



# **2006 ANNUAL REPORT**

# Profile

The Zambeef Products PLC Group is a major agri-business whose core activity is the production, processing, distribution and retailing of beef, chickens, eggs and dairy products through its own retailing network throughout Zambia and Nigeria.

The Group is also one of the largest cropping operations in Africa with 2,700 hectares under irrigation and a further 1,500 hectares of dry land crops.

In addition, the Group is a major producer of leather, shoes and industrial footwear for the local and international markets.

# Vision

To be the leading food provider in the region, while ensuring innovation and excellence in all areas in which we operate.

## Financial Highlights

*2006...*

	ZMK	US\$
Turnover	+13.8%	+26.2%
Operating Profit	+17.0%	+29.7%
Net Profit	+17.7%	+30.4%
Cash from Operations	+61.4%	+79.0%
Dividends	+22.3%	+35.6%

*...another successful year*

Kwacha Net Profit up by  
617% since 2000

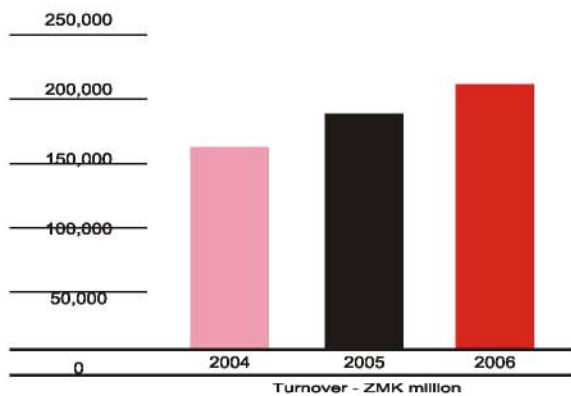
US Dollar Net Profit up by  
500% since 2000

## Financial Highlights

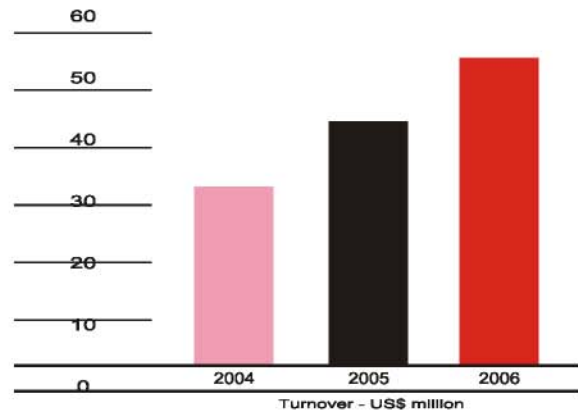
	Zambian Kwacha - Millions					US Dollar - Millions				
	2006	% age Change	2005	% age Change	2004	2006	% age Change	2005	% age Change	2004
Revenue	223,78	13.8%	196,576	19.3%	164,74	55,225	26.2%	43,781	29%	33,932
Gross Profit	2	17.2%		30.8%	1	24,798	29.8%	19,114	41.5%	13,504
Profit before Interest & Tax		22.3%	85,821	6.0%	65,564	5,916	35.7%	4,359	14.6%	3,803
Net Profit		61.4%	16,684	82.4%	14,530	8,683	78.9%	4,851	97.2%	2,459
Net Cash from Operations		13.8%	21,782	13.7%	11,938	22,575	26.2%	17,880	23%	14,531
Capital and Reserves			80,280		70,546	US\$		US\$		US\$
			ZMK		ZMK					
Performance Per Share		17.6%		14.8%		4.2	31%	3.2	23%	2.6
		22.3%	145.49	0.4%	126.71	1.8	38%	1.3	18%	1.1
Earnings Per Share		13.8%	60.609	13.7%	60.35	19.7	26%	15.6	23%	12.7
Dividend			700.1		615.22					
Net Asset Value						%		%		%
			%		%					
Core Ratios ( % )						44.8%		43.6%		39.7%
			43.7%		39.7%	8.7%		8.4%		8.8%
Gross Profit Margin			8.4%		8.8%	21.4%		20.7%		20.5%
Net Profit Margin			20.7%		20.5%	27.8 %		37.4%		18.3%
Return on Shareholders'			37.4%		18.3%					

## Financial Highlights

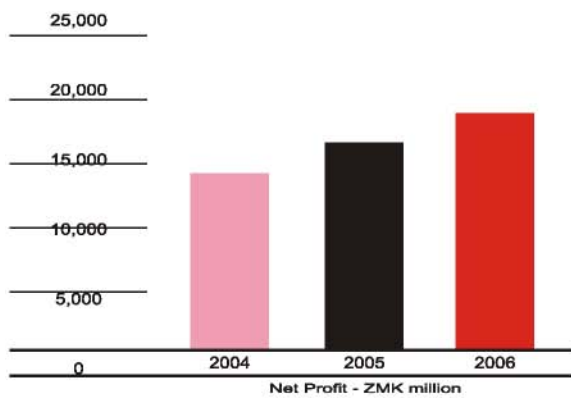
Turnover - ZMK Million



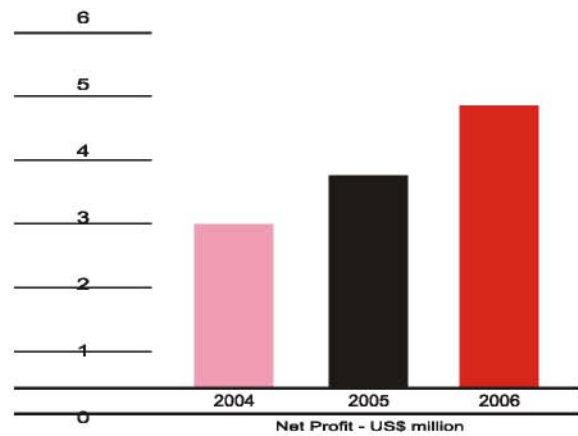
Turnover - US\$ Million



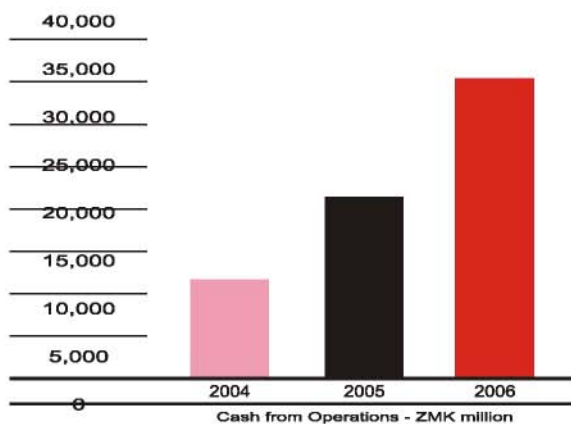
Net Profit - ZMK Million



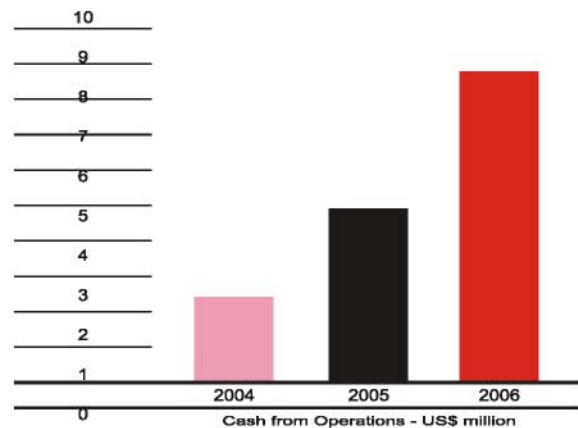
Net Profit - US\$ Million



Cash from Operations - ZMK Million



Cash from Operations - US\$ Million



Kwacha figures have been converted to US Dollars at the year end exchange rate for each year.

## Group Structure

# Zambeef Products PLC

### Operating Divisions

- Beef
- Chicken
- Egg
- Milk
- Feed plant
- Cropping

### Subsidiaries

**Master Meat & Agro  
Production Co. of Nigeria Ltd  
90% Subsidiary**

- Franchise on Shoprite  
Checkers Butcheries
- Commenced operations  
15th December 2005

**Zamleather Ltd  
100% Subsidiary**

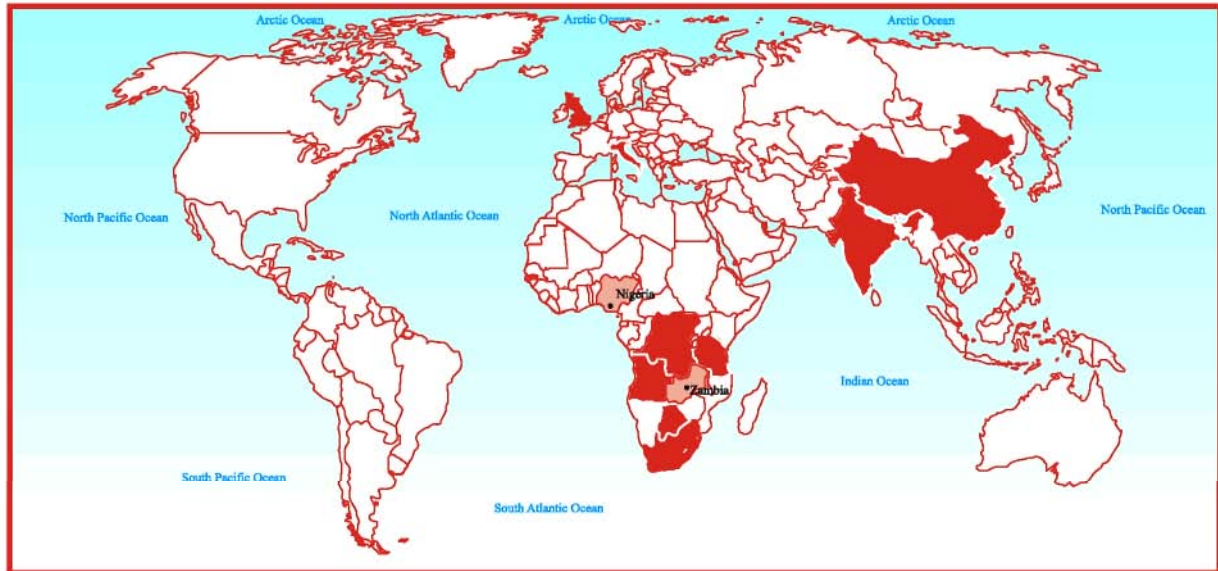
- Tannery
- Finished Leather  
Division
- Shoe Division

**Zambeef Retailing Ltd  
100% Subsidiary**

- 5 Abattoirs
- 87 Butcheries
- 3 Processing Plants
- 7 Zamchick Inns



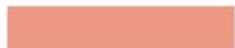
## Geographical Representation - Global



### KEY



Countries to which Zambeef Products PLC has exported products



Countries in which Zambeef Products PLC is operating

### Exports to:-

- ▶ Angola
- ▶ Botswana
- ▶ Democratic Republic of Congo
- ▶ Malawi
- ▶ Tanzania
- ▶ China
- ▶ Hong Kong
- ▶ India
- ▶ Italy
- ▶ United Kingdom

