

Feeding the Nation



Products Plc



Annual Report **2004**

**Zambia's *Best*
Food Basket!**



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Profile

Zambeef Products Plc is one of the largest Agri-businesses in Zambia involved in the production, processing, distribution and retailing of beef, chicken, eggs and dairy products throughout Zambia.

These products are marketed through Zambeef's own 78 retail outlets country-wide. In addition, Zambeef is a major cropping company which grew 700 hectares of irrigated winter crops and 1,500 hectares of dry land crops during the last farming season.

The group also owns a tannery which is involved in the tanning of hides and the production of finished leather and shoes mainly for the international market.

Zambeef became the first agri-based company to quote on the Lusaka Stock Exchange on 14th February, 2003.

Zambeef prides itself in the high standards it has set in all areas in which it operates.

Vision

To continue leading as Zambia's and the region's benchmark in the production, processing, distribution and retailing of beef, chickens, eggs, and dairy products.

Five-Year Financial History and Prospects

Income Statements - Year ended 30 September (K'm)



Five-Year Financial History and Prospects

Continued

The Directors believe the prospects for the business are very attractive.

Zambeef has enjoyed consistent growth over the past five-year period and continues to maintain a significant share of the retail beef market in the country.

The company's diversification into the poultry and dairy businesses has permitted it to utilise even more effectively its marketing and distribution network and increase the output of its diversified products in its 78 retail outlets throughout Zambia.

Zambeef's stock feed plant has helped it to control both the supply and cost of a significant percentage of its production inputs. This has further been improved by the continued expansion of its cropping activities resulting in a significant portion of the 120 tonnes of stock feed fed per day being grown by Zambeef itself.

The company's strategic plan of adding maximum value to all its products is further shown by the expansion of the tannery into finished leather and recently an industrial shoe plant to add further value to its hides.

In addition, a fast food chain under the

brand name Zamchick Inn, has been started to further add value to its poultry broiler operations.

The diversification strategy, combined with its input control and widespread retail distribution network provide added confidence that Zambeef will continue to experience growth in the business.

Given that emphasis has been placed on the development of the agricultural sector and export market opportunities yet to be exploited by Zambeef, the Directors believe the company is well placed to grow and expand in both the Zambian and selected export markets.

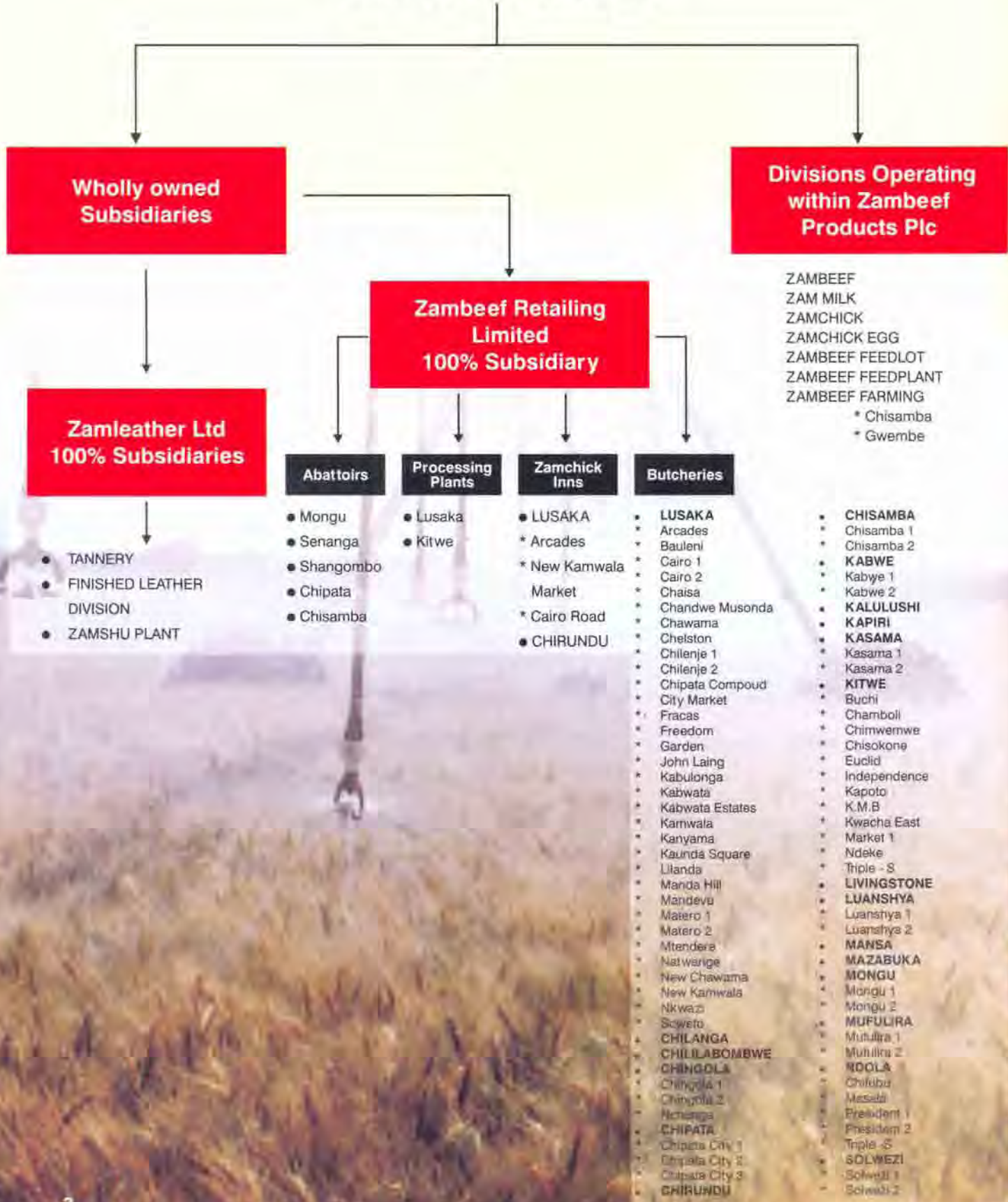
The acquisition on 15th October, 2004 of the 2,000 hectare irrigation project on the shores of Lake Kariba from Gwembe Valley Development Company Ltd will make Zambeef one of the largest cropping operations in Africa.

With the regional shortage of agricultural commodities and Zambeef's ability to add value through its stock feed plant and livestock production, this acquisition will further ensure the company is a well diversified company with excellent growth potential.



Group Structure

Zambeef Products Plc



Wholly owned Subsidiaries

Zamleather Ltd 100% Subsidiaries

- TANNERY
- FINISHED LEATHER DIVISION
- ZAMSHU PLANT

Zambeef Retailing Limited 100% Subsidiary

Abattoirs

- Mongu
- Senanga
- Shangombo
- Chipata
- Chisamba

Processing Plants

- Lusaka
- Kitwe

Zamchick Inns

- LUSAKA
- * Arcades
- * New Kamwala Market
- * Cairo Road
- CHIRUNDU

Butcheries

- * LUSAKA
- * Arcades
- * Bauleni
- * Cairo 1
- * Cairo 2
- * Chaisa
- * Chandwe Musonda
- * Chawama
- * Chelston
- * Chilenje 1
- * Chilenje 2
- * Chipata Compound
- * City Market
- * Fracas
- * Freedom
- * Garden
- * John Laing
- * Kabulonga
- * Kabwata
- * Kabwata Estates
- * Kamwala
- * Kanyama
- * Kaunda Square
- * Lilanda
- * Manda Hill
- * Mandevu
- * Matero 1
- * Matero 2
- * Mtendere
- * Natwenge
- * New Chawama
- * New Kamwala
- * Nkwazi
- * Soweto
- * CHILANGA
- * CHILILABOMBWE
- * CHINGOLA
- * Chingola 1
- * Chingola 2
- * Nchanga
- * CHIPATA
- * Chipata City 1
- * Chipata City 2
- * Chipata City 3
- * CHIRUNDU

Divisions Operating within Zambeef Products Plc

- ZAMBEEF
- ZAM MILK
- ZAMCHICK
- ZAMCHICK EGG
- ZAMBEEF FEEDLOT
- ZAMBEEF FEEDPLANT
- ZAMBEEF FARMING
- * Chisamba
- * Gwembe

- CHISAMBA
- * Chisamba 1
- * Chisamba 2
- KABWE
- * Kabwe 1
- * Kabwe 2
- KALULUSHI
- KAPIRI
- KASAMA
- * Kasama 1
- * Kasama 2
- KITWE
- * Buchi
- * Chamboli
- * Chimwemwe
- * Chisokone
- * Euclid
- * Independence
- * Kapoto
- * K.M.B
- * Kwacha East
- * Market 1
- * Ndeke
- * Triple - S
- LIVINGSTONE
- LUANSHYA
- * Luanshya 1
- * Luanshya 2
- MANSA
- MAZABUKA
- MONGU
- * Mongu 1
- * Mongu 2
- MUFULIRA
- * Mufulira 1
- * Mufulira 2
- NOOLA
- * Chiluba
- * Mesabi
- * President 1
- * President 2
- * Triple - S
- SOLWEZI
- * Solwezi 1
- * Solwezi 2

Geographical Representation

Retailing Network

- Sells high quality meat, processed meat, milk, chickens and eggs in a hygienic and customer friendly environment through 78 outlets throughout Zambia.
- One of the largest retailers of perishable products in the region.



