

**Zambeef Products Plc
and its Subsidiaries**

**Consolidated Financial
Statements**

30 September 2003

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

Contents	Page
Chairman's statement	1-3
Report of the directors	4-6
Statement of directors' responsibilities	7
Report of the auditors	8
Consolidated profit and loss account	9
Statement of changes in equity	10-11
Consolidated balance sheet	12
Company balance sheet	13
Consolidated cash flow statement	14
Notes to the financial statements	15-25

ZAMBEEF PRODUCTS PLC

CHAIRMAN'S STATEMENT

This has been an extremely exciting year for Zambef Products Plc . The company was quoted on the Lusaka Stock Exchange on 14th February 2003. In addition to this the Company together with its subsidiary companies have had an outstanding year with profits up 77% on the previous year. Zambef thus continues to be one of the fastest growing and most successful companies in Zambia. A brief summary of the activities of the group are detailed below:

Meat operations

The meat operations have had a good year with beef being scarce both in Zambia and the region. This resulted in beef prices increasing in real terms which impacted positively on the results of the division. Zambef continues to expand and up grade its retailing network. Zambef hopes to open up new markets in the region and believes this division will continue to perform strongly in the next year.

Chicken Broiler Operations

This division continued to be Zambef's fastest growing and one of its most profitable divisions. During the year Chicken production doubled to approximately 45,000 birds per week. In addition the chicken abattoir was modernized, upgraded and mechanized. This has resulted in Zamchick becoming the brand leader in the country. Zambef intends to continue to invest heavily in expanding its broiler operations for the next year and believes this will again continue to be one of Zambef's fastest growing divisions for the next financial year.

Chicken Layer Operations

During the year Zambef commissioned its first two layer houses with 34,000 layers producing approximately 200,000 eggs per week. The reception the Zamchick eggs have received in the market has been overwhelming resulting in Zambef planning to double its egg production during the current year and take up the challenge of being Zambia's only national egg supplier. The future for this division looks very bright for the foreseeable future.

Dairy Division

This division had an outstanding year. The company's continued large reinvestment into this division has helped contribute to Zammilk being the premier fresh milk brand in Zambia. Zambef hopes to significantly expand this division during the next financial year.

ZAMBEEF PRODUCTS PLC**CHAIRMAN'S STATEMENT (CONTINUED)****Cropping Division**

Zambeef increased its irrigated cropping from 300 hectares to 600 hectares during the last financial year and its Dry Land Cropping from 900 hectares to 1,400 hectares. In addition a modern fully automated drier and silo complex was built to help cope with the rapid expansion of this division. With the regional shortage of crops as a result of the dramatic reduction in the Zimbabwe maize, wheat and soya output, prices have been excellent. Zambeef expects this situation to continue for the foreseeable future. As a result Zambeef plans to continue to invest heavily in expanding its cropping division with four to five new center pivots, and two new silos planned for the next year. The growth potential remains excellent for the foreseeable future.

Feedplant

With the rapid expansion of Zambeef's Chicken broiler and layer operations, the company has had to expand its feedplant dramatically to cope with the extra demand for feed. Zambeef now produces and feeds just under 100 tonnes of feed per day to its broiler, layer, feedlot and dairy operations. This division will continue to expand aggressively during the next financial year to cope with the rapid expansion of Zambeef's layer and broiler operations.

Feedlot

Zambeef feedlot continued to produce approximately 15,000 top quality grainfed steers and heifers. The regional shortage of beef resulted in good real price increases for beef which resulted in this division having an excellent year.

Tannery

Margins in this division were under pressure as the world hide markets remained depressed. Despite the depressed international hide market, Zamleather performed well and continued to be a major non-traditional exporter with exports of approximately US\$1.3 million during the year. During the year the tannery has worked hard on improving its finished leather production with the intention of adding more value to its hides. The international hide prices dropped by almost 40% in the last year. If this situation reverses it will have a dramatic impact on the tannery.

Zamshu

In order to add more value to its hides, Zambeef Products Plc's wholly owned subsidiary commissioned a new shoe plant just before the year end. The initial response to this division has been excellent and Zambeef believes the shoe plant will have a dramatic effect on the results of Zamleather for the next year.

ZAMBEEF PRODUCTS PLC

CHAIRMAN'S STATEMENT (CONTINUED)

Conclusion

Zambeef can look proudly on its achievements over the last year. The company has continued with its impressive growth record and looks forward to the next financial year with a great deal of confidence.

Finally I would like to pay tribute to all Zambeef's employees for their dedication and hardwork over the last year which has made these very impressive results possible. In addition I would like to congratulate the management for their outstanding achievements and thank them for their cooperation.

Jacob Mwanza
CHAIRMAN

ZAMBEEF PRODUCTS PLC

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report on the activities of the company for the year ended 30 September 2003.

