance obtained /(repayment)		4,267	726	(6,227)	(1,173)
Finance costs	8	(50,599)	(8,605)	(40,884)	(7,699)
Net cash outflow on financing activities		**(59,212)**	**(10,069)**	**(33,862)**	**(6,377)**
Increase/ (decrease) in cash and cash equivalents		**(77,576)**	**(13,258)**	**77,977**	**14,682**
Cash and cash equivalents at beginning of year		(44,216)	(8,311)	(98,553)	(19,324)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(26,076)	(2,014)	(23,640)	(3,669)
Cash and cash equivalents at end of year	20	**(147,868)**	**(23,583)**	**(44,216)**	**(8,311)**
Represented by:					
Cash in hand and at bank		65,599	10,463	106,935	20,101
Bank overdrafts		(213,467)	(34,046)	(151,151)	(28,412)
	20	**(147,868)**	**(23,583)**	**(44,216)**	**(8,311)**

ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014

		2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Cash inflow from operating activities					
Loss before taxation		(3,689)	(627)	(19,379)	(3,650)
Finance costs		37,683	6,409	29,985	5,647
Depreciation	13	29,812	5,070	23,793	4,481
Fair value price adjustment	16	(770)	(131)	(1,011)	(190)
Loss on disposal of property, plant and equipment		(422)	(72)	-	-
Net unrealised foreign exchange differences		11,861	2,017	258	48
Earnings before interest, tax, depreciation and amortisation		**74,475**	**12,666**	**33,646**	**6,336**
(Increase)/decrease in biological assets		(27,207)	(4,627)	7,693	1,449
Decrease in inventory		7,359	1,252	32,960	6,207
(Increase)/decrease in trade and other receivables		(36,094)	(6,138)	(4,533)	(854)
Increase in amounts due from related companies		(48,871)	(8,311)	(40,280)	(7,586)
Increase /(decrease) in trade and other payables		28,323	4,815	(19,371)	(3,648)
Increase in amounts due to related companies		42,575	7,241	13,227	2,491
Increase/ (decrease) in deferred liability		68	12	(10)	(2)
Income tax paid	9(c)	(3,808)	(648)	(6,443)	(1,213)
Net cash inflow from operating activities		**36,820**	**6,262**	**16,889**	**3,180**
Investing activities					
Purchase of property, plant and equipment	13	(34,103)	(5,800)	(29,202)	(5,499)
Movements in investments	14/15	(26,895)	(4,574)	(8,388)	(1,580)
Proceeds from disposal of investment		-	-	75,668	14,250
Proceeds from sale of assets		900	153	1,252	236
Net cash (outflow)/inflow (from)/ on investing activities		**(60,098)**	**(10,221)**	**39,330**	**7,407**

ZAMBEEF PRODUCTS PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2014 (CONTINUED)

		2014 ZMW'000s	2014 USD'000s	2013 ZMW'000s	2013 USD'000s
Net cash (outflow)/ inflow before financing activities		**(23,278)**	**(3,959)**	**56,219**	**10,587**
Financing activities					
Long term loans repaid		(36,703)	(6,242)	(24,082)	(4,535)
Receipt from long term loans		23,520	4,000	31,860	6,000
Receipt of short term funding		1,210	206	6,476	1,220
Lease finance obtained/(repayment)		4,267	726	(3,094)	(583)
Interest paid		(37,683)	(6,408)	(29,985)	(5,647)
Net cash outflow from financing activities		**(45,389)**	**(7,718)**	**(18,825)**	**(3,545)**
(Decrease)/Increase in cash and cash equivalents		**(68,667)**	**(11,677)**	**37,394**	**7,042**
Cash and cash equivalents at beginning of year		(23,713)	(4,457)	(51,454)	(10,089)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(19,735)	(1,747)	(9,653)	(1,410)
Cash and cash equivalents at end of year	20	(112,115)	(17,881)	(23,713)	(4,457)
Represented by:					
Cash in hand and at bank		12,877	2,054	60,924	11,452
Bank overdrafts		(124,992)	(19,935)	(84,637)	(15,909)
	20	(112,115)	(17,881)	(23,713)	(4,457)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014

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 and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 8,350 Ha of row crops under irrigation and 8,650 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. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group normally obtains and exercises control through controlling more than half of the voting rights. All subsidiaries have a reporting date of 30 September with the exception of Zam Chick Limited which has a year end of 31 March. 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 may be allocated against the interests of the parent or charged to the non-controlling interest holders where there is a view of future dividends from profits earned being set off against such losses.

(b) **Going Concern**

At the reporting date loans and other finance amounts repayable within twelve months amount to ZMW227.1 million (USD36.2 million) [2013: ZMW219.6 million (USD41.3 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. The Group has also increased its term facilities to fund the capital assets being acquired during the current financial year and the next financial year. All current liabilities will be settled from the continued liquidation of stock and expected increase in income from the capital expenditure carried out during the financial year.

2. Principal accounting policies (continued)

(c) Basis of presentation

The alphabetic currency code, ZMK, is no longer in use effective 1 January 2013 and hence the financial statements are presented in the new alphabetic currency code for the Zambian Kwacha (ZMW).

The financial statements are prepared in accordance with the provisions of the Zambian Companies Act 1994 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".

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, 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 has eleven operating branches of which ten have a historical functional currency of Zambian Kwacha (ZMW) and one (the Mpongwe Farms Branch) has a functional currency of United States Dollars (USD) being an operational branch set up during the year ended 30 September 2012. Management have chosen a variant on the functional currency of Mpongwe due to the following factors:

- the majority of farm input costs (fertilizer, farming chemicals, agricultural machinery spares, etc.), which are primarily sourced from overseas, are driven by USD to ZMW exchange rate due to origin prices being USD;
- the pricing of Mpongwe's principal outputs (wheat, soya and maize) are significantly influenced by world USD denominated grain prices;
- the capital raised attached to the acquisition of the Mpongwe assets was denominated in foreign currency;
- the Mpongwe assets were purchased in USD;
- upon admission and dual listing on the AIM market of the London Stock Exchange (LSE), Zambeef was required to report in USD in addition to reporting in ZMW for the LuSE listing; and
- the majority of financial liabilities associated with working capital funding and capital expenditure are sourced in USD and repayable in USD, with a substantial portion of the Company's term liabilities secured on the assets of Mpongwe.

In light of this, Mpongwe's assets and liabilities are translated to ZMW and consolidated with other branches of the Company for reporting and tax purposes in Zambia.

As a result of using a functional currency of USD for Mpongwe, there arose an exchange difference of ZMW15.3 million (2013: ZMW6.38 million) upon translating all assets and liabilities, which has been recognised as an unrealised gain in the statement of comprehensive income of the company and an exchange adjustment under property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

2. Principal accounting policies (continued)

(d) Foreign currencies (continued)

(i) Presentational and functional currency (continued)

The Group's reporting currency in Zambia is ZMW and the presentation of financial statements to Non-Zambian shareholders and for the purposes of being listed on the AIM market of the London Stock Exchange also necessitate the presentation of the financial statements in United States Dollars (USD).

(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:

ZMW:USD	Average exchange rate	Closing exchange rate
Year ended 30 September 2013	5.31	5.32
Year ended 30 September 2014	5.88	6.27

All historical financial information, except where specifically stated, is presented in Zambian Kwacha rounded to the nearest ZMW'000s 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 unrealised variances of foreign exchange related assets and liabilities, these gains and losses have been presented below operating profit in the statement of comprehensive income.

2. Principal accounting policies (continued)

(d) Foreign currencies (continued)

(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 exchange reserve.

ZMW: Nigeria Naira	Average exchange rate	Closing exchange rate
Year ended 30 September 2013	29.76	30.08
Year ended 30 September 2014	27.55	26.16

ZMW: Ghana Cedi	Average exchange rate	Closing exchange rate
Year ended 30 September 2013	0.412	0.377
Year ended 30 September 2014	0.49	0.54

(e) New and revised standards that are effective for annual periods beginning on or after 1 January 2014

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below.

IFRIC 21 'Levies'
IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on a specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has no material effect on the annual financial statements but affects the allocation of the cost of certain property taxes between interim periods. The Group's past practice was to spread the cost of property taxes payable annually over the year, resulting in the recognition of a prepayment at interim reporting dates. The application of IFRIC 21 requires the Group to recognise the entire obligation as an expense at the beginning of the reporting period, which is the date specified in the relevant legislation. IFRIC 21 has been applied retrospectively in accordance with its transitional provisions and had no material effect on the consolidated financial statements for any period presented.

2. Principal accounting policies (continued)

(e) New and revised standards that are effective for annual periods beginning on or after 1 January 2014 (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement mechanisms may be considered equivalent to net settlement.

The amendments have been applied retrospectively in accordance with their transitional provisions. As the Group does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32, these amendments had no material effect on the consolidated financial statements for any period presented.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made;
- the discount rates used if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively in accordance with their transitional provisions and had no material effect on the consolidated financial statements for any period presented.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
The Group has adopted 'Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)'. These amendments are effective for annual periods beginning on or after 1 July 2014 and:

- clarify the requirements of IAS 19 relating to contributions from employees or third parties
- introduce a practical expedient such that contributions that are independent of the number of years of service may be treated as a reduction of service cost in the period in which the related service is rendered.

The Group has applied the practical expedient as its accounting policy. This treatment is consistent with the Group's previous practice before the Amendments to IAS 19. Therefore, the initial application of the amendments has no effect on the Group's financial statements.

2. **Principal accounting policies (continued)**

(f) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9 'Financial Instruments' (2014)
The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

2. **Principal accounting policies (continued)**

(f) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group**

Amendments to IFRS 11 Joint Arrangements
These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The Group's only investment made to date in a joint arrangement (note 14) is characterised as a joint venture in which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. Accordingly, if adopted today, these amendments would not have a material impact on the consolidated financial statements.

The amendments are effective for reporting periods beginning on or after 1 January 2016.

(g) **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 non controlling 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. All acquisition expenses are recognised in the statement of comprehensive income.

2. Principal accounting policies (continued)

(h) 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.

(i) Goodwill

Goodwill represents future economic benefits arising from a business combination that is not individually identified and separately recognized. See note 12 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment. Refer to the note for a description of impairment testing procedures.

(j) Revenue recognition

Revenue comprises the sale of goods and revenue from major products as shown in note 5. Revenue is recognized when the 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.

2. Principal accounting policies (continued)

(j) Revenue recognition (continued)

Revenue from sale of agricultural commodities

Revenue for the agribusiness division includes the invoice value of goods where the Group grows or takes ownership risk on the relevant produce. Revenue is recognised when the supply of the goods or services are contracted. There are no discounts or other arrangements that create uncertainty over the level of revenue recognised.

Revenue from retail sales

Revenue from the sale of products produced and supplied via Zambeef's retail outlets and to external parties is recognised on delivery to customers either by way of cash sales or credit sales.

(k) 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 constructed 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 profit or loss in the statement of comprehensive income during the financial year in which they are incurred.

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.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in 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 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.

2. Principal accounting policies (continued)

(k) Property, plant and equipment (continued)

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 where 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 other income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

(l) Plantation development expenditure

Plantation development expenditure comprises assets held for plantation development activities. All capital expenditure related costs are recognised under plantation development during the development stage. Upon completion of any development phase, capitalised items are transferred to property, plant and equipment and depreciated, which depreciation is capitalised until the oil palms reach maturity and the plantation generates operating income.