Directorate

Independent Non-Executive Directors



Dr Jacob Mumbi Mwanza (67)
Board Chairman
Appointed to the board on
21st January, 2003



R. R. Clyde Anderson (64)
Director
Appointed to the board on
2nd April, 1996



Lawrence S. Sikutwa (48)
Director
Appointed to the board on
14th November, 2002



Hillary M Duckworth (49)
Director
Appointed to the board
on 7th August, 2002



John Rabb (60)
Director
Appointed to the board
on 7th August, 2002



David A. R. Phiri (67)
Director
Appointed to the board
on 14th November, 2002

Directorate

Independent Non-Executive Directors



Irene M. Muyenga (43)
BA(ed); DIS, LIII
Director
Appointed to the Board
on 11th September, 2003



Adam Fleming (56)
Director
Appointed to the board
on 26th February, 2004



Brian Dowden CA (SA)
Director
(Alternate to A. Fleming)

Executive Directors



Carl Richard Irwin (39)
B.Com, ACA, ZICA
Joint Managing Director



FRANCIS GROGAN (41)
B. Agr. Sc.
Joint Managing Director

Fact Sheet

ZAMBEEF PRODUCTS Plc is one of the most successful agri-businesses in Zambia and is a major player in the Zambian economy helping to feed the nation, create jobs and generate local wealth. The company has an annual turn over in excess of K160 billion.

- The largest meat company in Zambia slaughtering 60,000 head of cattle per year
- Largest feedlotter of quality cattle in Zambia producing 15,000 top quality grain fed animals per year which has earned the company and the country at large an enviable reputation in the region for quality beef
- Largest chicken producer in Zambia processing 3.1 million chickens per annum
- Largest milk producer milking 900 cows per day producing 7.7 million litres of milk per annum
- Processes 70,000 hides per annum through its tannery mainly for export to Europe, China and the Far East and generates US\$1.4 million in foreign exchange per annum
- Grows wheat, maize, lucerne and soya beans with a total of 700 hectares of irrigated crops and 1,500 hectares of dry land crops for the last year
- Sells high quality meat and processed meat products in a hygienic and customer-friendly environment through its 78 outlets throughout Zambia
- Zambef produces 120 tonnes of



stock feed per day in its own stock feed plant for the dairy, chicken and beef operations making the company self sufficient in stock feed

- The poultry and dairy farms together with the related plants are run by Zambians making the company one of the most highly Zambianised commercial farming outfits
- A major egg producer currently producing 50,000 eggs per day
- Employs 1,226 full time workers throughout Zambia with a larger concentration in the rural areas. In addition, a large number of seasonal workers are employed
- The company's payroll is almost K1 billion every month
- Has one of the largest trucking fleets in Zambia with 120 trucks to ensure that its products are delivered fresh to its customers throughout Zambia and for hauling cattle and feed
- Reinvestment of K17 billion in capital expenditure in 2004
- Amongst very few local companies contributing in excess of K7 billion to Government revenue every year through tax and duty remittances to Zambia Revenue Authority

The company prides itself in the high level of reinvestment in the Zambian economy every year resulting in large real growth and thereby helping develop the Zambian economy and create employment.



Chairman's Statement

OVERVIEW

I am pleased to report that the financial year ended 30th September 2004 has been an excellent year for Zambeef despite very difficult trading conditions. Turnover has increased by 35% and net cash inflow from operations has increased by 76% resulting in an increase in the dividends paid and proposed for the year by 8.6%. Profits after tax were marginally down by 6.6%. However, in light of unbudgeted for VAT regulation changes which cost the company around K400 million per month and reduced margins in the beef division due to severe restrictions on the movement of traditional cattle resulting in Zambeef having to reduce its processing operations, the company can be very proud of its results. The period has seen significant growth in turnover and profitability of all divisions with the exception of the beef division.

VISION

Zambeef vision is to continue leading as Zambia and the region's benchmark in the production, processing, distribution and retailing of beef, chickens, eggs and dairy products.

Our expansion and investments over the last year have been in line with this vision. Significant investment has been made into expanding, developing and improving the efficiencies and standards in each of these sectors. In particular the dairy, chicken and egg divisions have shown excellent growth in line with this investment and have reduced the reliance of the company on the performance of its beef division.



Dr Jacob Mwanza

In order to improve the efficiencies of these divisions significant investment has gone into expanding and developing Zambeef's farming operations and feedplant operations. Zambeef was for the last financial year one of the largest cropping operations in Zambia which allowed the group to grow a significant amount of the raw materials for its stock feed plant.

This vertical integration has allowed the group to control both the supply and cost of a significant percentage of its input costs and ensure the Groups is competitive in the region.

The retailing division has continued to expand with new outlets being opened in identified high volume areas while existing outlets have been upgraded to ensure Zambeef's production is marketed directly to the end consumer.

REINVESTMENT

During the financial year under review,

Zambeef reinvested in excess of K17 billion into its Zambian operations. One of Zambeef's main strengths has been its significant reinvestment policy since the company's incorporation.

FUTURE INVESTMENTS

On 15th October 2004, shortly after the year end, Zambeef concluded the acquisition of an irrigation project on the shores of Lake Kariba in Sinazongwe. The Company plans to fully develop this farm into a 2,000 hectare irrigation project over the next two years. The Board took the strategic view during the year to expand its cropping activities only in areas with secure irrigation potential. This project when fully developed will make Zambeef one of the largest cropping operations in Africa with 2,700 hectares under irrigation between the Chisamba and Sinazongwe farming schemes. Again this complements Zambeef's continued expansion of its feedlotting, poultry and dairy operations where the company currently feeds 120 tonnes of feed a day. Zambeef hopes to, through its feed and livestock operations, add value to a significant part of the production from this expansion of its cropping operations.

In line with this increased cropping output, the Board has approved the building of a new modern stock feed plant which will be commissioned during the year and provide not only the stock feed for Zambeef's own livestock divisions but to third parties both within Zambia and the region.

FULL LISTING ON THE LUSAKA STOCK EXCHANGE

Zambeef products Plc was quoted on the Lusaka Stock Exchange on 14th February 2003 making the Company one of the first companies to list other than through the privatization process. The excellent

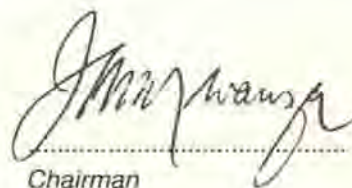
response received by the public to this quotation has resulted in the Directors of Zambeef considering a full listing on the Lusaka Stock Exchange during the coming financial year.

CORPORATE GOVERNANCE

Corporate Governance has received a great deal of attention throughout the world in the last year. The Board of Directors of Zambeef Products Plc is fully committed to the principles of integrity, accountability and openness. The company is fortunate to have a Board of Directors of the highest quality and integrity with a good balance of skills and experience and recognizes that the primary responsibility for corporate governance rests with the Board. The issues of Corporate Governance are elaborated on in detail further in these financial statements.

APPRECIATION

I wish to convey my sincere thanks to the members of the board, the management and staff of Zambeef for their dedication and hard work over the last year making this such a successful year. The company can look proudly on its achievements and look forward to continued growth in the next year.



Chairman

KEY TO MULTIPLICATIVE DIVISION



Joint Managing Directors Report

OVERVIEW

Zambeef Products Plc can look back proudly on its performance during the 2003/4 financial year. This has been a difficult year in which Zambeef has been faced by a number of unexpected obstacles.

