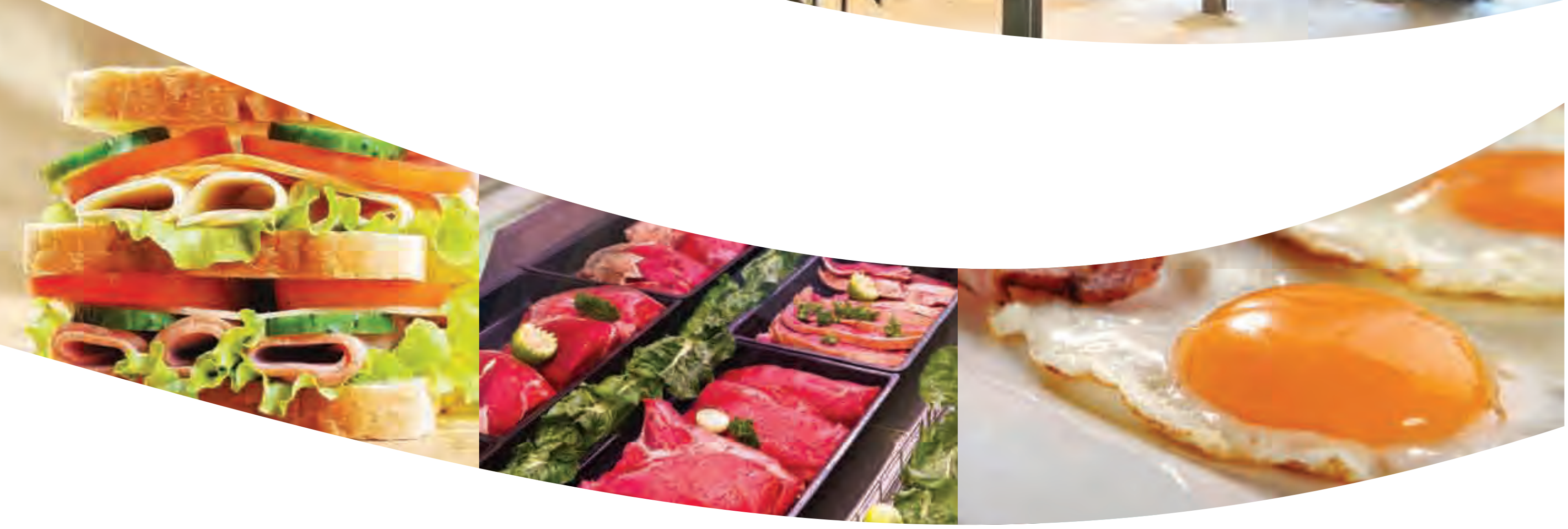
Feeding the Nation

ZAMBEEF Products PLC

Annual Report 2010



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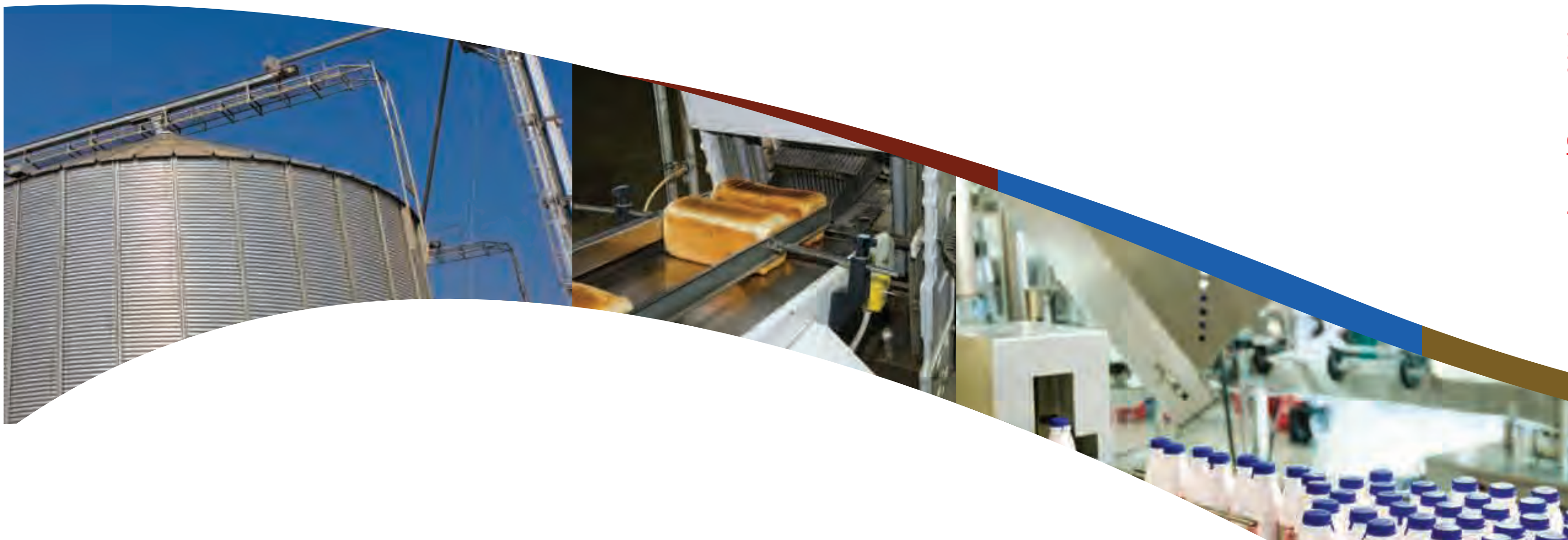

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OUR VISION

To be the most accessible and affordable quality protein provider in the region.

OUR STRATEGY

To increase efficiency and capacity in primary production facilities ensuring Zambeef is a low cost protein producer in the region.

To expand the retail and wholesale distribution channels in order to increase market penetration in the region.

OUR PROFILE

The Zambeef Products PLC Group is one of the largest agribusinesses in Zambia and the region, involved in the production, processing, distribution and retailing of beef, pork, chickens, fish, eggs, milk, dairy products, edible oils, flour and bread throughout Zambia and West Africa.

The company is also one of the largest cropping operations in Africa with 5 000 hectares under irrigation of row crops. The Group has also commenced roll-out of a palm plantation.

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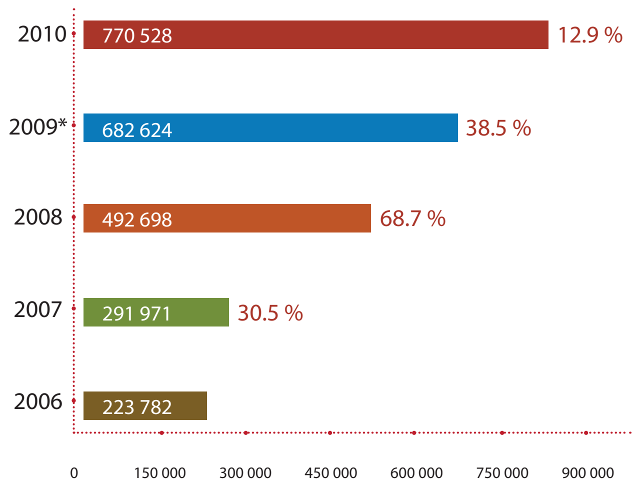
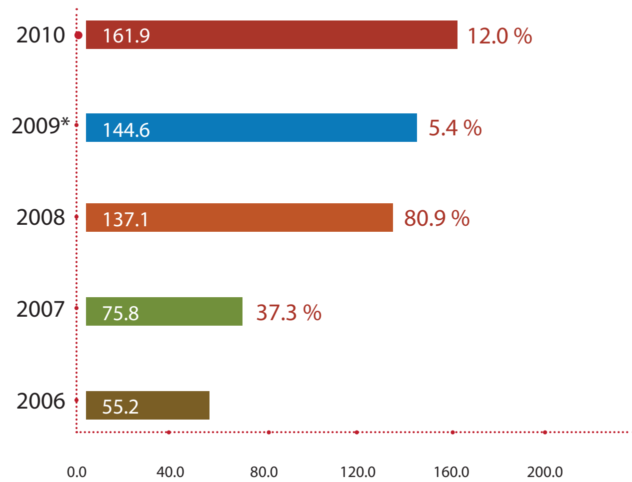
Turnover ZMK Millions

12.9%



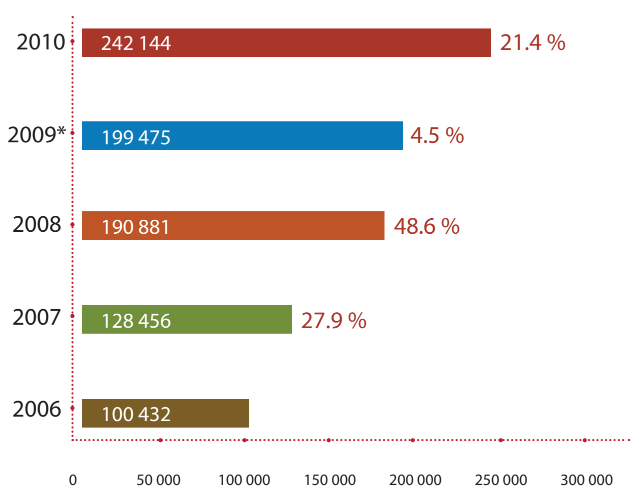
Turnover US$ Millions

12.0%



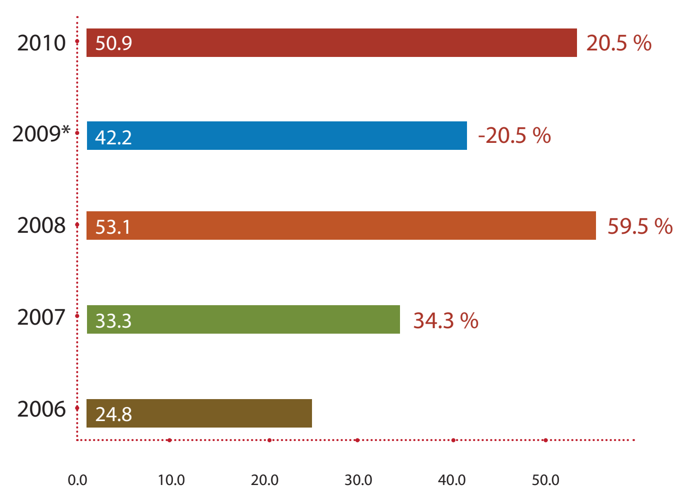
Gross profit ZMK Millions

21.4%



Gross profit US$ Millions

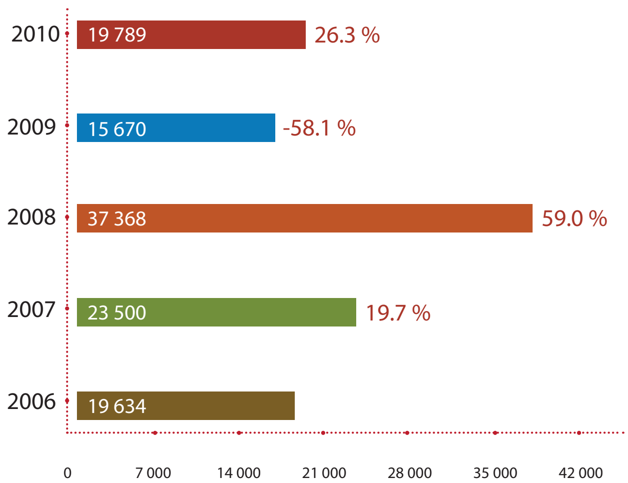
20.5%



* 2009 Turnover and Gross Profit restated to exclude Nanga Farms PLC performance (disposed during 2009)

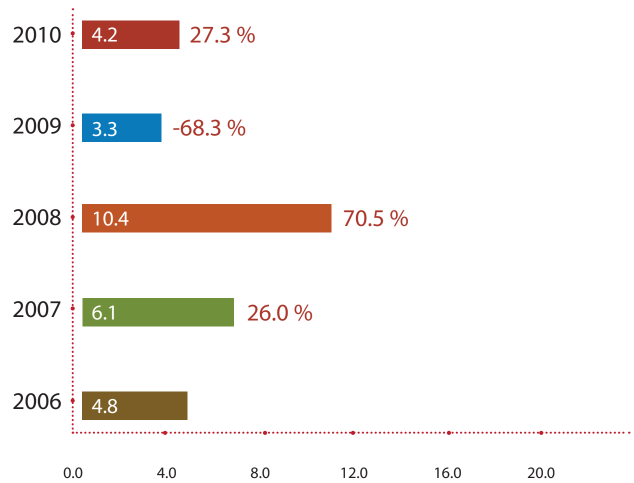
Profit after tax ZMK Millions

26.3%



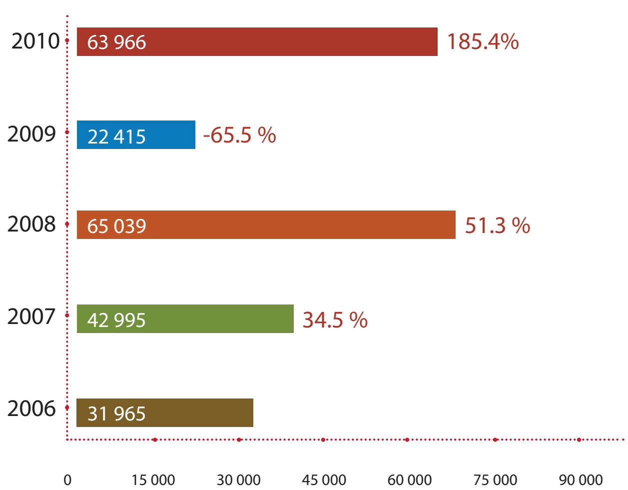
Profit after tax US$ Millions

27.3%



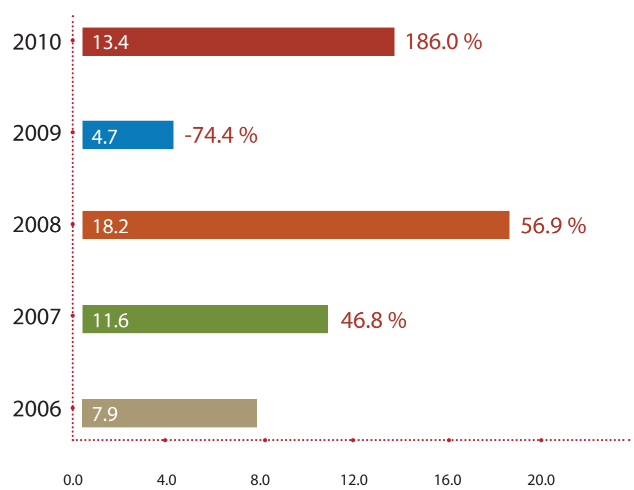
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) ZMK

185.4%



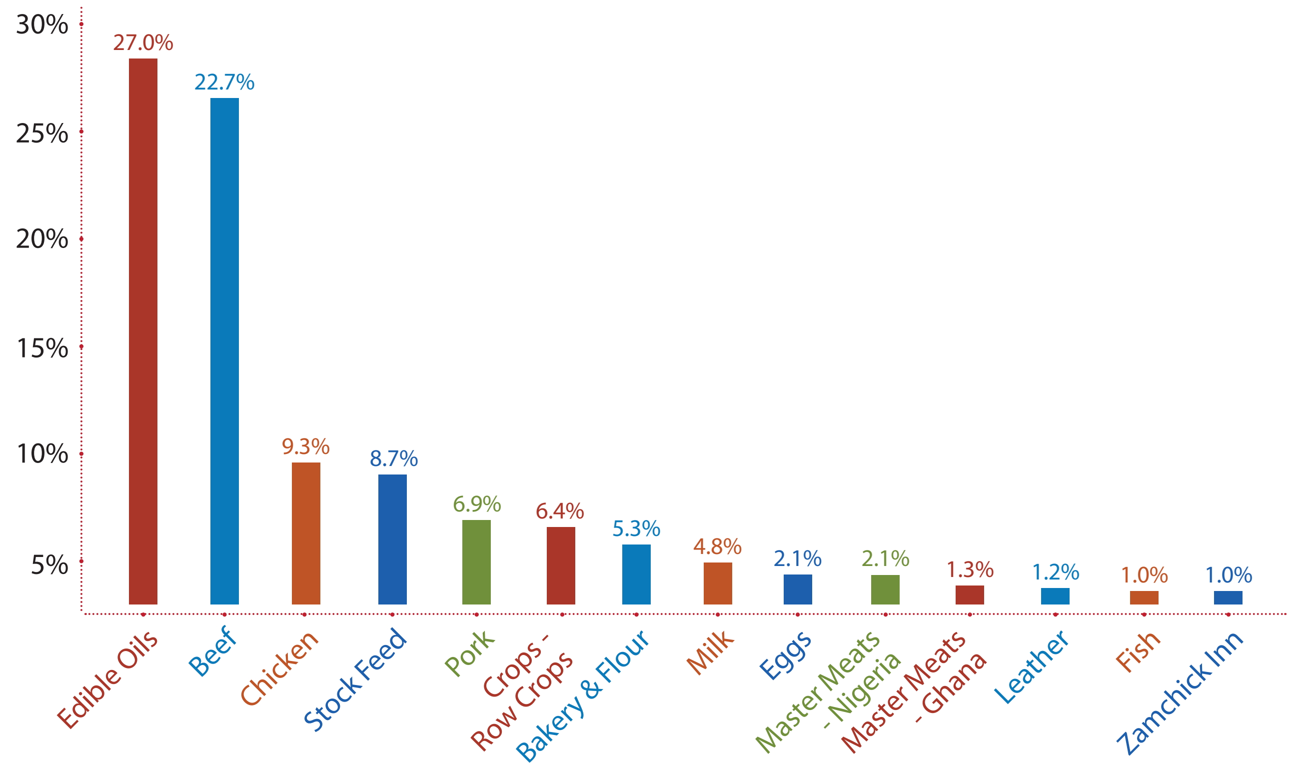
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) US$