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 in property, plant and equipment, 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

2. Principal accounting policies (continued)

(l) Plantation Development Expenditure (continued)

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%

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

(m) Leased assets

Where property, plant and equipment 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 profit or loss in the statement of comprehensive income over the term of the relevant lease and in accordance with the terms of the relevant leases.

(n) 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.

(o) 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.

2. Principal accounting policies (continued)

(p) 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
- 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.

2. Principal accounting policies (continued)

(p) Impairment of assets (continued)

(ii) Impairment of goodwill

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(q) Financial liabilities

The Group's financial liabilities include bank overdrafts, interest bearing liabilities, 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. Financial liabilities are recognised initially at their fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2. **Principal accounting policies (continued)**

(r) **Biological assets**

(i) **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. Upon maturity of biological assets, they are transferred to inventory through harvest and culling.

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 in the statement of comprehensive income.

(ii) **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 which is not capable of being accurately measured.

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 profit or loss in the statement of comprehensive income as appropriate, with no depreciation being provided on such assets.

(s) **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.

(t) **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.

2. Principal accounting policies (continued)

(u) 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 profit or loss in the statement of comprehensive income in the period in which they are incurred.

(v) 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.

(w) 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.

(x) Taxation

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 statements. 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.

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.

2. **Principal accounting policies (continued)**

(x) **Taxation (continued)**

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 or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(y) **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.

(z) **Dividend distributions**

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders at a general meeting.

(aa) **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 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. All transactions with owners of the parent are recorded separately within equity.

2. Principal accounting policies (continued)

(bb) 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 and dairy
- Zamchick Inn
- Edible oils
- Mill and bakery
- Leather and 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
- Zam Chick
- 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.

(cc) 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.

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

During 2010, the ZRA undertook an audit of Zamanita and advised of an incorrect tariff code being used for importation of palm oil and further advised of the correct tariff code to be applied, which attracted a higher rate of duty. Following subsequent discussions with the ZRA, an assessment of ZMW56.5 million (approximately USD11.8 million) was issued by the ZRA in October 2010, which included duties, taxes and penalties, and VAT for importations for prior years. In light of this assessment, Zamanita made an appeal to the ZRA, which resulted in the above assessment being set aside as incorrect and the Commissioner General of the ZRA in December 2010 issued a full and final demand of ZMW8.7 million (approximately USD1.9 million), which has been paid by Zamanita and provided for in the financial statements of the year ended 30 September 2010, and at which point the matter was considered closed.

However, in January 2012, the ZRA issued a notice overturning the full and final settlement decision of the Commissioner General and issued in its place an assessment of ZMW54.6 million (approximately USD10.7 million) which is the original assessment plus accrued interest and VAT less the settlement paid to the ZRA. Zambeef has been in on-going discussions with the ZRA in order to reach an appropriate settlement, which, in the view of the Company's directors would take account of the previous agreement between the ZRA and Zambeef set out in December 2010. Unfortunately, despite the best endeavours of the Directors, no such settlement has yet been reached and Zambeef has proceeded with legal action at the Revenue Appeals Tribunal. The Group has not accrued any interest on this demand as the matter is under dispute and before the Revenue Appeals Tribunal.

(i) **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).

(ii) **Deferred tax**

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

3. **Critical accounting estimates and judgements (continued)**

Significant accounting estimates

(i) **Translating to the 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.

(iii) **Valuation of biological assets and inventory**

Biological assets are measured at 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 ZMW0.77million (USD0.13 million) (2013: ZMW2.4 million [USD0.4 million]) is affected by price changes in different market segments, and ZMW223.3 million (USD38 million) (2013: ZMW134.7 million [USD25.4 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 ZMW444.5 million (USD70.9 million) (2013: ZMW473 million [USD88.9 million]) is affected by price changes in different market segments.

4. Management of financial risk

The Group's Board of Directors believes that the Group is well positioned in an improving economy. Factors contributing to the Group's strong position are:

(a) Growth in the Zambian economy leading to higher disposable incomes.
(b) Increase in the retail foot print of the Group.
(c) Increase in production facilities of the Group leading to higher volumes available for retail.
(d) Improvements in the management team across various areas of the Group leading to positive reinforcement of strong operational synergies.

Overall, the Group is in a strong position and has sufficient capital and liquidity to service its operating activities and debt.

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.

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 Interest risk

The Group has exposure to both variable and fixed interest rates on its borrowings. The area where the Group is exposed to interest risk is where the variable rate benchmark such as LIBOR, Zambian Treasury Bill rate, or the Bank of Zambia Policy rate may change.

The Group structures its debt with low spreads over the variable rate benchmark and protects itself with matching fixed interest rates on its borrowings. Management periodically review economic conditions relating to such variable benchmarks and is allowed to consider alternate debt structures where the need may arise.

4. **Management of financial risk (continued)**

4.4 **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, issue new shares, or sell assets to reduce debt.

Capital structure

(i) In Zambian Kwacha	2014 ZMW'000s	2013 ZMW'000s
Cash and cash equivalents	(147,868)	(44,216)
Interest bearing liabilities	(594,878)	(563,124)
Equity	1,319,997	1,333,744
	577,251	726,404

(ii) In United States Dollars	2014 USD'000s	2013 USD'000s
Cash and cash equivalents	(23,583)	(8,311)
Interest bearing liabilities	(94,877)	(105,850)
Equity	210,526	250,704
	92,066	136,543

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. **Management of financial risk (continued)**

4.5 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.

4.6 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 crop raiding; 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 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'), which is the Chief Executive Officer, 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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

Year ended 30 September 2014

(i) In Zambian Kwacha		
Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Beef	345,778	107,210
Chicken	141,603	31,238
Pork	123,096	19,646
Crops	303,617	155,295
Stock feed	339,268	54,690
Eggs	32,318	12,003
Fish	21,437	7,511
Milk and Dairy	82,386	42,042
Zamchick Inn	10,653	4,916
Edible oils	316,688	65,131
Mill and Bakery	71,741	15,051
Leather and Shoe	29,303	11,581
Master Meats (Nigeria)	96,725	23,382
Master Meats (Ghana)	19,502	5,314
Total	1,934,115	555,010
Less: Intra/Inter Group Sales	(290,862)	
Group total	**1,643,253**	**555,010**
Central operating costs		(491,268)
Operating profit		**63,742**
Foreign exchange losses		(34,302)
Finance costs		(50,599)
Loss before tax		**(21,159)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

Operating assets/(liabilities)	Zambeef ZMW'000s	Retailing ZMW'000s	Zamanita ZMW'000s	Master Pork ZMW'000s	Zampalm ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property plant and equipment	935,866	154,838	199,839	39,306	117,021	77,130	1,524,000
Biological assets and inventories	322,863	51,982	182,375	11,820	20,202	17,414	606,656
Cash, cash equivalents and bank overdrafts	(112,115)	(11,562)	(42,593)	94	246	18,062	(147,868)

(ii) In US Dollars		
Segment	Revenue USD'000s	Gross Profit USD'000s
Beef	58,806	18,233
Chicken	24,082	5,313
Pork	20,935	3,341
Crops	51,636	26,411
Stock feed	57,699	9,301
Eggs	5,496	2,041
Fish	3,646	1,277
Milk and Dairy	14,011	7,150
Zamchick Inn	1,812	836
Edible oils	53,859	11,076
Mill and Bakery	12,201	2,560
Leather and Shoe	4,983	1,970
Master Meats (Nigeria)	16,449	3,976
Master Meats (Ghana)	3,316	904
Total	**328,931**	**94,389**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

	Revenue USD'000s	Gross Profit USD'000s
Less: intra/inter Group sales	(49,466)	
Total	**279,465**	**94,389**
Central operating costs		(83,549)
Operating profit		**10,840**
Foreign exchange losses		(5,834)
Finance costs		(8,604)
Loss before tax		**(3,598)**

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	149,261	24,695	31,872	6,269	18,664	12,301	243,062
Biological assets and inventories	51,493	8,291	29,087	1,885	3,222	2,777	96,755
Cash, cash equivalents and bank overdrafts	(17,881)	(1,844)	(6,793)	15	39	2,881	(23,583)

Year ended 30 September 2013

(i) In Zambian Kwacha		
Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Beef	323,897	104,254
Chicken	135,070	26,973
Pork	115,485	13,050
Crops	415,101	154,655
Stock feed	264,208	59,049
Eggs	24,630	8,957

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Fish	23,512	8,878
Milk and Dairy	61,402	26,346
Zamchick Inn	12,018	5,745
Edible oils	370,445	101,965
Mill and Bakery	78,798	15,939
Leather and Shoe	22,085	6,892
Master Meats (Nigeria)	69,277	15,511
Master Meats (Ghana)	16,141	4,567
Total	1,932,069	552,781
Less: Intra/Inter Group Sales	(337,007)	
Group Total	**1,595,062**	**552,781**
Central operating costs		(474,379)
Operating profit		**78,402**
Foreign exchange losses		(15,689)
Finance costs		(40,884)
Profit before tax		**21,829**

Operating assets/(liabilities)	Zambeef ZMW'000s	Retailing ZMW'000s	Zamanita ZMW'000s	Master Pork ZMW'000s	Zampalm ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property plant and equipment	884,249	143,020	202,218	41,034	101,464	75,187	1,447,172
Biological assets and inventories	303,014	47,717	210,059	9,944	11,859	16,186	598,779
Cash, cash equivalents and bank overdrafts	(23,713)	984	(37,735)	135	348	15,765	(44,216)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

(ii) In US Dollars		
Segment	Revenue USD'000s	Gross Profit USD'000s
Beef	60,998	19,633
Chicken	25,437	5,080
Pork	21,749	2,458
Crops	78,173	29,125
Stock feed	49,757	11,120
Eggs	4,638	1,687
Fish	4,428	1,672
Milk and Dairy	11,563	4,962
Zamchick Inn	2,263	1,082
Edible oils	69,764	19,202
Mill and Bakery	14,840	3,002
Leather and Shoe	4,159	1,298
Master Meats (Nigeria)	13,047	2,921
Master Meats (Ghana)	3,040	860
Total	**363,856**	**104,102**
Less: intra/inter Group sales	(63,468)	
Total	**300,388**	**104,102**
Central operating costs		(89,337)
Operating profit		**14,765**
Foreign exchange losses		(2,955)
Finance costs		(7,699)
Profit before tax		**4,111**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

5. **Segmental reporting (continued)**

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	166,212	26,884	38,011	7,713	19,072	14,133	272,025
Biological assets and inventories	56,958	8,969	39,485	1,869	2,229	3,042	112,552
Cash, cash equivalents and bank overdrafts	(4,457)	185	(7,093)	25	65	2,964	(8,311)

	2014				2013			
Geographical	ZMW'000s Revenues	ZMW'000s Non-current assets	USD'000s Revenues	USD'000s Non-current assets	ZMW'000s Revenues	ZMW'000s Non-current assets	USD'000s Revenues	USD'000s Non-current assets
Zambia	1,349,561	1,591,164	229,517	253,774	1,354,906	1,469,621	255,163	276,245
West Africa	116,227	21,366	19,766	3,408	85,418	21,494	16,086	4,040
Rest of world	177,465	-	30,182	-	154,738	-	29,139	-
	1,643,253	1,612,530	279,465	257,182	1,595,062	1,491,115	300,388	280,285

The Group only has one customer that accounts for more than 10 per cent. of its turnover. The Group has had a trading relationship with this customer for over 15 years.