During the year under review, the VAT regulations were changed, changing most agricultural output including meat and milk from zero rated to exempt. This resulted in Zambeef being unable to reclaim its input VAT with a direct cost to the company of approximately K400 million per month.

In addition, the outbreak of Foot and Mouth disease in Southern and Central province resulted in Zambeef not having access to the traditional herds in these provinces for part of the financial year.

The strong South African Rand resulted in a significant increase in the costs of consumables, machinery maintenance, and motor vehicle maintenance, while diesel prices also increased significantly.

Despite these setbacks, Zambeef has performed well fully justifying the large diversification policy the company has undertaken over the last six years.

Although the beef division has had a difficult year the other divisions have shown significant growth in both turnover and profitability.



*Mr Carl Irwin
Co-Managing Director*



*Mr Francis Grogan
Co-Managing Director*

As a result Zambeef is a well-diversified business which can look forward with a great deal of confidence to the future. The performance of each division is dealt with in more detail below.

Beef Division



This division has had a difficult year as already mentioned. The availability of traditional cattle has been severely restricted resulting in Zambeef having to reduce its meat processing operations. This shortage of traditional cattle resulted in prices for commercial cattle reaching record levels. These high prices for beef have been difficult to pass on to the consumers resulting in margins being reduced during the year.

In order to increase the access to the traditional herds Zambeef has invested significantly in regional abattoirs with abattoirs in Shang'ombo, Chipata and Senanga opened during the year. An abattoir in Namwala is also nearing completion. Another abattoir in Sinazongwe has been planned for. Zambeef hopes that these regional abattoirs will help this division during the next financial year.

Feedlot Division



This division has had an outstanding year as a result of the significant beef price increases during the year. Both volumes and the profits of this division have increased significantly.

Zambeef has continued to improve the efficiency of this division through increased mechanization and investment in improved rations and feeding techniques. The average daily weight gains have increased significantly during the year and the company looks forward to continued growth in this division.

Chicken Broiler Division (Zamchick)



This division continues to be one of Zambeef's fastest growing divisions and one of the divisions in which Zamchick has firmly established itself as the leading brand of chickens in Zambia.

Production has increased dramatically

during the year to 60,000 birds per week. With the shortage of beef and increase in beef prices during the year the demand for chickens increased significantly and Zambeef's large investment has allowed it to pick up the major share of this increased demand. Zambeef's increased production has been matched by parallel investment in the related feed plant, chicken abattoir and chicken processing facilities. Zambeef believes its broiler operation is a highly efficient operation which can compete very favourably in the region.

The chicken abattoir is now fully automated with a capacity of 15,000 birds per day.

The large investment in upgrading the feedplant and in ration formulation has resulted in Zambeef obtaining world class feed conversion ratios. This remains one of Zambeef's most exciting divisions and is expected to continue its strong growth both within Zambia and in the region.

Chicken Layer Operations (Zamchick Egg)



This division has had an outstanding year, having doubled in size over the year to 60,000 layers. Despite problems with smuggled eggs from Zimbabwe during the year, the division has performed

superbly and Zamchick Egg has firmly established itself as Zambia's first national egg supplier. This division has also benefited significantly from Zambeef's significant investment in its feed plant operations. This division too can look to the future with a great deal of confidence.

Dairy Operations (Zam milk)



Zam milk has enjoyed a very successful year having increased milk production by approximated 25% during the year.

This has been achieved through continued increase in the dairy herd which currently stands at 900 milking cows at any time together with an increase in the average yield per cow.

The Zam milk dairy herd is now one of the largest single herds in sub Saharan Africa and the efficiency levels now achieved allow this division to compete favourably in the region.

Zambeef is currently undertaking an expansion of its milk processing plant in order to enable the company to produce more added value products. This remains one of Zambeef's most profitable divisions and the company looks forward to sustained growth in this division.

Zamchick Inns



During this financial year Zambef formed a fast food chain under the brand name Zamchick Inn. This is a fast food chain specialising in providing excellent value for money chicken and chips to the public.

The first four Zamchick Inns have now been opened with a further three currently in the process of being set up. The reception the Zamchick Inns have received has been tremendous and as a result this division is expected to grow significantly during the next year.

This division complements the broiler division very well and Zambef looks forward to having Zambia's first national fast food network.

Zamleather



Zambef has a wholly owned subsidiary called Zamleather Limited which owns and

operates a tannery in Lusaka. The tannery sells leather on the international market in the semi-processed form called wet blues.

These are mainly sold to China, Hong Kong and Italy. In addition, finished leather is sold both within Zambia and the region.

The tannery has continued to invest in upgrading and improving its facilities which has resulted in Zamleather developing an excellent reputation both locally and internationally. Exports in the last year were approximately US\$1.4 million. This has been a satisfactory performance despite the weak international prices for leather over the last year.

Zamshu



In order to reduce its reliance on the weak international leather prices, Zamleather Ltd commissioned during the year its own shoe plant specializing in the production of industrial and safety footwear under the trade name Zamshu.

Zamshu has during the year established a reputation for quality and has in addition to local sales secured regular exports within the region. Zamshu is part of Zambef's continued effort to further add value to all of its products in order to increase margins.

Retailing Division



The retailing division has continued to expand and be the engine room which drives the marketing of Zambeef products and its expansion. During the year Zambeef has concentrated on expanding its retailing network into outlying towns which has been extremely well received in these areas.

Very successful outlets have been opened during the year in Chipata, Kabwe, Solwezi, Chirundu and Kasama. Further outlying outlets are planned for next year.

Zambeef will continue to upgrade and improve its retailing network during the next year. The continued significant growth in turnover is evidence of the successful expansion of the Retailing division.

Farming Division



This division has continued its rapid expansion during the year with 700

hectares of irrigated crops and 1,500 hectares of dry land crops planted during the year making Zambeef one of the largest Cropping Operations in Zambia.

The division has had an excellent year benefitting from the good crop prices during the year and being one of the most profitable divisions within Zambeef. The farming division complements Zambeef's feed plant operation and dairy, feedlotting and poultry operations by controlling the inputs costs for these operations.

The tremendous success of Zambeef's cropping division resulted in the company acquiring, on 15th October 2004, the assets of Gwembe Valley Development Company Ltd (in receivership). This new acquisition will enable Zambeef to develop a further 2,000 hectares of irrigated crops over the next two years. As a result significant growth will continue in this division.

APPRECIATION

As joint managing directors we would like to extend our congratulations and thanks to all the staff of Zambeef for their contribution to the success of the company in the last year.

In addition we would like to thank our clients for their support and can assure our clients of our commitment to providing products of the highest standard at affordable prices in a hygienic and friendly environment in our outlets throughout Zambia. We would also like to sincerely thank our suppliers throughout Zambia and all other institutions for their involvement with Zambeef.

Finally we would like to thank our Chairman, Dr Jacob Mwanza, and the entire Board of Directors for their support, guidance and encouragement.

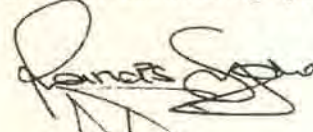
CONCLUSION

Zambeef can look very proudly on its achievements and results during the last year. Zambeef has emerged from a very difficult year as a well diversified strong company. The company can look forward

to continued strong growth both within Zambia and the region in the future.



.....
Carl Irwin - Joint Managing Director



.....
Francis Grogan - Joint Managing Director



Corporate Governance Report

Year ended 31 September 2004

As mandated by Clause 8.52, Section 8 of the Rules of the Lusaka Stock Exchange, the Board is required to report on the extent of the Company's compliance with the Code on Corporate Governance and Practices as contained in the King Report.

The directors of Zambeef Products PLC recognize the need to conduct the affairs of the Group with integrity and in accordance with generally accepted corporate practices. The directors support the comprehensive approach to corporate governance set out in the King Report and accept responsibility to ensure that the principles incorporated in the Code of Corporate Practices and Conduct are observed. While full compliance is an evolving process, the directors are committed to continually improve operational and corporate practices to achieve this aim.

The Group's commitment to promoting the highest standards of ethical behaviour is encapsulated in the principles set out in the code. The core values communicated to all employees align with the principles of integrity, transparency, honesty and equal opportunity that are inherent in the Code of Corporate Practices and Conduct as set out in the King Report.