186.0%

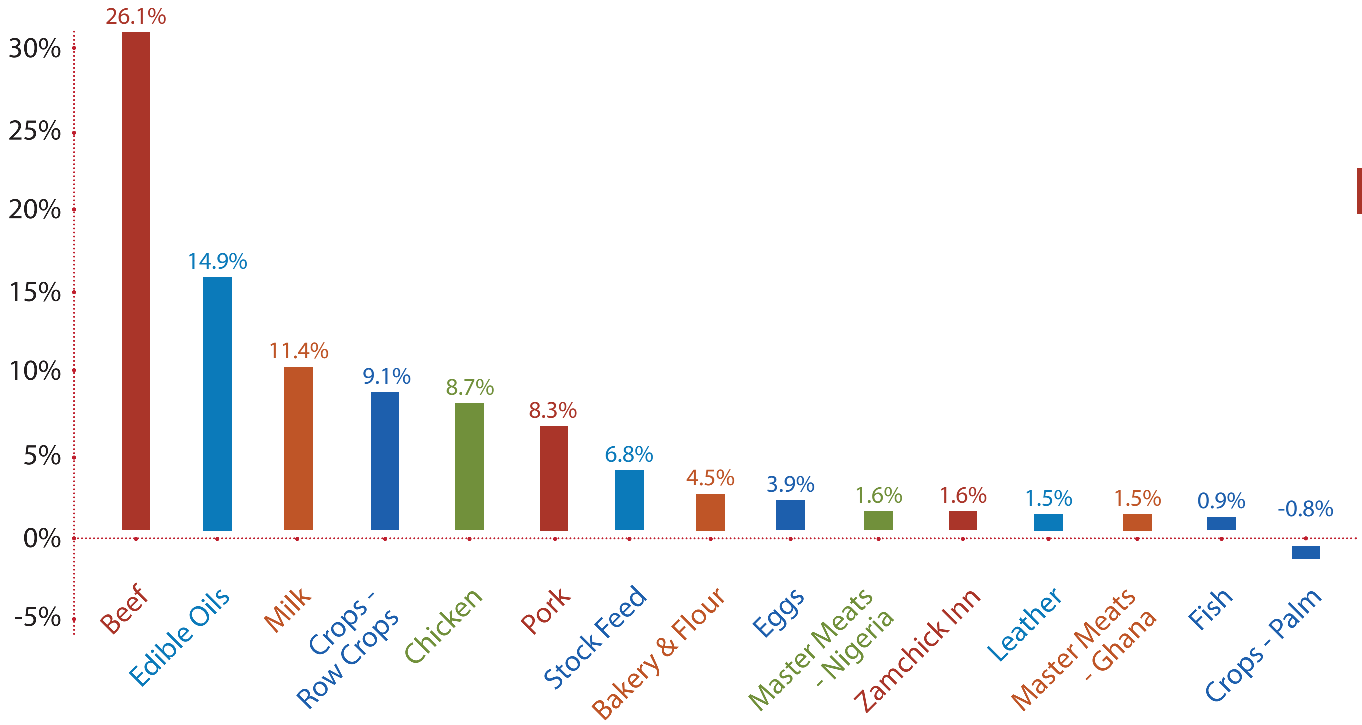


Financial Highlights
Segmental Analysis of Turnover and Gross Profits 2010

Segmental Turnover



Segmental Gross Profits



Chairman's Report

Dear Shareholder,

I am pleased to report that the financial year ended 30 September 2010 has seen the Zambeef Group report satisfactory operating performance despite a weak global economy, low commodity prices for the major part of the year, volatility of the Zambian Kwacha and other adverse operating conditions.

On a like for like basis (excluding Nanga Farms PLC 2009 performance), turnover increased by 13% to ZMK 771bn and Profit after tax increased by 40% to ZMK 19.8bn. The Directors have recommended to reinstitute dividend payments and have proposed a final dividend of 40% of profit attributable to shareholders amounting to ZMK 7.9bn. The group continues to be highly cash generative with EBITDA up significantly to ZMK 64bn.

During the year, the Zambian economy had started to perform better with Copper prices rising to historical 5 year levels, inflation levels down to single digit numbers, interest costs reducing, and market liquidity and disposable income rising. This has led to our products and services being in high demand. Adverse conditions experienced were volatility of the local currency, low commodity prices until the final quarter of the financial period, floods, and expensive stock positions carried over from the previous financial year.

Our attention remains fully focused on maximizing the group's performance for the benefit of all its stakeholders. In light of this, we completed a phased expansion of irrigation hectarage at Chiawa Farms, commenced production of stock feed at our state of the art stock feed plant (Novatek), commenced refurbishment of existing retail outlets and rollout of new outlets, construction of Zambeef's first Wholesale Centre, completion of procuring land and buildings in Nigeria to commence feedlot, abattoir, processing and coldroom facilities, and own outlets in Nigeria. This will ensure the group's long term profitability and sustainability. Details of the expansion are explained in this consummate Annual Report.

I take this opportunity as the group and Board Chairman to analyse and review the factors leading to Zambeef continuing to be one of the most dominant players in the Zambian market.

HUMAN CAPITAL

The group has employed an average of 3,800 employees per month with a monthly wage bill of ZMK 7bn. Zambeef has been able to attract and retain its workforce through good staff welfare and excellent communication channels with the Labour Union. Further, Zambeef's human capital development is second to none leading to highly skilled and motivated employees at all operational levels. As such, Zambeef's employee base continues to be the driving factor behind the phenomenal success achieved by the group.

STRONG BOARD OF DIRECTORS

Zambeef's Board of Directors come from a diverse and dynamic background leading to the highly effective management of the Group. As the Chairman, I take this opportunity to express my gratitude for the strategic support I have continued to receive from my co-Directors in a year where Zambeef strived to rise above all operational challenges being faced. I also pay tribute to the three sub board committees – Executive, Remuneration and Audit.

EFFECTIVE CORPORATE GOVERNANCE

Zambeef continues to maintain the highest standards of corporate governance with the Board's commitment to ensuring adherence and compliance with all statutory and regulatory requirements which allows for reporting based on accountability, integrity and transparency. This allows all our stakeholders to be assured of good business practices implementation by the Board. As such, the group has once again been recognised at the Lusaka Stock Exchange Corporate Governance Awards as one of the leading listed companies in Zambia.

ENVIRONMENTAL & SOCIAL RESPONSIBILITY

While the primary focus of our operations has been to ensure generation of returns on capital employed, the Zambeef mantra has strongly focussed on ensuring a commitment to embracing environmentally clean and efficient operations, balanced staff welfare programs, highest levels of safety at work, and adherence to all local requirements of the Environmental Council of Zambia. In addition, Zambeef will strive to achieve symbiosis with IFC standards of environmental and labour management. We continue to invest in the environment we operate in through providing business opportunities in remote locations of Zambia, employment opportunities, and educational & healthcare support.

CONCLUSION

It is pleasing to note that Zambeef has improved its performance from a difficult previous financial period while maintaining a strong foundation ably built through understanding the market we operate in and having the correct resources with which we continue to 'feed the nation'. The outlook for the future of the group with the various opportunities presenting themselves is extremely positive and I am confident the group will continue to be a leading food provider in the region while providing its stakeholders with adequate returns.

Dr. Jacob Mwanza
Company and Board Chairman
December 2010, Lusaka

WHO WE ARE

Feeding the Nation

ZAMBEEF Products PLC

SUBSIDIARIES

ZAMBEEF RETAILING LTD

- -9 Abattoirs
- -Mill & Bakery
- -3 Processing Plants
- -103 Retail Outlets
- -8 Zamchick Inns

100%

ZAMLEATHER LTD

- -Tannery
- -Finished Leather Division
- -Shoe Division

100%

ZAMPALM LTD

- -Palm Plantation

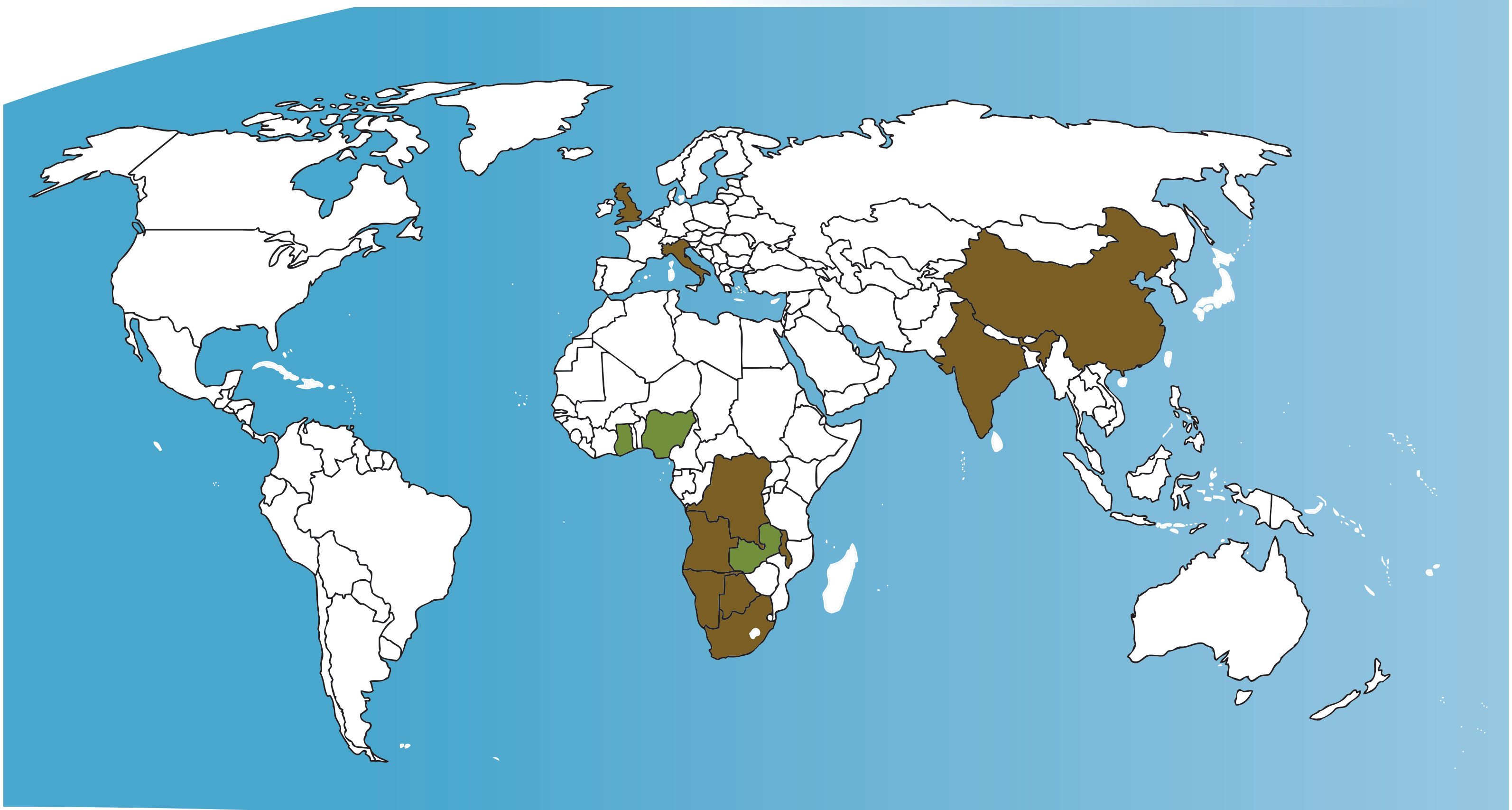
100%

OPERATING DIVISIONS WITHIN ZAMBEEF PRODUCTS PLC

- BEEF
- CHICKEN
- EGGS
- DAIRY
- CROPPING
- STOCK FEED

MASTER PORK LTD	ZAMANITA LTD	MASTER MEAT & AGRO PROD. CO. OF NIGERIA	MASTER MEATS (GHANA) LTD
-Sow Piggery -Pork Abattoir -Meat Processing Plant	-Edible Oil Crushing Plant -Edible Oil Refinery -Margarine Plant -Water Plant -Plastics Plant	-Franchise on Shoprite Checkers Butcheries -Abattoir -Processing Plant -Own Outlet	-Franchise on Shoprite Checkers Butcheries
100%	100%	67%*	90%

* Allocated and to be issued.



Countries to which Zambeef Products PLC has exported products

Countries in which Zambeef Products PLC is operating

AFRICA

- ANGOLA
- BOTSWANA
- DRC
- MALAWI
- GHANA
- NIGERIA
- NAMIBIA
- TANZANIA
- SOUTH AFRICA
- ZIMBABWE

INTERNATIONAL

- CHINA
- ENGLAND
- HONG KONG
- INDIA
- ITALY

ZAMBIA

- RETAIL OUTLETS (103)
- ABATTOIRS (10)
- FARMS (4)
- ZAMCHICK INNS (8)
- PROCESSING PLANTS (3)

Who We Are
Fact Sheet

BEEF & FEEDLOT	•Largest meat company in Zambia slaughtering 64 000 cattle per annum •Largest feedlotter of quality beef in Zambia feedlotting 14 700 grain-fed cattle per annum •8 abattoirs strategically located around Zambia
MILK & MILK PROCESSING	•State of the art dairy milking 700 cows per day and producing an average of 5.5 million litres of milk per annum •Milk pasteurised and homogenised in modern milk processing plant •Further value added in producing drinking yoghurt, eating yoghurt, cheese, butter and cream, and juice line
CHICKEN & EGG	•Chicken abattoir and largest chicken producer processing 3.5 million chickens per annum •Major egg producer currently producing 30 million eggs per annum •Zambia's major national egg supplier
PORK	•Pork abattoir and largest pork processor in Zambia processing 42 000 pigs per annum •Largest pig producer in Zambia producing 7 000 pigs per annum •Expanding pig production and processing operations
CROPPING GRAINS	•One of the largest irrigated row cropping operations in Africa •Producing maize, soya, wheat and lucerne •5 000 hectares under irrigation •1 500 hectares of dry land crops •Harvested 35 000 tons of grain during 2009/10 •Silo storage capacity of 32 000 tons
CROPPING PALMS	•First commercial palm plantation in Zambia •Planted first 1 800 hectares during 2009 •Phase 1 plantation size of 4 000 hectares

MILL & BAKERY

Zamloaf / Zamflour

- State of the art wheat mill
- Capacity to mill 30 000 tons of wheat per annum
- State of the art bakery
- Currently baking 2 000 000 loaves per annum

EDIBLE OILS

ZAMANITA Edible Oils

- The largest edible oils plant in Zambia
- Crushes 45 000 tons of oil seed per annum
- Produces 35 000 tons of animal feed cake per annum
- Margarine production of 750 tons per annum
- Water production commenced in March 2009 currently producing 280 000 cases per annum
- Plastics plant to produce full range of plastic packaging for oil

STOCK FEED

Novatek

- Modern fully automated stock feed plant commenced operation in February 2010 for both Zambeef and external sales
- Capacity of 7 000 tons per month

LEATHER & SHOES

Zamshu / ZAMLEATHER Limited

- Currently processes 67 000 hides per annum through tannery
- Exports to South Africa, Europe, and the Far East valued at US$ 1.3 million per annum
- Major producer of industrial footwear, school shoes, casual show range, leather protective clothing for the mining sector

BUTCHERY OUTLETS

Feeding the Nation ZAMBEEF Products PLC

- Sells high quality beef, chicken, pork, fish, milk, eggs, processed meat, edible oils, flour and bread in 84 outlets throughout Zambia and West Africa
- 24 in store butcheries in Shoprite supermarkets in Zambia, Nigeria and Ghana

FAST FOOD OUTLETS

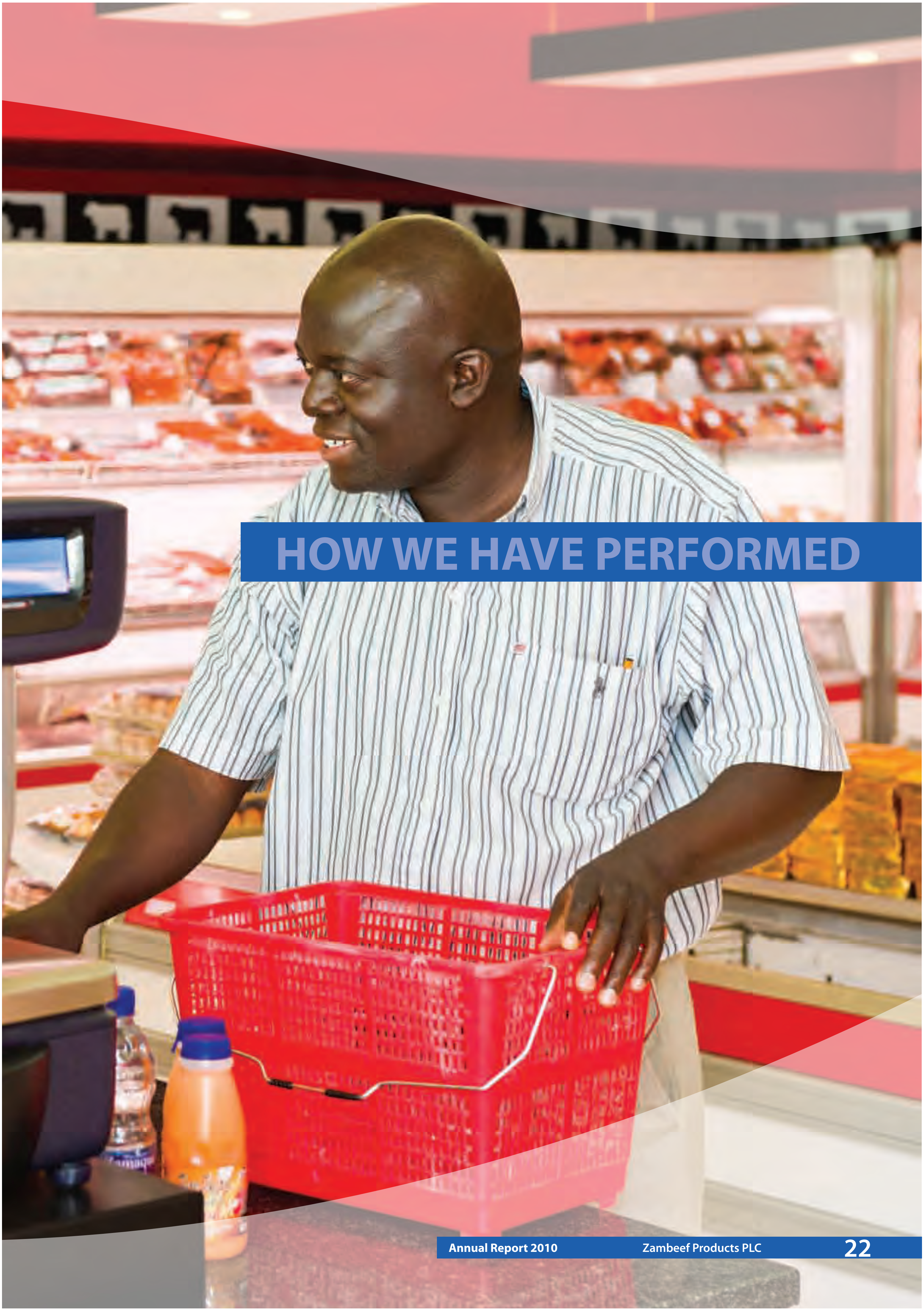
Zamchick Inn

- Popular fast food chain selling fried chicken and chips
- 8 Zamchick Inns with more planned for next financial year

TRANSPORT & DISTRIBUTION

ZAMBEEF Transport

- One of the largest trucking and transport fleets in Zambia in excess of 250 units
- Own modern workshop to service and maintain fleet



HOW WE HAVE PERFORMED

OVERVIEW

On the back of a difficult financial year faced in 2009, I am pleased to report an improvement in our performance for 2010, with growth in turnover, profitability, and cash flow earnings, whilst ensuring that the business continues its expansion in the various sectors we operate in.