6. **Operating profit**

	2014		2013	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Operating profit is stated after charging/(crediting):				
Depreciation				
– Owned assets	57,331	27,006	46,224	21,578
– Leased assets	4,139	2,806	4,040	2,215
Staff costs	208,205	65,384	197,695	65,810
Legal and other professional fees	21,716	15,372	2,592	2,216
Directors' remuneration				
– Executive	7,705	7,705	5,486	5,486
– Non-Executive	1,696	1,696	1,481	1,460
	9,401	9,401	6,967	6,946
Auditors remuneration				
– Audit services	2,810	2,391	1,349	440
– Non audit services	79	-	-	-
	2,889	2,391	1,349	440
Impairment of trade receivables	4,271	-	11,931	10,142
Profit/(loss) on disposal of property, plant and equipment	2,144	(422)	(215)	(229)
Rentals under operating leases	11,530	-	10,652	-

6. **Operating profit (continued)**

	2014		2013	
Operating profit	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Operating profit before taxation is stated after charging/(crediting):				
Depreciation				
– Owned assets	9,750	4,580	8,486	4,064
– Leased assets	704	490	761	417
Staff costs	35,409	11,120	37,231	12,394
Legal and other professional fees	3,693	2,614	488	417
Directors' remuneration				
– Executive	1,311	1,311	1,032	1,032
– Non-Executive	288	288	279	275
	1,599	1,599	1,311	1,307
Auditors remuneration				
– Audit services	478	407	254	86
– Non audit services	13	-	-	-
	491	407	254	86
Impairment of trade receivable	721	-	2,243	1,906
Profit/(loss) on disposal of property, plant and equipment	365	(72)	8	-
Rentals under operating leases	1,961	-	2,006	-

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

7. **Staff costs**

The Group employed an average of 5,861 employees during the year ended 30 September 2014 (2013: 5,714).

	2014 Number	2013 Number
Zambeef Products PLC, Zambeef Retailing Limited, Zam Chick Limited & Zamleather Limited	4,620	4,564
Zamanita Limited	415	445
Zampalm Limited	322	279
Master Pork Limited	201	203
Foreign Subsidiaries	303	224
Total	5,861	5,715

Employee costs for all employees of the Group, including Executive Directors, were:

	2014		2013	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Wages and salaries	198,583	33,773	187,637	35,337
Social security costs	6,035	1,026	4,115	775
Pension costs	3,587	610	5,943	1,119
	208,205	35,409	197,695	37,231

2014	Carl Irwin ZMW'000s	Francis Grogan ZMW'000s	Yusuf Koya ZMW'000s	Total ZMW'000s
Salary and fees	798	1,657	1,549	4,004
Bonus	894	-	-	894
Pension contributions	9	9	9	27
Benefits in kind	-	-	-	-
Employment taxes	890	1,002	888	2,780
Total	2,591	2,668	2,446	7,705

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

7. **Staff costs (continued)**

2013	Carl Irwin ZMW'000s	Francis Grogan ZMW'000s	Yusuf Koya ZMW'000s	Sushmit N Maitra ZMW'000s	Total ZMW'000s
Salary and fees	675	1,215	1,214	474	3,578
Bonus	-	-	-	-	-
Pension contributions	8	8	8	6	30
Benefits in kind	-	-	-	-	-
Employment taxes	350	642	641	245	1,878
Total	1,033	1,865	1,863	725	5,486

2014	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Total USD'000s
Salary and fees	136	282	262	680
Bonus	152	-	-	152
Pension contributions	2	2	2	6
Benefits in kind	-	-	-	-
Employment taxes	151	170	151	472
Total	441	454	415	1,310

2013	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Sushmit N Maitra USD'000s	Total USD'000s
Salary and fees	127	229	229	89	674
Bonus	-	-	-	-	-
Pension contributions	1	1	1	1	4
Benefits in kind	-	-	-	-	-
Employment taxes	66	121	121	46	354
Total	194	351	351	136	1,032

Details of Directors' contracts may be found in the Directors' Report.

8. **Finance costs**

	2014		2013	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Interest on bank loans and overdrafts	50,311	8,556	40,203	7,571
Finance lease cost	288	49	681	128
Total	50,599	8,605	40,884	7,699

9. **Taxation**

The Group has various tax rates applicable on the basis of individual entities being defined as agricultural entities or divisions (income tax rate of 10%) or manufacturing entities or divisions (income tax rate of 35%). The Group has further obtained tax holidays through investment incentives offered by the Zambian Government.

(i) In Zambian Kwacha	2014		2013	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
(a) Tax charge				
Current tax:				
Tax charge	4,642	441	9,308	5,157
	4,642	441	9,308	5,157
Deferred tax:				
Deferred taxation (note 9(e))	(5,601)	(3,672)	(3,514)	(12,294)
Tax charge/(credit) for the year	(959)	(3,231)	5,794	(7,137)
(b) Reconciliation of tax charge/(credit)				
Profit/ (loss) before taxation	(21,159)	(3,689)	21,829	(19,379)
Taxation on accounting profit/ (loss)	(5,157)	869	1,874	(3,777)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

9. **Taxation (continued)**

	2014		2013	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Effects of:				
Permanent differences:				
Disallowable expenses	3,563	316	3,920	709
Timing differences:				
Capital allowances and depreciation	(6,846)	(70)	(4,488)	1,376
Livestock and crop valuations adjustment	(1,969)	(2,038)	(1,560)	(1,509)
Other income	(752)	19	(101)	-
Unrealised exchange (gains)/ losses	1,920	994	(1,857)	(1,159)
Unrealised tax losses	13,883	351	11,520	9,517
Tax charge for the year	4,642	441	9,308	5,157
(c) Movement in taxation account				
Taxation payable/(recoverable) at 1 October	2,141	(731)	1,913	555
Charge for the year	4,642	441	9,308	5,157
Taxation paid	(7,850)	(3,808)	(9,080)	(6,443)
Taxation payable/(recoverable) as at 30 September	(1,067)	(4,098)	2,141	(731)
Taxation payable	3,031	-	3,676	-
Taxation recoverable	(4,098)	(4,098)	(1,535)	(731)
Taxation payable/ (recoverable)	(1,067)	(4,098)	2,141	(731)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

9. **Taxation (continued)**

(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 2012. Quarterly tax returns for the year ended 30 September 2014 were made on the due dates during the year.

	2014		2013	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
(e) Deferred taxation				
Represented by:				
Biological valuation	8,254	7,952	6,137	5,914
Accelerated tax allowances	57,691	19,174	51,257	18,164
Provisions	(4,288)	(330)	(4,237)	(493)
Tax (loss)/gain	(68,386)	(38,233)	(54,285)	(31,350)
	(6,729)	(11,437)	(1,128)	(7,765)
Analysis of movement:				
Deferred tax liability as at 1 October	(1,128)	(7,765)	2,386	4,529
(Income)/charge to profit and loss account (note 9(a))	(5,601)	(3,672)	(3,514)	(12,294)
Deferred tax (asset)/ liability as at 30 September	(6,729)	(11,437)	(1,128)	(7,765)
Deferred tax asset	(28,802)	(16,913)	(16,385)	(7,765)
Deferred tax liability	22,073	5,476	15,257	-
	(6,729)	(11,437)	(1,128)	(7,765)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

9. **Taxation (continued)**

(ii) In US Dollars	2014		2013	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
(a) Tax charge				
Current tax:				
Tax charge	790	74	1,753	971
	790	74	1,753	971
Deferred tax:				
Deferred taxation (note 9(e))	(953)	(624)	(662)	(2,315)
Tax charge/ (credit) for the year	(163)	(550)	1,091	(1,344)

(b) Reconciliation of tax charge

	2014		2013	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
(Loss)/Profit before taxation	(3,598)	(627)	4,111	(3,649)
Taxation on accounting profit/ (loss)	(877)	147	355	(710)
Effects of:				
Permanent differences:				
Disallowable expenses	606	54	737	133
Timing differences:				
Capital allowances and depreciation	(1,164)	(12)	(843)	259
Livestock and crop valuations adjustment	(335)	(347)	(293)	(283)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

9. **Taxation (continued)**

	2014		2013	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Other income	(128)	3	(19)	-
Unrealised exchange (gains)/ losses	327	60	(348)	(218)
Unrealised tax loss	2,361	169	2,164	1,790
Tax charge for the year	790	74	1,753	971

(c) Movement in taxation account

	2014		2013	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Taxation payable/(recoverable) at 1 October	402	(137)	375	109
Charge for the year	790	74	1,753	971
Taxation paid	(1,402)	(648)	(1,687)	(1,213)
Foreign exchange differences	39	57	(39)	(4)
Taxation payable/(recoverable) as at 30 September	(171)	(654)	402	(137)
Taxation payable	483	-	691	-
Taxation recoverable	(654)	(654)	(289)	(137)
Taxation payable/(recoverable)	(171)	(654)	402	(137)

(d) Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 30 September 2011. Income tax returns have been filed with the ZRA for the subsequent years up to 30 September 2013. Quarterly tax returns for the year ended 30 September 2014 were made on the due dates during the year.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

9. **Taxation (continued)**

(e) Deferred taxation	2014		2013	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Represented by:				
Biological valuation	1,316	1,267	1,154	1,112
Accelerated tax allowances	9,201	3,058	9,635	3,414
Provisions	(684)	(53)	(797)	(93)
Tax loss	(10,907)	(6,096)	(10,204)	(5,893)
	(1,074)	(1,824)	(212)	(1,460)
Analysis of movement:				
Deferred tax liability as at 1 October	(212)	(1,460)	468	888
(Income)/charge to profit and loss account (note 9(a))	(953)	(624)	(662)	(2,315)
Foreign exchange	91	260	(18)	(33)
Deferred tax (asset)/ liability as at 30 September	(1,074)	(1,824)	(212)	(1,460)
Deferred tax asset	(4,594)	(2,697)	(3,080)	(1,460)
Deferred tax liability	3,520	873	2,868	-
	(1,074)	(1,824)	(212)	(1,460)

10. **Equity dividends**

	2014		2013	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
No dividends declared or paid	-	-	-	-

There has been no dividend paid or proposed for 2014.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

11. **Earnings per share**

Basic 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 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. There are no dilutive share instruments in issue.

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

	2014		2013	
Basic earnings per share				
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
(Loss)/profit for the year	(24,609)	(4,185)	13,766	2,593
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	247,978	247,978	247,978	247,978
	ZMW	US cents	ZMW	US cents
Basic earnings per share (ZMW and US cents)	(0.0992)	(1.69)	0.0555	1.05

12. **Goodwill**

	ZMW'000s	USD'000s
Cost and Net Book Value		
At 1 October 2012	15,699	3,078
Foreign exchange difference	-	(127)
At 30 September 2013	15,699	2,951
Foreign exchange difference	-	(447)
At 30 September 2014	15,699	2,504

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

12. **Goodwill (continued)**

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:

	2014		2013	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Master Pork Limited	15,699	2,504	15,699	2,951

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 unit (CGU) is determined from value in use calculations.