The cornerstone of the Code is the appointment of a Board of Directors comprising executive and non-executive directors. The non-executive directors are

all eminent and respected members of the business community with a wide and varied range of corporate experience and well suited to make a valuable and constructive contribution to the affairs of Zambeef Products PLC.

The composition of the Board engenders shareholder confidence in the transparent and able manner in which the executive directors manage the affairs of the Company, in which they have invested.

In accordance with the requirements of Section 206 of the Companies Act, one third of the directors must retire in rotation at each annual general meeting but are eligible for re-appointment.

During the year under review, as empowered by Section 217 (6) of the Companies Act and Section 77 of the Articles of Association, the Board appointed two Committees which are fundamental to compliance with the Code, namely an Audit Committee and a Remuneration Committee.

AUDIT COMMITTEE

The Committee consists of the following members: -

Independent Non-Executive Directors

Mr Lawrence Sikutwa
(Committee Chairman)
Managing Director
Madison Insurance Company Ltd

Ms Irene Mukombe Muyenga
Managing Director
Zambia State Insurance Company Ltd

Mr John Rabb
Director of Wellsprings Ltd
Former Managing Director and now non-executive director of Wooltru Ltd and Spur Holdings Limited (both listed on the Johannesburg Stock Exchange).

Advisor and Committee Secretary

Oliver John Irwin
Fellow of the Institute of Chartered Accountants, United Kingdom and Zambia

The Audit Committee is required to provide an independent oversight of the Company's systems of internal control and financial reporting processes including the review of the annual and interim financial statements before they are submitted to the board for final approval.

The Audit Committee is expected to advise the Board on issues relating to the application of the accounting standards and guidelines laid down by the Zambian Institute of Chartered Accountants and the requirements of the Securities Act Cap 354 and Part VIII of the Companies Act 388

regarding the form and content of financial statements and directors and auditors reports.

The Audit Committee is required to ensure that appropriate controls and processes are in place to identify all significant business, strategic, statutory and financial risks and that these risks are being effectively monitored and managed.

If required the external auditors, chief executive and legal advisor attend meetings of the Audit Committee by invitation.

The Audit Committee has recommended that the Company should engage a suitably qualified Chief Internal Auditor to monitor and control the internal audit function, which is of vital importance in a Group of such complexity and geographically widespread operations.

The Audit Committee is required to keep under review the Company's policy on the independence and objectivity of the external auditors and the nature and quantum of non-audit work awarded to the auditors. The auditors are required to provide the Committee with written confirmation of independence and an assurance that all requirements for partner rotation are being met.

As covered in the Code, the Audit Committee is recommending to the Board a mechanism to enable staff, in confidence, to raise concerns about possible improprieties in matters of financial reporting and breaches of the company's internal control system.

The Audit Committee performs a pivotal

role in the implementation of the Code of Good Governance and is required to carry out its terms of reference and submit its reports to the Board through the Chief Executive (Admin).

From the risk assessment carried out by the Audit Committee under its terms of reference and in conjunction with the Chief Executive (Admin), External Auditors and Legal advisor, the Committee reported that at the end of the financial year there was no ascertainable risk from any litigation pending, in progress or threatened, which could be regarded as material to the Group's financial position.

The Audit Committee is not aware of any cases of non-compliance with the Code of Good Corporate Governance during the year under review in so far as the Code has been implemented, but is cognizant of the fact that good Governance is an evolving process.

Zambeef Products PLC is committed to being a leader in corporate reporting and compliance.

REMUNERATION COMMITTEE

The members of the Remuneration Committee appointed by the Board are: -

Independent Non-Executive Directors

David Phiri (Committee Chairman)
*Past Governor of the Bank of Zambia
 Director of many public and private companies including Zambia Venture Capital Fund, SKF Ltd and Holiday Inn.*

Jacob Mwanza
Board Chairman of Zambeef Products PLC

*Last Governor of the Bank of Zambia,
 Chairman of Citibank Zambia Ltd and
 director of other major companies*

Robert Rodney Clyde-Anderson
*Director of Squares Ranch Limited and
 Zambezi Ranching and Cropping Ltd.*

Executive Directors

Carl Irwin - CEO (Admin)
 Francis Grogan - CEO (Operations)

The Committee is required to determine Zambeef Products PLC's policy for executive remuneration and the entire individual remuneration terms and packages for the executive directors and other senior executives. In doing so, the Committee is required to give the executives every encouragement to enhance the Group's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions.

The objective of the Committee is to provide a remuneration package comprising short-term rewards (salary, benefits and annual performance bonus) and long-term rewards, competitive with companies of a similar size, activity and complexity, so as to attract, motivate and retain high quality individuals who will contribute fully to the success of each of the businesses in which Zambeef Products PLC is involved.

The Committee has established remuneration packages for the Chief Executive Officers and is preparing a code of salary and benefits structures for all other categorized senior members of staff.

To comply with the Code of Good

Governance the Committee is also reviewing the level and basis of remuneration pertaining to all the other employees of the Group having regard to cost of living and other social and environmental factors.

The Committee draws on external market survey data from independent advisors and agencies to ensure that all arrangements will be appropriate and reasonable.

HEALTH

The Group's approach to mitigating against the effects of the HIV/AIDS pandemic has seen development over the year.

Zambeef Products PLC respects the right of all employees to maintain confidentiality regarding their HIV/AIDS status and is committed to fostering a supportive working environment for employees infected by the virus. Staff are being educated and counseled about prevention treatment and life management on the basis of educational material sourced from the HIV/AIDS Action Campaign.

ENVIRONMENTAL AWARENESS

Zambeef Products PLC recognizes that the effect on the environment of its operations needs to be kept under close review for the purpose of seeking to ensure a healthy and safe environment for its employees and the various communities in which its operations are based.

The Group complies with both international standards and Zambian legislation with respect to employee safety and environmental protection.

Adminstration



Nancy Hart
Group Financial Manager



Danny Museteka
Company Secretary



David Ng'ambi
Group Human Resources Manager



Justo Kopulande
Public Relations Manager

Company Registration Number: 31824
 TPIN 1000003182403
VAT Number: 10030893-13

Registered Office
 Plot 1164 House Number 1
 Nkanchibaya Road
 Off Addis Ababa Drive, Rhodes Park

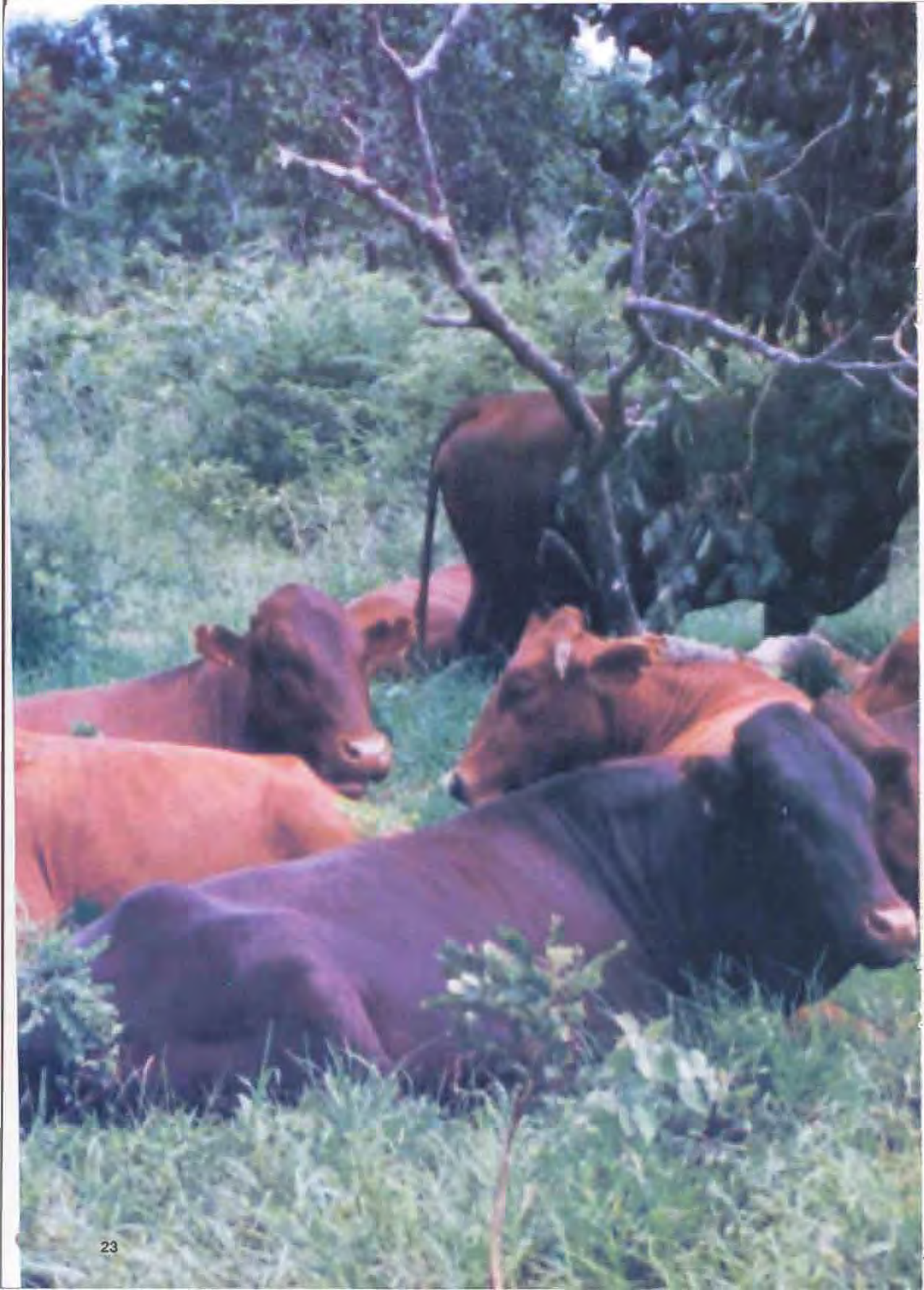
Postal Address
 P/B 17, Woodlands
 Lusaka - Zambia