1. **Principal activities**

The company's major activities comprise feedlotting, poultry, dairy, cropping, slaughtering and retailing of meat products as well as running a tannery and shoe plant.

2. **The company**

The company was a wholly owned subsidiary of Zambezi Ranching and Cropping Limited until 2 January 2003. The company floated on the Lusaka Stock Exchange on 14 February 2003 when it became a public listed company. The company is incorporated and domiciled in Zambia.

Business address

Plot 1164, Nkanchibaya Road
Rhodes Park
Lusaka
ZAMBIA

Postal address

Private Bag 17
Woodlands
Lusaka
ZAMBIA

3. **Share capital**

The company quoted all of its 114,669,450 ordinary shares on 14 February 2003 on the Lusaka Stock Exchange. Details of the authorised and issued share capital of the company appear in note 15 to the financial statements.

4. **Results**

The profit for the year after taxation amounted to K15,559 million compared to K8,992 million in the previous year.

5. **Dividends**

During the year an interim dividend of K1,436 million was paid to the shareholders. A final dividend of K4,800 million was proposed.

6. **Management**

The Senior Management team comprise the following:

Carl Irwin	Joint Managing Director
Francis Grogan	Joint Managing Director
Murray Moore	General Manager – Meat
Dawid Mynhardt	General Manager – Farming
Richard Dubler	General Manager – Transport
David Ng'ambi	Human Resource Manager
Eddie Tembo	Security Manager
Naga Subudhi	General Manager – Tannery
Willem van Delft	General Manager – Shoe Plant
Craig Harris	Financial Controller
Ebraham Israel	National Retailing Manager

REPORT OF THE DIRECTORS (CONTINUED)**7. Directors and Secretary**

The directors who served during the financial year and at the date of this report were as follows:

J Mwanza	Chairman (appointed 21 January 2003)
R Clyde Anderson	
C Irwin	
F Grogan	
H Duckworth	
J Rabb	
L Sikutwa	
D Phiri	
I Muyenga	(appointed 11 September 2003)
D Ihmann	Secretary

8. Directors' interests

The directors held the following interests in the company's ordinary shares at the balance sheet date:

	Beneficial	Non-beneficial
J Mwanza	45,000	-
R. Clyde Anderson	4,494,963	-
C Irwin	-	19,086,694
F Grogan	-	19,086,657
H Duckworth	682,200	20,095,235
J Rabb	-	17,910,977
D Phiri	-	-
L Sikutwa	-	-
I Muyenga	-	-
	<u>5,222,163</u>	<u>76,179,563</u>

9. Employees

The group employs 1,060 full time employees (2002 – 1,051) and total salaries and wages were K9,467 million for the year ended 30 September 2003 (2002 – K7,775 million). The company employs 484 full time employees and total salaries and wages were K4,871 million (2002 – K4,888 million).

The average number of staff for each month in the year was as follows:

October	1,071
November	1,059
December	1,070
January	1,066
February	1,056
March	1,046
April	1,051
May	1,048
June	1,069
July	1,059
August	1,065
September	1,060

ZAMBEEF PRODUCTS PLC**REPORT OF THE DIRECTORS (CONTINUED)****10. Gifts and donations**

The group makes regular donations to a number of activities which includes Kasisi Orphanage, Cheshire Homes, Kaoma Orphanage, Liteta Invalid Compound, Mother of Mary Hospice, Jon Hospice and Kabwe High Security Prison.

11. Export sales

The group made exports of US\$1.3 million during the year (2002 – US\$1.35 million).

12. Fixed assets

The group's fixed assets were revalued at 31 December 2002. This resulted in the fixed assets being presented in the financial statements at more realistic values than the historical cost at which they were presented. The return on capital employed ratio is therefore more representative of the financial position of the group. Additions totalling K8,598,164,000 were purchased during the year.

13. Other material facts, circumstances and events

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

14. Annual financial statements

The annual financial statements set out on pages 9 to 25 have been approved by the directors.

15. Auditors

In accordance with the provisions of the Articles of Association of the company 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

Company Secretary

Date

ZAMBEEF PRODUCTS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1994. They are also responsible for safeguarding the assets of the company and 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 state of affairs of the company and the group at 30 September 2003 and of the profit and cash flows of the group for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the company and the group will be able to pay its debts as and when these fall due;
- (c) the financial statements are drawn up in accordance with applicable accounting standards.

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

Signed at **Lusaka** on

Director

Director

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ZAMBEEF PRODUCTS PLC**

We have audited the financial statements on pages 9 to 25.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 2003 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1994 and, the accounting and other records and registers have been properly kept in accordance with the Act.