## Geographical Representation - Zambia



- ▶ The largest retailing network in Zambia with 87 retail outlets distributed countrywide
- ▶ Processing Plants - Situated in Lusaka, Chisamba and Kitwe
- ▶ Abattoirs - 5 abattoirs situated in different parts of Zambia



## Detailed list of Zambeef's Retailing Operations

### A. Zambia

#### ZAMCHICK INNS

- LUSAKA
  - \* Arcades
  - \* New Kamwala Mkt.
  - \* Town Centre Mkt.
  - \* Cairo Road
  - \* Down Town
- CHIRUNDU
- KABWE

#### PROCESSING PLANTS

- LUSAKA
- KITWE
- CHISAMBA

#### ABATTOIRS

- MONGU
- SENANGA
- NAMWALA
- CHIPATA
- CHISAMBA

#### BUTCHERIES

- LUSAKA
  - \* Arcades
  - \* Cairo 1
  - \* Cairo 2
  - \* Cha Cha Cha
  - \* Chaisa
  - \* Chandwe Musonda
  - \* Chawama
  - \* Chelston
  - \* Chilenje
  - \* Chilenje 2
  - \* Chipata Compound
  - \* City Market
  - \* Fracas
  - \* Freedom

- \* Garden
- \* Kabulonga
- \* Kabwata
- \* Kabwata Estates
- \* Kamwala
- \* Kanyama
- \* Kaunda Square
- \* Lilanda
- \* Manda Hill
- \* Mandevu
- \* Matero 1
- \* Matero 2
- \* Mtendere
- \* Natwange
- \* New Chawama
- \* New Kamwala
- \* Nkwazi
- \* Soweto

#### • CHAMBESHI

#### • CHISAMBA

#### • CHOMA

#### • CHINGOLA

- \* Chingola 1
- \* Chingola 2
- \* Nchanga
- \* Chiwempala

#### • KALULUSHI

#### • LUANSHYA

- \* Luanshya 1
- \* Luanshya 2

#### • CHIPATA

- \* Chipata City 1
- \* Chipata City 2
- \* Chipata City 3

#### • CHIRUNDU

#### • KABWE

- \* Kabwe 1

- \* Kabwe 2
- \* Kabwe 3

#### • KASAMA

- \* Kasama 1
- \* Kasama 2

#### • MONGU

- \* Mongu 1
- \* Mongu 2

#### • KAPIRI MPOSHI

#### • KITWE

- \* Buchi
- \* Chamboli
- \* Chimwemwe
- \* Chisokone 1
- \* Chisokone 2
- \* Euclid
- \* Independence
- \* Kapoto
- \* K.M.B
- \* Market 1
- \* Ndeke
- \* Triple - S
- \* Luangwa
- \* New Age

#### • CHILANGA

#### • CHILILABOMBWE

#### • LIVINGSTONE

- \* Livingstone 1
- \* Livingstone 2

#### • MANSA

#### • MAZABUKA

#### • MONZE

#### • MUFULIRA

- \* Mufulira 1
- \* Mufulira 2

### B. Nigeria

#### BUTCHERY

## Board of Directors - Biography

### Non Executives



**Dr. Jacob Mumbi Mwanza**  
( 68)



**Rodney Clyde Anderson**  
( 66)



**Lawrence S Sikutwa**  
( 60)



**Hilary M Duckworth**  
( 51)



**David Phiri**  
( 69)

#### Dr. Jacob Mumbi Mwanza

- > Board Chairman and member of the Remuneration Committee - appointed 21/01/03
- > Nationality:- Zambian
- > Qualifications:- MA Economics (W. Germany)
- > Experience:- Over 30 years Business Management experience, both in the public & private sectors. Previously Governor of the Central Bank; currently Chancellor of the University of Zambia. Has served & is currently on several Boards, including Stanbic Bank, Citi Bank, Intercontinental Hotel.

#### Rodney Clyde Anderson

- > Non-Executive Director and member of the Remuneration Committee - appointed 02/04/98
- > Nationality:- British
- > Qualifications:- Diploma In Agriculture (Zimbabwe)
- > Experience:- Over 30 years experience in Agribusiness; past Chairman of Hard Book Society of Zambia and Livestock Services Co-operative Society; previously Vice-President of Zambia National Farmers Union. Currently serving on several Boards including Eric Brac Ltd, Zambezi Ranching & Cropping Ltd, Wellspring Ltd and Mazabuka Marketing Company Ltd.

#### Lawrence L. Sikutwa

- > Non-Executive Director and Chairman of the Audit Committee - appointed 14/11/02
- > Nationality:- Zambian
- > Qualifications:- FCI; Post Grad Diploma In Insurance (UK)
- > Experience:- Over 30 years experience in Business Management. Previously General Manager of Zambia State Insurance Corporation; currently Managing Director of Madison Insurance Company Ltd. Other directorships include Zambezi Ranching Cropping Ltd.

#### Hilary M Duckworth

- > Non-Executive Director - appointed 07/05/02
- > Nationality:- British
- > Qualifications:- RMLA Sandhurst; MBA (UK)
- > Experience:- Over 20 years experience in Business Management; Merchant Banking experience with various banks in the UK; Director of a number of other companies including Zambezi Ranching & Cropping Ltd, Eric Brac Ltd.

#### David Phiri

- > Non-Executive Director and member of the Remuneration & Audit Committees - appointed 14/11/02
- > Nationality:- Zambian
- > Qualifications:- Rhodes Scholar

## Board of Directors - Biography

### Non Executives



**John Rabb**  
( 62)



**Irene M Muyenga**  
( 45)



**Adam Fleming**  
( 68)



**Brian Dowden**  
( 67)



**Mark Doron  
Shnape**  
( 35)

#### John Rabb

- ▶ Non-Executive Director - appointed 07/08/02
- ▶ Nationality:- South African
- ▶ Qualifications:- BSo (Agriculture) ; MBA (RSA)
- ▶ Experience:- Over 30 years Business Management experience. Currently Managing Director of Wooltru Group South Africa. Has served & is currently on several Boards, including Zambezi Ranching & Cropping Ltd, Spur Holdings (listed on JSE) , Welapring Ltd.

#### Mark Doron Shnape

- ▶ Non-Executive Director (Alternate to John Rabb) - appointed 26/02/05
- ▶ Nationality:- South African
- ▶ Qualifications:- Bachelor of Business Science (UCT with honours In Finance) CA (RSA)
- ▶ Experience:- Over 5 years experience in finance and accounting. Currently Director of Cape Underwear Manufacturers - A division of Seardel Group Trading (Pty) Ltd, Financial Director of Creative Fashions - A division of Seardel Group Trading (Pty) Ltd.

#### Irene M Muyenga

- ▶ Non-Executive Director and member of the Audit Committee - appointed 11/08/03
- ▶ Nationality:- Zambian
- ▶ Qualifications:- BA (ed) ; DIS; LIII
- ▶ Experience:- Over 20 years Business Management experience. Currently Managing Director of Zambia State Insurance Corporation. Has served and is currently on several Boards, including African Insurance Organisation, Insurance Advisory Council, Organisation for Eastern & Southern Africa Insurers, Zambia Insurance Business College, PTA Re- Insurance Company.

#### Adam Fleming

- ▶ Non-Executive Director - appointed 26/02/04
- ▶ Nationality:- British
- ▶ Experience:- Over 30 years Business Management & Banking experience. Previously Chairman of Harmony Gold (listed on JSE & one of the largest gold mining companies in the world) ; currently Chairman of Witwatersrand Consolidated Gold Resources Ltd. Has served and is currently on several Boards.

#### Brian Dowden

- ▶ Non-Executive Director (Alternate to Adam Fleming) - appointed 26/02/04



## Board of Directors - Biography

### Executives



**Carl Irwin**  
(41)



**Francis Grogan**  
(43)



**Yusuf Koya**  
(40)



**Nancy Hart**  
(40)



**Danny Musetoka**  
(41)

#### Carl Irwin

- ▶ Executive Director (Joint Managing Director)
- ▶ Nationality:- Zambian
- ▶ Qualifications:- B.Com; ACA (UK)
- ▶ Experience:- Over 16 years Accounting & Finance experience with a number of companies, including Coopers & Lybrand UK. Co-founder of Zambeef Products PLC. Other directorships include Lubungu Wildlife Safari Company Ltd, Profitlight Commuter Services Ltd, Zambezi Ranching & Cropping Ltd and Master Pork Ltd.

#### Francis Grogan

- ▶ Executive Director (Joint Managing Director)
- ▶ Nationality:- Irish
- ▶ Qualifications:- BSc (Agriculture) Ireland
- ▶ Experience:- Over 21 years experience in agriculture and meat, including with United Meat Packers (Ireland), one of Europe's largest meat companies. Co-founder of Zambeef Products PLC. Other directorships include Zambezi Ranching & Cropping Ltd, Master Pork Ltd.

#### Yusuf Koya

- ▶ Executive Director (Group General Manager)
- ▶ Nationality:- British
- ▶ Qualifications:- BSc (Geology & Economics) ; MSc (Economics) ; ACIB - UK
- ▶ Experience:- Over 16 years banking experience in Corporate Finance & Credit Risk Management, both in the UK and Zambia. Previously Head of Corporate Finance, Assistant Corporate Director & Country Credit Director with Barclays Bank Zambia PLC.

#### Nancy Hart

- ▶ Executive Director (Group Finance Manager)
- ▶ Nationality:- American
- ▶ Qualifications:- BSc (Accounting) ; CPA - USA
- ▶ Experience:- Over 16 years Accounting, Finance & Audit experience, including 3 years as an officer in the Enforcement Division of the US SEC & 4 years as Senior Auditor with Ernst & Young, USA.