The Board's key assumptions are based on their past experience and future expectations of the market over the longer term. The Board estimates a discount rate of 15 per cent. post tax 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'. Master Pork Limited is expected to achieve a minimum growth rate of Zambian inflation plus Zambian GDP growth, in light of its infrastructure, and continued increase in protein consumption in the domestic market.

Due to the significant headroom within historical impairment calculations (approximately 2 times utilising a discounted cash flow for a period of three years), assumptions including growth rates of cash flows and changes to selling prices and direct costs have not been sensitised.

The Board is not aware of any other changes that would necessitate changes to its calculations.

13. **Property, plant and equipment**

(i) In Zambian Kwacha							
(a) Group	Plantation development expenditure ZMW'000s	Leasehold land and buildings ZMW'000s	Plant and machinery ZMW'000s	Motor vehicles ZMW'000s	Furniture and equipment ZMW'000s	Capital work in progress ZMW'000s	Total ZMW'000s
Cost or valuation							
As at 1 October 2012	**35,732**	**404,859**	**395,172**	**72,835**	**29,045**	**103,024**	**1,040,667**
Exchange differences	-	5,536	3,811	436	40	20	9,843
Additions	12,095	146	16,133	3,894	1,794	39,769	73,831

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

13. **Property, plant and equipment (continued)**

Transfers	1,431	25,046	80,468	3,947	1,198	(112,268)	(178)
Disposals	-	-	(1,326)	(440)	(89)	-	(1,855)
Reclassification	-	1,807	(2,620)	(4,670)	14	(1,556)	(7,025)
Revaluation (a)	-	357,621	(3,725)	(10,108)	(5,680)	-	338,108
As at 30 September 2013	**49,258**	**795,015**	**487,913**	**65,894**	**26,322**	**28,989**	**1,453,391**
Exchange differences	-	36,553	22,685	905	156	893	61,192
Additions	15,306	113	4,612	1,585	602	57,212	79,430
Disposals	-	-	(14)	(2,132)	(32)	(162)	(2,340)
Transfers	-	292	18,512	2,509	813	(22,639)	(513)
Reclassification	-	2,225	4,733	-	35	(6,992)	1
Revaluation	-	-	1,571	(1,571)	-	-	-
As at 30 September 2014	**64,564**	**834,198**	**540,012**	**67,190**	**27,896**	**57,301**	**1,591,161**
Depreciation							
As at 1 October 2012	**(727)**	**19,782**	**80,097**	**34,478**	**8,563**	**-**	**142,193**
Exchange difference	-	38	107	(9)	10	-	146
Charge for the year	-	5,047	30,242	11,636	3,339	-	50,264
Depreciation on Palm Plantation	(1,372)	-	-	-	-	-	(1,372)
Disposals	-	-	(181)	(434)	(52)	-	(667)
Transfers	-	(539)	(1,069)	-	-	-	(1,608)
Reclassification	-	(14)	797	(1,263)	-	-	(480)
Revaluation (a)	-	(22,964)	(104,669)	(43,290)	(11,334)	-	(182,257)
As at 30 September 2013	**(2,099)**	**1,350**	**5,324**	**1,118**	**526**	**-**	**6,219**
Exchange difference	-	76	612	114	79	-	881
Charge for the year	-	8,159	36,811	13,547	2,953	-	61,470
Depreciation on Palm Plantation	(1,250)	-	-	-	-	-	(1,250)
Disposals	-	-	(1)	(166)	(2)	-	(169)
Transfers	-	-	-	8	2	-	10
As at 30 September 2014	**(3,349)**	9,585	42,746	14,621	3,558	-	67,161
Net book value							
At 30 September 2014	67,913	824,613	497,266	52,569	24,338	57,301	1,524,000
At 30 September 2013	**51,357**	**793,665**	**482,589**	**64,776**	**25,796**	**28,989**	**1,447,172**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

13. **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 2012	**7,006**	**79,384**	**77,484**	**14,282**	**5,695**	**20,202**	**204,053**
Foreign translation	(294)	(2,378)	(2,519)	(507)	(227)	(807)	(6,732)
Additions	2,278	27	3,038	733	338	7,489	13,903
Transfers	269	4,717	15,154	743	226	(21,143)	(34)
Disposals	-	-	(250)	(83)	(17)	-	(350)
Reclassification	-	340	(493)	(879)	3	(293)	(1,322)
Revaluation (a)	-	67,349	(702)	(1,904)	(1,070)	-	63,673
As at 30 September 2013	**9,259**	**149,439**	**91,712**	**12,385**	**4,948**	**5,448**	**273,191**
Foreign translation	(1,565)	(16,840)	(10,589)	(1,736)	(740)	(972)	(32,442)
Additions	2,603	19	784	270	102	9,730	13,508
Transfers	-	50	3,148	427	138	(3,850)	(87)
Disposals	-	-	(2)	(363)	(5)	(28)	(398)
Reclassification	-	378	805	-	6	(1,189)	-
Revaluation	-	-	267	(267)	-	-	-
As at 30 September 2014	**10,297**	**133,046**	**86,125**	**10,716**	**4,449**	**9,139**	**253,772**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

13. **Property, plant and equipment (continued)**

Depreciation							
As at 1 October 2012	(143)	**3,879**	**15,705**	**6,761**	**1,679**	**-**	**27,881**
Charge for the year	-	950	5,695	2,191	629	-	9,465
Depreciation on Palm Plantation	(258)	-	-	-	-	-	(258)
Disposals	-	-	(34)	(82)	(10)	-	(126)
Transfers	-	(102)	(201)	-	-	-	(303)
Reclassification	-	(3)	150	(238)	-	-	(91)
Revaluation (a)	-	(4,325)	(19,712)	(8,153)	(2,134)	-	(34,324)
Foreign Translation	6	(147)	(603)	(270)	(64)	-	(1,078)
As at 30 September 2013	**(395)**	**252**	**1,000**	**209**	**100**	**-**	**1,166**
Charge for the year	-	1,388	6,260	2,304	502	-	10,454
Depreciation on Palm Plantation	(213)	-	-	-	-	-	(213)
Disposals	-	-	-	(28)	-	-	(28)
Transfers	-	-	-	1	-	-	1
Foreign Translation	74	(111)	(444)	(154)	(35)	-	(670)
As at 30 September 2014	**(534)**	**1,529**	**6,816**	**2,332**	**567**	**-**	**10,710**
Net book value							
At 30 September 2014	**10,831**	**131,517**	**79,309**	**8,384**	**3,882**	**9,139**	**243,062**
At 30 September 2013	**9,654**	**149,187**	**90,712**	**12,176**	**4,848**	**5,448**	**272,025**

(a) The Group's property, plant and equipment situated in Zambia were revalued during the 2013 year by Messrs Fairworld Properties Limited, Registered Valuation Surveyors, on the basis of market value. The surplus on valuation totalling ZMW524 million (USD94.7 million) was transferred to a revaluation reserve.

(b) The depreciation charge for the year includes ZMW6.1 million (USD1.01 million) (2012: ZMW2.5 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.

(c) The carrying value of the Group's property, plant and equipment includes an amount of ZMW31.8 million (USD5.1 million) (2013: ZMW31.2 million [USD5.9 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMW4.1 million (USD0.7 million) (2013: ZMW4 million [USD0.76 million]).

(d) The capital work in progress depicts all capital expenditure items on projects that are yet to be completed.

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

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

13. **Property, plant and equipment (continued)**

(i) In Zambian Kwacha						
(b) Company	Leasehold land and buildings ZMW'000s	Plant and machinery ZMW'000s	Motor vehicles ZMW'000s	Furniture and equipment ZMW'000s	Capital work in progress ZMW'000s	Total ZMW'000s
Cost or valuation						
At 1 October 2012	**309,487**	**254,959**	**25,703**	**5,996**	**49,333**	**645,478**
Exchange differences	5,622	3,802	377	37	(3)	9,835
Additions	78	10,864	564	344	17,352	29,202
Transfers	16,367	20,879	328	560	(51,603)	(13,469)
Disposals	-	(1,252)	-	-	-	(1,252)
Revaluation	256,058	(39,777)	308	(2,134)	-	214,455
At 30 September 2013	**587,612**	**249,475**	**27,280**	**4,803**	**15,079**	**884,249**
Exchange differences	35,782	21,809	514	53	282	58,440
Additions	-	429	130	68	33,476	34,103
Transfers	(7,205)	15,010	2,293	(11)	(20,410)	(10,323)
Disposals	-	-	(886)	(12)	-	(898)
Reclassification	-	(1,593)	1,571	22	-	-
As at 30 September 2014	**616,189**	**285,130**	**30,902**	**4,923**	**28,427**	**965,571**
Depreciation						
As at 1 October 2012	**11,821**	**47,929**	**10,768**	**1,887**	**-**	**72,405**
Transfers	(409)	(823)	-	-	-	(1,232)
Disposals	-	(173)	-	-	-	(173)
Revaluation (a)	(14,025)	(63,370)	(14,684)	(2,714)	-	(94,793)
Reclassification	-	294	(294)	-	-	-
Charge for the year	2,613	16,143	4,210	827	-	23,793
As at 30 September 2013	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	4,626	19,344	5,371	471	-	29,812
Transfers	(24)	(33)	-	-	-	(57)
Disposals	-	-	(50)	-	-	(50)
As at 30 September 2014	**4,602**	**19,311**	**5,321**	**471**	**-**	**29,705**
Net book value						
At 30 September 2014	**611,587**	**265,819**	**25,581**	**4,452**	**28,427**	**935,866**
At 30 September 2013	**587,612**	**249,475**	**27,280**	**4,803**	**15,079**	**884,249**

13. **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 2012	60,684	49,992	5,038	1,177	9,673	126,564
Exchange differences	1,059	716	71	7	(1)	1,852
Additions	15	2,046	106	65	3,268	5,500
Transfers	3,082	3,932	62	105	(9,718)	(2,537)
Disposals	-	(236)	-	-	-	(236)
Revaluation surplus/(deficit)	48,222	(7,491)	58	(402)	-	40,387
Foreign translation	(2,609)	(2,065)	(207)	(49)	(388)	(5,318)
As at 30 September 2013	110,453	46,894	5,128	903	2,834	166,212
Exchange differences	6,085	3,709	87	9	48	9,938
Additions	-	73	22	12	5,693	5,800
Transfers	(1,225)	2,553	390	(2)	(3,471)	(1,755)
Disposals	-	-	(151)	(2)	-	(153)
Foreign translation	(17,037)	(7,482)	(816)	(138)	(570)	(26,043)
Reclassification	-	(271)	267	4	-	-
As at 30 September 2014	98,276	45,476	4,927	786	4,534	153,999
Depreciation						
As at 1 October 2012	**2,318**	**9,397**	**2,111**	**371**	**-**	**14,197**
Foreign translation	(92)	(371)	(83)	(16)	-	(562)
Charge for the year	492	3,040	793	156	-	4,481
Disposals	-	(33)	-	-	-	(33)
Zamchick asset transfers	(77)	(155)	-	-	-	(232)
Adjustment on valuation	(2,641)	(11,933)	(2,766)	(511)	-	(17,851)
Reclassification	-	55	(55)	-	-	-
As at 30 September 2013	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year	787	3,290	913	80	-	5,070
Transfers	(4)	(6)	-	-	-	(10)
Disposals	-	-	(9)	-	-	(9)
Foreign translation	(49)	(204)	(56)	(4)	-	(313)
As at 30 September 2014	734	3,080	848	76	-	4,738
Net book value						
At 30 September 2014	97,542	42,396	4,079	710	4,534	149,261
At 30 September 2013	**110,453**	**46,894**	**5,128**	**903**	**2,834**	**166,212**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

13. **Property, plant and equipment (continued)**

(a) During the previous year the Company's property, plant and equipment were revalued by Messrs Fairworld Properties Limited, Registered Valuation Surveyors, on the basis of market value. The surplus on valuation and depreciation no longer required totalling ZMW310 million (USD58.3 million) was transferred to a revaluation reserve. The Directors expect no material variances to the carrying value of the property, plant and equipment.