Chartered Accountants

**Sujit N Maitra
Partner**

Lusaka

Date

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Notes	2003 K'000	2002 K'000 (Restated)
Turnover	4	121,777,922	87,565,212
Cost of sales		<u>(65,026,470)</u>	<u>(53,221,800)</u>
Gross profit		56,751,452	34,343,412
Administrative expenses		(36,443,657)	(23,945,436)
Finance costs		<u>(911,511)</u>	<u>(584,693)</u>
Profit before taxation	5	19,396,284	10,397,976
Taxation	6	<u>(3,837,434)</u>	<u>(1,406,116)</u>
Profit for the year		<u>15,558,850</u>	<u>8,991,860</u>
Earnings per share	7	<u>135.68</u>	<u>78.42</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	Group					
	Share capital K'000	Share premium K'000	Goodwill on consolidation K'000	Revaluation reserve K'000	Retained profits K'000 (Restated)	Total K'000
Balance at 1 October 2001 as previously reported	10,000	3,211,510	(594,316)	209,834	11,462,270	14,299,298
Change in accounting policy with respect to livestock valuation (note 3)	-	-	-	-	2,172,000	2,172,000
As restated	10,000	3,211,510	(594,316)	209,834	13,634,270	16,471,298
Profit for the year	-	-	-	-	8,991,860	8,991,860
Dividends paid	-	-	-	-	(8,500,000)	(8,500,000)
Goodwill written off	-	-	148,579	-	(148,579)	-
Amortisation of revaluation reserve	-	-	-	(12,025)	12,025	-
Balance at 30 September 2002	10,000	3,211,510	(445,737)	197,809	13,989,576	16,963,158
Revaluation in the year	-	-	-	36,650,828	-	36,453,020
Profit for the year	-	-	-	-	15,558,850	15,756,658
Dividends paid	-	-	-	-	(1,436,211)	(1,436,211)
Dividends proposed	-	-	-	-	(4,800,000)	(4,800,000)
Goodwill written off	-	-	148,579	-	(148,579)	-
Amortisation of revaluation reserve	-	-	-	(2,223,043)	2,223,043	-
Balance at 30 September 2003	<u>10,000</u>	<u>3,211,510</u>	<u>(297,158)</u>	<u>34,625,594</u>	<u>25,386,679</u>	<u>62,936,625</u>

ZAMBEEF PRODUCTS PLC**STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2003 (CONTINUED)**

	Company				
	Share capital K'000	Share premium K'000	Revaluation reserve K'000	Retained profits K'000 (Restated)	Total K'000
Balance at 1 October 2001 as previously reported	10,000	3,211,510	-	11,340,105	14,561,615
Change in accounting policy with respect to livestock valuation (note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,172,000</u>	<u>2,172,000</u>
As restated	10,000	3,211,510	-	13,512,105	16,733,615
Profit for the year	-	-	-	8,764,463	8,764,463
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,500,000)</u>	<u>(8,500,000)</u>
Balance at 30 September 2002	10,000	3,211,510	-	13,776,568	16,998,078
Profit for the year	-	-	-	15,837,766	15,837,766
Dividends paid	-	-	-	(1,436,211)	(1,436,211)
Dividends proposed	-	-	-	(4,800,000)	(4,800,000)
Revaluation in the year	-	-	27,129,621	-	27,129,621
Amortisation of revaluation reserve	<u>-</u>	<u>-</u>	<u>(1,572,696)</u>	<u>(1,572,696)</u>	<u>-</u>
	<u>10,000</u>	<u>3,211,510</u>	<u>25,556,925</u>	<u>24,950,819</u>	<u>53,729,254</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**CONSOLIDATED BALANCE SHEET - 30 SEPTEMBER 2003**

	Notes	2003 K'000	2002 K'000 (Restated)
ASSETS			
Non – current assets			
Fixed assets	8	<u>54,026,143</u>	<u>12,511,987</u>
Current assets			
Biological assets	11	18,359,413	10,398,539
Stocks	12	12,169,460	5,316,600
Debtors and other receivables	13	7,423,522	3,132,885
Bank balances and cash		<u>223,911</u>	<u>135,688</u>
		<u>38,176,306</u>	<u>18,983,712</u>
Total assets		<u>92,202,449</u>	<u>31,495,699</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	10,000	10,000
Share premium	16	3,211,510	3,211,510
Reserves		<u>59,715,115</u>	<u>13,741,648</u>
		<u>62,936,625</u>	<u>16,963,158</u>
Non – current liabilities			
Interest bearing liabilities	17	6,112,604	2,815,675
Deferred liability	18	2,530,536	739,536
Deferred taxation	19	<u>4,355,542</u>	<u>2,570,534</u>
		<u>12,998,682</u>	<u>6,125,745</u>
Current liabilities			
Creditors and other payables	20	4,340,046	1,946,791
Amounts due to related companies	21	253,505	2,609,808
Bank overdrafts	22	3,765,094	1,162,314
Interest bearing liabilities	17	1,276,267	1,103,239
Taxation payable		1,832,230	1,584,644
Dividends payable		<u>4,800,000</u>	<u>-</u>
		<u>16,267,142</u>	<u>8,406,796</u>
Total equity and liabilities		<u>92,202,449</u>	<u>31,495,699</u>