2009 saw for the first time post World War II era that global output and per capita income declined. Further all global trade reduced by over 20% year on year. As global uncertainty increased, unemployment rose with underemployment remaining as a pertinent issue. The global recession was a result of enormous uncertainty in the financial markets, unavailability of credit, reducing real estate prices, and reduced consumer confidence and spending power. However, the end of 2009 saw the decline of the global economies coming to a halt with certain areas showing positive trends.

Despite these challenges faced in 2009, with recovering global economies, China and India reverting back to strong economic growth, and high interest in sub-Saharan economies, 2010 brought about a renewed optimism.

The global economic crisis in 2009 led to severe challenges faced in the Zambian economy. However, in line with the resurgence of sub-Saharan African economies in 2010, Zambia saw a number of positive influences such as increasing copper prices, higher demand for products, higher disposable incomes, and a positive macro-economic environment proven through single digit inflation and reducing borrowing costs. At the same time, negative factors such as volatility of the Kwacha, depressed commodity prices, and continued uncertainty in the global markets led to the continued challenges in the business environment.

The results of Zambeef Products PLC and its subsidiaries (Group) have taken into account an improvement in the Zambian economy with larger demand for products. As such on a like for like basis (excluding Nanga Farms PLC 2009 performance in 2009), turnover increased during the year by over 13% while profit after tax grew by 40%. However, the performance of the Group was affected by expensive forward soya stock positions carried over from the previous financial year for Zamanita Ltd, additional tax tariffs charged on importation of oil by Zamanita Ltd, adverse weather conditions leading to crop loss and lower yields in the farms, scarcity of cattle in the country, impairment of part of the biological stock at Zampalm Ltd due to adverse growing conditions, and depreciation of the Kwacha.

The last quarter of the year saw an upswing in soya bean and wheat prices brought about by the scarcity of the commodities in the region and a global increase in prices. With Government continuing its strong support of the Agricultural sector, continued growth in the Zambian economy, stabilization of the Kwacha, and other positive factors in the business environment, the group is expected to build on its success story and ensure growing returns to all its stakeholders.

CAPITAL EXPENDITURE

During the year, the group did not venture into any large capital expenditure program. As such the capital expenditure for the financial period was primarily:

- to complete the expansion of hectarage at Chiawa Farms to 2,200 hectares under irrigation;

- the completion and commissioning of the Novatek stock feed plant which commenced production in February 2010. The plant has been increasing capacity utilisation since start-up and is now providing all of Zambeef stock feed requirements while supplying volumes in excess of 2,500 MT per month to the external market;
- the refurbishment of the new head office along with construction of warehouse spacing which has allowed us to centralise our storage,

improve efficiencies and reduce costs;
- the new Lusaka Wholesale Centre which will be the first venture of Zambeef into wholesale distribution allowing us to tap into the vast informal market in the country along with large scale protein consumers such as hotels and lodges. The centre is expect to open in the second quarter of the next financial period;
- new layer and broiler houses at Huntley Farms to take into account the large increase in demand for poultry products and reduce our reliance on external suppliers;
- the refurbishment of 3 existing retail outlets and opening of 8 new outlets in line with the need to expand the retail footprint of the Group in the country and achieve harmonisation of all retail outlets to the 'new Zambeef look and model';
- improving our processing facilities to provide the throughput into the retail expansion; and
- the continued expansion of our palm project which saw us plant the first 1,800 hectares and create the infrastructure to plant an additional 2,200 hectares by December 2010.

The year also saw us completing the lease of the farm land in Nigeria. This is a 287 hectare farm 60 KM north of Lagos signed on a 25 year term from the Ogun Government. Our strategy is to create a central processing and distribution centre at this farm to supply Shoprite and Master Meat butcheries in Nigeria.

New projects approved by the Zambeef Board include the continued expansion of our retail infrastructure across Zambia and Nigeria, upgrade, rehabilitation and expansion of the Zamanita processing facilities, upgrade of Master Pork processing facilities, and provision of capital to Zampalm to complete the pilot phase of 4,000 hectares of palm plantation.

DEBT REVIEW

During the year Zambeef drew on the US$25m term loan from DEG (Deutsche Investitions-und Entwicklungsgesellschaft MBH) which was to finance the three large capital projects that were in progress in the previous financial years, being the expansion of Chiawa Farms, the setup of the Novatek stock feed plant and the Palm Project. In addition, this debt allowed for capital expenditure in Zambeef's core activities. Zambeef had financed a large portion of these projects through its internal cash flows. As such, the DEG loan allowed for an injection of funds to the Group's working capital while improving on liquidity.

Zambeef obtained a new funding line for Zamanita to assist in the working capital financing of the company. This was a US$ 2m overdraft and a US$ 10m stock financing line obtained from First National Bank Zambia Limited and First Rand Bank Limited through its Rand Merchant Bank division respectively.

Zambeef also obtained new funding from Stanbic Bank Zambia Limited to finance its motor vehicle fleet replacement and additions. This is a finance lease facility with a tenor of 48 months and a limit of US$ 2.4m. This will substantially reduce repairs and maintenance costs on the existing ageing fleet and improve logistical efficiencies.

The Board of Zambeef also approved a US$ 10m term loan financing line from IFC (International Finance Corporation). US$ 7m of this facility will be used to fund the retail expansion and other ongoing capital projects of the Group in Zambia while US$ 3m will be reserved for expansion in Nigeria.

During the year, interest costs on local currency borrowings improved tremendously through lower Government treasury bill and bond yields. As such the Board of Directors authorized the issue of a ZMK 32bn commercial paper program, to be restructured into a 5 year listed Corporate Bond upon expiry of the commercial paper tenor, to refinance the existing loans with ZANACO PLC and Standard Chartered Bank Zambia PLC. This will not only reduce the borrowing costs but provide an improved structure to the borrowings while reducing foreign exchange risk and exposure.

Total group financing lines after the drawdown of the IFC loan of US$ 10m and the commercial paper/bond of ZMK 32bn by limits will be US$ 77m, structured as follows:

- 58% of our debt is term loans
- 42% of our debt is working capital lines
- 86% of our debt is in US$ at a weighted average cost of 6%
- 14% of our debt is in ZMK at a weighted average cost of 15%

It should be noted that these are the facilities available and not the drawn down position.

FINANCIAL REVIEW

The financial year saw satisfactory growth in turnover for the Zambeef Group with turnover increasing by 10% from ZMK 697bn to ZMK 771bn. However, the turnover for 2009 included turnover for Nanga Farms PLC to 31 March 2009. If removed, like for like growth in turnover is 13%. This growth in turnover was in line with the group strategy of increasing topline revenue growth of at least inflation plus GDP. With the gross margins remaining constant at 31.4%, the group achieved higher gross profit in value. Once again, if Nanga performance is to be stripped the like for like margins improved from 29% to 31.4% for the current period. Further stripping out the performance of Zamanita, the core business of Zambeef has returned to historical gross margin levels of 40%.

In line with management's strong focus to control overheads, the increase in overheads excluding depreciation was limited to less than 3% against an average inflation during the period in excess of 8%. The increase in turnover and margins and curbing of expenditure has led to a 40% increase in Profit after Tax on a like for like basis.

Zambeef continues to be strongly cash generative, with EBITDA and net cash inflow from operating activities increasing by over K40bn to in excess of K64bn. In spite of the above, our performance was affected with the following factors:

1. The volatility and depreciation of the Kwacha resulted in selling prices decreasing in real terms while input costs remained high. Zambeef was unable to pass all its increase in costs onto the consumer and hence margins were foregone. Further, restatement of debt at the year end resulted in an unrealized loss of K8bn;
2. On the cropping front, the 2009/10 maize crop was planted when input costs (fertilizer, herbicides, and fuel) were based on an appreciating maize price. Towards the end of the summer cropping season it was realized that Zambia was to have a bumper maize harvest of 2.8 million MT far exceeding local demand which resulted in a significant reduction of commodity price and thus erosion of margins for Zambeef;
3. In addition to loss through price reductions, the summer crop's output was lowered due to adverse weather conditions leading to severe floods in our farms, and late rains resulting in rotting of the commodity;
4. Zamanita, the Zambeef edible oils subsidiary, had forward soya purchase contracts which was signed at the height of the commodity price boom in 2008/09. The subsequent collapse in commodity prices resulted in Zamanita having to take a loss on these positions which were only washed out in May 2010, thus leading to a severe loss of margin;
5. Zamanita had additional tax tariffs levied against the company due to change in importation guidelines from the Zambia Revenue Authority;
6. Impairment of the biological stock at Zampalm due to poor growth patterns of some of the plants which will require replanting; and

7. During the year, basis a bumper maize harvest and Food Reserve Agency (FRA) intervention in purchasing maize stock through a K150bn pipeline, there was a significant shortage of cattle sellers due to the fact that most small scale suppliers are also maize farmers and have received sufficient cash flow through maize sales. This has led to a serious shortage of beef in the market and an inflated cattle purchasing price leading to loss of turnover although margins were higher.

While Zamanita margins declined due the expensive stock carryover from the previous financial period and higher tax tariffs, the other segments in the Zambeef Group have performed better in comparison to the previous year with gross margins in these areas rising back to the historical rate of 39%.

With an improvement in results for the year ended, the Board of Directors hereby propose a dividend payout of 40% of profit attributable to shareholders amounting to K7.9bn.

OPERATIONAL REVIEW

The Financial year has seen most divisions and subsidiaries within the Zambeef Group showing good growth with margins improving. These divisions and subsidiaries are discussed in more detail below:

BEEF (ZAMBEEF)

This division contributes 23% of group turnover and 26% of group profitability.

This was once again a difficult year for the beef division with scarcity of cattle in the market. 2009/10 saw a historic bumper harvest of maize of 2.8 million MT. Due to supply outstripping demand, FRA intervened with a K150bn purchase pipeline to acquire maize from small scale farmers, whom are also cattle suppliers. As a result of this increased cash flow from selling maize to FRA, cattle supply deteriorated in the market leading to inflated purchase prices for cattle. With beef prices increasing there was a distinct shift in demand of meat from beef to chicken resulting in beef volumes reducing.

As a result volumes decreased with turnover decreasing by 10% from K225bn to K201bn. However the gross profit percentage increased from 26.8% to 31.4% resulting in the beef division's gross profit increasing from K60.2bn to K63.3bn. The beef division remains one of the largest divisions in Zambeef contributing 26% of Zambeef's gross profit.

While Beef division margins are back to their normal levels, there remains the threat of non-availability of cattle due to continued support of small scale farmers through FRA and expected bumper maize harvests. However, Zambeef remains in a unique position in the beef industry with 8 abattoirs strategically located around the country to gain access to cattle suppliers across the country. In spite of rising beef prices demand remains strong. Hence Zambeef can expect the beef division to have an improved 2010/11 financial year with respect to increase in volumes while retaining margin.

CHICKEN (ZAMCHICK)

This division contributes 9% of group turnover and 9% of group profitability.

The chicken broiler division has had an excellent year with turnover up 39% from K59.5bn to K82.8bn while the gross profit increased by 300% from K5.2bn to K20.2bn as a result of gross profit margins increasing from 8.7% to 25.3%.

These excellent results can be attributed to the reduction in commodity prices leading to a reduction in stock feed prices. Maize and soya prices reduced significantly during the year leading to costs of producing stock feed reducing. As such the rearing cost of poultry broilers reduced during the year leading to larger margins.

Further, with increasing beef prices leading to a swing in demand for chicken products, the turnover increased significantly.

In addition, during 2009/10 the slump in the market led to a lot of marginal producers stopping production of chickens. The effect of this had been chicken margins increasing to historical levels due to there being fewer producers.

Zambeef had launched a fresh range of chicken under the new brand name "Master Chick" during 2008/09. The response has been good and this will further enhance the chicken operations going forward.

Zambeef can be confident that this division will continue to being an important division which will again provide a large contribution to Zambeef's results in the coming year especially in line with consumer swing away from beef to chicken.

EGGS (ZAMCHICK EGG)

This division contributes 2% of group turnover and 4% of group profitability.

This division has had another outstanding year with turnover increasing by 52% from K12.5bn to K19bn and gross profit increasing by 34% from K7bn to K9.4bn

During the year, Zambeef increased its chicken layers from 103,744 birds to 145,167 birds. With the success of this division in the year, Zambeef is in the process of increasing the number of layers by a further 36,000 layer birds.

Eggs remain one of the cheapest per unit sources of protein for the consumer. This year saw a real increase in demand for eggs despite the price of eggs increasing. It is hoped that this demand for eggs will continue to grow and Zamchick Egg will continue to grow as Zambia's major national egg supplier.

The group will continue to produce all its own point of lay birds.

This division should continue to show good growth in the following year and will provide incremental business for the Stock Feed operations.

PORK (MASTER PORK)

This division contributes 7% of group turnover and 8.3% of group profitability.

The pork division has had another excellent year with turnover increasing by 30% from K47.1bn to K61.3bn. Gross profit increased by 93% from K10.4bn to K20.1bn with gross profit margins increasing from 22% to 33%.

Like the chicken broiler operations, the piggery has had a significant improvement in results over the year. This was as a result of improved operations and lower costs of feed. The year saw expansion of the processing facilities with over K2.4bn in capital expenditure on increasing the size of the premises and providing more processing equipment.

Master Pork continues to show excellent growth and the intention is to further expand the processing operations in the coming year with new product lines and increased efficiency. Master Pork can expect another good year ahead with continued growth.

DAIRY (ZAMMILK)
This division contributes 5% of group turnover and 11.4% of group profitability.

The dairy division has had a good year with a marginal increase in turnover by 4% from K40.8bn to K42.6bn. Gross profits increased by 52% from K18.2bn to K27.7bn. Unlike 2008/09, the dairy farm has had a good performance with yields up and costs of production lower due to reduced stock feed prices. Further, there has been more focus on sales of high value products leading to overall margins increasing from 45% to 65% year on year.

Turnover is expected to continue to grow in the future with improvements continuing in the dairy farm which will lead to a larger milking herd and higher yields.

CROPPING (ZAMBEEF FARMING)
This division contributes 6% of group turnover and 9% of group profitability.

Zambeef's row cropping operations (maize, soya beans and wheat) have had a challenging year with turnover down 9% from K62.9bn to K57bn but with gross profits up 147% from K8.9bn to K22bn. The gross profit margin increased from 14% to 38%. As already described above, the turnover reduction was mainly due to the events which took place during the year. The maize summer crop was planted at the time when input costs were high with respect to particularly fertilizer, herbicides, seed and diesel. At harvest the maize prices collapsed due to the extraordinary harvest in Zambia. As such, the returns on maize were marginal at best during the year. The summer crop was further affected with adverse weather patterns leading to floods and late heavy rainfall which significantly affected the yields. The soya crop returns were better during the year as the commodity price was consistent with rising prices in the last quarter of the financial period. However, the yields were once again affected through adverse weather patterns.

The reduction in prices of maize has led to reduction in stock feed prices and larger margins for the beef, chicken, and pork segments.

However, the winter crop of wheat has done exceptionally well. Wheat was planted when the average price of wheat was below US$ 330 per MT with matching input costs. Due to the global demand for the commodity arising from issues such as the crop challenges in Russia, the price of wheat had risen to above US$ 400 per MT during harvest. This has led to large margins being realised on wheat.

Zambeef has continued its cereal cropping operations expansion at Chiawa Farm through achieving the completion of the 2,200 hectare irrigation scheme taking Zambeef's total area under irrigation to approximately 5,000 hectares, making Zambeef one of the largest irrigated row cropping operations in Africa. It is worth noting that the Chiawa Farm has the water, land and infrastructure to develop approximately a further 1,500 hectares at reduced costs. Should grain prices continue improving throughout the region and globally, Zambeef will look at developing this additional land.

Having disposed of Nanga Farms PLC in 2009, Zambeef has had no sugarcane crop during the

current financial year.

The group has title to 20,000 hectares of land for the Palm Plantation. Zambia and the region remains a major importer of vegetable oils. In addition the group is a large importer of palm oil from Malaysia for its Zamanita Oil division.

Zambeef has continued to develop its Palm plantation with K15bn spent in the financial year and a further US$2.5m budgeted for in the coming year. Due to adverse weather conditions and factors outside normal operations, part of the biological stock will need replacing. As such the directors have proposed a marginal impairment in the biological stock. Zambeef have now engaged the services of Francisco Peralta of Oil Palm Technology, S.A., one of the leading palm consultants in the world to assist in implementation of the project. Based on his advice and proposed methodologies, which are being implemented, Zambeef is confident of achieving the required agronomical practices and yields to make a very viable project with long term benefits and synergies to the group.

Zambia remains an ideal country for large scale irrigated cropping operations with fertile soils, an excellent climate and ample water, being the source of 42% of Sub Saharan Africa's water. The global demand for cereal commodities continues to rise with lower production arising in the largest producing areas such as Russia and Ukraine. As a result, Zambia has the potential to be the bread basket of Africa. With water becoming a more precious natural resource throughout the world, Zambeef's world class irrigated farming operations will become more valuable each year.

Further, there are a number of regional opportunities arising through a shortage of commodities. With Zambia's centralized position, Zambeef can seize on such opportunities to increase exports and thus provide foreign exchange earnings as well as higher margins.

FEED PLANT (NOVATEK)

This division contributes 9% of group turnover and 6.8% of group profitability.

Novatek's new stock feed plant, costing US$ 8.5m, commenced operations in February 2010. This is a world class plant providing exceptional quality products at an affordable price to the domestic and regional market. Novatek currently supplies all of the group's internal requirements and is gaining market share in the domestic and regional market through provision of more than 2,500 MT per month of feed.