(b) The carrying value of the Company's property, plant and equipment includes an amount of ZMW18.3 million (USD2.9 million) (2013: ZMW11.1 million [USD2.1 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMW2. million (USD0.49 million) (2013: ZMW2.2 million [USD0.4 million]).

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

14. **Investment in Associate**

	2014		2013	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
At beginning of the year	-	-	-	-
Arising during the year	23,827	3,800	-	-
Foreign translation	-	-	-	-
At end of the year	**23,827**	**3,800**	**-**	**-**

Zambeef Products PLC ("Zambeef") owns 49% of the issued share capital of Zamhatch Limited ("Zamhatch"). At the period end Zamhatch was still in development. The total net asset value of Zamhatch was ZMW48.6 million (USD7.8million). Further investment by the shareholders has been made subsequent to year end.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

15. **Investments in subsidiaries (continued)**

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 2014	Proportion of all classes of issued share capital owned by the Company 2013	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	80	77	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
Zam Chick Limited	Zambia	51	51	Processing and sale of poultry products

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

	2014		2013	
(b) Movement at cost:	ZMW'000s	USD'000s	ZMW'000s	USD'000s
At beginning of the year	154,514	29,044	146,126	28,652
Arising during the year	3,068	774	8,388	1,580
Foreign translation		(4,685)	-	(1,188)
At end of the year	**157,582**	**25,133**	**154,514**	**29,044**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

15. **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 ZMW'000s	Liabilities ZMW'000s	Revenues ZMW'000s	Profit/(loss) ZMW'000s
Zambeef Retailing Limited	Zambia	263,125	242,835	895,750	(21,755)
Zamleather Limited	Zambia	35,561	14,754	29,796	6,098
West Africa Operations	Nigeria & Ghana	41,687	54,518	116,227	(3,301)
Master Pork Limited	Zambia	76,527	26,733	115,216	395
Zamanita Limited	Zambia	458,777	321,385	399,117	(11,500)
Zampalm Limited	Zambia	137,468	53,593	-	-
Zam Chick Limited	Zambia	71,724	10,932	139,835	10,319
Total at the end of 30 September 2014		**1,084,869**	**724,750**	**1,695,941**	**(19,744)**
Zambeef Retailing Limited	Zambia	238,186	195,632	870,737	(1,362)
Zamleather Limited	Zambia	31,853	17,144	22,442	1,905
West Africa Operations	Nigeria & Ghana	37,910	43,754	85,419	(4,406)
Master Pork Limited	Zambia	71,348	21,949	119,955	(2,973)
Zamanita Limited	Zambia	428,879	279,985	461,871	23,618
Zampalm Limited	Zambia	113,871	31,377	-	-
Zam Chick Limited	Zambia	61,722	11,239	132,343	8,771
Total at the end of 30 September 2013		**983,769**	**601,080**	**1,692,767**	**25,553**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

15. **Investments in subsidiaries (continued)**

Name of company	Country of Incorporation	Assets USD'000s	Liabilities USD'000s	Revenues USD'000s	Profit/(loss) USD'000s
Zambeef Retailing Limited	Zambia	41,966	38,730	152,338	(3,700)
Zamleather Limited	Zambia	5,672	2,353	5,067	1,037
West Africa Operations	Nigeria & Ghana	6,649	8,695	19,766	(561)
Master Pork Limited	Zambia	12,205	4,264	19,595	67
Zamanita Limited	Zambia	73,170	51,258	67,877	(1,956)
Zampalm Limited	Zambia	21,925	8,548	-	-
Zam Chick Limited	Zambia	11,439	1,744	23,781	1,755
Total at the end of 30 September 2014		**173,026**	**115,592**	**288,424**	**(3,358)**
Zambeef Retailing Limited	Zambia	44,772	36,773	163,672	(256)
Zamleather Limited	Zambia	5,987	3,223	4,218	358
West Africa Operations	Nigeria & Ghana	7,126	8,224	16,056	(828)
Master Pork Limited	Zambia	13,411	4,126	22,548	(559)
Zamanita Limited	Zambia	80,616	52,629	86,818	4,439
Zampalm Limited	Zambia	21,404	5,898	-	-
Zam Chick Limited	Zambia	11,604	2,113	24,877	1,649
Total at the end of 30 September 2013		**184,920**	**112,986**	**318,189**	**4,803**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

15. **Investments in subsidiaries (continued)**

	2014		2013	
Name of company	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Zambeef Retailing Limited	31	5	30	6
Zamleather Limited	1,477	236	1,477	278
Master Meat and Agro Production Co of Nigeria Limited	216	34	216	41
Master Meat (Ghana) Limited	1,310	209	1,310	246
Master Pork Limited	26,601	4,243	26,600	5,000
Zamanita Limited	62,721	10,003	62,721	11,790
Zampalm Limited	56,835	9,065	53,764	10,106
Zam Chick Limited	8,391	1,338	8,391	1,576
Zamhatch Limited	-	-	5	1
Novatek Limited	-	-	-	-
	157,582	**25,133**	**154,514**	**29,044**

(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 2014 there were 16,065 cattle (9,852 feedlot cattle, 3,969 standing cattle and 2,244 dairy cattle) and 470,684 chickens (196,556 layers and 274,128 broilers), and 4,335 pigs. A total of 18,230 feedlot cattle, 610 dairy cattle, 6,896 pigs and 5,848,460 chickens were culled during the year. The palm plantation is in developmental stage with current plantation size of 2,302 hectares.

(i) Zambian Kwacha	As at 1 October ZMW'000s	Increase due to purchases ZMW'000s	Gains/(losses) arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/transferred to inventory ZMW'000s	As at 30 September ZMW'000s
Standing Crops	31,657	173,946	129,073	770	(300,016)	35,430
Feedlot Cattle	50,897	130,730	33,824	-	(144,577)	70,874
Dairy Cattle	20,907	15,838	11,948	-	(23,759)	24,934
Pigs	2,298	5,522	2,705	-	(7,775)	2,750

16. (a) **Biological assets – Group (continued)**

Chickens	8,068	89,491	45,739	-	(135,285)	8,013
Palm oil plantation	11,859	8,343	-	-	-	20,202
Total	**125,686**	**423,870**	**223,289**	**770**	**(611,412)**	**162,203**
Less: Non-current biological assets	(11,859)	(8,343)	-	-	-	(20,202)
Total	**113,827**	**415,527**	**223,289**	**770**	**(611,412)**	**142,001**

(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	5,951	(942)	29,583	21,951	131	(51,023)	5,651
Feedlot Cattle	9,566	(1,659)	22,233	5,752	-	(24,588)	11,304
Dairy Cattle	3,930	(638)	2,693	2,032	-	(4,041)	3,976
Pigs	432	(70)	939	460	-	(1,322)	439
Chickens	1,517	(230)	15,220	7,779	-	(23,008)	1,278
Palm oil plantation	2,229	(426)	1,419	-	-	-	3,222
Total	**23,625**	**(3,965)**	**72,087**	**37,974**	**131**	**(103,982)**	**25,870**
Less: Non-current biological assets	(2,229)	426	(1,419)	-	-	-	(3,222)
Total	**21,396**	**(3,539)**	**70,668**	**37,974**	**131**	**(103,982)**	**22,648**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

16. (b) **Biological assets – Company**

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, and chickens. At 30 September 2014 there were 16,065 cattle (9,852 feedlot cattle, 3,969 standing cattle and 2,244 dairy cattle), and 196,556 chickens (196,556 layers). A total of 18,230 feedlot cattle and 610 dairy cattle were culled during the year.

(i) Zambian Kwacha	As at 1 October ZMW'000s	Increase due to purchases ZMW'000s	Gains/(losses) arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/transferred to inventory ZMW'000s	As at 30 September ZMW'000s
Standing Crops	31,656	173,948	129,072	770	(300,016)	35,430
Feedlot Cattle	50,897	130,730	33,825	-	(144,577)	70,875
Dairy Cattle	20,907	15,838	11,948	-	(23,759)	24,934
Chickens	6,281	21,327	4,999	-	(26,898)	5,709
Total	**109,741**	**341,843**	**179,844**	**770**	**(495,250)**	**136,948**

(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	5,951	(942)	29,583	21,951	131	(51,023)	5,651
Feedlot Cattle	9,566	(1,660)	22,233	5,753	-	(24,588)	11,304
Dairy Cattle	3,930	(638)	2,694	2,032	-	(4,041)	3,977
Chickens	1,181	(173)	3,627	850	-	(4,574)	911
Total	**20,628**	**(3,413)**	**58,137**	**30,586**	**131**	**(84,226)**	**21,842**

17. **Inventories**

	2014		2013	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Trading stocks	187,702	134,314	177,510	102,744
Abattoir stocks	966	-	642	-
Raw materials	168,684	-	172,292	-
Stock feed	28,888	28,603	42,012	41,837
Consumables	55,575	22,998	78,356	48,693
Raw hides and chemicals	2,638	-	2,281	-
	444,453	**185,915**	**473,093**	**193,274**

	2014		2013	
(ii) In US Dollars	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Trading stocks	29,936	21,422	33,367	19,313
Abattoir stocks	154	-	121	-
Raw materials	26,904	-	32,386	-
Stock feed	4,607	4,562	7,895	7,864
Consumables	8,864	3,668	14,729	9,153
Raw hides and chemicals	421	-	429	-
	70,886	**29,652**	**88,927**	**36,330**

A total of ZMW1,088 million (USD185.1 million) (2013: ZMW1,034 million (USD194.7 million]) was included in profit and loss as an expense within cost of sales. Inventory was turned every 155 days (2012: 134 days).