The financial statements on pages 9 to 25
were approved by the Board of Directors
on
and were signed on its behalf by:

)
) DIRECTORS
)

ZAMBEEF PRODUCTS PLC**BALANCE SHEET - 30 SEPTEMBER 2003**

	Notes	2003 K'000	2002 K'000 (Restated)
ASSETS			
Non – current assets			
Fixed assets	8	42,117,892	10,287,788
Investments	9	1,506,640	1,506,640
Loans to subsidiary companies	10	<u>700,000</u>	<u>-</u>
		<u>44,324,532</u>	<u>11,794,428</u>
Current assets			
Biological assets	11	18,359,413	10,398,539
Stocks	12	9,501,328	3,925,203
Debtors and other receivables	13	3,320,365	354,885
Amounts due from related companies	14	<u>14,902,155</u>	<u>6,307,955</u>
		<u>46,083,261</u>	<u>20,986,382</u>
Total assets		<u>90,407,793</u>	<u>32,780,810</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	10,000	10,000
Share premium	16	3,211,510	3,211,510
Reserves		<u>50,507,744</u>	<u>13,776,568</u>
		<u>53,729,254</u>	<u>16,998,078</u>
Non – current liabilities			
Interest bearing liabilities	17	6,112,604	2,815,675
Deferred liability	18	2,061,739	365,739
Deferred taxation	19	<u>4,239,177</u>	<u>2,454,169</u>
		<u>12,413,520</u>	<u>5,635,583</u>
Current liabilities			
Creditors and other payables	20	3,257,743	1,524,500
Amounts due to related companies	21	6,985,359	4,841,918
Bank overdrafts	22	6,178,948	1,270,650
Interest bearing liabilities	17	1,276,267	1,103,239
Taxation payable		1,766,701	1,406,842
Dividends payable		<u>4,800,000</u>	<u>-</u>
		<u>24,265,018</u>	<u>10,147,149</u>
Total equity and liabilities		<u>90,407,793</u>	<u>32,780,810</u>

The financial statements on pages 9 to 25
were approved by the Board of Directors
on
and were signed on its behalf by:

)
) DIRECTORS
)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2003**

	2003 K'000	2002 K'000 (Restated)
Cash inflow from operating activities		
Profit before taxation	19,396,284	8,991,860
Interest paid	911,511	603,171
Depreciation	3,734,836	1,364,350
Increase in biological assets	(7,960,874)	-
Increase in stocks	(6,852,860)	(71,655)
(Increase)/decrease in debtors and prepayments	(4,290,637)	(317,054)
(Decrease)/increase in creditors	2,393,255	(396,085)
Increase/(decrease) in amount due to related company	(2,356,303)	(1,356,281)
Increase in deferred liability	<u>1,791,000</u>	<u>-</u>
Net cash inflow from operating activities	<u>6,766,212</u>	<u>8,818,306</u>
Returns on investments and servicing of finance		
Interest paid	(911,511)	(603,171)
Dividends paid	<u>(1,436,211)</u>	<u>(8,500,000)</u>
Net cash outflow on returns on investments and servicing of finance	<u>(2,347,722)</u>	<u>(9,103,171)</u>
Taxation		
Taxation paid	(1,804,840)	(372,501)
Investing activities		
Purchase of fixed assets	<u>(8,598,164)</u>	<u>(2,086,162)</u>
Net cash outflow on investing activities	<u>(8,598,164)</u>	<u>(2,086,162)</u>
Net cash outflow before financing	5,786,706	(2,743,528)
Financing		
Long term loans repaid	(1,103,239)	(844,651)
Receipt from long term loans	<u>4,573,196</u>	<u>1,566,786</u>
Net cash inflow from financing	<u>3,469,957</u>	<u>722,135</u>
Decrease in cash and cash equivalents	(2,514,557)	(2,021,393)
Cash and cash equivalents at 1 October 2002	<u>(1,026,626)</u>	<u>994,767</u>
Cash and cash equivalents at 30 September 2003	<u>(3,541,183)</u>	<u>(1,026,626)</u>
Represented by:		
Bank balances and cash	223,911	135,688
Bank overdrafts	<u>(3,765,094)</u>	<u>(1,162,314)</u>
	<u>(3,541,183)</u>	<u>(1,026,626)</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003

1. The company

The company was a wholly owned subsidiary of Zambezi Ranching and Cropping Limited, until 2 January 2003. The company floated on the Lusaka Stock Exchange on 14 February 2003 when it became a public listed company. The company is incorporated and domiciled in Zambia

The group's principal activities comprise feedlotting, poultry, dairy, cropping, slaughtering, wholesaling and retailing of meat products, and leather processing.

