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Zambeef Products plc

("Zambeef" or the "Group")

Results for the year ended 30 September 2012

Zambeef (AIM: ZAM), the fully integrated agri-business with operations in Zambia, Nigeria and Ghana, is pleased to announce its results for the year ended 30 September 2012.

Financial Highlights

Year Ended 30 September 2012	2012* USD m	2011 USD m	% Change
Revenue	255.1	206.8	23
Operating Profit	21.7	14.8	46
Profit Before Tax	12.7	10.6	20
Earnings Per Share	5.06 (cents)	5.10 (cents)	(1)

* 2012 excludes the Zamanita Limited tax liability provision of USD9.7 million

Operational Highlights

- Robust revenue growth was seen across most of the Group's business, in particular:
  - cropping (up 89 per cent.) following successful integration of Mpongwe Farm acquisition (in June 2011)
  - stock feed (up 37 per cent.) driven by both price and volume increases
  - West Africa (up 55 per cent.)

- Margins increased from 34 per cent. to 37 per cent.

- Continued expansion of production capacity to service buoyant and growing demand:
  - The upgrade and extension of Zamanita's soya crushing plant – doubling capacity and enabling more productive, higher margin crushing and processing activities
  - The upgrade and extension of Master Pork's processing plant and an additional pig abattoir
  - New broiler and layer houses to supply additional poultry and eggs
  - Seven new retail outlets as well as the refurbishment of two existing outlets

- Large capital investment programme now complete – Group expects a return to free cash flow generation over next 12 months

- The hearing for the Zambian Revenue Authority ("ZRA") tax demand at the Revenue Appeals Tribunal has been concluded and the Group is awaiting judgement – liability has been provided for in full

- Group looks forward to the future with confidence

Commenting on the results, Chairman Dr. Jacob Mwanza said:

"Zambeef has continued to benefit from the growing Zambian economy which is driving buoyant demand for our products and services. This period has been one of unprecedented capital investment, aimed at expanding capacity to meet demand. Having now completed the large capital investment, we expect these efforts to be rewarded, both in terms of profitability and cash generation over the coming 12 months.

The strength of Zambeef's diversified business model, which enables us to maximise margins and control our supply chain, together with Zambia's natural and demographic advantages, means that we are well placed to achieve our ambition of becoming one of the leading largest food producers in the region."

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Notes to Editors

The Zambeef Group is one of the largest integrated agri-businesses in Zambia, involved in the primary production, processing, distribution and retailing of beef, chickens, pork, milk, eggs, dairy products, fish, flour, bread, edible oils and stock feed, throughout Zambia and the surrounding region, as well as Nigeria and Ghana. The Group is also one of the largest cereal row cropping operations in Zambia, with approximately 8,350 hectares of irrigated land and approximately 8,650 hectares of dry land, available for planting each year.

The Group has approximately 5,000 employees.

Further information can be found on www.zambeefplc.com

Chairman's statement

"The significant increase in the prosperity of Zambia since 2005 has been remarkable and it is this growing prosperity which is the engine of Zambeef's growth."

These results mark the end of the first full financial year since the rights issue and admission of the Company's shares to trading on the AIM Market of the London Stock Exchange. This period has been one of unprecedented capital investment, which I fully expect to be rewarded, both in terms of profitability and cash generation. Zambia's natural and demographic advantages, when coupled with a very strong management team's determination to pursue higher margins throughout Zambeef's diversified business model, provide the foundations for this year's excellent underlying results and for growth in the short and long term.

Zambia fundamentals

Zambia is one of the most successful countries to emerge in Sub-Saharan Africa ("SSA"), with strong, road-based, economic growth averaging over 6.5 per cent. over the last five years and which is expected to average 7 to 8 per cent. over the next four years. Zambia has been ranked ninth in the IMF's forecast of the world's fastest growing global economies.

Factors contributing to Zambia's impressive performance are good economic fundamentals, such as: single digit inflation; moderate interest rates; rising foreign currency reserves; and sustainable external debt.