#### Danny Musetoka

- ▶ Company Secretary
- ▶ Nationality:- Zambian
- ▶ Qualifications:- ACCA, Diploma In Accountancy

## Fact Sheet

Product	Description
<p><b>Beef &amp; Feedlot</b></p>	<ul style="list-style-type: none"> <li>▶ The largest meat company in Zambia slaughtering 60,000 cattle per annum</li> <li>▶ The largest feedlotter of quality beef in Zambia feedlotting 12,000 grain-fed cattle per annum</li> <li>▶ 5 abattoirs strategically located around Zambia with two new abattoirs due to be commissioned shortly</li> </ul>
<p><b>Milk &amp; Milk Processing</b></p>	<ul style="list-style-type: none"> <li>▶ State of the art dairy milks 950 cows per day</li> <li>▶ Milk pasteurised and homogenised in modern milk processing plant</li> <li>▶ Further valued added in producing drinking yoghurt, eating yoghurt, cheese, butter and cream</li> <li>▶ Juice line due to be commissioned next</li> </ul>
<p><b>Chicken &amp; Egg</b></p>	<ul style="list-style-type: none"> <li>▶ The largest chicken producer processing 3.5 million chicken per annum</li> <li>▶ Major egg producer currently producing 20 million eggs per annum</li> <li>▶ Zambia's only national egg supplier</li> </ul>
<p><b>Farming</b></p>	<ul style="list-style-type: none"> <li>▶ One of the largest cropping operations in Africa</li> <li>▶ Produces maize, soya, wheat and lucerne</li> <li>▶ 2,700 hectares under irrigation</li> <li>▶ 1,500 hectares of dry land crops</li> </ul>
<p><b>Stock Feed</b></p>	<ul style="list-style-type: none"> <li>▶ Produces 120 tonnes of stock feed per day in own stock feed plant</li> <li>▶ Self sufficient in stock feed requirements</li> <li>▶ Commissioning a new stock feed plant to increase capacity</li> </ul>



## Fact Sheet

( continued)

Product	Description
<p><b>Transport &amp; Distribution</b></p>	<ul style="list-style-type: none"> <li>▶ One of the largest trucking and transport fleets in Zambia</li> <li>▶ In excess of 200 units</li> <li>▶ Own modern workshop to service and maintain this fleet</li> </ul>
<p><b>Retailing</b></p>	<ul style="list-style-type: none"> <li>▶ Fast growing popular fast food chain selling fresh fried chicken and chips</li> <li>▶ 7 Zamchick Inns with more planned for next year</li> </ul>
<p><b>Butchery Outlets</b></p>	<ul style="list-style-type: none"> <li>▶ Sells high quality meat, chicken, milk, eggs and processed meat products in 88 outlets</li> <li>▶ In store butcheries in Shoprite supermarkets in Zambia and Nigeria</li> </ul>
<p><b>Leather &amp; Shoes</b></p>	<ul style="list-style-type: none"> <li>▶ Processes 70,000 hides per annum through tannery</li> <li>▶ Exports to South Africa, Europe and Far East, valued at US\$1.3 million per annum</li> <li>▶ Tannery capacity being increased to 100,000 hides per annum</li> <li>▶ Major producer of industrial footwear for the</li> </ul>

## Chairman's Statement

### Overview

I am pleased to report that the financial year ended September 2006 has once again been another excellent year for the Zambeef group. The Annual Report sets out full details of the group's achievements and financial results but I would like to take this opportunity to summarise some key highlights over the last twelve months and our future plans over the next year.

### Financial Overview

Turnover increased by 13.8% to K223.8bn and net profit increased by 17.7% to K19.6bn. Gross margins improved slightly from 43.7% to 44.9%. The interim and final dividend pay out of K8.5bn for 2006 is 22% higher than last year's dividend pay out of K7bn. Since 2000, net profit has increased by 617% in ZMK terms and 500% in US\$ terms.

All divisions showed good growth, with notable performances being recorded in the beef & dairy divisions.

### Vision/Strategy

The group's continued success is built around the well-focused strategy of expanding the business in areas where the group believes it has a comparative advantage with the aim of being the leading food provider in the region.

Significant investment has been made into expanding, developing and improving the standards and efficiencies in all the divisions. This has reduced the reliance of the company on the performance of its beef division.

Indeed, one of the key strengths and successes of Zambeef lies in its diversification strategy and adding value to all its products, processes and operations; this complete horizontal and vertical integration of the business has reduced earnings volatility and improved the quality of earnings.

### Reinvestment / Future Investments

During the financial year under review, Zambeef reinvested in excess of K19bn into its operations. One of Zambeef's main strengths has been its significant reinvestment policy since the company's incorporation.

Over the last twelve months, there has been significant expansion and development of Zambeef's farming operations, such that Zambeef is now recognized as one of the largest farming operations on the African continent, with over 2,700 hectares under irrigation and another 1,500 hectares of dry land crops. This has allowed Zambeef to be nearly self-sufficient in its raw material requirements for its stock-feed plant.

Zambeef is also concluding the construction of its new modern stock-feed plant, which should be commissioned and fully operational during the next few months. This will enable Zambeef to provide the stock feed requirements not only for its own livestock and poultry divisions, but also to third parties both within Zambia and the region.

Probably one of the most exciting projects currently being undertaken by Zambeef is the construction of a wheat mill and bakery plant, at a projected total cost of US\$3m. This is in line with the group's strategy of adding value to all its products. The mill and bakery will enable Zambeef to add value to its wheat, in the form of flour and/or bread, which will be sold in Zambeef's

## Chairman's Statement

(continued)

extensive distribution and retailing network.

This is an extremely exciting project where Zambeef will be in the unique situation where it is totally vertically integrated from the growing of the wheat to the milling and baking and finally retailing the bread to the end consumer. The efficiencies from doing the growing, milling and baking all on one farm are enormous. Zambeef has one of the largest retailing network in Zambia and we believe that the bread will compliment Zambeef's other products in the butcheries.

### Regional Expansion

In December 2005, Zambeef took the bold step of physically setting up operations in Nigeria, the second largest economy in Africa.

Our Nigerian subsidiary's performance over the last nine months since inception has been impressive with turnover increasing by over 130% and the company recording a healthy profit. This is set to continue and grow as we join Shoprite in their further expansion plans in Nigeria. We also intend to commission a meat processing plant over the next few months. This will allow us to produce & sell value added meat products, of which there is a huge demand.

### Brand

Zambeef's brand, both as a corporate and for its individual products, continues to go from strength to strength and is fast becoming a leading brand not only within Zambia and the region but also in other parts of the world where Zambeef trades in.

### Corporate Governance

A detailed report on corporate governance is contained

in this annual report, suffice to say that the directors and senior management of Zambeef are fully committed to the principles of effective corporate governance and the application of high ethical standards in the conduct of business. The group endorses the principles of openness, integrity and accountability as set out in the King Report on Corporate Governance SA 2002 and in the group's Code of Corporate Governance, which was updated by the Audit Committee and approved by Board in November 2006.

### Board of Directors

Zambeef's Board consists of 12 directors; of whom 8 are independent non-executive directors appointed by the shareholders and four are executive directors. During the year, two members of senior management were nominated to the Board - Yusuf Koya as Executive Director and Nancy Hart as Finance Director.

It is my considered view that the mix of technical, entrepreneurial, financial and business skills and experiences of the Board of Directors is well balanced, which has enhanced the effectiveness of the Board.

### Environmental & Social Responsibility

Given our economic and social influence in so many parts of Zambia, we are constantly examining how we can best contribute to the communities in which we operate. In the past year, we've formalized our approach by establishing a sustainable development framework consisting of environmental and social priorities and policies, which are aimed at providing a safe and healthy work place, protecting the environment, and being a responsible corporate



## Chairman's Statement

(continued)

citizen within the communities where we operate.

Aside from the many prizes and awards Zambeef wins at many trade, agricultural and commercial shows/fairs, I was particularly proud of the Community Empowerment True Ebony Achievement Award, which Zambeef won in August 2006. These awards are aimed at singling out outstanding individuals or companies that contribute to the sustainable development of the Zambian community.

### Appreciation

As Chairman of the company, I would like to express my gratitude for the support I have received from my colleagues on the Board as well as members of Zambeef's senior management.

On behalf of the Board, I would like to pay tribute to our

thousands of employees for their loyalty, enthusiasm and team spirit, which has ensured another very successful year for Zambeef.



.....  
Dr. Jacob Mwanza  
Chairman

## Joint Managing Directors Report

### Overview

This has been an outstanding year for Zambeef with the Group continuing its excellent growth in existing markets while developing into a multinational operation with the very successful opening of its Nigerian subsidiary.

The Group's continued success is built around the well focused strategy of adding maximum value to all primary production and then selling these branded products directly to the end consumer through the company's 88 retail outlets situated throughout Zambia and now Nigeria.

During the year, the Zambian economy grew by around 5% largely driven by the high investment in mining, agriculture and tourism. The economy's growth rate is expected to increase to 6% in 2007, resulting in real income growth. Zambeef is ideally placed to benefit from this as a result of being the largest provider and retailer of basic food products namely beef, chicken, eggs and dairy products in the country.

### Financial Overview

The Group has had an excellent financial year.

In US Dollar terms, turnover increased by 26 %, profit after tax increased by 30%, and cash generated from operations increased by 79%.

In Kwacha terms, turnover increased by 14%, profit after tax increased by 18%, and cash generated from operations increased by 61%.

This has been achieved by the continued expansion of all of its operations while strong cost saving measures

have been implemented across the Group. This has resulted in the gross margin increasing from 43.6% to 44.8%.

Based on these excellent results, the Board of Directors has recommended a final dividend of K7bn. This, together with the interim dividend of K1.5bn, will result in a total dividend pay out of K8.5bn for 2006, which is 22% higher than last year's dividend pay out of K7bn.

### Operational Review

The Group continued to expand all divisions while paying particular attention to developing new value added products and thereby allowing the Group to retail higher margin products through its retailing network.

In the Finance Department, the Group has implemented an advanced information system that has significantly improved the information and management systems. This financial system was developed in anticipation of the Group's expected growth and will keep pace with Zambeef's future developments.

The individual divisions are discussed in more detail below:

#### a) Beef Division

The beef division has had a very good year with operating profits up by 23% in Kwacha terms and 37% in US Dollar terms. The Group's strategy of opening regional abattoirs to ensure the supply of beef has been very successful. The Group now has five abattoirs strategically located throughout Zambia with



## Joint Managing Directors Report

( continued)

two further abattoirs due to be commissioned shortly. At the same time a program to upgrade and modernize the Zambeef outlets throughout Zambia is taking place to further strengthen the Zambeef brand name. During the year, the company invested in upgrading and expanding the beef processing and cooked product section, resulting in large additional capacity for more value added products. This should benefit this division in the next financial year and the division looks forward to continued strong growth.

### b) Chicken Division

The Chicken division had a satisfactory year with operating profits up by 5% in Kwacha terms and 17% in US Dollar terms. The division saw a down-turn in sales at the start of the year after the negative publicity regarding Avian Bird Flu. Although the strain of flu currently affecting the international poultry population has never been detected in Zambia, Zambeef takes the threat seriously and strict bio-security measures have been put in place to prevent any potential negative effects. Towards the end of the financial year, demand picked up significantly and the division is operating at record levels. During the year new packaging has been introduced to strengthen the Zamchick brand, while the division has expanded into the higher margin chicken portion market, which has resulted in an increase in the margins in this division. The division is having an excellent start to the new financial year and expects a good year in 2007.