2. Principal accounting policies

As in previous years, the group's financial statements are prepared in accordance with International Accounting Standards, including the historical cost convention as modified by the inclusion of fixed assets at a valuation. The following is a summary of the more important accounting policies used by the group:

(a) Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the parent company and its subsidiary companies made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intergroup transactions and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

(b) Fixed assets

Fixed assets are included in the balance sheet at cost or valuation less accumulated depreciation. Revaluations are carried out every three to five years by independent valuers and the basis of valuation used is open market value for its existing use.

The directors review the economic value of assets to the business on an annual basis to ensure that carrying values have not been impaired.

(c) Depreciation

Depreciation is calculated to write off the cost or valuation of fixed assets, less estimated residual values, over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:-

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

(d) Short/long term loans

Short term loans include all amounts due within twelve months of the balance sheet date including instalments due on loans of longer duration. Long term loans include all amounts due more than twelve months after the balance sheet date.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

2. Principal accounting policies (continued)

(e) Biological assets

Biological assets are valued at the 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.

(f) Stocks

Stocks are stated at the lower of cost and net realisable 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 realisable value takes into account all further costs directly related to marketing, selling and distribution.

(g) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated to Zambian Kwacha at the rates of exchange ruling at the balance sheet date. Gains and losses on translation are dealt with through the profit and loss account in the period in which they arise.

(h) Deferred taxation

Provision is made for deferred tax liabilities against the amounts of income taxes payable in future periods in respect of taxable temporary differences.

(i) Revaluation reserve

The surplus arising on revaluation of fixed assets is credited to a revaluation reserve. A transfer is made from this reserve to the revenue reserve each year equivalent to the difference between the actual depreciation charge for the year and the depreciation charge based on historical values.

(j) Provisions

Provisions are recognised when the company has a present legal and constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. Change in accounting policy

During the year the company changed its accounting policy with respect to the valuation of biological assets. In order to conform with IAS 41, Agriculture, the company now measures biological assets at their fair value less estimated point of sale costs. The company has applied IAS 41 before the mandatory operative date. This change in accounting policy has been accounted for retrospectively. The comparative financial information for 2002 has been restated to conform to the changed policy. The effect of the change is an increase in gross profit of K250,355,000 in 2003 and K106,056,000 in 2002. Opening retained earnings for 2002 has been increased by K2,172,000,000 which is the amount of the adjustment relating to years prior to 2002.

4. Turnover

Turnover represents the value of goods invoiced to customers during the year, less returns and allowances.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)****5. Profit before taxation**

Profit before taxation is stated after charging:-

	2003 K'000	2002 K'000 (Restated)
Depreciation	<u>3,734,836</u>	<u>1,364,350</u>
Staff costs	<u>11,273,648</u>	<u>7,748,868</u>
Legal and professional fees	<u>281,664</u>	<u>101,353</u>
Exchange losses	<u>360,363</u>	<u>676,467</u>
and after crediting:		
Change in fair value less estimated point of sale costs of biological assets	<u>250,355</u>	<u>106,056</u>
6. Taxation		
Income tax at 35%/15% on taxable profit for the year (2002 – 35%/15%)	2,052,426	1,375,281
Deferred taxation	<u>1,785,008</u>	<u>30,835</u>
	<u>3,837,434</u>	<u>1,406,116</u>
7. Earnings per share		
Profit for the year	<u>15,558,850</u>	<u>8,991,860</u>
Earnings per share based on 114,669,450 ordinary shares	<u>135.68</u>	<u>78.42</u>

The weighted average number of ordinary shares is 114,669,450.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

8. Fixed assets

(a) Group

	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
Cost or valuation					
At 1 October 2002	6,396,481	7,117,493	3,582,234	630,836	17,727,044
Additions	728,477	6,521,862	1,023,590	324,235	8,598,164
Surplus on valuation	<u>15,516,803</u>	<u>11,620,975</u>	<u>3,169,185</u>	<u>707,931</u>	<u>31,014,894</u>
At 30 September 2003	<u>22,641,761</u>	<u>25,260,330</u>	<u>7,775,009</u>	<u>1,663,002</u>	<u>57,340,102</u>
Cost	7,124,958	13,639,355	4,605,824	955,071	26,325,208
Valuation	<u>15,516,803</u>	<u>11,620,975</u>	<u>3,169,185</u>	<u>707,931</u>	<u>31,014,894</u>
	<u>22,641,761</u>	<u>25,260,330</u>	<u>7,775,009</u>	<u>1,663,002</u>	<u>57,340,102</u>
Depreciation					
At 1 October 2002	594,619	2,019,705	2,431,397	169,336	5,215,057
Charge for the year	375,255	1,954,158	1,274,393	131,030	3,734,836
Adjustment on valuation	<u>(627,299)</u>	<u>(2,207,608)</u>	<u>(2,615,591)</u>	<u>(185,436)</u>	<u>(5,635,934)</u>
At 30 September 2003	<u>342,575</u>	<u>1,766,255</u>	<u>1,090,199</u>	<u>114,930</u>	<u>3,313,959</u>
Net book value					
At 30 September 2003	<u>22,299,186</u>	<u>23,494,075</u>	<u>6,684,810</u>	<u>1,548,072</u>	<u>54,026,143</u>
At 30 September 2002	<u>5,801,862</u>	<u>5,097,788</u>	<u>1,150,837</u>	<u>461,500</u>	<u>12,511,987</u>

(b) During the year the group's fixed assets were revalued by Knight Frank, Registered Valuation Surveyors, on the basis of open market value for existing use for buildings and depreciated replacement cost for other assets. Surplus on valuation and depreciation no longer required totalling K36,650,828,000 has been transferred to revaluation reserve.