Auditors
 Grant Thornton
 Mukuba Pension House
 Dedan Kimathi Road
 P O Box 30885
 Lusaka Zambia

Principle Bankers
 Citibank (Z) Limited
 Barclays Bank (Z) Limited
 Zambia National Commercial Bank Plc

Sponsoring Broker
 Pangaea/EMI Securities Limited
 Farmers House - Central Park
 Third Floor, North Wing
 Cairo Road
 P O Box 30163
 Lusaka - Zambia

Tax Advisers
 Kaulungu Limited
 Room 9 Muyuni Hse
 Lusaka



Ratios and Statistics

For y/e 30 September (K 000s)	2004	2003	2002	2001	2000
Current Ratio (current assets/current liabilities)	1.93	2.35	2.26	1.96	1.53
Total Liabilities/Total Assets	0.42	0.32	0.46	0.50	0.56
Current Assets/Total Assets	0.46	0.41	0.60	0.59	0.50
Current Liabilities/ Total Liabilities	0.56	0.56	0.58	0.60	0.58
Long Term Liabilities/Total liabilities	0.44	0.44	0.42	0.40	0.42
Total Long Term Debt/Shareholders' Funds	0.32	0.21	0.41	0.39	0.54
Gross Profit Margin % (Gross Profit/Turnover)	39.80%	46.60%	39.22%	38.68%	37.88%
Net Profit Margin % (Profit Before Tax/Turnover)	10.39%	15.93%	11.87%	8.86%	5.98%
* Number of Shares	114,669,450	114,669,450	114,669,450	114,669,450	114,669,450
Market Share Price	800.00	671	N/a	N/a	N/a
Earnings per Share	126.71	135.68	78.42	43.49	23.84
Dividends per Share	60.35	54.38	74.13	-	-
Dividend Payout Ratio % (DPS/EPS)	47.63%	40.08%	94.53%	0.00%	0.00%
Dividend Yield % (DPS/Share Price)	7.54%	8.10%	N/a	N/a	N/a
Price Earnings Ratio (Share Price/EPS)	6.31	4.95	N/a	N/a	N/a
Cash Flow from Operations per Share	104.10	59.01	76.90	43.83	37.22
Net Profit (before tax) plus Depreciation per Share	196.86	201.72	102.58	67.14	37.08
> Net Asset Value per Share	615.22	548.85	147.93	173.81	132.48

* At an Extraordinary General Meeting of the Company on 23 May 2002 the Company's authorised and issued share capital was split from 10,000,000 ordinary shares of K1 each into 114,669,450 ordinary shares of 8.72 ngwee. The shares in issue for 2000,2001 2002 have been adjusted for comparison purposes.

> During 2003 fixed assets were revalued.



Consolidated Financial Statements

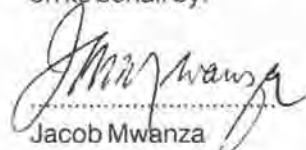
30th September 2004

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Approval of Annual Financial Statements

The Annual Financial statements that appear on pages 33 to 50 were approved by the Board of Directors on 26th November 2004 and signed on its behalf by:


Jacob Mwanza
Chairman


Carl Irwin
Managing Director

Lusaka - 26 November 2004

Annual Compliance Certificate

Annual Compliance Certificate

Pursuant to the requirement of schedule 18 to the rules of the Lusaka Stock Exchange, I the undersigned *Danny Shaba Museteka* being the duly appointed and registered Secretary certify to the Lusaka Stock Exchange that Zambeef Products Plc has during the Twelve Months ended 30 September, 2004 completed with every disclosure requirement for continued quoting on the Lusaka Stock Exchange imposed by the Board of the Exchange during that period. In addition, I hereby confirm that for the year ended 30 September 2004, the company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Companies Act 1994 and that all such returns are true and correct.

Signature:.....

Signed by: Danny Shaba Museteka
Company Secretary

This: 26th Day of November, 2004

Statement of Directors' Responsibilities

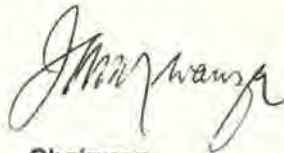
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

- 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.

- (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 26th November 2004



Chairman



Director

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 2004 and of the profit and cash flows of the group for the year then ended;

Report of the Auditors

To the members of Zambeef Products Plc

We have audited the financial statements on pages 33 to 50.

Respective responsibilities of directors and auditors

As described on page 28 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

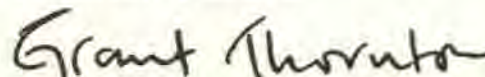
We conducted our audit in accordance with International Standards on Auditing . An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors 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 2004 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



Lusaka

Date 30 November 2004

Report of the Directors

The directors have pleasure in presenting their report on the activities of the company for the year ended 30 September, 2004.

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 floated all its shares 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 14 to the financial statements.

4. **Results**

The profit for the year after taxation amounted to K14,530 million compared to K15,559 million in the previous year.

5. **Dividends**

During the year an interim dividend of K1,720 million was paid to the shareholders. A final dividend of K5,200 million was proposed.

6. **Segmental Reporting**

The Company's divisions contributed to the consolidated revenues and operating profits as follows:

Report of the Directors continued

	Revenues		Operating Profit	
	2004 K'000	2003 K'000	2004 K'000	2003 K'000
Retailing	166,397	118,063	14,947	11,711
Beef	85,047	71,267	13,102	19,511
Milk	13,815	9,546	7,367	7,171
Chicken	27,695	16,636	3,750	4,331
Egg	5,395	595	4,459	501
Feedlot	46,724	29,986	11,876	6,641
Farming	10,686	5,794	7,454	5,301
Leather	6,959	6,085	2,609	1,521
	362,718	257,972	0	0
Intergroup Revenue	(197,977)	(136,194)	0	0
Group Totals	164,741	121,778	65,564	56,751

7. Management

The Senior Management team comprise the following:

- **Carl Irwin**
Joint Managing Director
- **Francis Grogan**
Joint Managing Director
- **Craig Harris**
General Manager - Operations
- **Nancy Hart**
Group Financial Manager
- **Shalomi Abutbul**
Development & Retail Manager
- **Murray Moore**
General Manager - Abattoir
- **Dawid Mynhardt**
General Manager - Farming
- **Brendon Snoek**
General Manager - Transport
- **Craig Van Rooyen**
General Manager - Copperbelt
- **David Ng'ambi**
Manager - Human Resources
- **Eddie Tembo**
Security Manager
- **Justo Kopulande**
Public Relations Manager

8. Directors and Secretary

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

- A. Fleming, (Alternate B. Dowden)
Appointed on 26 Feb 2004
- C. Irwin
- D. Ihmann
Resigned as Secretary 26 Feb 2004
- Danny Museteka - Secretary
Appointed on 26 Feb 2004
- D. Phiri
- F. Grogan
- H. Duckworth
- I. Muyenga
- J. Rabb
- J. Mwanza - Chairman
- L. Sikutwa
- R. Clyde Anderson

9. Directors' interests

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

	Beneficial	Non-beneficial
J. Mwanza	300,000	-
R. Clyde Anderson	4,027,232	-
C. Irwin	-	17,100,596
F. Grogan	-	17,100,561
H. Duckworth	682,200	17,933,205
J. Rabb	-	16,047,220
D. Phiri	-	-
L. Sikutwa	-	-
I. Muyenga	-	-
A. Fleming	-	34,400,835
	5,009,432	102,582,417

Report of the Directors continued

10. Employees

The group employs 1,226 full time employees (2003 1,060) and total salaries and wages were K10,636 million for the year ended 30 September 2004 (2003 K11,274 million). The company employs 528 full time employees and total salaries and wages were K6,717 million (2003 K4,871 million).