### c) Egg Division

This division saw an increase in operating profits by 1% in Kwacha terms and 12% in US Dollar terms. The division has continued to improve its efficiencies and during the year started rearing its own point-of-lay

pullets with significant cost savings. During the next financial year, the division will become self sufficient and produce all its own point-of-lay pullets. Demand is currently extremely strong resulting in an upward movement in prices and as a result the division expects good growth in the 2006/7 financial year.

### d) Dairy Division

This remains one of Zambeef's most exciting divisions with operating profits up 21% in Kwacha terms and 34% in US Dollar terms. During the year, the new value added lines have proved to be a huge success with the drinking and eating yoghurts selling especially well. As a result we are upgrading our batch pasteuriser capacity from 3,000 litres to 24,000 litres per day, which will allow the Group to fully exploit the drinking and hard yoghurt markets. In addition the other value added lines such as cream, butter and cheese are selling well. All our dairy brand names are growing in popularity throughout the country.

On the production side, our dairy operated extremely well with the yield per cow peaking at record levels of 28 litres per cow and the daily production peaking at 27,000 litres of milk per day.

Zambeef is currently commissioning a milk-based juice line, which the company believes will be a great success. As a result, this division expects to see continued strong growth in the next financial year.

### e) Cropping Division

The cropping division has continued to grow and has had a very successful year. Zambeef now has 2,700 hectares under irrigation and a further 1,500 hectares of dry land crops making the company one of the

## Joint Managing Directors Report

( continued)

largest row cropping operations in Africa.

The accounts show operating profits having decreased during the year. However, this is very misleading as this arose due to Zambeef having biological cropping stocks of US\$3.6m at 30th September 2005 representing mainly the company's winter wheat crop. The year end exchange rate was K4,490/US\$ and this crop was sold in January at an exchange rate of K3,100/US\$ resulting in an accounting loss on the disposal of our wheat crop due to the 30% appreciation of the currency. This exchange loss has distorted the strong performance of this division.

The remainder of the cropping season has gone extremely well with Zambeef obtaining excellent maize yields and selling its maize at record prices. The winter wheat crop has been excellent and prices both within Zambia and the world as a whole are moving up. In addition, the continued shortage of maize, soya and wheat in the region and the higher world prices bode well for the cropping division in the next financial year.

### f) Master Meats Production and Agricultural Company of Nigeria Ltd

In December 2005, Zambeef took the bold step of setting up operations in Nigeria, the second largest economy in Africa after South Africa.

The South African supermarket chain, Shoprite Checkers, expanded into the Nigerian market, with the first store opening in Lagos on 16th December 2005. Shoprite requested Zambeef to join them in this venture by taking the franchise on their butcheries.

We have a strong and mutually beneficial relationship

with Shoprite and in view of this, we decided to join Shoprite in their expansion into the Nigerian market through the establishment and setting-up of a 90% subsidiary in Nigeria called Master Meats & Agro Production Company of Nigeria Ltd ( Master Meats Nigeria ).

Master Meats Nigeria's performance over the last nine months since inception has been impressive with the company recording a healthy profit in its first year of operations.

The Zambeef/Master Meats butchery in Shoprite Lagos is now the busiest Shoprite butchery anywhere in the world and continues to grow on a monthly basis. This first outlet in Nigeria has shown just how big the Nigerian market is and how large the consumer spending power is. Shoprite have an ambitious rollout plan in Nigeria and Zambeef will continue to take the franchise on all the butcheries in the new supermarkets opened. We are in the process of commissioning a meat processing plant. This will allow us to produce and sell value added meat products, for which there is a huge demand.

As a result Zambeef expects to achieve enormous growth in Nigeria for the foreseeable future.

### G) Zamleather Ltd

Zambeef's wholly owned subsidiary, Zamleather Ltd, operates a tannery and shoe plant in Lusaka. This company has had a good year despite the strong appreciation of the Kwacha and most of this company's income being dollar denominated. Operating profits were up 17% in Kwacha terms and 30% in Dollar



## Joint Managing Directors Report

( continued)

terms. The tannery and shoe plant are separately described below:

### i) Tannery

During the year the tannery secured contracts with two major motor vehicle leather upholstery producers. This has been a huge step forward for the tannery and helped to increase margins in this division.

World leather prices have also been rising with average prices having increased by over 20% in the last twelve months. We will see the impact of the price and demand increases over the next few months. To gear up for this increased demand, we are expanding the tannery capacity from 70,000 hides per annum to 120,000 hides per annum. As a result 2007 looks very promising for the tannery.

### ii) Zamshu

The shoe division of Zamleather had a relatively slow year. However, after the year-end, two new large contracts have been secured, one in Zambia and one in the Democratic Republic of Congo, which collectively represent approximately 5 months of last year's average turnover.

### Future Developments - Wheat Mill and Bakery

In 2005 the Group expanded further its cropping operations and as a result Zambeef now produces approximately 10% of Zambia's wheat. In accordance with the Group's strategy to develop value added products Zambeef has begun construction of a wheat mill and bakery. The state of the art facilities will have the capacity to mill 5 tons of wheat per hour ( Zamflour) and bake 30,000 loaves of bread per day

( Zamloaf) .

This exciting step not only secures a market for our wheat production, but it compliments our existing product lines and further utilizes our existing distribution and retailing network.

This is an extremely exciting project where Zambeef will be in a unique position where it is totally vertically integrated from the growing of the wheat to the milling and baking and finally retailing the bread to the end consumer.

### Staff and Board of Directors

As Joint Managing Director we would like to pay tribute to our thousands of employees in every corner of Zambia as well as in Nigeria for their loyalty, enthusiasm and team spirit, which has ensured another very successful year for Zambeef.

To our Board of Directors and our Chairman, Dr Jacob Mwanza, we appreciate your valuable guidance and support in continuing to expand and grow our business.

### Conclusion

This has been another outstanding year for Zambeef with all divisions having shown continued growth. It has also seen the very successful entry of Zambeef into the Nigeria Market through its subsidiary, Master Meats and Agro Production Company of Nigeria Ltd. The successful first year of operations has shown the enormous potential of this new market Zambeef has entered into.

The new bakery and mill projects look very exciting and



## Joint Managing Directors Report

( continued)

will further add value to our cropping operation and maximize the use of our extensive retailing network. With the Zambian economy's growth rate expected to reach 6% in the next year, Zambeef is gearing up to strong growth in all divisions as demand for basic food products increase. As a result, Zambeef can look forward to the future with a great deal of excitement and confidence.

# Corporate Governance Report

## CORE POLICY

The directors of Zambeef Products PLC are fully committed to the principles of effective corporate governance and the application of high ethical standards in the conduct of business.

The group endorses the principles of openness, integrity and accountability as advocated in its Code of Corporate Governance and as set out in the King Report on Corporate Governance SA 2002 (King II).

## CODE OF CORPORATE GOVERNANCE

The key principles underpinning the governance of the group are set out in its Code of Corporate Governance, which was updated by the Audit Committee and approved by Board in November 2006. Zambeef's Code of Corporate Governance complies with the requirements of the Lusaka Stock Exchange. The group believes that a corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a core component of good corporate governance. As such, compliance is one of the most important areas covered by Zambeef's system of internal control.

The Code spells out the company's commitment towards shareholders and stakeholders, as well as policies and guidelines regarding the personal conduct of management and other employees.

The key sections of the Code of Corporate Governance relate to Board and Directors, Board Committees, Legal and Compliance, Internal Audit, Risk, Environmental, Health and Safety and Social Responsibility Policies, Disclosure & Stakeholder Communication and Organization Integrity.

## BOARD OF DIRECTORS

The Board of Directors has been appointed by the shareholders and is responsible to the shareholders for setting the direction of Zambeef through the establishment of strategic objectives and key policies.

The Board consists of twelve directors, of whom eight are non-executive directors and four are executive directors. The Board considers the non-executive directors to be independent as described in the King II Report. The non-executive directors, drawing on their skills, experience and business acumen, have ensured impartial and objective viewpoints in decision-making processes and standards of conduct. The mix of technical, entrepreneurial, financial and business skills of the directors is considered to be in balance and to enhance the effectiveness of the Board.

All directors have had access to management and to such information as was needed to carry out their duties and responsibilities fully and effectively. The directors have stayed fully abreast of the group's business through meetings with senior management and site visits.

One third of the non-executive directors are subject to the rotation provisions contained in the groups Code of Corporate Governance and the Companies Act and retire at the Annual General Meeting.

## BOARD COMMITTEES

Subject to specific fundamental, strategic and formal matters reserved for its decision, the Board has delegated certain responsibilities to standing sub-committees, which operate within defined terms of reference laid down by the Board, as referred to below. The board has the following sub-committees to assist it



# Corporate Governance Report

( continued)

with its duties:

- Executive committee
- Audit committee
- Remuneration committee

## Executive Committee

The Executive Committee is chaired by the Board Chairman, Dr Jacob Mwanza, and its membership consists of the two Joint Managing Directors and three non-executive directors.

The committee is responsible for advising the Joint Managing Directors in implementing the strategies and policies determined by the Board and making quick decisions on issues which cannot wait for the convening of formal board meetings. The committee is also responsible for monitoring the performance of the company.

## Audit Committee

The Audit Committee is chaired by Mr. Lawrence Sikutwa, non-executive director, and its membership consists of three non-executive directors and an independent secretary. The Executive Director, the Finance Director and the Chief Internal Auditor attend, report and participate at all meetings of the committee, which ensures cohesion with senior management.

The committee operates within defined terms of reference and authority granted to it by the Board.

The Audit Committee has met five times during the financial year to advise the Board on a range of matters, including corporate governance issues, effectiveness of internal control policies and procedures, assessing management of risks facing the

business. The committee is also responsible for ensuring compliance with laws and other regulatory requirements.

The primary role of the Audit Committee is to ensure the integrity of the financial reporting and the audit process, and that a sound risk management and internal control system is maintained. The committee provides an independent oversight of the group's system of internal control and financial reporting processes, including the review of the interim and annual financial statements before they are submitted to the Board for final approval.

The Audit Committee is required to ensure that all 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. In pursuing these objectives, the Audit Committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

The Audit Committee is not aware of any significant cases of non-compliance with the group's Code of Corporate Governance during the year under review, nor is it aware of any 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's assessment of the external auditors performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of the present auditors Grant Thornton for the year 2006/2007.

## Remuneration Committee

# Corporate Governance Report

( continued)

The Remuneration Committee is chaired by Mr. David Phiri, non-executive director, and its membership consists of three non-executive directors. The two Joint Managing Directors and the Executive Director attend, report & participate at all meetings of the committee but they do not take part in any decisions regarding their own remuneration.

The main responsibility of the committee is to review and approve the remuneration and employment terms and conditions of the executive directors and senior group employees.

The committee has a clearly defined mandate from the Board aimed at ensuring that the group's remuneration strategies, packages and schemes are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company.