This division has been a high performing division in the last year with turnover increasing by 51% from K51.1bn to K77.3bn and gross profits increasing by 48% from K11.1bn to K16.4bn.

Novatek's quality stock feed is assisting in improving the quality of the livestock segments of the group. As such, areas such as the dairy have benefitted through increasing yields. In addition, due to lower maize prices during the year, the cost of stock feed to the livestock divisions has been lowered.

It is expected that with the synergies of operat-

ing our own farms and oil seed crushing, we will continue to provide efficient inputs into Novatek and thus increase our market share during the forthcoming year. There are also significant opportunities arising in neighbouring Zimbabwe, where there is a critical shortage of stock feed in a growing livestock sector. Novatek in conjunction with Zambeef's partnering agent in Zimbabwe will capitalize on such opportunities to increase regional presence.

MILLING & BAKERY (ZAMFLOUR & ZAMLOAF)

This combined division contributes 5% of group turnover and 4.5% of group profitability.

This division has had a good performance for the year under review. While turnover was consistent with 2008/09, the gross profit increased by 117% from K5bn to K10.8bn. The gross margins have been higher as the input crop from 2008/09 was at low prices of less than US$330 per MT.

Due to demand in the local and regional market, the group was able to sustain its pricing model and ensure continued value adding to its wheat production.
The demand for flour continues to increase in Zambia and the surrounding region. As such, it is expected that Zambeef's milling division will grow in turnover in the next financial period.

Zambeef is also exploring the options to upgrade its bakery from simple breads to other higher margin products. This will allow us to compete favourably in the market.

TANNERY & SHOE PLANT (ZAMLEATHER & ZAMSHU)

This division contributes 1% of group turnover and 1.5% of group profitability.

During 2008/09 the leather industry throughout the world has been through a difficult period with demand for leather and leather prices falling sharply following the financial crisis and global recession. During this period Zambeef refocused its strategy towards more finished leather products. However, 2009/10 saw the global demand for leather increase in line with resurging economies. As such, Zamleather was able to increase its exports of wet blue by over 30% during the year.

As a result, Zamleather has increased its turnover for the combined leather and shoe operations by

26% from K8.5bn to K10.7bn while the combined gross profit has increased by 59% from K2.3bn to K3.7bn. The increase in gross profit has been achieved through higher margins growing from 27% to 35%.

It is expected that the demand for leather products will continue to grow with recovering global demand. As such, Zambeef expects its leather division to continue its growth trend towards historical performance levels.

FISH

This division contributes 1% of group turnover and 0.9% of group profitability.

While this is a small part of Zambeef's operations, the fish division presents an exciting avenue to increase our protein footprint and options in the market. Zambia's natural fish stocks have reduced in recent years resulting in a large increase in the demand for fish from the formal sector. However, 2009/10 has proven to be a difficult year for the division due to supply issues in the region. As such, Zambeef is now exploring the options of importing product from other global suppliers. In spite of supply constraints, there was a modest growth in turnover by 13% from K7.9bn to K9bn and gross profit increasing by 14% from K2bn to K2.3bn with margins remaining constant. With the Zambeef consumer clearly showing a strong increase in demand for fish, this division is expected to remain a fast growing part of the Zambeef business for the next year.

EDIBLE OILS (ZAMANITA)

This division contributes 27% of group turnover and 15% of group profitability.

While the integration of Zamanita's products into Zambeef's retail and distribution footprint has been extremely successful, Zamanita commenced 2009/10 with a serious disadvantage with respect to soya beans stock. This stock was purchased in the previous financial period through forward contracts when the soya prices were at an all time high. During the first half of 2009/10, soya prices continued to reduce leading to large losses on production and sale of the crushed animal feed cake and edible oils. Further, Zamanita's cost of importing palm oil was increased through additional tax tariffs charged by Government during the year.

During 2009/10 management has been more conservative with purchase of soya stock. Further, internal hedges have been taken through the forward sale of animal feed cake. As such, the last two quarters of Zamanita's performance have been excellent with record levels of soya crushing and historical highs achieved on edible oils sales.

With Government having changed its tax tariffs on imported oils as per the 2011 budget, Zamanita will significantly reduce on its costs on palm oil imports which will allow it to recover on lost margins seen in the current financial year.

The critical success factors of Zamanita are the synergies present with the Zambeef group. As Novatek continues to gain market share, the throughput of animal feed cake produced by Zamanita and required by Novatek will increase significantly. Further, more edible oils, water and margarine produced in Zamanita will be sold through Zambeef outlets as the group continues its expansion of its retail and wholesale footprint in Zambia.

Once Zampalm commences production of crude palm oil, Zamanita will stand to benefit through refining and selling palm oil through its already existing brand.

In the financial year under review, Zamanita's turnover remained at par with 2008/09 levels. However, due to the above factors, Zamanita's gross profit reduced by 39% from K58.9bn to K36bn.

Zamanita's strategy going forward is to increase its edible oils production through crushing oil seed in Zambia rather than importation. This will lead to higher margins while providing additional throughput of animal feed cake to the group's stock feed division. To this effect, Zamanita will invest in improving its crushing capacity and efficiency.

Despite a difficult 24 months, Zamanita remains an integral part of the Zambeef group. As such, the group has supported the activities of Zamanita through the provision of a US$6m long term shareholder loan without any fixed repayment. Since year end the group has also recruited a high calibre Managing Director for Zamanita to oversee operations going forward. With increasing turnover, improved operations and efficiencies, a strong management team, and Government support through reduced tax tariffs on importations, Zamanita can now look forward to an optimistic future and contribute both in turnover and profitability for the group.

RETAILING NETWORK

Zambeef retains its position of having the largest distribution and retail footprint in Zambia. During the year, Zambeef commenced its program of rolling out the new Zambeef outlet concept of having compartmentalized stores with a perishables side (meat, eggs, dairy, and all other perishables), a dry goods area (flour, maize meal, packed oil) and the bulk edible oil point of sale. All new and/or refurbished existing Zambeef outlets follow this model. To date, Zambeef has opened 8 new retail outlets across the country and refurbished 3 existing stores.

Zambeef has also continued its partnership with Shoprite Supermarket through operating all its butcheries across Zambia as well as being one of the key suppliers of other perishable and non-perishable merchandise to Shoprite. It is pleasing to note that Zambeef has won the Shoprite Group Supplier of the Year Award for 2010, thus, showing our commitment and passion to succeed.

Zambeef currently has 29 retail outlets in Lusaka, 31 retail outlets in Copperbelt, and 23 retail outlets across the rest of Zambia, all operating under the Zambeef banner. In addition, Zambeef operates in 20 Shoprite stores, which includes Shoprite Wholesale. Zambeef also has 8 of its own fast food outlets under the brand 'Zamchick Inn'. The group will be looking extensively into increasing the spread of its fast food business during the next financial year with 3 stores already marked for opening in the first quarter.

How We Have Performed
Chief Executive Officer's Report

While being the largest player in the formal sector, Zambeef's penetration of the informal market has been negligible. As such, the Board has taken the strategic direction of setting up large scale wholesale centres in various parts of the country. The first will open in Lusaka, on the same premises as the group's head-office, and cater to the largest informal market in the country, namely 'Soweto'. The group expects to open a second wholesale centre in Kitwe, also within the next financial period, while others will follow in other high densely populated areas with a large informal sector.

This excellent retailing network and infrastructure is the main stay of the Zambeef model. It allows the group to be close to its final product user and thus understand consumer dynamics. The group is able to add maximum value to its primary and secondary production facilities while engaging its superior brand power to populate consumer long stay and loyalty. Zambeef management will continue with the Board's strategic drive to make the retailing operations the core focus of the business. This will be of benefit to all divisions within Zambeef and contribute to volume and margin increases across Zambeef's product range.

WEST AFRICA (NIGERIA & GHANA)
This division contributes 3% of group turnover and 3% of group profitability.

Zambeef has two operations in West Africa namely Master Meats and Agricultural Production Company of Nigeria Ltd ("Master Meats Nigeria") and Master Meats (Ghana) Ltd.

West Africa continues to be one of the major focus and exciting areas of the Zambeef group. With Shoprite increasing its footprint during the year, it was expected that there would be significant growth. However, the main store in Lagos has undergone severe challenges due to access logistics whereby the roads leading to the store were closed for temporary construction works. Further, the new store that was recently opened had other factors affecting consumer spending. As such, sales through Shoprite have declined during the year leading to an overall decline in turnover for the West African operations of 4% from K32.2bn to K30.8bn. Management in West Africa have made up for lost sales through higher sales to external parties at increased margins. As such gross profit has increased by 6% from K7bn to K7.5bn with margins rising from 21.8% to 24.3%. One of the key factors assisting in larger margins was the establishment of a meat processing plant in Lagos which allows for higher value added products to be manufactured and sold.

The year has also seen Master Meats Nigeria obtain leasehold title to a 287 hectare farm north of Lagos. This will be developed with feedlot, abattoir and cold room facilities under Phase I and act as the central distribution point for our operations in Nigeria. It will also be the pillar upon which we build our own retail infrastructure in Nigeria, thus, replicating the Zambian business model of the early 1990s. As a prelude, we have opened our first store in Lagos under the Master Meats brand which is proving to be a success.

Shoprite will continue its expansion in both Nigeria and Ghana and is expected to open a number of stores over the next two financial periods.

On the basis of Shoprite and our expansion ambitions, we are confident that West Africa will play a focal point in the group's future strategy. In line with this, Zambeef have secured a US$3m funding line from IFC to assist in such expansion. The group has also deployed 4 experienced Zambeef personnel from Zambia who will be responsible for growing these operations and unlocking the enormous potential.

STAFF & BOARD OF DIRECTORS

I would like to sincerely thank all the staff of the Zambeef Group in Zambia, Nigeria and Ghana for their continued dedication to their work and to their contribution to Zambeef's success during this year. During the year, as part of a cost control mechanism, we requested our top 60 senior managers to accept a 10% pay cut. This was unanimously accepted and implemented. This shows an enormous dedication to the group and an understanding and appreciation of the environment we operate in.

While there have been some changes in the Executive Team during the last 12 months , the divisional heads of the group have remained constant. These individuals have been with the group for a number of years and are the key reason for the continuous success of Zambeef. We remain committed to attracting top calibre employees, developing and training these people and ensuring they are motivated to perform at their best. We can be proud to have developed a highly motivated and professional team over the last seventeen years.

During this financial year, Mr Nick Wilkinson ceased to be an Executive Director of Zambeef Products PLC. In November 2009, Mr Philip Diedericks decided to accept an offer from his former employer in South Africa, thus, resigning from the position of Finance Director. In March 2010, Mr. Diego Casilli formally resigned from the Board. We wish them well in their future endeavours.

I also assumed the privilege of taking over as Chief Executive Officer of the group and was ably assisted by my co-Executive Directors during the year. We have also appointed our new Finance Director, Mr. Sushmit N Maitra and the Zamanita Managing Director, Mr. Mike Ledwith. Both these gentlemen come with experience and knowledge of their areas of operation and will be of enormous assistance in operating the group.

I would sincerely like to thank our entire Board of Directors for their continued efforts to ensure and enforce the success of the Zambeef Group of Companies. Zambeef is fortunate to have such a high calibre Board of Directors with wide ranging experience both within Zambia and internationally. Their advice and guidance has been much appreciated. Lastly, I would again like to thank our Chairman, Dr Jacob Mwanza, for his dedication, commitment and the support he provides at all times.

CONCLUSION

It is enlightening to see that Zambeef has come from a challenging 2008/09 to a stronger performance during the financial period under review. The core activities of the group such as beef, chicken, pork, eggs, dairy, and others excluding Zamanita have performed well with increase in both volume and margin. While Zamanita has faced another year of challenges, we are very confident of its future contribution to group turnover and profitability. Zambeef's management is ever committed to ensuring that long term sustained growth is implemented across the group. As such, we will continue to invest in the business ensuring that we maximise efficiency and synergies across the group both divisionally and geographically. In a time where global food production is a key note issue, we look ahead to the future with confidence knowing that we are a major food producer with enormous infrastructure, a strong labour force, and excellent brand power and presence.

Francis Grogan
Chief Executive Officer
December 2010, Lusaka

HOW WE ARE GOVERNED


Value Added
Environmental Protection
Staff Training
Supporting Local Business
Long Term Partnership
Healthy working Environment
Community Development
Quality Product
Customer satisfaction
CORPORATE
SOCIAL
RESPONSIBILITY

ENVIRONMENTAL POLICY

Zambeef's environmental policy is aimed at providing a safe and healthful work place, protecting the environment, and being a responsible corporate citizen within the communities where we operate. The policy provides the foundation for the following corporate policy objectives:

- Provide a safe and healthful workplace and ensure that personnel are properly trained and have appropriate safety and emergency equipment.
- Be an environmentally responsible neighbour in the communities where we operate, and act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment.
- Conduct our business in compliance with applicable environmental and health & safety laws and regulations.
- Be a responsible and committed corporate citizen and be a useful and effective member of the communities within which we operate.
- Aim to reduce poverty by establishing strong partnerships with local communities & supporting community initiatives, especially in the health and education areas, that deliver sustainable long-term results & real benefits to the communities within which we operate.
- Review yearly our strategies, objectives and targets and monitor environmental programs to ensure continuous improvement of our environmental performance.
- Conduct ongoing audits to ensure compliance of environmental and health & safety legislation and report periodically to the Board of Directors.

COMPLIANCE MECHANISMS

As part of the DEG and IFC terms loans, Zambeef signed up to a DEG and IFC approved Environmental Action Plan. There are 42 specific action points relevant across the entire Zambeef Group business, spanning over a period of 2-3 years; the key deliverables are:

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

The DEG and IFC environmental plan requires Zambeef to meet not only our local Zambian standards but also international standards over the next 2-3 years (HACCP, IFC, ISO, OHSAS, ILO Labour Conventions, etc.).

In order to meet the group's Environmental, Occupational Health and Safety, Food Safety and Corporate Social Responsibilities, the Group has created a new Department with a staff complement of six, with the Head of the Department reporting directly to the Executive Director.

Furthermore, DEG has kindly assisted Zambeef with Technical Assistance funding which has been utilized to employ local and international environmental, occupational health and safety and food safety consultants to assist Zambeef in successfully delivering the Environmental Action Plan.

Zambeef must also report to DEG and IFC qualitative and quantitative project performance data each year along the following key headings:

1. Environmental and Social Management;
2. Occupational Health and Safety (OHS) Performance ;
3. Significant Environmental and Social Events;
4. Sustainability of Project and Associated Operations;
5. Compliance with World Bank Group and local environmental requirements ;
6. Progress on implementing the Environmental and Social Action Plan (ESAP) agreed with IFC and DEG; and
7. General Information and Feedback

STATUS

Zambeef is fully compliant to all national statutory requirements regarding the Environment and Occupational Health & Safety.

A new Effluent Treatment Plant (ETP) and stabilization ponds have been constructed at Huntley, the group's main production centre, located in Chisamba. The group intends to follow this model and equip all its production centres, where effluent is generated, with an ETP.

In order to enhance biodiversity, the group has left a large middle portion of the Chiawa farm undeveloped. This section of the farm has been recognized as an important corridor for game movement.

The group has embarked on an environmental rehabilitation program for all our operations, including outlets, takeaways, processing plants, etc, in order to meet both the local and international standards at the same time win consumer confidence. So far 14 outlets have been rehabilitated and the program is still on-going.

Microbiological monitoring of the quality and safety of food and water including disease surveillance in livestock were carried out and this has a positive bearing in the quality and safety of food.

The company also ensures that all new as well as existing projects go through an impact assessment in order to identify positive and negative impacts and mitigating factors as per requirement of the local and international standards. The Master Pork abattoir and processing plant, Kalundu dairy and Zamleather project briefs were approved during the year under review.

The most recent DEG Consultants Report states that Zambeef has made significant progress in delivering the approved Environmental Plan. Customer satisfaction surveys were also done by the DEG Consultants and this received good ratings and feedback on Zambeefs products, shops, perception, food quality and customer service.

WORKERS WELFARE

The development of HIV/AIDS policy was finalised and implemented during 2009. HIV programmes such as Training Peer Educators, Voluntary Counselling and Testing and Training of HIV/AIDS Awareness to focal persons were carried out during the year. Workers welfare is further enhanced by ensuring that canteens, change rooms with sanitary fittings, protective wear including medical surveillance for workers exposed to chemicals and medical examinations for food handlers are timely done.

TRAINING

Zambeef has further embarked on training of staff throughout all outlets. The training included introduction to HACCP (Hazard Analysis of Critical Control Point), as a pre-requisite for the implementation of a group-wide ISO 22 000 Food Safety Management System , aimed at minimizing contamination of the final products and ensure food safety.

Other training modules included fire drill and basic first aid for the safety of workers. A total of 189 staff were trained in food hygiene, introduction to HACCP, customer service, fire drill and basic aid training of outlet managers. 43 other staff were trained in food hygiene and pre-slaughter care. Training will be extended in the near future to include global Good Agricultural Practices, Good Manufacturing Practices, Good Hygienic Practices and Food Legislation and Environmental sanitation as pre-requisite for implementation of HACCP.

SOCIAL RESPONSIBILITY

Zambeef subscribes to the United Nations Millennium Development Goals which aim to:

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

Zambeef also continues to assist and/or support worthy & noble activities & organizations aimed at poverty alleviation through both cash donations as well as providing free meat and dairy products on a regular basis. Zambeef has also continued to give support in the following areas:

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

Zambeef has also teamed-up with a UK based charity called Alive & Kicking, which aims to use the power of football to deliver health education, in particular, to raise HIV/AIDS awareness and malaria prevention. The charity already operates in Kenya and South Africa.

Zambeef also undertook to sponsor over six traditional ceremonies this year across all the nine provinces of Zambia.

How We Are Governed
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, transparency and accountability as advocated in its Code of Corporate Governance.

The Board's success in achieving the highest standards of corporate governance is evidenced by Zambeef being awarded 1st Prize for the Lusaka Stock Exchange's Corporate Governance Award in 2 of the last 3 years.

The aim of the corporate governance award is to promote the highest quality in both content and presentation in annual financial reporting in Zambia while highlighting transparency and accountability to its stakeholders.

CODE OF CORPORATE GOVERNANCE
Zambeef's Code of Corporate Governance 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 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.

The Group also has Board approved policies on Code of Conduct, Code of Ethics and Directors Share Dealing Code.

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 meets four times during each year, in addition to the AGM.

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.

The executive directors are responsible for proposing strategy and determining and implementing operational decisions. Non-executive directors complement the skills and experience of the executive directors, bring independent judgement and contribute to the formulation of strategy, policy and decision making through their knowledge and experience.