(c) The net book value of the group's fixed assets using the benchmark treatment of IAS 16 would have been as follows:

	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
	<u>6,406,264</u>	<u>10,702,635</u>	<u>1,767,750</u>	<u>721,707</u>	<u>19,598,357</u>

(d) The depreciation charge for the year includes K2,223,043,000 (2002 - K12,025,000) 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 company's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

8. Fixed assets (continued)

(e) Company	Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
Cost					
At 1 October 2002	5,157,191	5,890,557	3,394,764	338,271	14,780,783
Additions	450,715	5,779,149	1,003,590	278,151	7,511,605
Surplus on valuation	<u>13,500,977</u>	<u>6,057,753</u>	<u>2,610,601</u>	<u>101,431</u>	<u>22,270,761</u>
At 30 September 2003	<u>19,108,883</u>	<u>17,727,459</u>	<u>7,008,955</u>	<u>717,853</u>	<u>44,563,150</u>
Cost	5,607,906	11,669,706	4,398,354	616,422	22,292,388
Valuation	<u>13,500,977</u>	<u>6,057,753</u>	<u>2,610,601</u>	<u>101,431</u>	<u>22,270,761</u>
	<u>19,108,883</u>	<u>17,727,459</u>	<u>7,008,955</u>	<u>717,853</u>	<u>44,563,150</u>
Depreciation					
At 1 October 2002	510,251	1,599,758	2,285,092	97,894	4,492,995
Charge for the year	309,741	1,295,867	1,151,633	53,882	2,811,123
Adjustment on valuation	<u>(536,335)</u>	<u>(1,756,982)</u>	<u>(2,458,912)</u>	<u>(106,631)</u>	<u>(4,858,860)</u>
At 30 September 2003	<u>283,657</u>	<u>1,138,643</u>	<u>977,813</u>	<u>45,145</u>	<u>2,445,258</u>
Net book value					
At 30 September 2003	<u>18,825,226</u>	<u>16,588,816</u>	<u>6,031,142</u>	<u>672,708</u>	<u>42,117,892</u>
At 30 September 2002	<u>4,646,940</u>	<u>4,290,799</u>	<u>1,109,672</u>	<u>240,377</u>	<u>10,287,788</u>

(f) During the year the company's fixed assets were revalued by Knight Frank, Registered Valuation Surveyors, on the basis of open market value for existing use for buildings and depreciated replacement costs for other assets. Surplus on valuation and depreciation no longer required totalling K27,129,621,000 has been transferred to revaluation reserve.

(g) The net book value of the fixed assets using the benchmark treatment of IAS 16 would have been as follows:

Leasehold land and buildings K'000	Plant and machinery K'000	Motor vehicles K'000	Furniture and equipment K'000	Total K'000
<u>4,998,474</u>	<u>9,360,186</u>	<u>1,722,055</u>	<u>480,251</u>	<u>16,560,967</u>

(h) The depreciation charge for the year includes K1,572,696,000 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 company's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)****9. Investments**

	2003	2002
	K'000	K'000
At cost:		
At 1 October 2002 and at 30 September 2003	<u>1,506,640</u>	<u>1,506,640</u>

Shares represent equity holdings in the following companies incorporated in Zambia:

Name of company	Value	Equity held
	K'000	%
Zambeef Retailing Limited	30,000	100
Zamleather Limited	<u>1,476,640</u>	100
	<u>1,506,640</u>	

In the opinion of the directors, the value of the company's interests in the subsidiary companies are not less than the amounts at which they are stated in these financial statements.

	2003	2002
	K'000	K'000
10. Loans to subsidiary companies		
Zambeef Retailing Limited	400,000	-
Zamleather Limited	<u>300,000</u>	<u>-</u>
	<u>700,000</u>	<u>-</u>

The loans are interest free and have no fixed repayment terms.

11. Biological assets

Biological assets comprise feedlot cattle, dairy cattle and chickens. At 30 September 2003 there were 7,130 cattle and 166,909 chickens. A total of 15,920 cattle and 11,374,214 chickens were culled in the year.