In determining the remuneration of the executive directors and senior group employees, the Remuneration Committee has aimed to provide the appropriate packages required to attract, retain and motivate the executive directors and senior group employees. In discharging its responsibilities, the committee draws extensively on external surveys and independent advice and information.

The committee has considered and submitted recommendations to the Board concerning the fees to be paid to each non-executive director. Any changes to the fees are approved by the Board and the shareholders in a general meeting.

## INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The Board is responsible for the group's system of

internal control and risk management and for reviewing its effectiveness. To discharge that responsibility, senior management has appointed a Chief Internal Auditor, who has established the procedures necessary to implement clear operating procedures, lines of responsibility and delegated authority.

The system of internal control, which is embedded in all key operations, aims to provide assurance that the company's business objectives are achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of Board assurance.

The company's internal audit function now has a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls and to eliminate duplication of effort. The key features of the internal control system that operated throughout the year covered by the financial statements are described under the following headings:

### Control Environment

The Board has put in place a documented organizational structure with clearly defined and understood lines of responsibility and delegation of authority from the Board through the CEO (Admin) to operating units.

### Identification and Evaluation of Business Risks and Control Objectives

The Board has the primary responsibility for identifying the major business risks facing the group and for developing appropriate policies to manage those risks and relies on the reports of the Audit Committee,



# Corporate Governance Report

( continued)

supported by the Executive Director, the Finance Director and the Chief Internal Auditor.

## Information and Reporting Systems

The group operates a comprehensive annual planning and budgeting system with an annual budget approved by the Board. Reports include profit forecasts and cash flow statements, which are used in determining that the group is in line with its projected trading/financial forecasts and that it has adequate funding for its current and future needs.

## Risk Management

The Board identifies and monitors risk through the planning process, the close involvement of the executive directors in the group's operations and the periodic monitoring of key issues to ensure that the significant risks faced by the group are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

## Monitoring

The Audit Committee considers that there have been no significant weaknesses in the system of internal control that resulted in any material losses or contingencies during the last year or the period from the balance sheet date to the date of this report.

## INSIDER TRADING

The group's Code of Corporate Governance provides that no member of senior management can acquire shares in the company without Board approval. Furthermore, no share dealings can take place by senior management and directors during the

restricted/closed period. The Company Secretary is required to table a current list of shareholders at every Board meeting.

## INTEREST IN CONTRACTS

During the year under review, none of the directors had a significant interest in any material contract or arrangement entered into by the company or its subsidiaries.

## HEALTH & SAFETY, SOCIAL RESPONSIBILITY & THE ENVIRONMENT

Zambeef's environmental policy is aimed at providing a safe and healthy work place, protecting the environment, and being a responsible corporate citizen within the communities where we operate.

In this regard, the group has established strong partnerships with local communities and supported many community initiatives, especially in the healthcare and education areas, that deliver sustainable results and real benefits to the communities within which it operates.

The group also aims to comply with all relevant legal obligations and regulations concerning employee safety and environmental protection.

Zambeef subscribes to the United Nations Millenium Development Goals, which aim to:

- Eradicate extreme poverty & hunger
- Achieve universal primary education
- Promote gender equality and empower women



## Corporate Governance Report

( continued)

- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, Malaria, TB and other diseases
- Ensure environmental sustainability

Zambeef was awarded a True Ebony Achievement Award in August 2006 (in the category of 'Community Empowerment') - these awards are aimed at singling out outstanding individuals or companies that contribute to the sustainable development of the Zambian community.

## Directors Attendance Register

	Board Meetings				Audit Committee					Remuneration Committee
	18.11.05	28.02.06	02.06.06	18.09.06	30.11.05	12.01.06	22.02.06	24.05.06	05.09.06	20.06.06
Director										
Jacob Mwanza	*	*	*	*						*
Carl Irwin	*	*	*	*						
Francis Grogan	*	*	*	*						
Lawrence Sikutwa	-	*	*	*	*	*	*	*	*	
Hillary Duckworth	-	-	-	-						
Adam Fleming	*	*	*	*						
John Rabb	*	*	*	*						
Irene Muyenga	*	*	*	*	*	*	*	*	*	
David Phiri	*	*	*	*						*
Rodney Clyde Anderson	*	*	*	*						*
Brian Dowden	*	*	*	*						
Mark Shnaps	*	*	*	*						
Yusuf Koya				*						
Nancy Hart				*						
NOTES										
* - Present										
- - Apologies										
A - Absent										

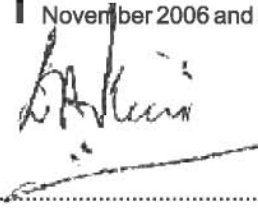
## Ratios and Statistics

<b>INCOME STATEMENT INFORMATION</b>		<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenue	ZMK million	<b>223,782</b>	196,576	164,740	121,778	87,565
Gross Profit	ZMK million	<b>100,432</b>	85,821	65,564	56,751	34,343
Net Profit	ZMK million	<b>19,634</b>	16,683	14,529	15,559	8,992
<b>BALANCE SHEET INFORMATION</b>						
Total Assets	ZMK million	<b>169,740</b>	162,708	122,535	92,202	31,496
Shareholders Funds	ZMK million	<b>91,429</b>	80,280	70,546	62,937	16,963
Total Liabilities	ZMK million	<b>78,422</b>	82,428	51,988	29,266	14,533
<b>PROFITABILITY &amp; RETURN RATIOS</b>						
Gross Profit Margin	%	<b>44.9</b>	43.7	40	46.6	39.2
Net Profit Margin	%	<b>8.7</b>	8.4	8.8	12.7	10.2
Return on Equity	%	<b>21.4</b>	21	20	24.7	53
Asset Turnover	times	<b>1.7</b>	1.62	1.77	1.6	3.79
<b>LIQUIDITY RATIOS</b>						
Current Ratio	times	<b>1.8</b>	1.68	1.93	2.35	2.26
Interest Cover (using net cash inflow from operations)	times	<b>14.02</b>	11.62	8.9	7.42	15.08
<b>CAPITAL STRUCTURE RATIOS</b>						
Long Term Debt / Equity Ratio	%	<b>27.8</b>	37.4	18.3	9.7	15.54
Total Debt / Equity Ratio	%	<b>46.7</b>	65.9	39	17.7	28.9
<b>SHAREHOLDERS' RATIOS</b>						
Earnings Per Share	ZMK	<b>171.22</b>	145.49	126.71	135.68	78.42
Dividend Per Share	ZMK	<b>74.125</b>	60.61	60.35	54.38	74.13
Dividend Cover (eps / Dps)	times	<b>2.26</b>	2.4	2.09	2.5	1.06
Dividend Payout Ratio (dps / Eps)	%	<b>44.3</b>	41.66	47.63	40.08	94.53
Dividend Yield (dps / Share Price)	%	<b>2.9</b>	4.49	7.54	8.1	N/a
Price Earnings Ratio (share Price / Eps)	ratio	<b>14.94</b>	9.28	6.31	4.95	N/a
Cash Flow From Operations Per Share	ZMK	<b>306.69</b>	203.83	104.1	59.01	76.9
Net Asset Value Per Share	ZMK	<b>854.29</b>	700.1	615.22	548.85	147.93
<b>LUSAKA STOCK EXCHANGE STATISTICS</b>						
<b>Information Provided Is As Per Calendar Year Except For 2006 Which Is From Jan 06 To Sept 06</b>						
<b>Market Value Per Share</b>						
- Upon Listing / Quoting (april 5, 2005 / Feb 14, 2003)						
- At Year End	ZMK	<b>1,000</b>	1,000	671	671	N/A
- Highest	ZMK	<b>2,499</b>	1,400	800	671	N/A
- Lowest	ZMK	<b>2,500</b>	1,400	1,000	671	N/A
Number Of Share Issued	ZMK	<b>1,300</b>	800	671	671	N/A
Closing Market Capitalisation	ZMK million	<b>114,669,450</b>	114,669,450	114,669,450	114,669,450	N/A
		<b>286,559</b>	160,537	91,736	76,943	N/A

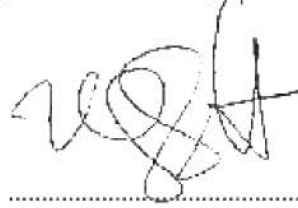


## Approval of Annual Financial Statements and Annual Compliance Certificate

The Annual Financial Statements that appear on pages 42 to 59 were approved by the Board of Directors on 21st November 2006 and signed on its behalf by:



David Phiri  
Director



Nancy Hart  
Finance Director

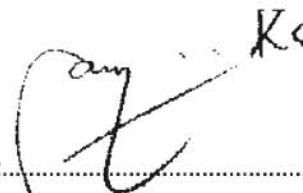
Lusaka :-           **21st November, 2006.**

## CONSOLIDATED FINANCIAL STATEMENTS

## 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, 2006 complied with every disclosure requirement for continued listing on the Lusaka Stock Exchange imposed by the Board of the Exchange during that period.

In addition, I hereby confirm that for the year ended 30 September 2006, 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: **21st day of November, 2006**

## Report of the Directors

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 30 September 2006.

### 1. Principal activities

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

### 2. The company

The company floated on the Lusaka Stock Exchange on 14 February 2003 when it became a public limited 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 the Lusaka Stock Exchange on 14 February 2003. On 5 April 2005 the company was moved from the quoted tier to the listed tier of the Lusaka Stock Exchange.

Details of the company's authorised and issued share capital are included in note 14 to the financial statements.