The Board continues to believe that its overall composition remains appropriate, having regard in particular to the independence of character and integrity of all its directors, and the experience and skills which they bring to their duties.

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

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them.

BOARD COMMITTEES
The Board governs through clearly mandated Board committees, accompanied by monitoring and reporting systems. Each committee has specific written terms of reference issued by the Board and set out in its individual charter.

The Board has the following sub-committees to assist it 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 two Executive Directors and three non-executive directors.

The committee is responsible for advising the Executive 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.

Audit Committee

The Audit Committee is chaired by Mr. Lawrence Sikutwa, non-executive director, and its membership consists of three non-executive directors. 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 four 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.

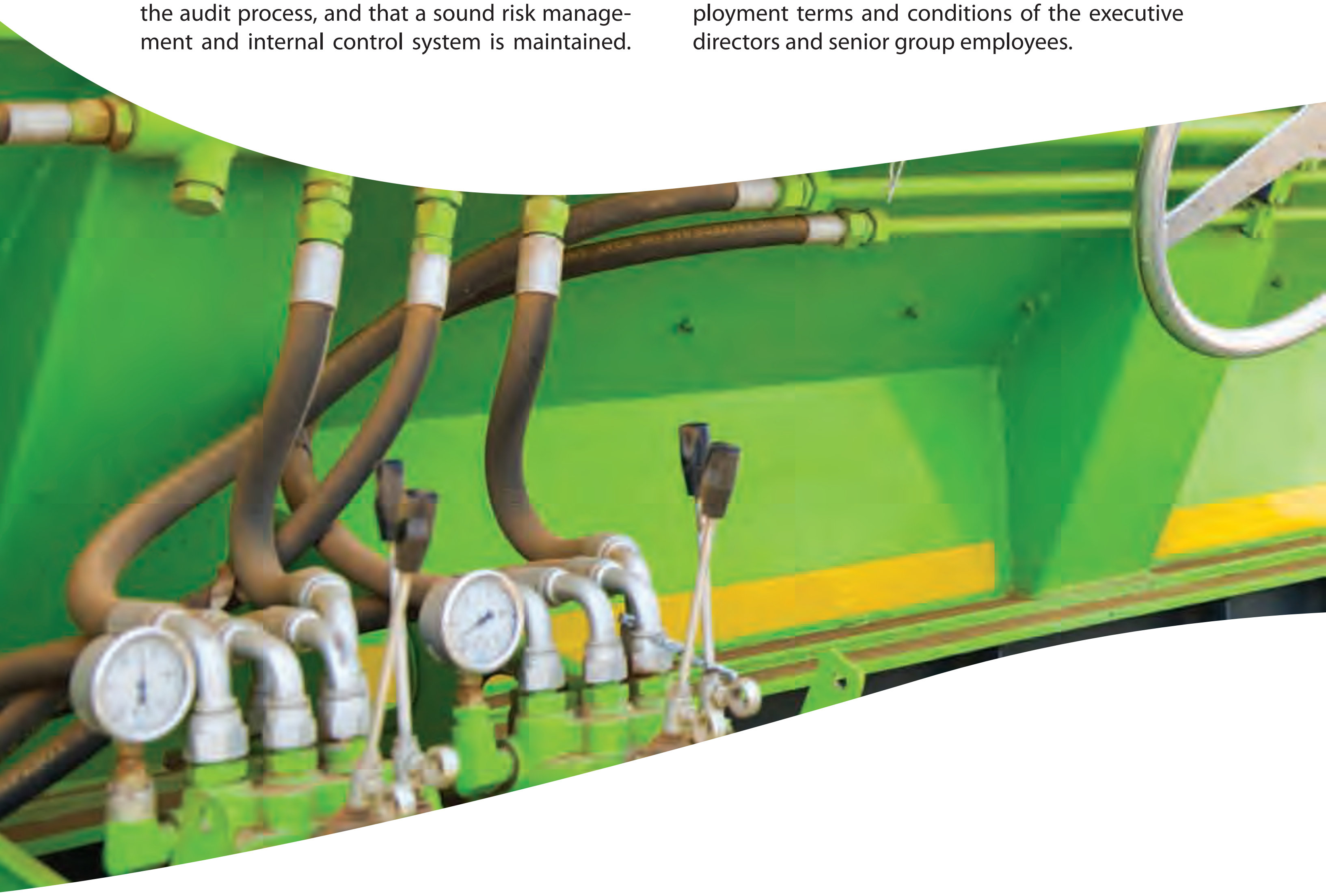
The Committee provides an independent oversight of the group's system of internal control and financial reporting processes, including the review of the interim and annual financial statements before they are submitted to the Board for final approval.

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.

Remuneration Committee

The Remuneration Committee is chaired by the Board Chairman, Dr. Jacob Mwanza and its membership consists of three non-executive directors.

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.

The committee also considers and submits 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.

DIRECTORS INTERESTS IN OTHER COMPANIES

In compliance with Section 218 of the Companies Act, all the directors declare their interests in other companies and this is taken into account in the event that any such companies enter into any contracts with Zambeef.

DIRECTORS SHAREHOLDINGS

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

How We Are Governed
Citizen's Economic Empowerment Report

In the year 2006, the Government of the Republic of Zambia enacted the Citizens Economic Empowerment Act number 6 (CEE Act). The Act provides the legal basis for implementing the economic empowerment program in Zambia. The objective of this program once implemented would be to expand citizen ownership and effective participation in the affairs of the economy. The Act also established the Citizens Economic Empowerment Commission (CEEC) whose mandate among others is to promote the economic empowerment of targeted citizens, citizens empowered companies, citizens influenced companies and citizens owned companies. To this effect, nine pillars have been identified as being a summary of the economic empowerment program;

- Equity and Ownership
- Skills Development
- Greenfield Investment
- Access to Finance
- Foreign Direct Investment
- Preferential Procurement
- Good Corporate Governance
- Corporate Social Responsibility
- Transformation of Society

The CEEC with the stakeholders are currently in the process of developing sector codes which will become legally binding once CEEC cause their publication in the Government Gazette.

TARGETED CITIZENS

These have been identified as citizens that have historically been marginalized and whose access to economic resources and developmental capacity has been constrained due to various factors including race, sex, education background, status and disability. Targeted citizens include; The Youth; Women; Disabled; People living with HIV/AIDS; Senior Citizens; Retirees; Cooperatives/ Farmer Associations.

CITIZEN EMPOWERED COMPANY

This is a company where twenty five – fifty percent of its equity is owned by citizens.

CITIZEN INFLUENCED COMPANY

This is a company where five to twenty five percent of its equity is owned by citizens and in which citizens have significant control of the management of the company.

CITIZEN OWNED COMPANY

This is a company where at least fifty point one percent of its equity is owned by citizens and in which citizens have significant control of the company.

In light of the Act, and the provisions thereof, Zambeef Products PLC Group has set up deliberate programs and activities to ensure that the company adheres to the provisions of the CEE Act.

Employment

The group employs over 3,850 employees of which over 98% are Zambian. Furthermore, the group through its farming division provides significant employment to the rural community where poverty levels are much higher than the urban areas. In addition to providing employment, the group has set up health, education and sanitary facilities to these communities. The group also runs a confidential program for people living with HIV/AIDS which is run on a strict inter-personal relationship to discourage stigmatization and promote confidentiality.

Equity and Ownership

Zambeef Products PLC joined the stock market in 2003. This position provided an opportunity for Citizens at large to buy shares in the company. It also provided an equal opportunity for pension fund managers to invest in the company's shares so as to provide a return for the pensioners. In this regard, the group provided an environment that allowed for citizens to acquire equity by buying shares on the stock market. A large percentage of Zambeef's shares are owned by Zambian individuals and Zambian institutions.

Skills Development

The Zambeef group is fully committed to developing and training its employees at all levels within the organization. This year, the group carried out and/or supported training (in Zambia and overseas) of over 900 staff in various fields of finance, engineering, Hazard Analysis of Critical Control Point (HACCP), farming, corporate governance, food processing, food hygiene and safety, milling, sales and marketing.

The group's continual reinvestment into labour and human resources has resulted in many senior positions being occupied by Zambians, as well as two Zambians running the group's West Africa operations.

Preferential Procurement

Zambeef has eight regional abattoirs and in many of these largely rural areas, Zambeef is one of the largest business partners where the group injects over K8bn per month into these rural economies through the procurement of locally produced raw materials, resulting in poverty alleviation and sustainable development of these rural economies.
Citizen's Economic Empowerment is a new concept to the Zambian environment still going through development and implementation stage. Once fully completed and up in running, the company will reposition itself to ensure that it fully complies with the Act.


Master Pork
CHORIZO SAUSAGE
Master Pork
CHORIZO SAUSAGE
Master Pork
GARLIC POLONY
500g
Master Pork
VIENNAS


Master Pork
SANDWICH HA
FRENCH POLONY
HUNGARIAN SAUSAGES
500g

How We Are Governed
Board of Directors

Dr. Jacob Mwanza
Board Chairman and Chairman of the Remuneration and Executive Committees
Nationality: Zambian
Qualifications: Phd (Cornell University, USA); MA Economics (W. Germany)
Experience: Over 30 years Business Management experience, both in the public and private sectors. Previously Governor of the Central Bank; currently Chancellor of the University of Zambia. Has served and is currently on several Boards, including Celpay and LuSE.

Rodney Clyde-Anderson
Non-executive Director and member of the Remuneration Committee
Nationality: British
Qualifications: Diploma in Agriculture (Zimbabwe)
Experience: Over 30 years experience in Agribusiness; past Chairman of Herd Book Society of Zambia and Livestock Services Co-operative Society; previously Vice-president of Zambia National Farmers Union. Currently serving on several Boards including Bric Brac Ltd, Wellspring Ltd and Mazabuka Marketing Company Ltd.

Lawrence Sikutwa
Non-executive Director and Chairman of the Audit Committee and member of the Remuneration and Executive Committees
Nationality: Zambian
Qualifications: MBA; FCII; Post Grad Diploma in Insurance (UK)
Experience: Over 30 years experience in Business Management. Previously General Manager of Zambia State Insurance Corporation; currently Chairman of LSA Ltd Group of Companies.

Hilary Duckworth
Non-executive Director
Nationality: British
Qualifications: R.M.A 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 Bric Brac Ltd.

John Rabb
(Alternate - Mark Doron Shnaps)
Non-executive Director
Nationality: South African
Qualifications: BSc (Agriculture); MBA (RSA)
Experience: Over 30 years Business Management experience. Currently Managing Director of Wooltru Group South Africa. Has served and is currently on several Boards, including Spur Holdings (listed on JSE) and Wellspring Ltd.

Irene Muyenga
Non-executive Director and member of the Audit and Executive Committees
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 African Insurers, Zambia Insurance Business College, PTA Re-Insurance Company, National Pension Authority.

Adam Fleming
(Alternate - Brian Dowden)
Non-executive Director
Nationality: British
Experience: Over 30 years Business Management and Banking experience. Previously Chairman of Harmony Gold (listed on JSE and 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.

Stanley Zingani Phiri
Non-executive Director and member of the Audit Committee
Nationality: Zambian
Qualifications: Bacc; FCCA; FZICA
Experience: Over 22 years in Business Management and Finance experience; currently Director General of National Pension Authority. Previously Director of Finance and Investment for ZSIC.

How We Are Governed
Board of Directors

Francis Grogan
Chief Executive Officer
Nationality: Irish
Qualifications: BSc Agriculture (Ireland)
Experience: Over 22 years experience in agriculture and meat, including experience 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 and Tractorzam Ltd.

Carl Irwin
Director of Strategy and Development
Nationality: Zambian
Qualifications: B. Com; ACA (UK); FZICA
Experience: Over 20 years of accounting & finance experience with a number of companies, including Coopers & Lybrand UK. Co-founder of Zambeef Products Plc. Other directorships include Proflight Commuter Services Ltd, Zambezi Ranching & Cropping Ltd, Performance Air Ltd and Tractorzam Ltd.

Yusuf Koya
Executive Director
Nationality: British
Qualifications: BSc in Geology & Economics; MSc in Economics; ACIB (UK)
Experience: Over 20 years business management experience in corporate finance and 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.

Sushmit Maitra
Acting Finance Director
Nationality: Indian
Qualifications: BA (Hons) in Accounting & Finance (South Bank University UK); MSc in International Accounting & Finance (LSE UK); ACCA.
Experience: Over 10 years experience in auditing, corporate finance, and management consultancy with a number of companies in Zambia including Barclays Bank Zambia PLC & Grant Thornton.

Danny Museteka
Company Secretary
Nationality: Zambian
Qualifications: MBA (UK); FCCA; PGD; Diploma in Accountancy; AZICA
Experience: Over 20 years accounting and finance experience with a number of public and private companies in Zambia.

The Number of Board Meetings and Committee meetings attended by the Directors during the financial year:

Directors	A	B	C	D
Jacob Mwanza	5		1	3
Rodney Clyde- Anderson	5		1	
Lawrence Sikutwa	5	5		2
Hilary Duckworth	1			
John Rabb	5			
Irene Muyenga	5	5	1	3
Adam Flemming	4			
Carl Irwin	5			2
Francis Grogan	5			3
Yusuf Koya	5			1
Diego Casilli	2*			
Stanley Zingani Phiri	4	5		2

**Resigned on 1 March 2010*

A - Board Meetings
B - Audit Committee Meetings
C - Remuneration Committee Meetings
D - Executive committee

FINANCIAL AND SHAREHOLDER INFO

Financial and Shareholder Information
Ratios and Statistics

Income statement information		2010	2009	2008	2007	2006
Revenue	K Millions	770 528	697 317	492 698	291 971	223 782
Gross Profit	K Millions	242 144	219 176	190 881	128 456	100 432
Profit attributed to the shareholders of Zambeef Products PLC	K Millions	19 789	15 670	37 368	23 500	19 634
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	K Millions	63 966	22 415	65 039	42 995	31 965
Revenue	US$ Millions	161.9	147.7	137.1	75.8	55.2
Gross Profit	US$ Millions	50.9	46.4	53.1	33.3	24.8
Net Profit	US$ Millions	4.2	3.3	10.4	6.1	4.8
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	US$ Millions	13.44	4.75	18.10	11.16	7.88
Balance Sheet Information						
Total Asset	K Millions	779 270	711 567	718 940	265 464	169 913
Shareholders' Funds	K Millions	456 046	444 777	435 352	154 754	91 429
Total Liabilities	K Millions	322 846	266 340	279 496	110 629	78 422
Profitability & Return Ratios						
Gross Profit Margin	%	31.4	31.4	38.7	44.0	44.9
Net Profit Margin	%	2.5	2.2	7.6	8.0	8.8
Return on Equity	%	4.3	3.5	8.6	15.2	21.5
Asset Turnover	times	1.3	1.4	1.0	1.4	1.7
Liquidity Ratios						
Current Ratio	times	1.4	1.1	1.3	1.6	1.8
Interest Cover (using EBITDA)	times	6.2	3.1	8.9	15.0	13.6
Capital Structure Ratios						
Long term debt / Equity Ratio	%	30.3	10.1	10.9	24.8	27.8
Total Debt / Equity Ratio	%	48.3	40.8	35.4	42.3	46.7
Shareholders Ratios						
Earnings per share	K	124.69	98.74	270.92	204.94	171.22
Dividend per share	K	49.88	-	85.69	82.85	74.13
Dividend cover	times	2.5	-	2.7	2.5	2.3
Dividend payout ratio	%	40.0	-	36.4	40.4	43.3
Dividend Yield	%	1.3	-	1.4	1.5	3.0
Price Earnings Ratio	ratio	30.2	40.5	23.3	26.8	14.6
Net Asset value per share	K	2 873.53	2 802.52	2 743.13	1 349.57	854.29
Lusaka Stock Exchange Statistics						
Market Value per share						
At year end	K	3 770	4 000	6 300	5 500	2 499
Highest	K	4 100	7 000	7 000	5 500	2 500
Lowest	K	3 500	3 000	5 500	2 499	1 300
Number of shares issued		158 706 045	158 706 045	158 706 045	114 669 450	114 669 450
Closing Market Capitalisation	K Millions	598 322	634 824	999 848	630 682	286 559

30 September 2010

Approval of Financial Statements

The Annual Financial Statements that appear on pages 69 to 97 were approved by the Board of Directors on 14th December 2010 and signed on its behalf by:

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

Lusaka: **14th December 2010**

Annual Compliance Certificate

Pursuant to the requirements 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 Septemeber 2010, 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 2010, the company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Companies Act 1994 and that all such returns are true and correct.

…………………………………………..
Danny Shaba Museteka
Company Secretary

This: **14th day of December 2010**

In compliance with Division 8.3 of the Companies Act, the directors submit their report on the activities of the group for the year ended 30 September 2010.

1 PRINCIPLE ACTIVITIES

Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agri-businesses in Zambia and the region. The Group's principal activities are cropping operations as well as the production, processing and retailing of beef, chicken, pork, fish, eggs, milk, dairy products, wheat products, stock feed, leather products and edible oils throughout Zambia and West Africa.

2 THE COMPANY

The company is incorporated and domiciled in Zambia.

Business Address
Plot 4970, Manda Road
Light Industrial Area
Lusaka
Zambia

Postal Address
Private Bag 17
Woodlands
Lusaka
Zambia

3 SHARE CAPITAL

Details of the company's authorised and issued share capital are included in note 19 to the financial statements.

4 RESULTS

The Group's results are as follows:

	2010 K Million	**2009 K Million**
Turnover	770 528	697 317
Profit before taxation	15 534	3 853
Taxation	4 286	12 164
Profit after taxation	19 820	16 017
Profit attributed to minority interest	(31)	(347)
Profit attributed to the shareholders of Zambeef Products PLC	19 789	15 670

5 DIVIDENDS

A final dividend of K7 916 million (2009 – Knil) has been proposed by the company's Board of Directors. The directors propose to carry the profit for the year of K11 873 million to reserves (2009 – K15 670 million).