	Crops	Cattle	Chickens	Total
	K'000	K'000	K'000	K'000
At 1 October 2002	184,000	9,688,243	526,296	10,398,539
Increases due to purchases	-	25,837,279	4,142,507	29,979,786
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	3,181,136	7,451,495	13,313,151	23,945,782
Decrease due to sales	<u>(184,000)</u>	<u>(29,324,439)</u>	<u>(16,456,255)</u>	<u>(45,964,694)</u>
At 30 September 2003	<u>3,181,136</u>	<u>13,652,578</u>	<u>1,525,699</u>	<u>18,359,413</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)**

	<u>2003</u>		<u>2002</u>	
	Group K'000	Company K'000	Group K'000	Company K'000
12. Stocks				
Abattoir stocks	155,391	155,391	276,383	276,383
Stock feeds	5,658,978	5,658,978	2,432,364	2,432,364
Harvested crops	1,605,760	1,605,760	711,993	711,993
Consumables	3,675,933	2,081,199	1,333,907	504,263
Raw hides and chemicals	<u>1,073,398</u>	<u>-</u>	<u>561,953</u>	<u>-</u>
	<u>12,169,460</u>	<u>9,501,328</u>	<u>5,316,600</u>	<u>3,925,003</u>
13. Debtors and other receivables				
Trade debtors	6,743,693	2,640,536	3,132,885	354,885
Other receivables	<u>679,829</u>	<u>679,829</u>	<u>-</u>	<u>-</u>
	<u>7,423,522</u>	<u>3,320,365</u>	<u>3,132,885</u>	<u>354,885</u>
14. Amounts due from related companies				
Group companies	<u>-</u>	<u>14,902,155</u>	<u>-</u>	<u>6,307,955</u>
	<u>-</u>	<u>14,902,155</u>	<u>-</u>	<u>6,307,955</u>
			2003 K'000	2002 K'000
15. Share capital				
114,669,450 ordinary shares of K0.0872 each Authorised, issued and fully paid			<u>10,000</u>	<u>10,000</u>
114,669,450 ordinary shares of K0.0872 each Authorised, issued and fully paid			<u>10,000</u>	<u>10,000</u>
16. Share premium				
At 30 September 2003 and 2002			<u>3,211,510</u>	<u>3,211,510</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)**

	2003	2002
	K'000	K'000
17. Interest bearing liabilities		
Barclays Bank of Zambia Limited (note (a))	7,287,324	3,674,985
Stanbic Bank Zambia Limited (note (b))	<u>101,547</u>	<u>243,929</u>
	7,388,871	3,918,914
Less: Short term portion (repayable within next 12 months)	<u>(1,276,267)</u>	<u>(1,103,239)</u>
Long term portion (repayable after 12 months)	<u>6,112,604</u>	<u>2,815,675</u>

(a) Barclays Bank of Zambia Limited

- The company has a loan facility of Euros 70,000 (2002 – Euros 140,000) from Barclays Bank of Zambia Limited under a European Investment Bank line of credit. Interest on the loan is 6.5% per annum and the principal is repayable in 2 equal quarterly instalments in December and March next year.
- The company has a loan facility of Euros 357,143 (2002 – Euros 500,001) from Barclays Bank of Zambia Limited under a European Investment Bank industrial line of credit. Interest on the loan is 6.5% per annum payable quarterly in arrears. The principal is repayable in 10 equal instalments in February, May, August and November of each year.
- The company has a loan facility of Euros 200,000 (2002 – Euros 200,000) from Barclays Bank of Zambia Limited under a European Investment Bank line of credit. Interest on the loan is 8.8% per annum and the principal is repayable in 20 equal quarterly instalments commencing 21 June 2004.
- The company has a loan facility of Euros 700,000 (2002 – Euros Nil) from Barclays Bank of Zambia Limited under a European Investment Bank line of credit. Interest on the loan is 8.8% per annum payable monthly in arrears. The principal is repayable in 20 equal quarterly instalments commencing August 2005.
- The loan is secured by:
 - i) Debenture creating a fixed and floating charge over all the assets of the company for Euro 1,450,000 ranking parri passu with the Citibank debenture.
 - ii) Legal mortgage over Farm No. 721 (Kalundu Farm) for US\$600,000.
 - iii) Keyman Insurance for US\$478,000 on Carl Irwin and Francis Grogan.

(b) Stanbic Bank Zambia Limited

- The company has a loan facility of Euros 18,400 (2002 – Euros 55,200) from Stanbic Bank Zambia Limited under a European Investment Bank line of credit. Interest on the loan is 8.5% per annum payable half yearly in arrears. The last principal payment is payable in November 2003.
- The loan is secured by:
 - i) A floating charge over the assets financed as well as the standing crops under the centre pivot financed.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

18. 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 arises and when an employee has been employed for more than ten years. Uncertainty exists over the amount of future outflows due to staff turnover levels.