### 4. Results

The group's results are as follows:

	2006	2005
	K, 000	K, 000
Turnover	223,782,179	196,576,107
Profit before taxation	21,448,997	17,698,840
Taxation	(1,783,954)	(1,015,224)
Profit after taxation		
Profit attributable to minority interest	19,665,043	16,683,616
Profit attributable to the shareholders of Zambeef Products PLC	(31,103)	0

## Report of the Directors

(continued)

### 5. Dividends

During the year an interim dividend of K1,500 million (2005 K nil) was paid to the shareholders. A final dividend of K7,000 million has been proposed by the company's Board of Directors. This compares to a final dividend of K6,950 million paid in the previous year. The directors propose to carry the remaining profit for the year of K11,134 million to reserves (2005 - K9,734 million)

### 6. Segmental reporting

Contribution to the consolidated turnover and gross profit of the group are as follows:

	Turnover		Gross Profit	
	2006 K_ million	2005 K_ million	2006 K_ million	2005 K_ million
Beef	116,595	101,802	42,798	33,196
Chicken	46,065	46,178	13,475	12,568
Crops	23,318	15,779	12,708	15,481
Eggs	6,662	6,383	3,561	3,465
Milk	24,167	23,520	20,929	17,204
ZamChick Inn	6,113	4,760	2,384	1,487
Master Meats - Nigeria	6,398	-	1,740	-
Leather	5,079	4,999	2,359	2,034
Shoe	1,305	1,538	477	386
LESS: Intragroup Sales	235,702	204,959	100,432	85,821
Group Total				

### 7. Management

The Senior Management team comprises the following:

Carl Irwin	Joint Managing Director
Francis Grogan	Joint Managing Director
Yusuf Koya	Executive Director
Nancy Hart	Finance Director
Murray Moore	General Manager - Food Processing Operations
David Mynhardt	General Manager - Farming (South)
Hannes Bronkhurst	General Manager - Farming (North)
Mathew Mercer	Retailing Operations Manager
Ebrahim Israel	International Retailing Manager
David Ng'ambi	Human Resource Manager
Eddie Tembo	Chief Security Manager
Justo Kopulande	Public Relations Manager
Ohimai Mukanda	Group Internal Auditor
John Stephenson	General Manager - Master Meat Nigeria



## Report of the Directors

(continued)

### 8. Directors and Secretary

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

Jacob Mwanza	Chairman
R Clyde Anderson	
Carl Irwin	
Francis Grogan	
Hillary Duckworth	
John Rabb	(Alternate Mark Shnaps)
Lawrence Sikutwa	
David Phiri	
Irene Muyenga	
Adam Fleming	(Alternate B Dowden)
Yusuf Koya	Appointed 02.06.06
Nancy Hart	Appointed 02.06.06
Danny Museteka	Company Secretary

### 9. Directors' interests

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

	Beneficial	Non-beneficial
Jacob Mwanza	725,000	-
R Clyde Anderson	2,479,713	-
Carl Irwin	-	10,164,770
Francis Grogan	-	10,164,739
Hillary Duckworth	-	11,144,806
John Rabb	-	11,026,839
David Phiri	-	-
Lawrence Sikutwa	2,000	-
Irene Muyenga	-	658,436
Adam Fleming	-	-
	-	20,387,076
	3,206,713	63,546,666

There are no other shareholders who hold more than 5% of the issued share capital of the company

## Report of the Directors

(continued)

### 10. Employees

The group employs 1,605 full time employees (2005 - 1,438) and total salaries and wages were K24,073 million for the year ended 30 September 2006 (2005 - K14,186 million). The company employs 470 full time employees and total salaries and wages were K5,429 million (2005 - K7,600 million).

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

October	1,466
November	1,552
December	1,531
January	1,557
February	1,537
March	1,528
April	1,490
May	1,520
June	1,551
July	1,611
August	1,598
September	1,605

### 11. Gifts and donations

The group made donations of K 18 million (2005 - K 27 million) 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\$1.3 million during the year (2005 - US\$1.3 million).

### 13. Fixed assets

Assets totalling K19,416 million were purchased during the year (2005 - K35,612 million).

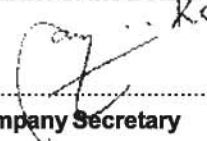
### 14. Annual financial statements

The annual financial statements set out on pages 42 to 59 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: 21st November 2006

## 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 2006 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



.....  
David Phiri  
Director



.....  
Nancy Hart  
Finance Director



## Report of the Auditors

**W**e have audited the accompanying balance sheet of Zambeef Products PLC and its subsidiaries as of 30 September 2006, and the related statements of income, and cash flows for the year then ended.

### **Respective responsibilities of directors and auditors**

As described on page 40 these financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the company and the group as of 30 September 2006 and of the results of the group's operations and its cash flows 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 Accountant



Sujin Mehta  
Partner

Lusaka

Date: 21st November 2006

## Group Consolidated Profit and Loss Account

For the year ended 30 September 2006

	Notes	Group	
		2006 K'000	2005 K'000
Turnover	3	223,782,179	196,576,107
Cost of sales		(123,350,199)	(110,754,868)
Gross profit		100,431,980	85,821,239
Other operating income		1,662,465	2,926,616
Administrative expenses		(78,136,253)	(69,173,730)
Finance costs		(2,509,195)	(1,875,285)
Profit before taxation	4	21,448,997	17,698,840
Taxation	5	(1,783,954)	(1,015,224)
Profit after taxation		19,665,043	16,683,616
Profit attributed to minority interest		(31,103)	-
Profit attributed to the subsidiaries of Zambeef Products PLC		19,633,940	16,683,616
Earnings per share	6	171.22	145.49

## Group Statement of Changes in Equity

For the year ended 30 September 2006

Group							
	Share Capital	Share Premium	Goodwill on Consolidation	Revaluation Reserve	Capital Reserve	Retained Profits	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
At 1 October 2004	10,000	3,211,510	(148,579)	32,402,551	0	35,070,924	70,546,406
Profit for the year	0	0	0	0	0	16,683,616	16,683,616
Dividends proposed	0	0	0	0	0	(6,950,000)	(6,950,000)
Goodwill written off	0	0	148,579	0	0	(148,579)	0
Transfer	0	0	0	(2,284,899)	0	2,284,899	0
<b>At 30 September 2005</b>	<b>10,000</b>	<b>3,211,510</b>	<b>0</b>	<b>30,117,652</b>	<b>0</b>	<b>46,940,860</b>	<b>80,280,022</b>
Profit for the year	0	0	0	0	0	19,633,940	19,633,940
Arising on Consolidation	0	0	0	0	14,766	-	14,766
Dividends Paid	0	0	0	0	0	(1,500,000)	(1,500,000)
Dividends proposed	0	0	0	0	0	(7,000,000)	(7,000,000)
Transfer	0	0	0	(2,284,899)	0	2,284,899	0
<b>At 30 September 2006</b>	<b>10,000</b>	<b>3,211,510</b>	<b>0</b>	<b>27,832,753</b>	<b>14,766</b>	<b>60,359,699</b>	<b>91,428,728</b>

## Company Statement of Changes in Equity

For the year ended 30 September 2006

Company					
	Share Capital	Share Premium	Revaluation Reserve	Retained Profits	Total
	K'000	K'000	K'000	K'000	K'000
At 1 October 2004	10,000	3,211,510	23,984,229	34,035,333	61,241,072
Profit for the year	0	0	0	17,045,239	17,045,239
Dividends proposed	0	0	0	(6,950,000)	(6,950,000)
Transfer	0	0	(1,572,696)	1,572,696	0
<b>At 30 September 2005</b>	<b>10,000</b>	<b>3,211,510</b>	<b>22,411,533</b>	<b>45,703,268</b>	<b>71,336,311</b>
Profit for the year	0	0	0	18,345,897	18,345,897
Dividends paid	0	0	0	(1,500,000)	(1,500,000)
Dividends proposed	0	0	0	(7,000,000)	(7,000,000)
Transfer	0	0	(1,572,696)	1,572,696	0
<b>At 30 September 2006</b>	<b>10,000</b>	<b>3,211,510</b>	<b>20,838,837</b>	<b>57,121,861</b>	<b>81,182,208</b>

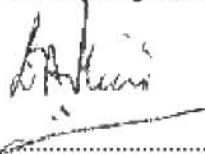
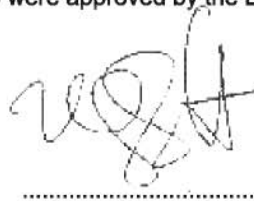


## Group Consolidated Balance Sheet

30 September 2006

	Notes	2006 K'000	2005 K'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	100,851,810	93,309,608
<b>Current assets</b>			
Biological assets	10	30,792,611	42,155,049
Stocks	11	24,832,863	14,675,084
Debtors and other receivables	12	9,100,808	5,804,304
Amount due from related companies	13	0	926,608
Bank balances and cash		4,038,257	5,690,280
Taxation recoverable		296,723	147,359
		<b>69,061,262</b>	<b>69,398,684</b>
<b>Total assets</b>		<b>169,913,072</b>	<b>162,708,292</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	10,000	10,000
Share premium	15	3,211,510	3,211,510
Reserves		88,207,218	77,058,512
		<b>91,428,728</b>	<b>80,280,022</b>
<b>Minority Interest</b>		<b>62,744</b>	<b>0</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	25,461,180	30,046,443
Deferred liability	17	4,994,607	3,212,011
Deferred taxation	18	9,572,205	7,785,331
		<b>40,027,992</b>	<b>41,043,785</b>
<b>Current liabilities</b>			
Interest bearing liabilities	16	5,021,750	5,329,842
Creditors and other payables	19	13,166,748	11,573,923
Bank overdrafts	20	12,258,821	17,530,720
Amounts due to related companies	21	946,289	0
Dividends payable		7,000,000	6,950,000
		<b>38,393,608</b>	<b>41,384,485</b>
<b>Total equity and liabilities</b>		<b>169,913,072</b>	<b>162,708,292</b>

The financial statements on pages 42 to 59 were approved by the Board of Directors on 21st November, 2006 and were signed on its behalf:

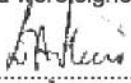



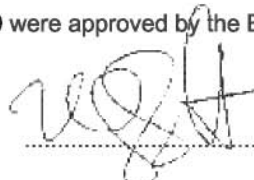
## Company Balance Sheet

30 September 2006

	Notes	2006 K'000	2005 K'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	7	80,391,379	79,113,851
Investments	8	1,776,640	1,506,640
Loans to subsidiary companies	9	0	700,000
		<b>82,168,019</b>	<b>81,320,491</b>
<b>Current assets</b>			
Biological assets	10	30,792,611	42,155,049
Stocks	11	16,375,469	6,211,277
Trades & other receivables	12	1,900,709	1,025,139
Amounts due from related companies	13	12,539,120	16,914,902
Bank balances and cash		2,091,110	464,966
Taxation recoverable		337,666	322,510
		<b>64,036,685</b>	<b>67,093,843</b>
<b>Total assets</b>		<b>146,204,704</b>	<b>148,414,334</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	10,000	10,000
Share premium	15	3,211,510	3,211,510
Reserves		77,960,698	68,114,801
		<b>81,182,208</b>	<b>71,336,311</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	16	25,461,180	30,046,443
Deferred liability	17	591,884	1,787,520
Deferred taxation	18	8,950,643	7,054,540
		<b>35,003,707</b>	<b>38,888,503</b>
<b>Current liabilities</b>			
Interest bearing liabilities	16	5,021,750	5,329,842
Trade and other payables	19	8,035,954	8,378,958
Bank overdrafts	20	9,748,732	17,530,720
Amounts due to related companies	21	212,353	0
Dividends payable		7,000,000	6,950,000
		<b>30,018,789</b>	<b>38,189,520</b>
<b>Total equity and liabilities</b>		<b>146,204,704</b>	<b>148,414,334</b>

The financial statements on pages 42 to 59 were approved by the Board of Directors on 21st November, 2006 and were signed on its behalf:

  
.....

  
.....