6 MANAGEMENT

Senior Management	Position
Francis Grogan	Chief Executive Officer
Carl Irwin	Director of Strategy and Development
Yusuf Koya	Executive Director
Sushmit N. Maitra	Acting Finance Director
Danny Museteka	Company Secretary
Murray Moore	General Manager – Food Processing Operations
Ebrahim Israel	International Retailing Manager
Mike Lovett	Chief Operating Officer
Alastair McLeod	General Manager – Huntley Farms
David Mynhardt	General Manager – Sinazongwe Farm
Anthony Wells	General Manager – Chiawa Farm
Richard Franklin	General Manager – Zamleather Limited
Dharmesh Patel	Head of Operations – Zamanita Limited
Walter Roodt	Chief Nutritionist
Arjen Muijs	General Manager – Zampalm Limited
Michael Hardcastle	General Manager – Dairy
Webster Mapulanga	Factory Manager – Masterpork Limited
Andries Van Rensburg	Piggery Manager
Francis Mandamona	Ranching Manager
Peter Wandira	Flour Mill Manager
Charles Milupi	Poultry Manager
Ettiene Snyman	Processing Manager – Copperbelt
Theo de Lange	Technical Manager
Bartholomew Mbao	Dairy Processing Manager
John Nkonjela	Finance Manager – Zambeef Products PLC
James Banda	Finance Manager – Zambeef Retailing Limited
Ivor Chilufya	Finance Manager – Zamanita and Zamleather Limited
Rory Park	Finance Manager – Master Pork and Zampalm Limited
Mukuka Chilufya	Finance Manager – Huntley Farms
Akshay Charan	Retail Financial Controller
Marcus Hedstrom	Chief Administrative Officer
Justo Kopulande	Head of Human Resources
Mathews Mbasela	Head of Payroll processing
Amos Wambili	Human Resources Manager – Zamanita Limited
Ryan Stassen	Procurement Manager
Edward Tembo	Chief Security Manager
Pravin Abraham	Chief Internal Auditor
Jones Kayawe	Head of Environmental and Social Responsibility
Christabel Malijani	Compliance Manager
Ernest Gondwe	National Retail Manager – Shoprite
Rodgers Chinkuli	Regional Manager – Shoprite
Francis Mulenga	Regional Manager – Shoprite
Noel Chola	Regional Manager – Shoprite
Andries Niemann	Southern Region Retail Manager
Rizaldy Yoro	Northern Regional Retail Manager
Layla Chelimo	Group Marketing Manager
Peter Swanapoel	Head of West Africa
Lufeyo Nkhoma	Head of Retail – Ghana
John Stephenson	Head of Retail – Nigeria
Clement Mulenga	Head of Processing – Nigeria

7 DIRECTORS AND SECRETARY

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

Jacob Mwanza	Chairman
Lawrence Sikutwa	
Rodney Clyde Anderson	
John Rabb	(Alternate M Shnaps)
Irene Muyenga	
Stanley Z. Phiri	
Hilary Duckworth	
Adam Fleming	(Alternate B Dowden)
Francis Grogan	
Carl Irwin	
Yusuf Koya	
Nick Wilkinson	Resigned on 29 October 2009
Philip Diedericks	Resigned on 2 November 2009
Diego Casilli	Resigned on 1 March 2010
Danny Museteka	Company Secretary

8 DIRECTORS' INTERESTS

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

	Direct		Indirect	
	2010	**2009**	**2010**	**2009**
Dr. J Mwanza	900 000	900 000	-	-
R Clyde Anderson	-	-	1 542 734	1 542 734
C Irwin	-	-	3 468 501	3 567 123
F Grogan	-	-	3 582 450	3 730 497
J Rabb	-	-	5 024 920	5 024 920
L Sikutwa	-	-	749 040	679 864
I Muyenga	8 569	11 867	-	-
A Fleming	-	-	8 266 471	8 266 471
Y Koya	14 323	14 323	-	-
	922 892	**926 190**	**22 634 116**	**22 811 609**

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

9 DIRECTORS' FEES AND REMUNERATION

The company paid K4.9 billion to executive directors and K1.06 billion to non executive directors.

10 LOANS TO DIRECTORS

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

11 DIRECTORS' PENSIONS

Members of the Board were not entitled to any form of defined pension benefits from the company.

12 EMPLOYEES

The group employs 3,855 full time employees (2009 – 3,718) and total salaries and wages were K82,921 million for the year ended 30 September 2010 (2009 – K78,471). The company employs 724 (2009 – 649) full time employees and total salaries and wages were K18,147 million (2009 – K18,621 million).

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

Oct 09	Nov	Dec	Jan 10	Feb	Mar	Apr	May	June	July	Aug	Sept
3 895	3 971	4 019	3 774	3 853	3 732	3 795	3 970	4 072	3 791	3 776	3 855

13 LEGAL MATTERS

There were no significant legal matters at the reporting date.

14 GIFTS AND DONATIONS

The group made donations of K223 million (2009 – K258 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, Beit Cure Hospital, Champ - Comets and others.

15 EXPORT SALES

The group made exports of US$4.3 million during the period (2009 – US$7.0 million).

16 PROPERTY, PLANT AND EQUIPMENT

Assets totalling K77,251 million were purchased by the group and K12,414 million was expenditure on the palm plantation development during the period (2009 – K139,008 million).

17 ANNUAL FINANCIAL STATEMENTS

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

....

Danny Shaba Museteka
Company Secretary
Date: **14th December 2010**

Statement of the Directors' Responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the 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:

1. the financial statements give a true and fair view of the financial position of Zambeef Products PLC and its subsidiaries as of 30 September 2010, and of its financial performance and its cash flows for the year then ended;
2. at the date of this statement there are reasonable grounds to believe that the company and the group will be able to pay its debts as and when these fall due; and
3. the financial statements are drawn up in accordance with the provisions of the second schedule to section 164 of the Companies Act and International Financial Reporting Standards.

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

Signed at Lusaka on 14th December 2010

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

Grant Thornton

We have audited the accompanying financial statements of Zambeef Products PLC and its subsidiaries, which comprise the statement of financial position as at 30 September 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As described on page 67 directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Zambeef Products PLC and its subsidiaries as of 30 September 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements of Zambeef Products PLC and its subsidiaries as of 30 September 2010 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.

Grant Thornton

…………………………………………..

Chartered Accountants

…………………………………………..

Wesley M Beene
Partner
Lusaka: 16 December 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2010

	Notes	Group	
		2010	**2009**
		K Million	**K Million**
Turnover	5	770 528	697 317
Cost of sales		(528 384)	(478 141)
Gross profit		242 144	219 176
Other operating income		290	1 742
Administrative expenses		(208 673)	(202 740)
Operating Profit		33 761	18 177
Net exchange losses		(7 991)	(66 519)
Profit on disposal of subsidiary	13 (b)	-	65 790
Finance costs		(10 236)	(13 595)
Profit before taxation	7	15 534	3 853
Income tax credit	8 (a)	4 286	12 164
Profit after taxation		19 820	16 017
Other comprehensive income		-	-
Total comprehensive income for the year		19 820	16 017
Profit attributable to non controlling interest		(31)	(347)
Profit attributable to the owners of Zambeef Products PLC		19 789	15 670
Dividend proposed/(gross)		(7 916)	-
Transfer from revaluation reserve		2 542	2 542
Retained profit for the year		14 415	18 211
Reserve adjustment of pre-acquisition profits on disposal of subsidiary		-	(6 051)
Retained profits at beginning of year		115 111	102 951
Retained profits at end of the year		129 526	115 111
Earnings per share	9	124.69	98.73

30 September 2010

Consolidated Statement of Movements in Equity

	Share Capital K Million	Share Premium K Million	Capital Reserve K Million	Revalu-ation Reserve K Million	Retained Profits K Million	Total K Million
At 1 October 2008	159	259 967	(118)	72 393	102 951	435 352
Comprehensive income						
Profit for the year	-	-	-	-	15 670	15 670
Arising on consolidation	-	-	(193)	-	-	(193)
Pre-acquisition profits on disposal of subsidiary	-	-	-	-	(6 051)	(6 051)
Transfer	-	-	-	(2 542)	2 542	-
At 30 September 2009	**159**	**259 967**	**(311)**	**69 851**	**115 111**	**444 777**
Comprehensive income for the year	-	-	-	-	19 789	19 789
Arising on consolidation	-	-	(604)	-	-	(604)
Transfer	-	-	-	(2 542)	2 542	-
	-	-	(604)	(2 542)	22 331	19 185
Transactions with the owners						
Dividends proposed	-	-	-	-	(7 916)	(7 916)
At 30 September 2010	**159**	**259 967**	**(915)**	**67 310**	**129 526**	**456 046**

Company Statement of Movements in Equity

	Share Capital K Million	Share Premium K Million	Revaluation Reserve K Million	Retained Profits K Million	Total K Million
At 1 October 2008	159	259 967	46 453	81 981	388 559
Comprehensive income					
Profit for the year	-	-	-	48 783	48 783
Transfer	-	-	(586)	586	-
At 30 September 2009	**159**	**259 967**	**45 867**	**131 350**	**437 342**
Comprehensive income for the year	-	-	-	10 124	10 124
Transfer	-	-	(586)	586	-
	-	-	(586)	10 710	10 124
Transactions with the owners					
Dividends proposed	-	-	-	(7 916)	(7 916)
At 30 September 2010	**159**	**259 967**	**45 281**	**134 144**	**439 550**

30 September 2010

	Notes	Group 2010 K Million	2009 K Million
ASSETS			
Non-current asset			
Goodwill	10	15 699	15 699
Property, Plant and Equipment	11	477 622	429 976
Plantation Development Expenditure	12	30 808	18 393
Biological Assets	14	3 666	3 745
Deferred Tax	8 (e)	2 567	4 539
		530 361	472 352
Current assets			
Biological assets	14	59 793	43 792
Inventories	15	132 690	141 847
Trade and other receivables	16	55 195	49 081
Amounts due from related companies	17	984	2 127
Income Tax recoverable	8 (e)	246	2 369
Total current assets		248 909	239 215
Total assets		**779 270**	**711 567**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	159	159
Share premium	20	259 967	259 967
Reserves		195 921	184 651
		456 046	444 777
Minority interest		378	450
		456 424	445 227
Non-current liabilities			
Interest bearing liabilities	21	136 912	44 403
Obligations under finance leases	22	1 294	543
Deferred liability	23	5 168	4 753
Deferred tax liability	8 (e)	1 420	6 901
		144 795	56 600
Current liabilities			
Interest bearing liabilities	21	29 258	14 558
Obligations under finance leases	22	1 083	1 001
Trade and other payables	24	86 550	69 740
Amounts due to related companies	25	763	1 727
Taxation payable	8 (c)	608	1 530
Dividends payable		7 916	-
Cash and cash equivalents	18	51 874	121 185
Total current liabilities		178 051	209 740
Total equity and liabilities		**779 270**	**711 567**

The financial statements on pages 69 to 97 were approved by the Board of Directors on 14th December 2010 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Francis Grogan
Chief Executive Officer

Company Statement of Financial Position

30 September 2010

	Notes	Company 2010 K Million	Company 2009 K Million
ASSETS			
Non-current assets			
Property, Plant and Equipment	11	299 565	265 755
Investment in subsidiaries	13	94 112	94 112
		393 677	359 867
Current assets			
Biological assets	14	57 812	41 618
Inventories	15	51 292	49 556
Trade and other receivables	16	9 362	9 853
Amounts due from related companies	17	159 813	85 502
Income Tax recoverable	8 (c)	26	1 982
Total current assets		278 305	188 511
Total assets		**671 982**	**548 378**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	159	159
Share premium	20	259 967	259 967
Reserves		179 424	177 216
		439 550	437 342
Non-current liabilities			
Interest bearing liabilities	21	136 912	44 023
Obilgations under finance lease	22	696	-
Deferred liability	23	633	1 344
Deferred taxation	8 (e)	288	5 331
		138 529	50 698
Current liabilities			
Interest bearing liabilities	21	29 528	12 423
Obligations under finance lease	22	252	-
Trade and other payables	24	20 671	18 531
Amounts due to related companies	25	751	242
Dividends payable		7 916	-
Cash and cash equivalents	18	35 055	29 142
Total current liabilities		93 903	60 338
Total equity and liabilities		**671 982**	**548 378**

The financial statements on pages 69 to 97 were approved by the Board of Directors on 14th December 2010 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Francis Grogan
Chief Executive Officer

Group

	2010 K Million	2009 K Million
Cash Inflow from Operating Activities		
Profit before taxation	15 534	3 853
Interest paid	10 236	13 595
Depreciation	28 683	24 572
Impairment of biological assets	1 822	-
Profit on disposal of property, plant and equipment	(45)	-
Profit on disposal of subsidiary	-	(65 790)
Fair value price adjustment	-	1 535
Net unrealised foreign exchange (gains)/losses	7 736	44 651
Earnings before interest, tax, depreciation and amortisation	63 966	22 415
(Increase)/decrease in biological assets	(17 744)	20 291
Decrease/(increase) in inventory	9 156	(703)
Increase in trade and other receivables	(6 114)	307
Increase in amount due from related companies	1 143	240
Decrease in trade and other payables	16 810	(24 775)
Increase in amount due to related companies	(964)	1 684
(Decrease)/increase in deferred liability	416	253
Increase (decrease) in minority interest	(72)	(3 989)
Net cash inflow from operating activities	66 597	15 724
Returns on investments and servicing of finance		
Interest paid	(10 236)	(13 595)
Dividends paid	-	(11 500)
Net cash outflow on returns on investments and servicing of finance	(10 236)	(25 095)
Taxation		
Income Tax recovered/(paid)	1 908	(1 838)
Investing Activities		
Purchase of property, plant and equipment	(77 251)	(125 111)
Expenditure on plantation Development	(12 415)	(13 897)
Release of investment held to maturity financial assets	-	11 760
Purchase of goodwill	-	(11 760)
Realisation of Nanga Farm PLC Goodwill	-	65 862
Proceeds from disposal of investment in subsidiaries	-	97 196
Proceeds from sale of assets	1 016	3 570
Net cash (outflow)/inflow (on)/from investing activities	(88 650)	27 620
Net cash (outflow)/inflow before financing	(30 381)	16 410
Financing		
Long term loans repaid	(10 291)	(46 156)
Receipt from long term loans	117 500	36 351
Lease finance received	2 243	-
Lease finance paid	(1 410)	(1 536)
Net cash inflow/(outflow) from financing	108 042	(11 341)
Increase in cash and cash equivalents	77 661	5 069
Cash and cash equivalents at beginning of year	(121 185)	(85 192)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8 350)	(41 026)
Cash and cash equivalents at end of year	(51 874)	(121 185)
Represented by:		
Bank balances and cash	33 949	23 192
Bank overdrafts	(85 823)	(144 377)
	(51 874)	(121 185)

1. The Group

Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agri-businesses in Zambia and the region. The Group's activities are cropping operations as well as the production, processing and retailing of beef, chicken, pork, fish, eggs, milk, dairy products, stock feed, wheat products, leather products and edible oils throughout Zambia and West Africa.

2. Principle Accounting Policies

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

(a) Basis of consolidation
The consolidated statement of comprehensive income and statement of financial position 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 income and profit figures relate to external transactions only.

(b) Basis of presentation
The financial statements are prepared in accordance with the provisions of the Companies Act and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive income" in one statement namely the "Statement of Comprehensive Income". They have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, available-for-sale financial assets, and financial assets and liabilities at fair value through income statement.

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

(i) *Amendment to published standards effective in 2009*
The following amendments to published standards are mandatory to the Group's accounting periods beginning on or after 1 January 2009 and have been adopted where relevant to the Group's operations. The comparable figures have been restated as required in accordance with the relevant requirements:

IAS 1 Presentation of financial statements (Revised 2007)

IAS 16 Property, plant and equipment (Amendment)

IAS 19 Employee benefits (Amendments)

IAS 23 Borrowing costs (Revised 2007)

IAS 32 Financial instruments: Presentation (Amendments)

IAS 36 Impairment of assets (Amendments)

IAS 39 Financial instruments (Amendments)

IFRS 1 First time adoption of IFRS

(ii) *Amendments to standards effective in 2009 but not relevant to the Company's operations*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009, but they are not relevant to the Company's operations:

IFRS 2	Share based payment (Amendments)
IAS 29	Financial reporting in hyperinflationary Economies (Amendment)
IAS 38	Intangible assets (Amendments)
IAS 40	Investment property (Amendment)
IAS 41	Agriculture (Amendment)
IFRS 5	Non current assets held for sale and discontinued operations (Amendments)
IFRIC 15	Agreements for the construction of real estate
IFRIC 17	Distribution of non-cash assets to owners

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

The directors have assessed the relevance of these amendments and interpretations with respect to the group's operations and concluded that they may not in some instances be relevant to the group based on the current operations.

(c) Revenue recognition

Income is recognised when significant risks and rewards of ownership have been transferred to the buyers and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

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

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

Capital work in progress is not depreciated.

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

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

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

(e) Plantation Development Expenditure

Plantation development expenditure comprises assets held for plantation development activities. These assets include land and buildings used for the purpose of plantation development, infrastructure costs such as roads and bridges attached on the plantation estates, cost of planting and development of crops.

This is stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land is stated at cost and is not depreciated.

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

Bridges and roads	5%
Mature plantations	25 years

Other property plant and equipment are depreciated as in note (d) above.

Cost of preparation of agriculture land, planting, replanting and upkeep of crops, together with other incidental costs are capitalised as immature plantations and transferred to mature plantations account when the trees have matured and meet the criteria for commercial production.

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

Replanting expenditure is expensed to the statement of comprehensive income immediately in the year in which the expenditure is incurred.

(f) 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.

(g) Financial assets

The group classifies its investments into the following categories: financial assets at fair value through profit or loss, debtors and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluate this at every reporting date.

(i) *Financial assets at fair value through income*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) *Debtors and receivables*

Debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short term or that it has designated as at fair value through income or available for sale. Debtors and receivables are recognised at fair value, less provision for impairment. A provision for impairment of debtors and receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

(iii) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of debtors and receivables that the group's management has the positive intention and ability to hold to maturity. These assets are recognised at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to their original terms.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Debtors and receivables and held-to-maturity financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the year in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realised gains or losses on financial assets.

Interest on available-for-sale securities is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the group establishes fair value by using valuation techniques.

(h) Impairment of assets

(i) *Financial assets carried at amortised cost*

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

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

(ii) *Financial assets carried at fair value*

The group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent year the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of comprehensive income.

(iii) *Impairment of other non-financial assets*

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

(i) 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.

(j) Inventory

Inventory is 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.

(k) Cash and cash equivalents

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

(l) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Interest bearing liabilities

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

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items which are non-assessable or disallowed for tax purposes.

Deferred taxation liabilities are recognised for all taxable temporary differences. Temporary differences can arise from the recognition for tax purposes of items of income or expense in a different accounting period from that in which they are recognised for financial accounting purposes. The tax effect of these temporary timing differences is computed by applying enacted statutory tax rates to any differences between carrying values per the financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(o) Foreign currencies

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the group operates (the 'functional currency'). The financial statements are presented in Zambian Kwacha, which is the group's presentation currency.