	Group K'000	Company K'000
At 1 October 2002	739,536	365,739
Provisions made	<u>1,791,000</u>	<u>1,696,000</u>
At 30 September 2003	<u>2,530,536</u>	<u>2,061,739</u>

19. Deferred taxation

	Group			
	2003		2002	
	Full potential liability K'000	Provision made K'000	Full potential liability K'000	Provision made K'000
Cattle valuation	2,014,461	2,014,461	854,505	854,505
Accelerated tax allowances	<u>2,341,081</u>	<u>2,341,081</u>	<u>1,716,029</u>	<u>1,716,029</u>
	<u>4,355,542</u>	<u>4,355,542</u>	<u>2,570,534</u>	<u>2,570,534</u>

	Company			
	2003		2002	
	Full potential liability K'000	Provision made K'000	Full potential liability K'000	Provision made K'000
Cattle valuation	2,014,461	2,014,461	854,505	854,505
Accelerated tax allowances	<u>2,224,716</u>	<u>2,224,716</u>	<u>1,599,664</u>	<u>1,599,664</u>
	<u>4,239,177</u>	<u>4,239,177</u>	<u>2,454,169</u>	<u>2,454,169</u>

	2003				2002			
	Group K'000		Company K'000		Group K'000		Company K'000	
	20. Creditors and other payables							
Trade creditors	<u>4,340,046</u>	<u>3,257,743</u>	<u>1,946,791</u>	<u>1,524,500</u>	<u>4,340,046</u>	<u>3,257,743</u>	<u>1,946,791</u>	<u>1,524,500</u>
21. Amounts due to related companies								
Group companies	<u>253,505</u>	<u>6,985,359</u>	<u>2,609,808</u>	<u>4,841,918</u>				

The above balance relates to arm's length transactions between the two parties. Zambezi Ranching and Cropping Limited supplies Zambef Products Plc with cattle for slaughter and long weaners for Zambef Products Plc's feedlot on a regular basis. Zambezi Ranching and Cropping Limited was the company's holding company until 2 January 2003.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

22. Bank overdrafts

The company has overdraft facilities totalling K700 million (2002 - K700 million) and US\$660,000 (2002 - US\$nil), and a bank guarantee line of US\$300,000 (2002 - US\$140,000) with Citibank Zambia Limited. The overdrafts bear interest rates of base rate plus 4% for the Kwacha facility and 8% for the United States Dollar facility. One of the subsidiary companies has further overdraft facilities totalling K100 million (2002 - K100 million) and a foreign exchange line of US\$100,000 (2002 - US\$100,000) with Barclays Bank of Zambia Limited.

	2003		2002	
	Group K'000	Company K'000	Group K'000	Company K'000
Citibank Zambia Limited (note (b))	<u>3,765,094</u>	<u>6,178,948</u>	<u>1,162,314</u>	<u>1,270,650</u>

- (a) The bank overdrafts and the guarantee line are secured by a first floating charge over all the assets of the company and the subsidiary company.
- (b) The group has a right of set off for overdraft balances with positive bank balances at group level.

23. Financial instruments

Financial assets

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

Financial liabilities

The group's financial liabilities are long term loans and trade creditors. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Trade creditors and loans are stated at their nominal value.

(a) Price risk

(i) Currency risk

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

(ii) Interest rate risk

Financial assets are not exposed to the risk that their value will fluctuate due to changes in market interest rates. Details of the interest rates and maturity of interest bearing borrowings are disclosed in note 17.

(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 debtors

The directors believe the credit risk of trade debtors is low. The credit risk is managed by the selective granting of credit and credit limits.

(c) Liquidity risk

The group is not believed to be exposed to significant liquidity risk being inability to sell financial assets quickly at close to their fair value.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2003 (CONTINUED)

23. Financial instruments (continued)

Financial liabilities (continued)

(d) Cash flow risk

The company is not exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. It has no instruments that include a floating interest rate.

24. Contingent liability

The company has a bank guarantee facility for US\$300,000. At the year end the company had a guarantee of US\$114,000 for the purchase of fertilizer against this facility.

	2003	2002
	K'000	K'000
25. Capital commitments		
Capital commitments entered into at the balance sheet date	<u>2,353,267</u>	<u>-</u>

26. Operating leases

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

	K'000
Within one year	755,616
One to five years	427,140
More than five years	22,320

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

27. Related party transactions

Zambezi Ranching and Cropping Limited and Master Pork Limited are related parties of the company since material shareholdings in these companies are owned by significant shareholders of the company. However any transactions with these companies are conducted on an arm's length basis at commercial rates similar to non-related suppliers.

The group made the following purchases from these related parties:

	K'000
Zambezi Ranching and Cropping Limited	7,680,416
Master Pork Limited	<u>1,964,882</u>
	<u>9,645,298</u>

28. Events subsequent to balance sheet date

There has not arisen since the end of the year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company and the group, to affect substantially the operations of the company and the group, the results of those operations or the state of affairs of the company and the group in the subsequent financial years.