## Group Consolidated Cash Flow Statement

For the year ended 30 September 2006

	Group	
	2006 K'000	2005 K'000
<b>Cash inflow from operating activities</b>		
Profit before taxation	21,448,997	17,698,840
Increase in minority interest	46,407	0
Interest paid	2,509,195	1,875,285
Depreciation	10,092,310	8,172,967
(Profit) / loss on disposal of assets	(2,085,357)	4,267
Decrease / (Increase) in biological assets	11,362,438	(10,510,876)
(Increase) / decrease in stocks	(10,157,779)	634,305
(Increase) / decrease in debtors and receivables	(3,296,504)	1,458,936
Decrease / (increase) in amount due from related companies	926,608	(417,214)
Increase in creditors	1,592,825	3,113,321
Increase / (decrease) in amounts due to related companies	946,289	(679,180)
Increase in deferred liability	1,782,596	431,330
<b>Net cash inflow from operating activities</b>	<b>35,168,025</b>	<b>21,781,981</b>
<b>Returns on investments and servicing of finance</b>		
Interest paid	(2,509,195)	(1,875,285)
Dividends paid	(8,450,000)	(5,200,000)
<b>Net cash outflow on returns on investments and servicing of finance</b>	<b>(10,959,195)</b>	<b>(7,075,285)</b>
<b>Taxation</b>		
Taxation paid	(146,444)	(761,338)
<b>Investing activities</b>		
Purchase of fixed assets	(19,415,601)	(35,611,846)
Proceeds from sale of fixed assets	3,866,446	14,400
<b>Net cash outflow on investing activities</b>	<b>(15,549,155)</b>	<b>(35,597,446)</b>
<b>Net cash inflow / (outflow) before financing</b>	<b>8,513,231</b>	<b>(21,652,088)</b>
<b>Financing</b>		
Long term loans repaid	(4,893,355)	(1,567,466)
Receipt from long term loans	0	22,446,956
<b>Net cash (outflow) / inflow from financing</b>	<b>(4,893,355)</b>	<b>20,879,490</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>3,619,876</b>	<b>(772,598)</b>
<b>Cash and cash equivalents at 1 October 2005</b>	<b>(11,840,440)</b>	<b>(11,067,842)</b>
<b>Cash and cash equivalents at 30 September 2006</b>	<b>(8,220,564)</b>	<b>(11,840,440)</b>
<b>Represented by:</b>		
Bank balances and cash	4,038,257	5,690,280
Bank overdrafts	(12,258,821)	(17,530,720)
	<b>(8,220,564)</b>	<b>(11,840,440)</b>



## Notes to the Financial Statements

30 September 2006

### 1. The company

The company is incorporated and domiciled in Zambia

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

### 2. Principal accounting policies

As in previous years, the group's financial statements are prepared in accordance with the historical cost convention as modified by the inclusion of fixed assets at a valuation, and are in compliance with International Financial Reporting Standards. 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.

An assessment is made by the directors at each reporting date whether there is any indication that an asset may have been impaired. If any such indication exists, the directors carry out a revaluation of the recoverable amount of the asset by independent valuers.

#### (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 from the date of acquisition to the date of disposal or write off. 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.



## Notes to the Financial Statements

(continued)

30 September 2006

(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) **Leased assets**

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

(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.

(k) **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.

### 3. Turnover

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

## Notes to the Financial Statements

(continued)

30 September 2006

	Group	Company	Group	Company
	2006	2006	2005	2005
	K'000	K'000	K'000	K'000
<b>4. Profit before taxation</b>				
<i>Profit before taxation is stated after charging:-</i>				
Depreciation	10,092,310	8,123,049	8,172,967	6,786,096
Staff costs	21,934,984	3,290,516	14,643,568	7,599,748
Legal and Professional fees	697,923	237,636	246,358	246,358
Directors' Remuneration:				
- Executive	2,219,123	2,219,123	1,685,115	1,685,115
- Non Executive	365,051	365,051	471,273	471,273
	2,584,174	2,584,174	2,156,388	2,156,388
<i>and after crediting:</i>			0	0
Change in fair value less estimated point of sale costs of biological assets	17,005,216	17,005,216	9,887,604	9,887,604
Exchange gains	5,822,278	6,501,364	2,684,858	2,684,858
<b>5. Taxation</b>				
Income tax at 35%/15% on taxable profit for the year (2005 - 35%/15%)	898,808	726,258	148,880	35,334
Over provision in prior years	(901,728)	(697,433)	0	0
Deferred taxation	1,786,874	1,896,103	866,344	266,909
	1,783,954	1,924,928	1,015,224	302,243
<b>6. Earnings per share</b>				
Profit for the year	19,633,940	18,345,897	16,683,616	17,045,239
Earnings per share based on 114,669,450 ordinary shares	171.22	159.99	145.49	148.65

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

## Notes to the Financial Statements

(continued)

30 September 2006

7. Fixed assets						
(a) Group	Leasehold Land and Buildings	Plant and machinery	Motor Vehicles	Furniture and equipment	Capital Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000
<b>Cost or valuation</b>						
At 1 October 2005	39,620,531	53,916,963	13,626,337	3,081,847	0	110,245,678
Additions	3,898,389	8,412,251	3,067,267	778,622	3,259,072	19,415,601
Disposals	(1,754,222)	(5,707)	(34,000)	(1,570)	0	(1,795,499)
<b>At 30 September 2006</b>	<b>41,764,698</b>	<b>62,323,507</b>	<b>16,659,604</b>	<b>3,858,899</b>	<b>3,259,072</b>	<b>127,865,780</b>
<b>Cost</b>	<b>26,247,895</b>	<b>50,702,532</b>	<b>13,490,419</b>	<b>3,150,969</b>	<b>3,259,072</b>	<b>96,850,886</b>
<b>Valuation</b>	<b>15,516,803</b>	<b>11,620,975</b>	<b>3,169,185</b>	<b>707,930</b>	<b>0</b>	<b>31,014,894</b>
	<b>41,764,698</b>	<b>62,323,507</b>	<b>16,659,604</b>	<b>3,858,899</b>	<b>3,259,072</b>	<b>127,865,780</b>
<b>Depreciation</b>						
At 1 October 2005	1,565,395	9,367,730	5,379,077	623,868	0	16,936,070
Charge for the year	817,491	5,829,906	3,100,565	344,348	0	10,092,310
Disposals	(8,809)	(1,991)	(3,400)	(210)	0	(14,410)
<b>At 30 September 2006</b>	<b>2,374,077</b>	<b>15,195,645</b>	<b>8,476,242</b>	<b>968,006</b>	<b>0</b>	<b>27,013,970</b>
<b>Net book value</b>						
At 30 September 2006	<b>39,390,621</b>	<b>47,127,862</b>	<b>8,183,362</b>	<b>2,890,893</b>	<b>3,259,072</b>	<b>100,851,810</b>
At 30 September 2005	<b>38,055,135</b>	<b>44,549,233</b>		<b>2,457,980</b>	<b>0</b>	<b>93,309,608</b>

- b) The depreciation charge for the year includes K2,284,899,000 (2005 - K2,284,899,000) 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

(continued)

30 September 2006

7. Fixed assets (contd.)						
(c) Company	Leasehold Land and Buildings	Plant and machinery	Motor Vehicles	Furniture and equipment	Capital Work in progress	Total
	K'000	K'000	K'000	K'000	K'000	K'000
<b>Cost</b>						
At 1 October 2005	35,013,681	43,669,354	12,484,208	1,509,523	0	92,676,766
Additions	3,821,566	6,290,682	561,444	222,990	249,307	11,145,989
Disposals	(1,754,221)	0	0	0	0	(1,754,221)
<b>At 30 September 2006</b>	<b>37,081,026</b>	<b>49,960,036</b>	<b>13,045,652</b>	<b>1,732,513</b>	<b>249,307</b>	<b>102,068,534</b>
<b>Cost</b>	<b>23,580,049</b>	<b>43,756,083</b>	<b>10,435,051</b>	<b>1,631,082</b>	<b>249,307</b>	<b>79,651,572</b>
<b>Valuation</b>	<b>13,500,977</b>	<b>6,203,953</b>	<b>2,610,601</b>	<b>101,431</b>	<b>0</b>	<b>22,416,962</b>
	<b>37,081,026</b>	<b>49,960,036</b>	<b>13,045,652</b>	<b>1,732,513</b>	<b>249,307</b>	<b>102,068,534</b>
<b>Depreciation</b>						
At 1 October 2005	1,351,936	7,007,690	4,903,533	299,756	0	13,562,915
Charge for the year	724,684	4,687,860	2,543,092	167,413	0	8,123,049
Disposals	(8,809)	0	0	0	0	(8,809)
<b>At 30 September 2006</b>	<b>2,067,811</b>	<b>11,695,550</b>	<b>7,446,625</b>	<b>467,169</b>	<b>0</b>	<b>21,677,155</b>
<b>Net book value</b>						
At 30 September 2006	<b>35,013,215</b>	<b>38,264,486</b>	<b>5,599,027</b>	<b>1,265,344</b>	<b>249,307</b>	<b>80,391,379</b>
At 30 September 2005	33,661,745	36,661,664	7,580,675	1,209,767	0	79,113,851

- d) The depreciation charge for the year includes K1,572,696,000 (2005 - 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

(continued)

30 September 2006

8. Investments		2006 K'000	2005 K'000
At cost: At 1 October 2005 and 30 September 2006		1,776,640	1,506,640
Interests represent equity holdings in the following companies:			
Name of company	Value K'000	Equity held %	Incorporated in
Zambeef Retailing Limited	30,000	100	Zambia
Zamleather Limited	1,476,640	100	Zambia
Master Meat Limited	270,000	90	Nigeria
	1,776,640		
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.			
9. Loans to subsidiary companies		2006 K'000	2005 K'000
Zambeef Retailing Limited		0	400,000
Zamleather Limited		0	300,000
		0	700,000
The loans were repaid during the year.			

### 10. Biological assets

Biological assets comprise feedlot cattle, dairy cattle, chickens and standing crops. At 30 September 2006 there were 7,430 cattle and 229,655 chickens. A total of 13,972 cattle and 2,680,611 chickens were culled in the year.

	Crops K'000	Cattle K'000	Chickens K'000	Total K'000
At 1 October 2005	16,272,960	22,558,723	3,323,366	42,155,049
Increases due to purchases	8,566,764	23,679,678	28,790,677	61,037,119
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	7,796,499	4,151,087	5,057,630	17,005,216
Decrease due to sales	(23,318,165)	(32,419,363)	(33,667,245)	(89,404,773)
At 30 September 2006	<b>9,318,058</b>	<b>17,970,125</b>	<b>3,504,428</b>	<b>30,792,611</b>

## Notes to the Financial Statements

(continued)

30 September 2006

	Group	Company	Group	Company
	2006 K'000	2006 K'000	2005 K'000	2005 K'000
<b>11. Stocks</b>				
Trading stocks	11,200,327	8,345,012	6,274,684	0
Abattoir stocks	1,687,206	0	46,410	46,410
Stockfeeds	4,198,432	4,198,432	3,560,188	3,560,188
Consumables	7,135,551	3,832,025	2,604,679	2,604,679
Raw hides and chemicals	611,347	0	2,189,123	0
	<b>24,832,863</b>	<b>16,375,469</b>	14,675,084	6,211,277
<b>12. Debtors and other receivables</b>				
Trade debtors	9,073,096	1,617,981	5,419,094	649,929
Other receivables	27,712	282,728	385,210	375,210
	<b>9,100,808</b>	<b>1,900,709</b>	5,804,304	1,025,139
<b>13. Amounts due from related companies</b>				
Master Pork Limited	0	5,748,875	337,820	883,140
Zambezi Ranching and Cropping	0	0	588,788	588,788
Group companies	0	6,790,245	0	15,442,974
	<b>0</b>	<b>12,539,120</b>	926,608	16,914,902

The above balances relate 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.