(ii) *Transactions and balances*

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

Translation differences on non-monetary items, such as equity at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in fair value reserve in equity.

(p) Employee benefits

(i) *Pension obligations*

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

(ii) *Termination benefits*

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

(q) Provisions

Restructuring costs and legal claims

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

(r) Dividend distribution

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

3. Critical Accounting Estimates and Judgements

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the group's accounting policies, management has made judgements in determining:

(a) the classification of financial assets;
(b) whether assets are impaired;
(c) estimation of provision and accruals;
(d) recoverability of trade and other receivables; and
(e) valuation of biological assets and inventory.

4. Management of Financial Risk

The group is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk and credit risk.

These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

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

(i) *Credit risk*
The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key area where the group is exposed to credit risk is:

- amounts due from customers.

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

(ii) *Capital management*
The group's objective when managing capital is:

- to safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

(iii) *Foreign Exchange Risk*
The Group is exposed to foreign exchange risk arising from exchange rate fluctuations. Foreign currency denominated purchases and sales together with foreign exchange statement of financial position items comprise the currency risk of the group. These risks are minimised by matching the foreign currency receipts to the foreign currency payments as well as holding foreign currency bank accounts and export sales.

5. Turnover

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

6. Segmental Reporting

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

	Turnover			Gross Profit			GP Margin	
Products	**2010 Actual Km**	**2009 Actual Km**	**2010 v 2009 %**	**2010 Actual Km**	**2009 Actual Km**	**2010 v 2009 %**	**2010 Actual %**	**2009 Actual %**
Beef	202 895	224 729	-10	63 320	60 222	5	31.21	26.80
Chicken	83 382	59 504	40	20 978	5 185	305	25.16	8.71
Pork	64 288	47 142	36	20 084	10 391	93	31.24	22.04
Crops - Row Crops	56 996	62 880	-9	21 997	8 917	147	38.59	14.18
Crops - Sugarcane	-	14 693	-100	-	19 700	-100	-	134.08
Crops - Palm	-	-	-	(1 822)	-	-100	-	-
Stock Feed	77 333	51 093	51	16 414	11 110	48	21.23	21.74
Eggs	18 951	12 449	52	9 365	6 997	34	49.42	56.21
Fish	8 992	7 930	13	2 300	2 023	14	25.58	25.51
Milk	42 572	40 789	4	27 665	18 197	52	64.98	44.61
Zamchick Inn	8 547	8 297	3	3 758	3 188	18	43.97	38.42
Edible Oils	239 946	242 277	-1	36 048	58 880	-39	15.02	24.30
Bakery & Flour	47 276	47 156	-	10 818	4 990	117	22.88	10.58
Leather	10 749	8 542	26	3 739	2 347	59	34.79	27.48
West Africa Operations	30 785	32 222	-4	7 481	7 029	6	24.30	21.81
TOTAL	**892 712**	**859 703**		**242 145**	**219 176**		**27.12**	**25.49**
less: intra/inter group sales	(122 184)	(162 386)						
Group total including Nanga	**770 528**	**697 317**	**10**	**242 145**	**219 176**	**10**	**31.43**	**31.43**
Group total excluding Nanga	**770 528**	**682 624**	**13**	**242 145**	**199 476**	**21**	**31.43**	**29.22**

7. Profit Before Taxation

Profit before taxation is stated after charging:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
Depreciation	28 683	24 572	14 210	12 314
Staff costs	84 378	78 472	18 147	18 621
Legal and professional fees	890	2 138	90	685
Directors' Remuneration				
Executive	4 932	13 578	4 932	13 436
Non-executive	1 063	1 007	1 063	991
	5 995	14 585	5 995	14 427
Auditors Remuneration				
Audit service	772	708	386	284
Non-audit service	-	-	-	-
	772	708	386	284
Exchange losses	7 991	66 519	4 315	2 636
and after crediting:				
Change in share value less estimated point of sale costs of biological assets	53 299	47 300	49 749	27 764

8. Income Tax Expense

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
(a) Income tax credit / (expense)				
Over provision in prior years	1 203	2 596	41	90
Deferred taxation	(1 980)	(107)	-	(107)
	(3 509)	(14 654)	(5 043)	(8 710)
	(4 286)	(12 164)	(5 002)	(8 727)
(b) Reconciliation of the tax charge:				
Profit before taxation	15 534	3 853	5 121	40 056
Taxation at current rate on accounting profit	3 349	(5 682)	215	1 682
Permanent differences:				
Disallowable expenses	7 721	3 385	3 885	2 827
Timing differences:				
Capital allowances and depreciation	(8 705)	(3 236)	(4 373)	(1 016)
Cattle and crop valuations adjustment	(2 268)	(1 706)	(2 383)	(1 706)
Other Income	(11)	1 573	(11)	(2 814)
Unrealised exchange gains/ (losses)	(1 608)	4	-	(290)
Unrealised Tax loss	747	11 157	2 625	1 408
Tax payable for the year	(777)	2 349	41	90

	Group		Company	
	2010 **K Million**	**2009** **K Million**	**2010** **K Million**	**2009** **K Million**
(c) Movement in taxation account:				
Taxation payable/(recoverable) as at 1 October	(771)	(1 416)	(1 982)	(963)
Charges for the year	1 203	2 596	41	90
Overprovision in the prior period	(1 980)	(107)	-	(107)
Taxation paid	1 908	(1 838)	1915	(1 003)
Arising on acquisition	2	(7)	-	-
Taxation payable/(recoverable) as at 30 September	361	(771)	(26)	(1 982)
Taxation payable	608	1 666	-	-
Taxation recoverable	(246)	(2 369)	(26)	(1 982)

(d) Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 30 September 2006. Income tax returns have been filed with the ZRA for the years ended 30 September 2009. Quarterly tax returns for the year ended 30 September 2010 were made on the due dates during the year.

	Group		Company	
	2010 **K Million**	**2009** **K Million**	**2010** **K Million**	**2009** **K Million**
(e) Deferred Taxation				
This represents:				
Biological valuation	2 463	2 020	2 383	1 706
Accelerated tax allowances	14 270	12 311	4 260	4 109
Amortisation of deferred tax	-	1 811	-	1 811
Tax loss	(17 881)	(13 779)	(6 355)	(2 294)
	(1 147)	2 362	288	5 331
Analysis of movement:				
At 1 October	2 362	22 444	5 331	14 042
Charge to profit and loss	(3 509)	(14 654)	(5 043)	(8 710)
Arising on acquisition	-	(5 428)	-	-
At 30 September	(1 147)	2 362	288	5 331

9. Earnings Per Share

	Group		Company	
	2010	**2009**	**2010**	**2009**
Profit for the year – K Million	19 789	15 670	9 878	48 783
Weighted Average Earnings per share based on 158,706,045 ordinary shares – K	124.69	98.73	62.24	307.38

The weighted average number of ordinary shares is 158 706 045 (September 2009: 158 706 045).

10. Goodwill

This represents excess of acquisition costs over the net assets in subsidiaries on the date of acquisition. In the opinion of the directors, the amount of goodwill acquired has not been impaired.

11. Property, Plant and Equipment

(a) Group	Leasehold Land & Buildings K Million	Plant & Machinery K Million	Motor Vehicles K Million	Furniture & equipment K Million	Capital work in progress K Million	Total K Million
Cost or valuation						
At 1 October 2008	202 089	137 016	21 088	5 941	26 309	392 443
Exchange Difference	-	272	-	-	-	272
Additions	17 650	21 656	3 972	2 629	93 100	139 008
Transfers	975	1 798	2 352	15	(5 140)	-
Disposals	(3 016)	(154)	(588)	(3)	-	(3 761)
Disposal of subsidiary	(26 898)	(8 913)	(330)	-	(156)	(36 297)
Reclassification (e)	-	-	-	-	(505)	(505)
Reclassification (f)	-	-	-	-	(18 470)	(18 470)
At 30 September 2009	**190 800**	**151 675**	**26 494**	**8 582**	**95 138**	**472 690**
Exchange Difference	-	49	-	-	-	49
Additions	5 216	8 048	7 299	7 345	49 343	77 251
Transfers	60 068	68 059	-	3 450	(131 577)	-
Disposals	-	(2)	(1 557)	-	-	(1 559)
At 30 September 2010	**256 085**	**227 829**	**32 237**	**19 377**	**12 903**	**548 431**
Cost	154 641	176 906	21 400	16 382	12 903	382 232
Valuation (2008)	101 444	50 923	10 837	2 995	-	166 199
	256 085	**227 829**	**32 237**	**19 377**	**12 903**	**548 431**
Depreciation						
At 1 October 2008	3 575	11 611	3 179	663	-	19 028
Charge for the period	4 135	14 904	4 593	862	77	24 572
Disposals	(20)	6	(166)	(11)	-	(190)
Reclassification (f)	-	-	-	-	(77)	(77)
Disposal of subsidiary	(262)	(501)	146	-	-	(618)
At 30 September 2009	7 427	26 021	7 752	1 514	-	42 714
Charge for the period	4 483	15 851	6 914	1 436	-	28 683
Disposals	-	-	(589)	-	-	(589)
At 30 September 2010	**11 910**	**41 871**	**14 078**	**2 950**	**-**	**70 809**
Net book value						
At 30 September 2010	**244 175**	**185 957**	**18 159**	**16 427**	**12 903**	**477 622**
At 30 September 2009	183 373	125 654	18 742	7 068	95 138	429 976

(b) The group's property, plant and equipment situated in Zambia were last revalued in 2007 by Messrs Knight Frank, Registered Valuation Surveyors, on the basis of market value. Surplus on valuation and depreciation no longer required totalling K49,384,000,000 was transferred to a revaluation reserve.

(c) The depreciation charge for the year includes K2,541,766,000 (2009 - K2,541,766,000) 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 group's distributable reserve, an equivalent amount has been transferred to the distributable reserve from the revaluation reserve.

(d) Included in land, buildings and equipment are borrowing costs amounting to K2,762 million (2009 – K3,154 million). These have been capitalised in accordance with IAS 23 Borrowing costs (revised).

(e) This relates to the houses built by Master Pork Limited, one of the subsidiary companies on a rented farm which have been classified as prepaid rent to be amortised over a period of 5 years.

(f) The plantation development expenditure relates to costs incurred in developing the Palm plantation at Zampalm. They have been reclassified to note 12.

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

(h) Company	Leasehold Land & Buildings K Million	Plant & Machinery K Million	Motor Vehicles K Million	Furniture & equipment K Million	Capital work in progress K Million	Total K Million
Cost or valuation						
At 1 October 2008	107 827	55 534	3 730	1 248	13 993	182 332
Additions	16 688	14 295	1 470	537	75 682	108 671
Capitalisation	115	-	-	-	(115)	-
Disposals	(3 016)	(154)	(47)	(1)	-	(3 217)
At 30 September 2009	**121 615**	**69 675**	**5 153**	**1 784**	**89 559**	**287 786**
Additions	-	2 356	2 211	3 032	40 421	48 020
Capitalisation	58 128	62 758	-	-	(120 886)	-
At 30 September 2010	**179 743**	**134 789**	**7 364**	**4 816**	**9 094**	**335 806**
Cost	107 063	102 851	4 806	3 643	9 094	227 457
Valuation (2008)	72 680	31 938	2 558	1 173	0	108 349
	179 743	**134 789**	**7 364**	**4 816**	**8 973**	**335 806**
Depreciation						
At 1 October 2008	2 149	6 813	638	144	-	9 744
Charge for the year	2 589	8 637	910	179	-	12 314
Disposals	(20)	(4)	(3)	-	-	(27)
At 30 September 2009	**4 718**	**15 445**	**1 545**	**323**	**-**	**22 031**
Charge for the year	3 000	9 040	1 906	265	-	14 210
At 30 September 2010	**7 718**	**24 485**	**3 450**	**588**	**-**	**36 241**
Net book value						
At 30 September 2010	**172 025**	**110 304**	**3 914**	**4 228**	**9 094**	**299 565**
At 30 September 2009	116 897	54 230	3 608	1 462	89 559	265 755

(i) During the year to 30 September 2007 the company's property, plant and equipment were revalued by Messrs. Knight Frank, Registered Valuation Surveyors, on the basis of market value. The net surplus on valuation and depreciation no longer required and totalling K27,772,245,000 was transferred to a revaluation reserve.
(j) The depreciation charge for the period includes K585,856,000 (2009 – K585,856,000) which relates to the surplus over the original cost of property, plant and equipment shown at a valuation. As this amount should not be taken to reduce the company's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.
(k) Included in land, buildings and equipment are borrowing costs amounting to K2,762 million (2009 – K3,154 million). These have been capitalised in accordance with IAS 23 Borrowing costs (revised).
(l) In the opinion of the directors, the carrying values of property, plant and equipment stated above are not higher than their fair values.

12. Plantation Development Expenditure

	Plantatation Establishment K Million
Cost or valuation	
At 2 October 2009	4 419
Additions	13 897
At 30 September 2009	**18 316**
Additions	12 338
At 30 September 2010	**30 653**
Amortisation	
At 1 October 2008	-
Capitalised for the year	77
Ar 30 September 2009	**77**
Capitalised for the year	77
At 30 September 2010	**154**
Net Book Value	
At 30 September 2010	**30 808**
At 30 September 2009	18 393

The plantation development expenditure relates to costs incurred in developing the Palm plantation at Zampalm Limited a wholly owned subsidiariary.

13. Investments in Subsidiaries

	2010 K Million	2009 K Million
(a) Movement at cost:		
At beginning of the year	94 112	166 729
Arising during the year	-	12 890
Disposal during the year (b)	-	(85 507)
At end of the year	**94 112**	**94 112**
(b) Disposal of investment		
Proceeds on disposal of investment	-	151 297
Net value of investment disposed	-	(85 507)
Gain on disposal of investment	-	**65 790**

(c) The company's interest in its subsidiaries which are unlisted was as follows:

Name of company	Country of Incorporation	Assets K Million	Liabilities K Million	Revenues K Millions	Profit/loss K Millions	Interest Held %
Zambeef Retailing Limited	Zambia	127 397	116 730	500 852	3 657	100
Zamleather Limited	Zambia	13 863	8 779	10 749	237	100
West Africa Operations	Nigeria & Ghana	16 694	12 909	30 285	309	90
Master Pork Limited	Zambia	53 541	29 216	61 353	9 055	100
Zamanita Limited	Zambia	166 842	115 308	249 190	(1 740)	100
Zampalm Limited	Zambia	35 369	35 496	-	(1 822)	100
Total at the end of 30 September 2010		**413 706**	**318 438**	**852 429**	**9 696**	
Zambeef Retailing Limited	Zambia	109 567	102 547	427 004	(20 460)	100
Zamleather Limited	Zambia	13 908	9 061	7 547	(1 758)	100
West Africa Operations	Nigeria & Ghana	12 331	8 020	32 222	1 079	90
Master Pork Limited	Zambia	39 023	23 754	47 142	2 519	100
Zamanita Limited	Zambia	174 365	121 091	239 317	(15 970)	100
Zampalm Limited	Zambia	22 938	22 918	-	-	100
Total at the end of 30 September 2009		**372 132**	**287 391**	**753 232**	**(34 590)**	

(d) Investments in subsidiaries represent equity holdings in the following companies:

	2010 K Million	2009 K Million
Zambeef Retailing Ltd	30	30
Zamleather Ltd	1 477	1 477
Master Meat & Agro Production Co. of Nigeria Ltd	270	270
Master Meat (Ghana) Ltd	1 310	1 310
Master Pork Ltd	26 600	26 600
Zamanita Ltd	62 720	62 720
Zampalm Ltd	1 695	1 695
Novatek Ltd	10	10
	94 112	**94 112**

(e) 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.

(f) Novatek Limited is a dormant company whos operations were merged into the company's stock feed division.

14. Biological Assets

(a) Biological assets comprise standing crops, feedlot cattle, dairy cattle, pigs, chickens and palm oil plantation. At 30 September 2010 there were 4,256 cattle (2,447 Feedlot cattle and 1,809 dairy cattle) and 287,109 chickens (145,167 layers and 141,942 broilers), and 3,691 pigs. A total of 16,487 feedlot cattle, 795 dairy cattle, 41,805 pigs and 968,773 chickens were culled in the year.

Biological asset - Group	At 1 Oct 2009 K Million	Increase due to purchase K Million	Gains/(Losses) arising from fair value/ Impairment K Million	Decrease due to sales K Million	At 30 Sept 2010 K Million
Standing Crops	12 510	49 431	7 525	(38 507)	30 959
Feedlot Cattle	11 953	41 595	10 199	(55 033)	8 713
Dairy Cattle	11 639	2 737	14 812	(16 966)	12 222
Pigs	2 174	369	5 372	(5 933)	1 981
Chickens	5 516	49 905	17 213	(66 717)	5 918
Palm oil plantation	3 745	1 742	(1 822)	-	3 666
Total	47 537	145 779	53 299	(183 156)	63 459
Less: Non current biological assets	(3 745)	(1 743)	1 822	-	(3 666)
	43 792	**144 036**	**55 121**	**(183 156)**	**59 793**

(b) Biological assets comprise cropping, feedlot cattle, dairy cattle, chickens and palm plantation. At 30 September 2010 there were 4,256 cattle (2,447 Feedlot cattle and 1,809 dairy cattle) and 287,109 chickens (145,167 layers and 141,942 broilers). A total of 16,487 feedlot cattle, 795 dairy cattle, 41,805 pigs and 968,773 chickens were culled in the year.