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

October	1,087
November	1,084
December	1,111
January	1,142
February	1,140
March	1,132
April	1,119
May	1,123
June	1,152
July	1,170
August	1,216
September	1,226

11. Gifts and donations

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

12. Export sales

The group made exports of US\$1.4 million during the year (2003 US\$1.3 million).

13. Fixed assets

Additions totalling K17,312 million were purchased during the year (2003 K8,598 million)

14. Other material facts, circumstances and events

In October 2004, Zambeef Products Plc acquired the assets of Gwembe Valley Development (in Receivership). The main asset acquired is an irrigation project on the edge of Lake Kariba with the potential to irrigate 2,000 hectares. The Board of Directors has approved the commitment of US\$3.5 million over the next twelve months into the project.

15. Annual financial statements

The annual financial statements set out on pages 33 to 50 have been approved by the directors.

16. 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 26.11.2004

Consolidated Profit and Loss Account

For the year ended 30 September 2004

	Notes	2004 K'000	2003 K'000
Turnover	3	164,740,867	121,777,922
Cost of sales		(99,177,277)	(65,026,470)
Gross profit		65,563,590	56,751,452
Other operating income		33,732	
Administrative expenses		(47,131,611)	(36,443,657)
Finance costs		(1,340,971)	(911,511)
Profit before taxation	4	17,124,740	19,396,284
Taxation	5	(2,594,960)	(3,837,434)
Profit for the year		14,529,780	15,558,850
Earnings per share	6	126.71	135.68

Statement of Movements in Equity

For the year ended 30 September 2004

	Share Capital	Share Premium	Goodwill on Consolidation	Group Revaluation Reserve	Retained Profits	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Balance at 1 October 2002	10,000	3,211,510	(445,737)	197,809	13,989,576	16,963,158
Revaluation for the year	0	0	0	36,650,828	0	36,650,828
Profit for the year	0	0	0	0	15,558,850	15,558,850
Dividends paid	0	0	0	0	(6,236,211)	(6,236,211)
Goodwill written off	0	0	148,579	0	(148,579)	0
Amortisation of revaluation reserve	0	0	0	(2,223,043)	2,223,043	0
Balance at 30 September 2003	10,000	3,211,510	(297,158)	34,625,594	25,386,679	62,936,625
Profit for the year	0	0	0	0	14,529,780	14,529,780
Dividends paid	0	0	0	0	(1,719,999)	(1,719,999)
Dividends proposed	0	0	0	0	(5,200,000)	(5,200,000)
Goodwill written off	0	0	148,579	0	(148,579)	0
Amortisation of revaluation reserve	0	0	0	(2,223,043)	2,223,043	0
Balance at 30 September 2004	10,000	3,211,510	(148,579)	32,402,551	35,070,924	70,546,406

Statement of Movements in Equity

For the year ended 30 September 2004 - Continued

	Company				
	Share Capital	Share Premium	Revaluation Reserve	Retained Profits	Total
	K'000	K'000	K'000	K'000	K'000
Balance at 1 October 2002	10,000	3,211,510	0	13,776,568	16,998,078
Profit for the year	0	0	0	15,837,766	15,837,766
Dividends paid	0	0	0	(6,236,211)	(6,236,211)
Revaluation in the year	0	0	27,129,621	0	27,129,621
Amortisation of revaluation reserve	0	0	(1,572,696)	1,572,696	0
Balance at 30 September 2003	10,000	3,211,510	25,556,925	24,950,819	53,729,254
Profit for the year	0	0	0	14,431,817	14,431,817
Dividends paid	0	0	0	(1,719,999)	(1,719,999)
Dividends proposed	0	0	0	(5,200,000)	(5,200,000)
Amortisation of Revaluation reserve	0	0	(1,572,696)	1,572,696	0
	10,000	3,211,510	23,984,229	34,035,333	61,241,072

Consolidated Balance Sheet

30 September 2004

	Notes	2004 K'000	2003 K'000
ASSETS			
Non current assets			
Fixed assets	7	65,889,396	54,026,143
Current assets			
Biological assets	10	31,644,173	18,359,413
Stocks	11	15,309,389	12,169,460
Debtors and other receivables	12	7,263,240	7,423,522
Amount Due from Related Parties	13	509,394	0
Bank balances and cash		1,918,958	223,911
		56,645,154	38,176,306
Total assets		122,534,550	92,202,449
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	10,000	10,000
Share premium	15	3,211,510	3,211,510
Reserves		67,324,896	59,715,115
		70,546,406	62,936,625
Non current liabilities			
Interest bearing liabilities	16	12,929,329	6,112,604
Deferred liability	17	2,780,681	2,530,536
Deferred taxation	18	6,918,987	4,355,542
		22,628,997	12,998,682
Current liabilities			
Creditors and other payables	19	8,460,602	4,340,046
Amounts due to related companies	20	679,180	253,505
Bank overdrafts	21	12,986,800	3,765,094
Interest bearing liabilities	16	1,567,466	1,276,267
Taxation payable		465,099	1,832,230
Dividends payable		5,200,000	4,800,000
		29,359,147	16,267,142
Total equity and liabilities		122,534,550	92,202,449

Balance Sheet

Zambeef Products Plc

30 September 2004

ASSETS	Notes	2004	2003
		K'000	K'000
Non current assets			
Fixed assets	7	53,259,239	42,117,892
Investments	8	1,506,640	1,506,640
Loans to subsidiary companies	9	700,000	700,000
		-----	-----
		55,465,879	44,324,532
Current assets			
Biological assets	10	31,644,173	18,359,413
Stocks	11	11,480,307	9,501,328
Debtors and other receivables	12	2,349,340	3,320,365
Amounts due from related companies	13	10,654,371	14,902,155
		-----	-----
		56,128,191	46,083,261
Total assets		111,594,070	90,407,793
		-----	-----
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	10,000	10,000
Share premium	15	3,211,510	3,211,510
Reserves		58,019,562	50,507,744
		-----	-----
		61,241,072	53,729,254
Non-current liabilities			
Interest bearing liabilities	16	12,929,329	6,112,604
Deferred liability	17	1,460,852	2,061,739
Deferred taxation	18	6,787,631	4,239,177
		-----	-----
		21,177,812	12,413,520
Current liabilities			
Creditors and other payables	19	7,338,725	3,257,743
Amounts due to related companies	20	0	6,985,359
Bank overdrafts	21	14,696,838	6,178,948
Interest bearing liabilities	16	1,567,466	1,276,267
Taxation payable		372,157	1,766,702
Dividends payable		5,200,000	4,800,000
		-----	-----
		29,175,186	24,265,019
Total equity and liabilities		111,594,070	90,407,793
		-----	-----

Consolidated Cash Flow Statement

For the year ended 30 September 2004

	2004	2003
	K'000	K'000 (Restated)
Cash inflow from operating activities		
Profit before taxation	17,124,740	19,396,284
Interest paid	1,340,971	911,511
Depreciation	5,449,257	3,734,836
Increase in biological assets	(13,284,760)	(7,960,874)
Increase in stocks	(3,139,929)	(6,852,860)
(Increase)/decrease in debtors and prepayments	160,282	(4,290,637)
Increase in creditors	4,120,556	2,393,255
Increase/(decrease) in amount due to related Company	(83,719)	(2,356,303)
Increase in deferred liability	250,145	1,791,000
Net cash inflow from operating activities	11,937,543	6,766,212
Returns on investments and servicing of finance		
Interest paid	(1,340,971)	(911,511)
Dividends paid	(6,520,000)	(1,436,211)
Net cash outflow on returns on investments and servicing of finance	(7,860,971)	(2,347,722)
Taxation		
Taxation paid	(1,398,646)	(1,804,840)
Investing activities		
Purchase of fixed assets	(17,312,510)	(8,598,164)
Net cash outflow on investing activities	(17,312,510)	(8,598,164)
Net cash outflow before financing	(14,634,583)	5,786,706
Financing		
Long term loans repaid	(2,590,835)	(1,103,239)
Receipt from long term loans	9,698,760	4,573,196
Net cash inflow from financing	7,107,925	3,469,957
Decrease in cash and cash equivalents	(7,526,659)	(2,514,557)
Cash and cash equivalents at 1 October 2003	(3,541,183)	(1,026,626)
Cash and cash equivalents at 30 September 2004	(11,067,842)	(3,541,183)
Represented by:		
Bank balances and cash	1,918,958	223,911
Bank overdrafts	(12,986,800)	(3,765,094)
	(11,067,842)	(3,541,183)

Notes to the Financial Statements

30 September 2004

1. The Company

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.