Biological assets totalling ZMW611.4 million (USD104 million) (2013: ZMW497.3 million [USD93.7 million]) were transferred to inventories during the year.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

18. **Trade and other receivables**

	2014		2013	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Gross trade receivables	122,139	52,719	66,303	27,723
Less: provision for impairment of trade receivables	(6,025)	(237)	(11,931)	(10,142)
Trade receivables	116,114	52,482	54,372	17,581
Prepayments	5,353	1,165	6,510	-
Other receivables	876	45	905	20
	122,343	**53,692**	**61,787**	**17,601**

	2014		2013	
(ii) In US Dollars	Group USD'000	Company USD'000	Group USD'000	Company USD'000
Gross trade receivables	19,480	8,408	12,463	5,210
Less: provision for impairment of trade receivables	(960)	(38)	(2,243)	(1,906)
Trade receivables	18,520	8,370	10,220	3,304
Prepayments	851	186	1,224	-
Other receivables	140	6	170	4
	19,511	**8,562**	**11,614**	**3,308**

(a) 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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

18. **Trade and other receivables (continued)**

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

	2014		2013	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
At 1 October	11,931	10,142	5,567	994
Utilised	(10,177)	(9,905)	-	-
Charge for the year	4,271	-	6,364	9,148
At 30 September	6,025	237	11,931	10,142

	2014		2013	
(ii) In US Dollars	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
At 1 October	2,243	1,906	1,092	195
Foreign exchange	(273)	(288)	(47)	(12)
Utilised	(1,731)	(1,580)	-	-
Charge for the year	721	-	1,198	1,723
At 30 September	960	38	2,243	1,906

Trade receivables have a 15 or 30 day credit period.

18. **Trade and other receivables (continued)**

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

	2014		2013	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
More than 3 months but not more than 6 months	1,756	492	2,816	2,816
More than 6 months but not more than a year	4,774	405	3,277	3,036
More than one year	-	-	1,853	-
Total	6,530	897	7,946	5,852

	2014		2013	
(ii) In US Dollars	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
More than 3 months but not more than 6 months	280	78	529	529
More than 6 months but not more than a year	761	65	616	571
More than one year	-	-	348	-
Total	1,041	143	1,493	1,100

Management reviews recoverability of trade receivables on a continuous basis and where necessary makes provision for impairment on long outstanding receivables.

The average credit period given in 2014 was 14 days (2013: 14 days).

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

19. **Amounts due from related companies**

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Leopard Investments Company Limited	-	227	-	254
Tractorzam Limited	-	-	253	253
Zambezi Ranching and Cropping Limited	1,825	-	1,469	-
RCL Foods Limited	-	-	5	-
Zamhatch Limited	9,708	5,940	-	-
Wellspring Limited	-	-	83	83
Zambeef Retailing Limited	-	202,859	-	139,969
Zamleather Limited	-	630	-	16,311
Master Pork Limited	-	3,283	-	-
Zampalm Limited	-	6,418	-	30,865
Zamanita Limited	-	59,637	-	62,738
Master Meat & Agro Production Co. of Nigeria Limited	-	27,237	-	16,103
Zam Chick Limited	-	11,545	-	2,468
Master Meat (Ghana) Limited	-	531	-	392
	11,533	**318,307**	**1,810**	**269,436**

	2014		2013	
(i) In US Dollars	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Leopard Investments Company Limited	-	36	-	47
Tractorzam Limited	-	-	47	47
Zambezi Ranching and Cropping	291	-	276	-
RCL Foods Limited	-	-	1	-
Zamhatch Limited	1,548	947		
Wellspring Limited	-	-	16	16

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

19. **Amounts due from related companies (continued)**

Zambeef Retailing Limited	-	32,354	-	26,310
Zamleather Limited	-	100	-	3,066
Master Pork Limited	-	524	-	-
Zampalm Limited	-	1,024	-	5,802
Zamanita Limited	-	9,511	-	11,793
Zam Chick Limited	-	1,842	-	464
Mastermeat & Agro Production Co. of Nigeria Limited	-	4,344	-	3,027
Master Meat (Ghana) Limited	-	85	-	74
	1,839	**50,767**	**340**	**50,646**

The above balances relate to arm's length transactions between the transacting parties. External parties that fall under the 'Related Party' disclosure are with respect to all common shareholding companies of the Board of Directors of the Group.

20. **Cash and cash equivalents**

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Cash in hand and at bank	65,599	12,877	106,935	60,924
Bank overdrafts (Note (b))	(213,467)	(124,992)	(151,151)	(84,637)
	(147,868)	**(112,115)**	**(44,216)**	**(23,713)**

	2014		**2013**	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Cash in hand and at bank	10,463	2,054	20,101	11,452
Bank overdrafts (note (b))	(34,046)	(19,935)	(28,412)	(15,909)
	(23,583)	**(17,881)**	**(8,311)**	**(4,457)**

20. **Cash and cash equivalents (continued)**

(a) Banking facilities

The Group has overdraft facilities totalling ZMW35.137 million (2013: ZMW35.137 million) and USD5.1 million (2013: USD5.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of Bank of Zambia Policy rate plus 4.15 per cent. for the Kwacha facility and 1 year USD LIBOR rate plus 3.5 per cent. for the USD facility.

The Group has overdraft facilities totalling ZMW24.5 million (2013: ZMW24.5 million) and USD7 million (2013: USD7 million) with Standard Chartered Bank Zambia Plc. The Standard Chartered Bank overdrafts bear interest rates of Bank of Zambia Policy rate plus 2.25 per cent. (ZMW20 million for Zamanita Limited) and Bank of Zambia Policy rate plus 2.25 per cent. (ZMW4.5 million for Zambeef Products PLC) on the Kwacha facilities and 1 month USD LIBOR rate plus 3.6 per cent. (USD4 million for Zamanita Limited) and 1 month USD LIBOR rate plus 3.6 per cent. (USD3 million for Zambeef Products PLC) on the USD facilities.

The Group has overdraft facilities totalling ZMW22.5 million (2013: ZMW22.5 million) and USD4 million (2013: USD4 million) with Zanaco Bank Plc. The Zanaco Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 3 per cent. on the Kwacha facility and 3 month USD LIBOR plus 4.25 per cent. on the USD facility.

The Group has overdraft facilities totalling ZMW42 million (2012: ZMW42 million) and USD1 million (2012: USD1 million) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 3 per cent. on the Kwacha facility and 3 month USD LIBOR rate plus 3.75 per cent. on the USD facility.

(b) Bank overdrafts

	2014		2013	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Bank overdrafts represented by:				
Zanaco Bank Plc	(52,999)	(23,744)	(28,328)	(11,353)
Citibank Zambia Limited	(50,791)	(35,133)	(37,631)	(27,418)
Stanbic Bank Zambia Limited	(45,812)	(45,811)	(39,013)	(39,013)
Standard Chartered Bank Zambia Plc	(63,865)	(20,304)	(46,179)	(6,853)
	(213,467)	**(124,992)**	**(151,151)**	**(84,637)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

20. **Cash and cash equivalents (continued)**

	2014		2013	
(ii) In US Dollars	Group USD'000	Company USD'000	Group USD'000	Company USD'000
Bank overdrafts represented by:				
Zanaco Bank Plc	(8,453)	(3,787)	(5,325)	(2,134)
Citibank Zambia Limited	(8,101)	(5,603)	(7,074)	(5,154)
Stanbic Bank Zambia Limited	(7,306)	(7,307)	(7,333)	(7,333)
Standard Chartered Bank Zambia Plc	(10,186)	(3,238)	(8,680)	(1,288)
	(34,046)	**(19,935)**	**(28,412)**	**(15,909)**

(i) The Zambeef Products Plc Company bank overdrafts are secured by a first floating charge/debenture over all the assets of the Company. The floating charge/debenture ranks pari passu between Standard Chartered Bank Zambia Plc (USD5.2 million), Citibank Zambia Limited (USD10 million and ZMW8 million), Zanaco Bank Plc (USD4 million and ZMW22.5million), Stanbic Bank Zambia Limited (USD1 million and ZMW42 million) and DEG (USD5 million).

(ii) The Zamanita facility is secured by a first ranking legal mortgage over stand 5960 and 5001 Mumbwa Road, Lusaka and a floating charge/ debenture over all other Zamanita assets.

All overdrafts are annual revolving facilities.

21. **Share capital**

	2014		**2013**	
	ZMW'000s	**USD'000s**	**ZMW'000s**	**USD'000s**
Authorised				
400,000,000 ordinary shares of ZMW0.01 each	400	83	400	83
(2013 : 400,000,000 ordinary shares of ZMW0.01 each)				
Issued and fully paid				

21. **Share capital (continued)**

At 1 October	248	61	248	61
Issued during the year	2,232	335	-	-
At 30 September				
247,978,195 ordinary shares of ZMW0.01 each	**2,480**	**396**	248	61
(2013 : 247,978,195 ordinary shares of ZMW0.001 each)				

22. **Share premium**

	2014		**2013**	
	ZMW'000s	**USD'000s**	**ZMW'000s**	**USD'000s**
At 1 October	506,277	123,283	506,277	123,283
Arising during the year	-	-	-	-
At 30 September	**506,277**	**123,283**	506,277	123,283

23. **Interest bearing liabilities**

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (note (a))	132,573	132,573	114,624	114,624
Zanaco Bank Plc (note (b))	46,500	46,500	46,500	46,500
Standard Chartered Bank Zambia Plc (note (c))	186,619	60,785	187,546	84,491
IFC – International Finance Corporation (note (d))	209,610	198,940	196,818	183,084
	575,302	**438,798**	**545,488**	**428,699**
Less: Short term portion (repayable within next 12 months)	(222,093)	(109,433)	(210,364)	(133,563)
Long term portion (repayable after 12 months)	**353,209**	**329,365**	**335,124**	**295,136**

	2014		**2013**	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (note (a))	21,144	21,144	21,546	21,546
Zanaco Bank Plc (note (b))	7,416	7,416	8,741	8,741
Standard Chartered Bank Zambia Plc (note (c))	29,764	9,695	35,252	15,882
IFC – International Finance Corporation (note (e))	33,431	31,728	36,996	34,414
	91,755	**69,983**	**102,535**	**80,583**
Less: Short term portion (repayable within next 12 months)	(35,422)	(17,453)	(39,542)	(25,106)
Long term portion (repayable after 12 months)	**56,333**	**52,530**	**62,993**	**55,477**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

23. **Interest bearing liabilities (continued)**

(a) (i) DEG Term Loan 1

The Group has a loan facility of USD424 thousand (2013: USD1.256 million and original amount USD5 million) from DEG. Interest on the loan is 2.75 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 12 bi-annual instalments of USD416,000 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 (USD10 million and ZMW8 million), Standard Chartered Bank Zambia Plc (USD5.2 million), Stanbic Bank Zambia Limited (USD1 million and ZMW42 million) and Zanaco Bank Plc (USD4 million and ZMW22.5 million).

(ii) DEG Term Loan 2

The Group has a loan facility of USD10.72 million (2013: USD14.29 million and original amount of USD25 million) from DEG. Interest on the loan is 4.55 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 14 bi-annual instalments of USD1,785,000 commencing November 2010 and expiring in May 2017.

The USD25 million DEG term loan is secured by:

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

(iii) DEG Term Loan 3

During the previous year the group obtained a loan facility of USD10 million for the palm project from DEG. USD6 million was drawn down during September 2013 and a further USD4 million in August 2014. Interest on the loan is 4.25 per cent. above the 6 month USD LIBOR rate per annum payable 6 monthly in arrears. The capital is repayable in 14 biannual instalments of USD710,000 commencing May 2016 and expiring in November 2022.

The USD10 million DEG term loan is secured by:

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

(b) Zanaco Bank Plc

The Group has a loan facility of ZMW46.5 million (2013: ZMW46.5 million) with Zanaco Bank Plc. Interest on the loan is 3.75 per cent. above the Bank of Zambia policy rate per annum payable monthly in arrears. The principal is repayable in 7 annual instalments of ZMW6,642,857,143 commencing December 2014 and expiring in December 2020.