Master Pork Supplies Zambeef Products PLC with pork products for sale in its retail outlets on a regular basis. In

	2006 K_ 000	2005 K_ 000
<b>14. Share capital</b>		
114,669,450 ordinary shares of K 0.0872 each authorised, issued and fully paid	10,000	10,000
<b>15. Share premium</b>		

## Notes to the Financial Statements

(continued)

30 September 2006

	2006 K_ 000	2005 K_ 000
<b>16. Interest bearing liabilities</b>		
Barclays Bank Zambia PLC (note (a))	30,278,364	35,071,719
Japanese Grant (note (b))	204,566	304,566
Less: Short term portion (repayable within next 12 months)	30,482,930 ( 5,021,750)	35,376,285 ( 5,329,842)
Long term portion (repayable after 12 months)		

### (a) Barclays Bank Zambia PLC

- The company has a loan facility of US\$1,178,571 (original limit US\$1,500,000) from Barclays Bank Zambia PLC, underwritten by Barclays Bank Mauritius Offshore Banking Unit. Interest on the loan is 2.5% above the six-month LIBOR rate per annum, payable six monthly in arrears. The principal is repayable in 14 equal bi-annual instalments commencing July 2005. The purpose of the loan was to refinance the following 3 loans underwritten by Barclays Bank Zambia PLC under the European Investment Bank lines of credit:
  - (i) Facility letter dated 24/12/97; original loan amount EUR1,000,000; outstanding balance as at January 2005 EUR214,292; interest rate 6.5% fixed per annum;
  - (ii) Facility letter dated 25/03/02; original loan amount EUR200,000; outstanding balance as at January 2005 EUR190,000; interest rate 8.8% fixed per annum;
  - (iii) Facility letter dated 12/05/03; original loan amount EUR700,000; outstanding balances as at January 2005 EUR700,000; interest rate 8.8% fixed per annum.
- The company has a loan facility of US\$3,500,000 from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan is 7% fixed per annum, payable monthly in arrears. The principal is repayable in 20 equal quarterly instalments commencing January 2007.
- The company has a loan facility of US\$1,292,000 (original limit US\$1,520,000) from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan is 7.5% fixed per annum, payable monthly in arrears. The principal is repayable in 20 equal quarterly instalments commencing March 2006.
- The company has a loan facility of EUR697,275 (original limit EUR929,700) from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan is 7% fixed per annum, payable monthly in arrears. The principal is repayable in 12 equal bi-annual instalments commencing September 2005.
- The company has a loan facility of EUR232,090 from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan is 7% fixed per annum, payable monthly in arrears. The principal is repayable in 10 equal bi-annual instalments commencing October 2007.
- The above loans from Barclays Bank Zambia PLC are secured by:
  - i) Legal mortgage over Farm No. 4906, Sinazongwe, registered to cover US\$6,200,000; and
  - ii) Floating debenture over all other assets of the company, registered to cover US\$5,500,000 ranking pari passu with the Citibank and Zambia National Commercial Bank debentures.

### (b) Japanese grant

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



## Notes to the Financial Statements

(continued)

30 September 2006

### 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 and that 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 2005		
Transfer to Zambeef Retailing Limited	3,212,011	1,787,520
Provisions made during the year	0	( 1,613,501)
Payments made during the year	1,882,715	417,865
At 30 September 2006	( 100,119)	0
	4,994,607	591,884

	Group			
	2006		2005	
	Full potential liability K'000	Provision made K'000	Full potential liability K'000	Provision made K'000
<b>18. Deferred taxation</b>				
Cattle valuation	3,025,148	3,025,148	159,611	159,611
Accelerated tax allowances	6,547,057	6,547,057	7,625,720	7,625,720
	9,572,205	9,572,205	7,785,331	7,785,331

	Company			
	2006		2005	
	Full potential liability K'000	Provision made K'000	Full potential liability K'000	Provision made K'000
Cattle valuation	3,025,148	3,025,148	159,611	159,611
Accelerated tax allowances	5,925,495	5,925,495	6,894,929	6,894,929
	8,950,643	8,950,643	7,054,540	7,054,540

	2006		2005	
	Group K'000	Company K'000	Group K'000	Company K'000
	<b>19. Creditors and other payables</b>			
Trade Creditors	11,015,685	7,002,267	9,965,370	7,424,740
Provisions and accruals	2,151,063	1,033,687	1,608,553	954,218
	13,166,748	8,035,954	11,573,923	8,378,958



## Notes to the Financial Statements

(continued)

30 September 2006

### 20. Bank overdrafts

The company has overdraft facilities totaling K3.0 billion (2005 - K1.7 billion) and US\$2,500,000 (2005 - US\$1,660,000) and a bank guarantee line of US\$300,000 (2005 - US\$300,000) with Citibank Zambia Limited. The company has an overdraft facility of US\$1.5million with Barclays Bank Zambia PLC. The company has an overdraft facility of K1.0 billion (2005 - Knil) and US\$500,000 (2005 - US\$nil) with Zambia National Commercial Bank PLC (Zanaco). The Citibank overdrafts bear interest rates of 16% for the Kwacha facility and US\$ Prime plus 1.25% for the United States Dollar facility. The Barclays Bank overdraft bears interest at Barclays United States Dollar base rate minus 2.75%. The Zanaco overdrafts bear interest at 19% fixed for the Kwacha facility and 8% fixed for the United States Dollar facility. One of the subsidiary companies has further overdraft facilities totaling K100 million (2005 - K100 million) with Citibank Zambia Limited and a foreign exchange line of US\$100,000 (2005 - US\$100,000) with Citibank Zambia Limited.

	Group		Company	
	2006 K'000	2005 K'000	2006 K'000	2005 K'000
Zambia National Commercial Bank PLC	1,840,518	0	0	0
Citibank Zambia Limited (note (b))	8,491,533	11,320,404	7,821,962	11,320,404
Barclays Bank Zambia PLC (c)	1,926,770	6,210,316	1,926,770	6,210,316
	<b>12,258,821</b>	17,530,720	<b>9,748,732</b>	17,530,720

a) The bank overdrafts and the guarantee line are secured by a first floating charge over all the assets of the company. The floating charge ranks pari passu between all the lenders. The subsidiary company facilities are secured by a parental guarantee from Zambeef Products PLC and a floating charge over the assets of the subsidiary company.

b) The group has a right of set off for overdraft balances with positive bank balances at group level.

### 21. Amounts due to related companies

	2006		2005	
	Group K_ 000	Company K_ 000	Group K_ 000	Company K_ 000
Master Pork Limited	603,984	0	0	0
Zambezi Ranching and Cropping Limited	342,305	212,353	0	0
	<b>946,289</b>	<b>212,353</b>	<b>0</b>	<b>0</b>

## Notes to the Financial Statements

(continued)

30 September 2006

### 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 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 the 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.

## Notes to the Financial Statements

(continued)

30 September 2006

	2006 K_ 000	2005 K_ 000
<b>24. Capital commitments</b>		
Capital commitments entered into at the balance sheet date	0	2,837,680
Not contracted for at the balance sheet date	7,816,500	2,379,700
<b>25. Operating leases</b>		

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

	2006 K_ 000	2005 K_ 000
Within one year	90,146	66,194
One to five years	80,915	82,852
More than five years	0	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.

### 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:

	2006 K_ 000	2005 K_ 000
Zambezi Ranching and Cropping Limited	2,396,491	5,869,002
Master Pork Limited	12,481,750	7,941,546
	14,878,241	14,338,993

The group made the following sales to these related parties:

	2006 K_ 000	2005 K_ 000
Zambezi Ranching and Cropping Limited	25,136	270,222
Master Pork Limited	1,506,079	1,962,847
	1,531,215	2,233,069

### 27. 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 year.



## Notice of the Annual General Meeting

Notice is hereby given that the 12th Annual General Meeting of Zambeef Products PLC will take place at Plot 1164, Nkanchibaya Road, Rhodes Park, Lusaka, on Wednesday, 20th December, 2006 at 10:00 hours.

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# AGENDA

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1. To read the Notice of the Meeting and confirm that a quorum is present.
2. To read and confirm the minutes of the 11th Annual General Meeting held on 20th December, 2005.
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, 2006.
5. To appoint auditors and to authorise the Directors to fix their remuneration.
6. To elect Directors to fill any vacancies and confirm the appointment of Yusuf Koya and Nancy Hart as Executive Directors. In terms of the Articles, John Rabb, Hillary Duckworth and Rodney Clyde Anderson retire but are eligible to offer themselves for re-election.
7. To declare a final dividend. The proposed final dividend of K61.045 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 19th December, 2006. Warrants in payment will be posted for payment on or before 14th January, 2007.
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.*





## Proxy Form

### ZAMBEEF PRODUCTS PLC

(Incorporated in The Republic of Zambia)

(Company Registration # 31824)

Proxy Form for use by shareholders, registered as such, at the 12th Annual General Meeting of the company to be held at Plot 1164 Nkanchibaya Road, Rhodes Park, Lusaka, on Wednesday 20th December, 2006 at 10:00 hours.

I/We

.....  
 ....

o f ( 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 twelfth Annual General Meeting of the company to be held Wednesday 20th December, 2006 at 10:00 hours and at any adjournment thereof.

Signed this ..... day of .....2006

	* For	*Against	*Abstain
1. To receive, approve and adopt annual financial statements			
2. Approve the final dividend of K61.045 per share			
3. a. Re-election of directors who retire by rotation			
* John Rabb			
* Hillary Duckworth			
* Rodney Clyde Anderson			
b. Confirm appointment of			
* Yusuf Koya			
* Nancy Hart			
4. Re-appoint Grant Thornton as auditors for 2006/7 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 Proxy Form must be received by the company secretary at the registered head office, Plot Number 1164, Nkanchibaya Road, Rhodes Park, Lusaka, by no later than 09:30 on Friday, 15th December, 2006.
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 Proxy Form 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 Proxy Form, which is completed and/or received other than in accordance with these notes.



**HEAD OFFICE**

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