(e) 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.

Notes to the Financial Statements

30 September 2004 - continued

(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. **Turnover**

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

Notes to the Financial Statements

30 September 2004 - continued

4. **Profit before taxation**

Profit before taxation is stated after

Charging:-

	2004	2003
	K'000	K'000
Depreciation	5,449,257	3,734,836
Staff costs	10,636,000	11,273,648
Legal fees	204,696	281,664
Audit Fees	88,535	56,848
Directors' Remuneration:		
Executive	1,146,152	1,057,331
Non Executive	131,400	55,867
	1,277,552	1,113,198
Exchange losses	438,768	360,363
and after crediting:		
Change in fair value less estimated point of sale costs of biological assets	7,400,988	23,945,782
5. Taxation		
Income tax at 35%/15% on taxable profit for the year (2003 35%/15%)	46,506	2,052,426
Deferred taxation	2,548,454	1,785,008
	2,594,960	3,837,434
6. Earnings per share		
Profit for the year	14,529,780	15,558,850
Earnings per share based on 114,669,450 ordinary shares	126.71	135.68
The weighted average number of ordinary shares is 114,669,450.		

Notes to the Financial Statements

30 September 2004 - continued

7. Fixed assets
(a) Group

	Leasehold Land and Buildings	Plant and machinery	Motor Vehicles	Furniture and equipment	Total
	K'000	K'000	K'000	K'000	K'000
Cost or valuation					
At 1 October 2003	22,641,761	25,260,330	7,775,009	1,663,002	57,340,102
Additions	4,745,479	9,051,218	2,580,129	935,684	17,312,510
At 30 September 2004	27,387,240	34,311,548	10,355,138	2,598,686	74,652,612
Cost	11,870,437	22,690,573	7,185,953	1,890,755	43,637,718
Valuation	15,516,803	11,620,975	3,169,185	707,931	31,014,894
	27,387,240	34,311,548	10,355,138	2,598,686	74,652,612
Depreciation					
At 1 October 2003	342,575	1,766,255	1,090,199	114,930	3,313,959
Charge for the year	470,513	2,915,636	1,848,325	214,783	5,449,257
At 30 September 2004	813,088	4,681,891	2,938,524	329,713	8,763,216
Net book value					
At 30 September 2004	26,574,152	29,629,657	7,416,614	2,268,973	65,889,396
At 30 September 2003	22,299,186	23,494,075	6,684,810	1,548,072	54,026,143

- b) During the year ended 30 September 2003 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 was 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	Plant and machinery	Motor Vehicles	Furniture and equipment	Total
	K'000	K'000	K'000	K'000	K'000
	11,710,260	20,937,035	5,971,465	1,746,765	40,365,525

- d) The depreciation charge for the year includes K 2,223,043,000 (2003 - K2,223,043,000) 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.

Notes to the Financial Statements

30 September 2004 - continued

7. Fixed assets (continued)
(e) Company

	Leasehold Land and Buildings	Plant and machinery	Motor Vehicles	Furniture and equipment	Total
	K'000	K'000	K'000	K'000	K'000
Cost					
At 1 October 2003	19,108,883	17,727,459	7,008,955	717,853	44,563,150
Additions	4,332,548	8,080,504	2,519,597	541,592	15,474,241
At 30 September 2004	23,441,431	25,807,963	9,528,552	1,259,445	60,037,391
Cost					
Valuation	9,940,454	19,750,210	6,917,951	1,158,014	37,766,629
	13,500,977	6,057,753	2,610,601	101,431	22,270,762
	23,441,431	25,807,963	9,528,552	1,259,445	60,037,391
Depreciation					
At 1 October 2003	283,657	1,138,643	977,813	45,145	2,445,258
Charge for the year	396,125	2,132,794	1,692,547	111,428	4,332,894
At 30 September 2004	679,782	3,271,437	2,670,360	156,573	6,778,152
Net book value					
At 30 September 2004	22,761,649	22,536,526	6,858,192	1,102,872	53,259,239
At 30 September 2003	18,825,226	16,588,816	6,031,142	672,708	42,117,892

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

	Leasehold Land and Buildings	Plant and machinery	Motor Vehicles	Furniture and equipment	Total
	K'000	K'000	K'000	K'000	K'000
	9,204,917	16,270,263	2,559,248	1,516,190	29,550,618

- g) 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.

Notes to the Financial Statements

30 September 2004 - continued

8. Investments

	2004	2003
	K'000	K'000
At cost:		
At 1 October 2003 and at 30 September 2004	1,506,640	1,506,640

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

Name of company	Value K'000	Equity Held %
Zambeef Retailing Limited	30,000	100
Zamleather Limited	1,476,640	100

	1,506,640	

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.

	2004 K'000	2003 K'000
9. Loans to subsidiary companies		
Zambeef Retailing Limited	400,000	400,000
Zamleather Limited	300,000	300,000
	-----	-----
	700,000	700,000
	-----	-----

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

10. Biological assets

Biological assets comprise feedlot cattle, dairy cattle and chickens. At 30 September 2004 there were 9,359 cattle and 278,714 chickens. A total of 13,029 cattle and 2,175,764 chickens were culled in the year.

	Crops K'000	Cattle K'000	Chickens K'000	Total K'000
At 1 October 2003	3,181,136	13,652,578	1,525,699	18,359,413
Increases due to purchases	5,075,967	35,999,616	25,956,369	67,031,952
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	2,967,634	1,799,389	2,633,965	7,400,988
Decrease due to sales	(4,595,929)	(29,035,128)	(27,517,123)	(61,148,180)
	-----	-----	-----	-----
At 30 September 2004	6,628,808	22,416,455	2,598,910	31,644,173
	-----	-----	-----	-----

Notes to the Financial Statements

30 September 2004 - continued

	2004		2003	
	Group K'000	Company K'000	Group K'000	Company K'000
11. Stocks				
Abattoir stocks	376,321	376,321	155,391	155,391
Stock feeds	8,294,085	8,294,085	5,658,978	5,658,978
Harvested crops			1,605,760	1,605,760
Consumables	5,069,459	2,809,901	3,675,933	2,081,199
Raw hides and chemicals	1,569,524	0	1,073,398	0
	15,309,389	11,480,307	12,169,460	9,501,328
12. Debtors and other receivables				
Trade debtors	7,260,755	1,816,360	6,743,693	2,640,536
Other receivables	2,485	532,980	679,829	679,829
	7,263,240	2,349,340	7,423,522	3,320,365
13. Amounts due from related companies				
Zambezi Ranching and Cropping	509,394	508,703	0	0
Group companies	0	10,145,668	0	14,902,155
	509,394	10,654,371	0	14,902,155
<p>The above balance relates to arm's length transactions between the two parties. Zambezi Ranching and Cropping Limited supplies Zambeef Products Plc with cattle for slaughter and long weaners for Zambeef Products Plc's feedlot on a regular basis.</p>				
14. Share capital			2004 K'000	2003 K'000
114,669,450 ordinary shares of K0.0872 each Authorised, issued and fully paid			10,000	10,000
114,669,450 ordinary shares of K0.0872 each Authorised, issued and fully paid			10,000	10,000
15. Share premium				
At 30 September 2004 and 2003			3,211,510	3,211,510

Notes to the Financial Statements

30 September 2004 - continued

	2004	2003
16. Interest bearing liabilities		
Barclays Bank of Zambia Limited (note (a))	13,992,229	7,287,324
Stanbic Bank Zambia Limited (note (b))	0	101,547
Japanese Grant	504,566	0
	-----	-----
	14,496,795	7,388,871
Less: Short term portion (repayable within next 12 months)	(1,567,466)	(1,276,267)
	-----	-----
Long term portion (repayable after 12 months)	12,929,329	6,112,604
	-----	-----

a) Barclays Bank of Zambia Limited

- The company had a loan facility of Euros 70,000 from Barclays Bank of Zambia Limited under a European Investment Bank line of credit. The loan was repaid during the period.
- The company has a loan facility of Euros 214,286 (2003 Euros 357,143) 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 18 equal instalments in February, May, August and November of each year.
- The company has a loan facility of Euros 190,000 (2003 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 September 2004.
- The company has a loan facility of Euros 700,000 (2003 Euros 700,000) 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 November 2005.