The loan is secured by a first ranking legal mortgage over Stand No. 4970, Industrial Area, Lusaka (Head Office).

23. **Interest bearing liabilities (continued)**

(c) Standard Chartered Bank Zambia Plc

The Group has a loan facility of USD4.935 million (2013: USD6.7 million and original amount of USD8 million) from Standard Chartered Bank Zambia Plc. Interest on the loan is 4.75 per cent. above the 3 month USD LIBOR rate per annum payable monthly in arrears. The principal is repayable in amounts of USD300,000 on a quarterly basis commencing April 2013 to December 2013 and thereafter 11 quarterly payments of USD566,667 commencing March 2014 and expiring in September 2016.

The loan is secured by a first ranking legal mortgage relating to stands 5960 and 5001 Mumbwa Road, Lusaka, (Zamanita premises) and floating debenture over all other assets of Zamanita.

The Group has structured agricultural facilities with an annual revolving limit totalling USD59 million (2013: USD59 million) with Standard Chartered Bank Zambia Plc. The purpose of the facilities is the financing of wheat, soya beans, maize and barley under collateral management agreements/facilities against warehouse receipts and is for 365 days. The balance on the facilities at year end was USD24.83 million (2013: USD22.55 million). Interest on the facilities is 1 month USD LIBOR rate plus 3.15 per cent. per annum (for the USD34 million Zambeef CMA) and 1 month USD LIBOR rate plus 3.15 per cent. (for the USD24 million Zamanita CMA) calculated on the daily overdrawn balances.

(d) (i) International Finance Corporation Loan 1

The Group has a loan facility of USD5.519 million (USD3.818 million in Zambia and USD1.701 million in Nigeria) [2013: USD5.091 million in Zambia and USD2.269 million in Nigeria and original amount of USD10 million] from IFC. Interest on the loan is 4.75 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 11 equal bi-annual instalments of USD636,364 (Zambeef) and USD283,634 (Nigeria) commencing June 2012 and expiring in June 2017.

The portion of the loan attributable to Zambia is secured through a first ranking legal mortgage over Plot 9070, 9071 and 9074, off Mumbwa Road, Lusaka, (Novatek stock feed premises) 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.

(d) (ii) International Finance Corporation Loan 2

The company has a loan facility of USD20 million and ZMW49.6 million. Interest on the loan is 4.75 per cent. above the 6 month USD LIBOR rate per annum for the USD facility and 4.45 per cent. above the 91 day Treasury Bill rate plus a variable swap margin for the Kwacha facility payable quarterly in arrears. The principal is repayable in 29 equal quarterly instalments of USD689,655 and ZMW1,710,344,828 commencing June 2015 and expiring in June 2022.

The loan is secured through a first ranking legal mortgage over Farm No. 4450, 4451 & 5388 (Mpongwe farm).

24. **Obligations under finance leases**

	2014		**2013**	
In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Freddy Hirsh Zambia Limited (note (a))	4,835	-	9,362	-
Stanbic Zambia Limited (note (b))	14,741	14,741	8,274	8,274
	19,576	**14,741**	**17,636**	**8,274**
Less: Payable within 12 months	(4,974)	(1,399)	(9,189)	(4,736)
Repayable after 12 months	**14,602**	**13,342**	**8,447**	**3,538**

	2014		**2013**	
(ii) In US Dollar	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Freddy Hirsh Zambia Limited (note (a))	771	-	1,760	-
Stanbic Zambia Limited (note (b))	2,351	2,351	1,555	1,555
	3,122	**2,351**	**3,315**	**1,555**
Less: Payable within twelve months	(793)	(223)	(1,727)	(890)
Repayable after 12 months	**2,329**	**2,128**	**1,588**	**665**

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NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

24. **Obligations under finance leases (continued)**

The ageing for the finance leases is as detailed below:

	Within 1 year ZMW'000s	**1 to 5 years ZMW'000s**	**After 5 years ZMW'000s**	**Total ZMW'000s**
2014				
Lease payments	5,015	15,398	-	20,413
Finance charges	(41)	(796)	-	(837)
Net present values	4,974	14,602	-	19,576
2013				
Lease payments	9,571	8,569	-	18,140
Finance charges	(382)	(122)	-	(504)
Net present values	**9,189**	**8,447**	**-**	**17,636**

	Within 1 year USD'000s	**1 to 5 years USD'000s**	**After 5 years USD'000s**	**Total USD'000s**
2014				
Lease payments	799	2,456	-	3,255
Finance charges	(6)	(127)	-	(133)
Net present values	793	2,329	-	3,122
2013				
Lease payments	1,799	1,611	-	3,410
Finance charges	(72)	(23)	-	(95)
Net present values	**1,727**	**1,588**	**-**	**3,315**

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NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

24. **Obligations under finance leases (continued)**

(a) Master Pork Limited, a subsidiary of the Group, has hire purchase facilities of ZMW4.835 million (2013 – ZMW12.496 million) with Freddy Hirsh Zambia Ltd. The interest on the hire purchase is 6 per cent. fixed per annum with respect to the Cozzini Grinder machine (totalling ZMW370 thousand) and Nil with respect to the other machine facilities (Cozzini Silo Hopper, HirschPro400, Ulma, Cozzini Blender, injector brine mixer and Polyclipper. The principle on the Kwacha hire purchase facilities is repayable in 48 equal monthly instalments totalling ZMW0.31 million (USD0.05 million).

(b) 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 USD LIBOR plus 3.5 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, but are not considered material to the Group.

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
At 1 October	6,793	1,504	7,737	1,515
Provision made during the year	1,776	188	847	-
Payments made during the year	(1,096)	(120)	(1,791)	(11)
At 30 September	**7,473**	**1,572**	**6,793**	**1,504**

25. **Deferred liability (continued)**

	2014		2013	
(ii) In US Dollar	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
At 1 October	1,277	283	1,518	297
Provision made during the year	303	32	160	-
Payments made during the year	(187)	(21)	(338)	(2)
Foreign translation	(201)	(43)	(63)	(12)
At 30 September	**1,192**	**251**	**1,277**	**283**

26. **Trade and other payables**

	2014		2013	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Trade payables	105,261	52,585	65,288	29,623
Provisions and accruals	113,036	23,391	90,110	18,031
	218,297	**75,976**	**155,398**	**47,654**

	2014		2013	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Trade payables	16,788	8,387	12,272	5,568
Provisions and accruals	18,028	3,732	16,938	3,389
	34,816	**12,119**	**29,210**	**8,957**

The average credit period taken in 2014 was 74 days (2013: 54 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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

27. **Amounts due to related companies**

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Leopard Investments Company Limited	-	-	239	-
Zambezi Ranching and Cropping Limited	-	-	-	251
RCL Farms Limited	-	-	1,334	-
Zambeef Retailing Limited	-	15,641	-	-
Zamleather Limited	-	6	-	-
Zamanita Limited	-	45,150	-	-
Master Pork Limited	-	-	-	17,966
Zamhatch Limited	-	-	-	5
	-	**60,797**	**1,573**	**18,222**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

27. **Amounts due to related companies (continued)**

	2014		**2013**	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Leopard Investments Company Limited	-	-	45	-
Zambezi Ranching and Cropping Limited	-	-	-	47
RCL Farms Limited	-	-	251	-
Zambeef Retailing Limited	-	2,494	-	-
Zamleather Limited	-	1	-	-
Zamanita Limited	-	7,201	-	-
Master Pork Limited	-	-	-	3,377
Zamhatch Limited	-	-	-	1
	-	**9,696**	**296**	**3,425**

The above balances relate to arm's length transactions with the related parties. External parties that fall under the 'Related Party' disclosure are with respect to all common shareholding companies of the Board of Directors of the Group.

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

	2014		**2013**	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Financial assets				
- Cash at bank	43,273	3,685	43,228	33,052
- Trade receivables	65,923	25,000	18,701	3,248
- Other receivables	2,289	-	9,285	440
Financial liabilities				
- Bank overdrafts	(133,315)	(45,473)	(54,946)	(25,061)
- Trade and other payables	(46,730)	(16,716)	(11,286)	(2,201)
- Bank loans	(342,698)	(342,698)	(449,362)	(332,598)
- Finance leases	(14,741)	(14,741)	(8,274)	(8,274)
Net exposure	**(425,999)**	**(390,943)**	**(452,654)**	**(331,394)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

28. **Financial instruments (continued)**

	2014		**2013**	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Financial assets				
- Cash at bank	6,871	588	8,126	6,213
- Trade receivables	10,514	3,987	3,515	611
- Other receivables	365	-	-	-
Financial liabilities				
- Bank overdrafts	(21,232)	(7,525)	(10,328)	(4,711)
- Trade and other payables	(7,453)	(2,666)	(2,121)	(414)
- Bank loans	(54,657)	(54,657)	(84,467)	(62,518)
- Finance leases	(2,351)	(2,361)	(1,555)	(1,555)
Net exposure	**(67,943)**	**(62,634)**	**(86,830)**	**(62,374)**
(i) In Zambian Kwacha 2013	**US Dollar ZMW'000s**	**SA Rand ZMW'000s**	**Other ZMW'000s**	**Total ZMW'000s**
Financial Assets				
- Cash at bank	40,958	582	1,688	43,228
- Trade receivables	13,304	-	5,397	18,701
- Other receivables	9,285	-	-	9,285
Financial Liabilities				
- Bank overdrafts	(54,946)	-	-	(54,946)
- Trade and other payables	(2,731)	(27)	(8,528)	(11,286)
- Bank loans	(449,362)	-	-	(449,362)
- Finance leases	(8,274)	-	-	(8,274)
Net exposure	**(451,766)**	**555**	**(1,443)**	**(452,654)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

28. **Financial instruments (continued)**

2014	**US Dollar ZMW'000s**	**SA Rand ZMW'000s**	**Other ZMW'000s**	**Total ZMW'000s**
Financial Assets				
- Cash at bank	9,990	924	32,359	43,273
- Trade receivables	57,833	-	8,090	65,923
- Other receivables	199	291	1,799	2,289
Financial Liabilities				
- Bank overdrafts	(103,287)	-	(30,028)	(133,315)
- Trade and other payables	(24,712)	447	(22,465)	(46,730)
- Bank loans	(342,698)	-	-	(342,698)
- Finance leases	(14,741)	-	-	(14,741)
Net exposure	(417,416)	1,662	(10,245)	(425,999)

(ii) In US Dollars	**US Dollar USD'000s**	**SA Rand USD'000s**	**Other USD'000s**	**Total USD'000s**
2013				
Financial Assets				
- Cash at bank	7,699	109	317	8,125
- Trade receivables	2,502	-	1,014	3,516
Financial Liabilities				
- Bank overdrafts	(10,328)	-	-	(10,328)
- Trade and other payables	(513)	(5)	(1,603)	(2,121)
- Bank loans	(84,467)	-	-	(84,467)
- Finance leases	(1,555)	-	-	(1,555)
Net exposure	**(86,662)**	**104**	**(272)**	**(86,830)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

28. **Financial instruments (continued)**

2014	**US Dollar USD'000s**	**SA Rand USD'000s**	**Other USD'000s**	**Total USD'000s**
Financial Assets				
- Cash at bank	1,593	147	5,161	6,901
- Trade receivables	9,224	-	1,290	10,514
- Other receivables	32	46	287	365
Financial Liabilities				
- Bank overdrafts	(16,473)	-	(4,789)	(21,262)
- Trade and other payables	(3,941)	71	(3,583)	(7,453)
- Bank loans	(54,657)	-	-	(54,657)
- Finance leases	(2,351)	-	-	(2,351)
Net exposure	**(66,573)**	**264**	**(1,634)**	**(67,943)**

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:

(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.