Biological asset - Company	At 1 Oct 2009 K Million	Increase due to purchase K Million	Gains arising from Fair Value K Million	Decrease due to sales K Million	At 30 Sept 2010 K Million
Standing Crops	12 510	49 431	7 525	(38 507)	30 959
Feedlot Cattle	11 953	41 595	10 199	(55 033)	8 713
Dairy Cattle	11 639	2 737	14 812	(16 966)	12 222
Chickens	5 516	49 905	17 213	(66 717)	5 918
	41 618	**143 668**	**49 749**	**(177 223)**	**57 812**

15. Inventories

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Trading stocks	49 409	57 844	28 419	36 746
Abattoir stocks	287	586	-	-
Raw Materials	44 312	55 998	-	-
Stockfeeds	12 156	5 189	12 156	4 958
Consumables	25 793	20 828	10 718	7 852
Raw hides and chemicals	733	1 402	-	-
	132 690	**141 847**	**51 293**	**49 556**

16. Trade and Other Receivables

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Trade receivables	55 502	47 906	9 898	9 600
Less: provision for impairment losses	(2 624)	(1 392)	(753)	(753)
Prepayments	1 620	1 606	192	966
Other receivables	697	961	25	40
	55 195	**49 081**	**9 362**	**9 853**

17. Amounts Due from Related Companies

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Leopard Investments limited	540	562	219	83
Tractorzam	217	304	217	304
Kanyanja Development Company Limited	70	-	70	-
Zambezi Ranching & Cropping Limited	157	1 055	-	1 055
Amagrain Limited	-	206	-	-
Proflight Commuter Services Limited	-	-	-	-
Zambeef Retailing	-	-	38 297	43 912
Zamleather Limited	-	-	2 669	2 887
Master Pork Limited	-	-	21 238	16 555
Zampalm Limited	-	-	31 073	17 961
Zamanita Limited	-	-	56 850	-
Master Meat & Agro Production Co. of Nigeria Limited	-	-	9 178	2 745
	984	**2 127**	**159 813**	**85 502**

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

18. Cash and Cash Equivalents

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Cash in hand and at bank	33 949	23 192	13 359	6 025
Bank overdrafts (notes (a) & (b))	(64 576)	(144 377)	(43 276)	(35 167)
Structured Agriculture Finance (note (c))	(21 247)	-	(5 138)	-
	(51 874)	**(121 185)**	**(35 055)**	**(29 142)**

(a) Banking facilities

The group has overdraft facilities totalling K8.137 billion (2009 – K8.137 billion) and US$7,100,000 (2009 – US$7,100,000) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of 91 days Treasury Bill weighted average rate plus 4% for the Kwacha facility and 3 month LIBOR + 4% for the United States Dollar facility.

The group has overdraft facilities of US$3 million (2009 – US$3 million) and K4.5 billion (2009 – K4.5 billion) with Standard Chartered Bank Zambia PLC. Interest on the Standard Chartered Bank USD overdraft is charged at 1 month LIBOR + 4.25% per annum and at base minus 3% for the Kwacha facility

The group has overdraft facilities of US$1.3 million (2009 – US$1.3 million) and K6billion (2009 – K6billion) with Zanaco Bank PLC. The Zanaco USD overdraft interest is calculated at 3 months LIBOR + 4.25% per annum and the Kwacha overdraft facility at base rate per annum.

The group has overdraft facilities of US$2 million (2009 – US$Nil) with First National Bank Zambia Ltd for Zamanita Limited. Interest is calculated at base minus 2.5% per annum.

(b) Bank Overdrafts

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Zambia National Commercial Bank PLC	9 469	23 312	5 862	19 888
Citibank Zambia Limited	35 891	17 719	19 116	-
Barclays Bank Zambia PLC	-	91 922	-	3 856
Standard Chartered Bank Zambia PLC	18 298	11 424	18 298	11 424
First National Bank Zambia Ltd	918	-	-	-
	64 576	**144 377**	**43 276**	**35 168**

(i) The bank overdrafts are secured by a first floating charge over all the assets of the company excluding Zamanita Ltd. The floating charge ranks pari passu between Standard Chartered Bank Zambia PLC (US$5 million), Citibank Zambia Limited (US$9.5 million), Zanaco PLC (US$1.5 million and K6 billion) and DEG (US$5 million).

(ii) The Zamanita facility at First National Bank Zambia Ltd is secured by a fixed legal mortgage over Stands 5960 and 5001 Mumbwa Road, Lusaka for US$5,000,000 and a Letter of suretyship by Zambeef Products PLC for US$2,000,000.

(c) Structured Agriculture Finance

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
Standard Chartered Bank Zambia PLC	5 138	-	5 138	-
First Rand Bank Ltd	16 109	-	-	-
	21 247	-	**5 138**	-

(i) Standard Chartered Bank Zambia PLC

The group has Structured Agriculture facilities totalling US$5,000,0000 (2009 – US$5,000,000) with Standard Chartered Bank Zambia PLC. The purpose of the facility is the financing of Wheat, Soya beans, and Maize under collateral management agreements and is for 180 - 270 days. Interest on this facility is 3 month LIBOR + 4.25% per annum calculated on the daily overdrawn balances.

(ii) First Rand Bank Ltd

The group has Structured Agriculture facilities totalling US$10,000,000 (2009 – nil) with First Rand Bank Ltd (acting through its Rand Merchant Division) for Zamanita Ltd. The purpose of the facility is the financing of Soya beans under collateral management agreements and is for 180 - 270 days. Interest on this facility is 1 month LIBOR + 4.5% per annum calculated on the daily overdrawn balances. The facility is secured through a fixed charge on the stock financed and a US$10 million Guarantee from Zambeef Products PLC.

19. Share Capital

	2010 K Million	2009 K Million
Authorised		
400 000 000 ordinary shares of K1 each	400	200
(2009: 200 000 000 ordinary shares of K1 each)		
Issued and fully paid	159	159
158 706 045 ordinary shares of K1 each		
(2009: 158 706 045 ordinary shares of K1 each)		

(a) At a duly convened meeting of the Directors held on 12 February 2010 the company's authorised share capital was increased from K200,000,000 to K400,000,000 by the creation of K200,000,000 ordinary shares of K1 each; these shares rank pari passu with the existing shares of the company.

(b) The company has 488 shareholders holding 158,706,450 ordinary shares. Of these shares, 24,557,015 are held by nine (9) shareholders who, in accordance with Lusaka Stock Exchange rule 4.22 are regarded as non public shareholders representing 15%.

(c) Employee share option scheme
Share options are granted to selected senior employees as a way of rewarding and retaining key employees. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the date of the grant, subject to the group achieving its targets for the year. The group has no legal or constructive obligation to repurchase or settle the options in cash.

In December 2007, 750,000 share options were granted with an exercise price set at a market price on 30 September 2007 of K5,500 per share exercisable in 2010. The value of these options has not been determined and included in the financial statements.

In December 2008, 1,500,000 share options were granted with an exercise price set at a market price 30 September 2008 of K3,500 per share exercisable in 2011. The value of these shares has not been determined and included in the financial statements.

In September 2009, the directors approved and allocated 23% ownership of the Nigeria operation to three senior Management staff. The shares are yet to be issued. This brings the total minority interest in the Nigeria operation to 33%.

20. Share Premium

	2010 K Million	2009 K Million
At 1 October	259 967	259 967
At 30 September	259 967	259 967

21. Interest Bearing Liabilities

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
Barclays Bank Zambia PLC (note a)	-	2 514	-	-
DEG – Deutsde Investitious GUD Entwicklungsgesellschift MBH (note (b))	138 010	21 636	138 010	21 636
Zanaco PLC (note (c))	9 440	11 800	9 440	11 800
Standard Chartered Bank Zambia PLC (note (d))	18 720	23 010	18 720	23 010
	166 170	**58 960**	**166 170**	**56 446**
Less: Short term portion (repayable within next 12 months)	(29 258)	(14 558)	(29 258)	(12 423)
Long term portion (repayable after 12 months)	**136 912**	**44 403**	**136 912**	**44 023**

(a) Zamanita Limited, a subsidiary of the group, had a loan facility of US$Nil (2009: US$304,587 and original limit of US$1,206,000) from Barclays Bank Zambia PLC. Interest on the loan was 2% above 12 month LIBOR rate per annum, payable monthly in arrears and was secured by a floating debenture over all assets of the company and a fixed legal mortgage relating to stands 5960 and 5001 Mumbwa Road, Lusaka. The loan was fully repaid during the year and all security discharged.

(b) DEG – Deutsde Investitious GUD Entwicklungsgesellschift MBH

(i) Term loan 1
The company has a loan facility of US$3,752,000 (2009 - US$4,583,333 and original amount US$5,000,000) from DEG. Interest on the loan is 2.75% above the six-month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 12 equal bi-annual instalments commencing April 2009.

The DEG loan is secured by a floating charge/debenture of US$5m ranking pari passu with Citibank Zambia Limited (US$9.5 million), Standard Chartered Bank Zambia PLC (US$5 million) and Zanaco Bank PLC (US$1.5 million and K6 billion).

(ii) Term Loan 2
The company received a loan facility of US$25,000,000 during the year from DEG. Interest on the loan is 4.55% above the six month USD LIBOR rate per annum payable six-monthly in arrears. The principle is repayable in 14 equal bi-annual instalments commencing November 2010.

50% of the DEG US$25 million loan was provided by the European Investment Bank acting on behalf of the European Community from the investment facility resources made available by the European Community under the partnership agreement between the members of the African, Caribbean and Pacific Group of states, of the one part, and the European Community and its member states. The loan has been obtained for the following:

- Rehabilitation and expansion of the irrigated area in Chiawa farm at cost of US$13,688,000.
- The purchase of machinery and equipment for the set up of the Novatek stock feed plant at a cost of US$5,155,000.
- Clearing of land and preparation of road infrastructure, planting of palm oil trees in Mpika under Zampalm Limited at a cost of US$5,874,000.
- The balance of the funds for other capital purchases within the group

The US$25 million DEG term loan is secured by:

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

The total security is registered to cover US$40 million.

(c) Zanaco PLC

The company has a loan facility of K9.44 billion (received in 2009 with original amount K11.8 billion) with Zanaco PLC. Interest on the medium term loan is calculated at 2% per annum below the Bank's ZMK base rate. The principal is repayable in 20 equal quarterly repayments commencing November 2009. The loan is secured by a first legal mortgage over Stand No. 4970, Manda Road, Lusaka

(d) Standard Chartered Bank Zambia PLC

The company has a medium term loan facility of US$3.9 million (2009 – US$4.875 million and original amount US$5.2 million) with Standard Chartered Bank Zambia PLC. Interest on the loan is 3 month LIBOR plus 5.5% margin per annum payable monthly in arrears. The principle is repayable in 16 equal quarterly instalments commencing September 2009. The loan is secured by a first legal mortgage over stand No. 9070, stand No. 9071 and Stand No. 9074, Lusaka.

(e) International Finance Corporation

The group has at 30 September 2010 committed itself to an additional US$10 million term loan from International Finance Corporation (IFC). The loan has been obtained for the following operations:

- Expansion of Nigeria operations at a cost of US$3,000,000; and

- Expansion of Retail Operations in Zambia and other capital projects at a cost of US$7,000,000.

22. Obligations Under Finance Leases

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
ALS Capital Limited (note (a))	134	1 544	-	-
Freddy Hirsh Zambia Limited (note (b))	1 295	-	-	-
Stanbic Bank Zambia Limited (note (c))	948	-	948	-
	2 377	**1 544**	**948**	**-**
Less: Payable within twelve months Repayable after 12 months	(1 083)	(1 001)	(252)	-
Repayable after 12 months	1 294	543	696	-

(a) This finance lease relates to the abattoir in Livingstone of a subsidiary company with lease terms of 3 years. The subsidiary has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The subsidiary's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities	Minimum lease 2010 K Million
No later than 1 year	134

(b) Masterpork Limited has hire purchase facilities of ZAR1,015,195.17 and K754m with Freddy Hirsh Zambia Ltd. The interest on the hire purchase is 6% for the ZAR facility and 0% for the K facility fixed per annum. The interest and principle on the ZAR hire purchase facility is repayable in 24 equal monthly installments commencing August 2010. The principle on the K hire purchase facility is repayable in 26 equal monthly installments commencing August 2010.

(c) The finance lease relates to the purchase of motor vehicles and agricultural machinery with terms of 48 months. The obligations under finance leases are secured by the lessor's absolute ownership over the leased assets comprehensively insured with the bank's interest noted as first loss payee.

23. Deferred Liability

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

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
At 1 October	4 753	4 500	1 344	601
Provision made during the year	1 152	400	(633)	749
Payments made during the year	(737)	(147)	(78)	(6)
At 30 September	**5 168**	**4 753**	**633**	**1 344**

24. Trade and Other Payables

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Trade payables	59 327	52 771	13 074	12 353
Provisions and accruals	27 223	16 969	7 597	6 178
	86 550	**69 740**	**20 671**	**18 531**

25. Amounts Due to Related Companies

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Zambezi Ranching and Cropping Limited	376	1 429	376	-
Wellspring Limited	365	189	365	189
Inbond Zambia Limited	-	21	-	21
Kanyanja Development Company Limited	-	15	-	15
Novatek Limited	-	-	10	10
Proflight Commuter Services Limited	22	-	-	-
Tractorzam	-	-	-	-
Leopard Investments Limited	-	73	-	-
Zamanita Limited	-	-	-	7
	763	**1 727**	**751**	**242**

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

26. 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 amounts reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities
The group's financial liabilities are working capital facilities and 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 partially hedged by holding United States Dollar bank balances and dollar denominated exports.

(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 18, 21 and 22.

(iii) Market risk
The group is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

(b) Credit risk

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

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

(d) Cash flow risk
The company is not exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount.

27. 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.

28. Capital Commitments

	2010 K Million	2009 K Million
Capital commitments entered into at the reporting date	3 448	11 541
Not contracted for at the reporting date	49 984	24 776

29. Operating Leases

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
Within one year	530	394	-	-
One to five year	-	36	-	-

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.

30. Related Party Transactions

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	K Million	**K Million**	**K Million**	**K Million**
Sales to related parties:				
Zambezi Ranching and Cropping Limited	10 736	6 873	8 119	6 680
Wellspring Limited	131	726	131	726
Kanyanja Development Company Limited	398	453	396	447
Leopard Investment Limited	55	396	-	382
Amagrain Limited	-	711	-	-
Tractorzam Limited	-	-	-	-
Amanita Africa	-	12	-	-
Proflight Commuter Services Limited	-	-	-	-
	11 320	**9 171**	**8 646**	**8 235**

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

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Purchases from related parties:				
Amagrain Limited	-	26 742	-	2 728
Inbond Zambia Limited	-	3 339	-	814
Zambezi Ranching and Cropping	21 073	14 848	21 060	12 832
Wellspring Limited	3 836	12 402	3 836	12 402
Kanyanja Development Company Limited	792	1 460	126	572
Leopard Investement Limited	3 170	3 631	6	12
Tractorzam Limited	798	2 365	259	2 120
Proflight Commuter Services Limited	69	99	-	13
	29 738	**64 886**	**25 287**	**31 493**

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

(d) Purchases were made at market price.

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

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

(g) Key management compensation

	Group		Company	
	2010 K Million	2009 K Million	2010 K Million	2009 K Million
Salaries and employee benefits	43 520	20 595	19 718	13 436

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

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

31. Events Subsequent to Balance Sheet Date

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the group, to affect substantially the operations of the company and the group, the results of those operations or the state of affairs of the company and the group in the subsequent financial years except, the group issued a commercial paper (CP) amounting to K32 billion Kwacha at an interest rate of 12 % fixed per annum or 3% + 182 day treasury bill rate, which is to be restructured onto a 5 year bond upon the expiry of the CP. Proposed security for the CP and bond thereafter is a first ranking mortgage over stand No. 4970, Industrial Area, Lusaka in favour of the note holders. The purpose of the CP and the bond is to restructure the term loans with Standard Chartered Bank Zambia PLC and Zanaco PLC as well as provide improved security structure and reduce foreign currency borrowings.

Notice is hereby given that the 16th Annual General Meeting of Zambeef Products PLC will take place at the Taj Pamodzi Hotel, along Addis Ababa Drive, Lusaka, on Tuesday January 25, 2011 at 10:00 hours.

AGENDA

1. To read the Notice of the Meeting and confirm that a quorum is present.
2. To read and confirm the minutes of the 15th Annual General Meeting held on January 7, 2010.
3. Consider any matters arising from the minutes.
4. To receive the report of the Directors, the Auditors report and the Financial Statements for the year ended September 30, 2010. (Resolution 1)
5. To re-appoint Grant Thornton as Auditors for 2010/11 and authorise the Directors to fix their remuneration. (Resolution 2)
6. To confirm the appointment of Mr. Sushmit N. Maitra as Finance Director (Resolution 3)
7. In terms of the articles, Adam Fleming and Hilary Duckworth retire but are eligible to offer themselves for re-election. (Resolution 4)
8. To approve the allocation of 1,500,000 (one million five hundred thousand) new ordinary shares for Senior Management Share Option Plan III. (Resolution 5)
9. To authorise the Board of Directors to issue new shares for any acquisition up to a maximum of 10% of issued share capital of the company without Shareholder apporval. (Resolution 6)
10. To approve the registration of all new ordinary shares issued with the Securities and Exchange Commission and to have these new issued ordinary shares listed on the Lusaka Stock Exchange ranking pari-passu with existing issued ordinary shares. (Resolution 7)
11. To approve the recommendation of the board to pay a final dividend for the year ended September 30, 2010 of K49.88 per share. (Resolution 8)
12. 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, 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.

ZAMBEEF PRODUCTS PLC
Proxy Form

I/We,

of

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

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

As my/our proxy to vote for me/us on my/our behalf at the Annual/Extraordinary General Meeting of the Company to be held on the 25th day of January 2011

And at any adjournment of that meeting.

* In Favour of/against	* In favour	* Against
Resolution 1 To receive, approve and adopt annual financial statements for the year ended 30 September 2010.		
Resolution 2 Re-appointment of Grant Thornton as Auditors for 2010/11		
Resolution 3 Confirm appointment of Mr Sushmit N. Maitra as Finance Director		
Resolution 4 Re-election of directors who retire by rotation of: • Mr Adam Fleming • Mr Hilary Duckworth		
Resolution 5 Approve the allocation of 1,500,000 new ordinary shares for Senior Management Share Option Plan III		
Resolution 6 To authorise the Board of Directors to issue new shares for any acquistion up to a maximum of 10% of the issued share capital of the company without Shareholder approval		
Resolution 7 Approve the registration of all new ordinary shares issued with the Securities and Exchange Commission and to have these new issued ordinary shares listed on the Lusaka Stock Exchange ranking pari-passu with existing issued ordinary shares		
Resolution 8 Approve the final dividend of K49.88 per share for all shareholders registered at the close of business on 24 January 2011, and if approved, dividends will be paid on or before 28 February 2011		

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

Signed:	
Name:	
Date:	

Witnessed by: Signature:

Name:

Address:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.

2. A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.

3. If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.

4. This form of proxy must be received by the company secretary at the registered head office, Plot Number 4970, Manda Road, Industrial Area, Lusaka, by no later than 09:30 on Thursday, 20th January, 2011.

5. Documentary evidence establishing the authority of the person signing the proxy in representative capacity must be attached hereto unless previously recorded by the company's transfer secretaries.

6. The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. The Chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.