- The company has a loan facility of US\$ 1,520,000 from Barclays Bank of Zambia Limited under a European Investment Bank line of credit. Interest on the loan is 7.5% per annum and the principal is repayable in 20 equal quarterly instalments commencing March 2006.

- The loans are secured by:

- i) Debenture creating a fixed and floating charge over all the assets of the company for US\$4,500,000 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 had a loan facility of Euros 18,400 from Stanbic Bank Zambia Limited under a European Investment Bank line of credit. The loan was repaid during the period.

c) Japanese Grant

The company received a Japanese grant. Interest is 12% per annum and the principal is repayable in equal quarterly instalments over two years. The grant is secured by a guarantee from Citibank Zambia.

Notes to the Financial Statements

30 September 2004 - continued

17. 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 1st October 2003	2,530,536	2,061,739
Provisions made	250,145	-600,887
	-----	-----
At 30 September 2004	2,780,681	1,460,852
	-----	-----

Group

18. Deferred taxation

	2004		2003	
	Full potential Liability K'000	Provision Made K'000	Full potential Liability K'000	Provision Made K'000
Cattle valuation	3,316,244	3,316,244	2,014,461	2,014,461
Acceleration tax allowance	3,602,743	3,602,743	2,341,081	2,341,081
	-----	-----	-----	-----
	6,918,987	6,918,987	4,355,542	4,355,542
	-----	-----	-----	-----

Company

	2004		2003	
	Full potential Liability K'000	Provision Made K'000	Full potential Liability K'000	Provision Made K'000
Cattle valuation	3,316,244	3,316,244	2,014,461	2,014,461
Acceleration tax allowance	3,471,387	3,471,387	2,224,716	2,224,716
	-----	-----	-----	-----
	6,787,631	6,787,631	4,239,177	4,239,177
	-----	-----	-----	-----

19. Creditors and other payables

	2004		2003	
	Group K'000	Company K'000	Group K'000	Company K'000
Trade Creditors	8,460,602	7,338,725	4,340,046	3,257,743
	-----	-----	-----	-----

Notes to the Financial Statements

30 September 2004 - continued

20. Amounts due to related companies

	Group K'000	Company K'000
Master Pork	679,180	0
TOTAL	679,180	0

The above balance relates to arm's length transactions between the two parties. Master Pork supplies Zambef Products Plc with pork products for sale in its retail outlets on a regular basis. In addition, Master Pork purchases chicken and beef for its production of processed products. In August 2004, Zambef Products Plc purchased the land and building on Stand No. 1059 Chandwe Musonda Road in Lusaka from Master Pork for K784,000,000.

21. Bank overdrafts

The company has overdraft facilities totalling K 2.5 billion (2003 - K700 million) and US\$660,000 (2003 US\$660,000), and a bank guarantee line of US \$300,000 (2003 US\$300,000) with Citibank Zambia Limited. The company has an overdraft facility of \$1.5 million with Barclays Bank Zambia. 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 (2003 - K100 million) and a foreign exchange line of US\$100,000. (2003 US\$100,000) with Citibank of Zambia Limited.

	Group K'000	Company K'000
Citibank Zambia Limited (a)	5,704,300	6,178,948
Barclays Bank Zambia (b)	7,282,500	0
	12,986,800	6,178,948

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

b) The Barclays Bank overdraft is secured by a debenture in favour of the bank over the company's assets

22. 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

Notes to the Financial Statements

30 September 2004 - continued

- to changes in market interest rates. Details of the interest rates and maturity of interest bearing borrowings are disclosed in note 16.
- (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.
- (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.
23. **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.

24. **Capital commitments**
Capital commitments entered into at the balance sheet date:

	2004 K'000	2003 K'000
Contracted	11,895,000	2,353,267
Non-contracted	5,098,000	0

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

	K'000
Within one year	66,194
One to five years	82,857
More than five years	0

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

Notes to the Financial Statements

30 September 2004 - continued

26. 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	5,024,161
Master Pork Limited	5,445,285

	10,469,446

The group made the following sales to these related parties:

	K'000
Zambezi Ranching and Cropping Limited	507,808
Master Pork Limited	2,451,562

	2,959,370

27. Events subsequent to balance sheet date

In October 2004, Zambeef Products Plc acquired the assets of Gwembe Valley Development (in Receivership). The main asset acquired is an irrigation project on the edge of Lake Kariba with the potential to irrigate 2,000 hectares. The Board of Directors has approved the commitment of US \$ 3.5 million over the next twelve months into the project.

Notice - Annual General Meeting

Notice is hereby given that the 10th Annual General Meeting of Zambeef Products Plc will take place at Plot 1, Nkanchibaya Road, Rhodes Park, Lusaka, on Wednesday, 22nd December, 2004 at 10:00 hours.

Agenda

1. To read the Notice of the Meeting and confirm that a quorum is present.
2. To read and confirm the minutes of the 9th Annual General Meeting held on 19th December, 2003
3. Consider any matters arising from the minutes
4. To receive the report of the Directors, the Auditors report and the Financial statements for the year ended 30th September, 2004.
5. To appoint auditors and to authorise the Directors to fix their remuneration.
6. To elect Directors to fill any vacancies. In terms of the Articles, Mr David Phiri, Lawrence Sikutwa and Carl Irwin retire but are eligible to offer themselves for re-election.
7. To declare a final dividend. The proposed final dividend of K45.35 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 21st December, 2004.
Warrants in payment will be posted for payment on or before 14th January, 2005.
8. Consider any competent business of which due notice has been given.

By order of the Board, D. Museteka, Company Secretary

Note: A member is entitled to appoint one or more proxies to attend and speak and vote in his or her stead. A proxy need not be a member of the company. Proxies must be lodged at the registered office of the company at least 48 hours before the time fixed for the meeting.

Form of Proxy

ZAMBEEF PRODUCTS Plc
 (Incorporated in The Republic of Zambia)
 (Company Registration # 31824)

Form of proxy for use of shareholders, registered as such, at the tenth annual general meeting of the company to held at Plot 1 Nkanchibaya road Rhodes Park, Lusaka, on Wednesday 22nd December, 2004 at 10:00 hours.

I/We _____

of (address) _____

being the holder/s of _____ shares in the company, do hereby appoint

_____ or failing him / her

_____ or failing him / her

the chairman of the meeting, as my/our proxy to vote for me / us on my/ our behalf at the tenth annual general meeting of the company to be held Wednesday, 22nd March 2004 at 10:00 hours and at any adjournment thereof.

Signed this _____ day of _____ 2004

Signature _____

(* Indicate instructions to proxy by way of a cross in the space provided below.)

Unless otherwise instructed, my / our proxy may vote as he / she thinks fit or abstain from voting.

	* For	*Against	*Abstain
1. To receive, approve and adopt Annual financial statements			
2. Approve the final dividend of K45.35 per share			
3. Re-election of directors who retire by rotation			
* David Phiri			
* Lawrence Sikutwa			
* Carl Irwin			
4. Re-appoint Grant Thornton as auditors for 2004/5 financial year			

Notes to the proxy form

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.
2. A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.
3. If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
4. This form of proxy must be received by the company secretary at the registered head office, Plot Number 1164, House Number 1, Nkanchibaya Road, off Addis Ababa Drive, Rhodes Park, Lusaka, by no later than 09:30 on Monday, 20th December, 2004.
5. Documentary evidence establishing the authority of the person signing the proxy in representative capacity must be attached hereto unless previously recorded by the company's secretary.
6. The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form.
7. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
8. The chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.