28. **Financial instruments (continued)**

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

	2014		2013	
	ZMW'000s	**USD'000s**	**ZMW'000s**	**USD'000s**
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH	132,573	21,144	114,625	21,546
Standard Chartered Bank Zambia PLC	30,942	4,935	35,474	6,668
International Finance Corporation	149,340	23,818	145,555	27,360
	312,855	49,897	295,654	55,574

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 2013.

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

If the Zambian Kwacha had weakened against the United States dollar by (2014: 10 per cent.) (2013: 10 per cent.) then this would have resulted in the following impact on net profit and equity:

	2014		2013	
Weakening of the Kwacha	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Net profit/(loss)	(51,485)	(7,960)	(13,530)	(2,316)
Equity	1,288,712	186,851	1,301,065	222,328

28. **Financial instruments (continued)**

If Zambian Kwacha had strengthened against the United States Dollar by (2014: 5 per cent) (2013: 5 per cent) then this would have resulted in the following impact on net profit and equity:

	2014		2013	
Strengthening of the Kwacha	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Net profit/(loss)	(4,557)	(816)	30,818	6,109
Equity	1,335,640	224,232	1,345,413	266,208

There is no material difference between the carrying value and the fair value of the Group's financial liabilities.

(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 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 and USD.

The Group's term facilities are medium to long term with fixed spread over LIBOR. A 0.5 per cent. movement in the LIBOR rate would not have a material impact on the interest expense for the Group.

(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 with respect to borrowings is set out in notes 20, 23 and 24.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

29. Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 September 2014, 30 September 2013, and 1 October 2012.

30 September 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	ZMW'000	**ZMW'000**	**ZMW'000**	**ZMW'000**
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
US-dollar forward contracts				
-cash flow hedge	-	-	-	-
Other forward exchange contracts				
inventory (CMA)	-	155,677	-	155,677
Total Assets	**-**	**155,677**	**-**	**155,677**
Financial liabilities				
US-dollar loans	-	-	323,519	323,519
Contingent consideration	-	-	-	-
Total Liabilities	**-**	**-**	**323,519**	**323,519**
Net fair value	**-**	**155,677**	**(323,519)**	**(167,842)**

30 September 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	ZMW'000	**ZMW'000**	**ZMW'000**	**ZMW'000**
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
Other forward exchange contracts				
inventory (CMA)	-	119,966	-	119,966
Total Assets	**-**	**119,966**	**-**	**119,966**
Financial liabilities				
US-dollar forward contracts				
– cash flow hedge	-	-	-	-
US-dollar loans	-	-	283,753	283,753
Total Liabilities	**-**	**-**	**283,753**	**283,753**
Net fair value	**-**	**119,966**	**(283,753)**	**(163,787)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

29. Fair value measurement (Continued)

1 October 2012	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
Other forward exchange contracts				
Inventory (CMA)	-	156,570	-	156,570
Total Assets	**-**	**156,570**	**-**	**156,570**
Financial liabilities				
US-dollar forward contracts				
– cash flow hedge	-	-	-	-
US-dollar loans	-	-	279,689	279,689
Total Liabilities	**-**	**-**	**279,689**	**279,689**
Net fair value	**-**	**156,570**	**(279,689)**	**(123,119)**

30 September 2014	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
US-dollar forward contracts				
-cash flow hedge	-	-	-	-
Other forward exchange contracts				
inventory (CMA)	-	24,829	-	24,829
Total Assets	**-**	**24,829**	**-**	**24,829**
Financial liabilities				
US-dollar loans	-	-	51,598	51,598
Contingent consideration	-	-	-	-
Total Liabilities	**-**	**-**	**51,598**	**51,598**
Net fair value	**-**	**24,829**	**(51,598)**	**(26,769)**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

29. **Fair value measurement (Continued)**

30 September 2013	**Level 1 USD'000**	**Level 2 USD'000**	**Level 3 USD'000**	**Total USD'000**
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
Other forward exchange contracts inventory (CMA)	-	22,550	-	22,550
Total Assets	**-**	**22,550**	**-**	**22,550**
Financial liabilities				
US-dollar forward contracts – cash flow hedge	-	-	-	-
US-dollar loans	-	-	53,337	53,337
Total Liabilities	**-**	**-**	**53,337**	**53,337**
Net fair value	**-**	**22,550**	**(53,337)**	**(30,787)**

1 October 2012	**Level 1 USD'000**	**Level 2 USD'000**	**Level 3 USD'000**	**Total USD'000**
Financial assets				
Listed securities and debentures	-	-	-	-
Money market funds	-	-	-	-
Other forward exchange contracts inventory (CMA)	-	30,700	-	30,700
Total Assets	**-**	**30,700**	**-**	**30,700**
Financial liabilities				
US-dollar forward contracts – cash flow hedge	-	-	-	-
US-dollar loans	-	-	54,841	54,841
Total Liabilities	**-**	**-**	**54,841**	**54,841**
Net fair value	**-**	**30,700**	**(54,841)**	**(24,141)**

There were no transfers between Level 1 and Level 2 in 2014 or 2013.

29. Fair value measurement (Continued)

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief financial officer (CFO) and to the audit committee.

Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates. The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Foreign currency forward contracts (Level 2)

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

US-dollar loans (Level 2)

The fair values of the US-dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 4.81% (2013 4.81%).

Contingent consideration (Level 3)

The group did not have any contingent consideration during the year.

Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 September 2014, 30 September 2013, and 1 October 2012:

30 September 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	ZMW'000	**ZMW'000**	**ZMW'000**	**ZMW'000**
Property, plant and equipment:				
Land held for production in Zambia	-	-	405,425	405,425
Office building in Zambia	-	-	21,851	21,851

30 September 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	ZMW'000	**ZMW'000**	**ZMW'000**	**ZMW'000**
Land held for production in Zambia	-	-	405,260	405,260
Office building in Zambia	-	-	22,297	22,297

1 October 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	ZMW'000	**ZMW'000**	**ZMW'000**	**ZMW'000**
Land held for production in Zambia	-	-	142,987	142,987
Office building in Zambia	-	-	18,478	18,478

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

29. **Fair value measurement (continued)**

30 September 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Property, plant and equipment:				
Land held for production in Zambia	-	-	64,661	64,661
Office building in Zambia	-	-	3,485	3,485

30 September 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Land held for production in Zambia	-	-	76,177	76,177
Office building in Zambia	-	-	4,191	4,191

1 October 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Land held for production in Zambia	-	-	28,037	28,037
Office building in Zambia	-	-	3,623	3,623

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. Fairworld Properties Limited. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

Further information is set out below.
Land held for production in Zambia (Level 3)
Land has been valued using the direct comparison method. This method has been adopted as the most appropriate for the purpose of this valuation as there are enough comparisons available on the open market for land. The land was revalued on 30 September 2013.

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The fair values of the office buildings are estimated by using the direct comparison method. This method has been adopted as the most appropriate for the purpose of this valuation as there are enough comparisons available on the open market for buildings.

30. 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.

The company engaged a professional actuary, Quantum Consultants & Actuaries, to perform an actuarial valuation of the liability arising from the employee defined benefit plan as at 30 September 2014. The actuarial assumptions that had been used by management in arriving at the unfunded defined benefit obligation of ZMW7.5 million (USD1.2 million) as at 30 September 2014 have proven to be different from those being used by the actuaries. Management believe that the balance held as at year end may require to be adjusted. As of the report date, the actuary had not finalised the report and the level of misstatement could not be estimated reliably. Any adjustments that will arise from this actuarial valuation exercise will be passed once the report is finalised in the subsequent period.

31. Capital commitments

	2014		2013	
	ZMW'000s	**USD'000s**	**ZMW'000s**	**USD'000s**
Capital commitments entered into at the reporting date	22,503	3,589	67,468	12,682
Not contracted for at the reporting date	88,438	14,105	94,152	15,818

32. **Operating leases**

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

	2014		2013	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Within one year	12,370	-	8,209	-
One to five years	14,765	-	12,405	-

	2014		2013	
(i) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Within one year	1,973	-	1,543	-
One to five years	2,355	-	2,332	-

The Company's subsidiary, Zambeef Retailing Limited, has operating leases for its butcheries that are for a minimum period of 12 months and a maximum period of 5 years and renewable at the request of either party. There are no purchase options, contingent rent payments or restrictions arising on these leases.

33. **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 2014 are as follows:

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

33. **Related party transactions (continued)**

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

		2014		2013	
	Sale of	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Wellspring Limited	Animal feeds/bran	-	-	808	152
Foresythe Limited	Animal feeds/bran	404	68	9	2
Zambezi Ranching and Cropping Limited	Animal feeds/bran	27,681	4,708	18,372	3,460
Leopard Investments Company Limited	Animal feeds/bran	2,948	501	3,279	618
Zamhatch Limited	Leather/shoes	11	2	-	-
Proflight Commuter Services Limited	Retail products	-	-	-	-
		31,044	**5,279**	**22,468**	**4,232**

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

		2014		2013	
	Purchase of	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Zambezi Ranching and Cropping Limited	Cattle beef, wheat, soya beans	56,524	9,613	36,838	6,937
Wellspring Limited	Cattle beef	6,211	1,056	4,420	832
Foresythe Limited	Cattle beef	-	-	391	74
Leopard Investments Company Limited	Cattle beef, chickens, pigs, rental of property	8,374	1,426	7,405	1,395
Proflight Commuter Services Limited	Air travel tickets	101	17	81	15

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2014 (CONTINUED)

33. **Related party transactions (continued)**

		2014		2013	
	Purchase of	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Tractorzam Limited	Tractors/spares	3,619	615	5,246	988
Claudia Burton	Rental of property, Lamb	30	5	27	5
Fraca Meat Company Limited	Rental of property	-	-	6	1
Madison General Insurance Company Limited	Insurance	6,121	1,041	6,720	1,266
		80,980	**13,773**	**61,134**	**11,513**

(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:

	2014		2013	
	Group ZMW'000s	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Short-term benefits	44,823	21,644	49,725	22,437
Post-employment benefits	-	-	–	–
Other long-term benefits	-	-	–	–
	Group USD'000s	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Short-term benefits	7,623	3,681	9,364	4,225
Post-employment benefits	-	-	–	–
Other long-term benefits	-	-	–	–

33. **Related party transactions (continued)**

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.

34. **Currency re-denomination**

On 1 January 2013, the Zambian Kwacha was re-denominated. The re-denomination entailed that all balances carried forward after 31 December 2012 were converted into the re-denominated currency by dividing the nominal value of the existing currency by a multiplicand of one thousand. These financial statements have been prepared in the new symbol Kwacha (ZMW). Comparative figures have also been rebased by the division of all figures by 1,000.

35. **Events subsequent to reporting date**

No item, transaction or event of a material and unusual nature has arisen since 30 September 2014, which in the opinion of the directors would substantially affect 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.