In addition, Zambia has a considerable resource endowment in terms of fertile soils, an abundance of available water, good climate and weather and rainfall patterns. Indeed, it is estimated that up to 40 per cent. of inland freshwater within SSA originates in Zambia.

Politically, Zambia has a level of maturity that is lacking in most African countries. In September 2011, Zambia witnessed one of the most peaceful transitions of power and presidency on the African continent. Since independence in 1964, Zambia has had five presidents, six general elections, all of which have been peaceful, and three different political parties in power, a proud testament to Zambia's political stability and maturing multi-party democracy.

This political stability and economic growth has led to Zambia being reclassified by the UN from an "under-developed" to a "developing" country. The significant increase in the prosperity of Zambians since 2005 has been remarkable and it is this growing prosperity which is the engine of Zambeef's growth.

Financial performance:

Over the past financial year, against a global backdrop of economic slowdown, uncertainty and turmoil in many financial markets, the Company has performed creditably. The expanding Zambian economy has led to a significant increase in the spending power of the growing population. This has translated into buoyant demand for the products and services provided by Zambeef.

Demand across most of our product lines continues to outstrip supply. We have been addressing this, on an on-going basis, via investment in capacity, such as the upgrade and expansion of Zamanita's soya crushing plant, Master Pork's processing plant, additional broiler and layer houses, an additional pig abattoir and new retail outlets, as well as refurbishing existing ones.

During the year, turnover grew by 32 per cent. (ZMK) and 23 per cent. (USD) to ZMK1,296 billion (USD255 million) and margins increased from 34.1 per cent. to 34.4 per cent., resulting in an increase in gross profit of 33 per cent. (ZMK) and 25 per cent. to ZMK446 billion (USD88 million).

However, the profit after tax results have been impacted by a tax liability that the Zambia Revenue Authority ("ZRA") is seeking to impose on Zamanita and exchange losses (mostly unrealised) as a result of a weakening Zambian Kwacha.

Profit after tax was ZMK63 billion (USD12 million) (excluding the Zamanita tax provision) and ZMK13 billion (USD3 million) (including the tax provision). Exchange losses for the year were ZMK19 billion (USD4 million) (mostly unrealised) as a result of the weakening Zambian Kwacha.

The liability arising from the ZRA tax demand has been provided for in full, as announced in the Interim results in June and we have now concluded the hearing at the Revenue Appeals Tribunal and are awaiting judgement. We are hoping this will be before the end of the calendar year and look forward to the Company being able to develop the business without the presence of this distraction for management and investors alike.

Zambeef's integrated business model

Although many facets of the Zambian political, fiscal and regulatory regime are maturing very quickly, it is still a relatively young capitalist society with many of the associated problems and issues. Probably the greatest constraint on the growth of the different Zambeef businesses is the shortage of input materials, including, inter alia, milk, soya, day old chicks and cattle. Therefore we need to be able to maintain control over as much of our supply chain as possible and considerable management effort is expended on stimulating and securing supply.

Western capital markets have steered businesses to specialise in one, or a few, core areas – a model that suits developed economies, where diversified conglomerates are now increasingly rare. Given that, as explained above, Zambeef faces challenges in the supply of raw products coupled with burgeoning demand from consumers for processed products, the Group has to source raw produce from across our own business, ensuring supply and guaranteeing quality. It is this model that has elevated Zambeef above its peers, both domestically and in the Sub-Saharan region.

The following case studies are examples of how some of our divisions have emerged:

Poultry:

As the spending power of the population improves, the demand for poultry and poultry products in the Zambeef stores has become increasingly apparent. Local suppliers have been unable to meet the high quality standards and volumes demanded by our customers. Importation, on a large scale, with its logistic costs and challenges, was not a viable solution. Accordingly, it was necessary to enter the poultry industry ourselves. Today, Zambeef is one of the leading Zambian poultry producers. The poultry division now accounts for 8 per cent. of Group turnover and 7 per cent. of gross profits; turnover and gross profit growth over the last three years has been impressive, at 27 per cent. and 24 per cent. respectively.

Stock feed:

The growth of the poultry division has led to increased demand for stock feed to rear the birds. Existing local production was insufficient to meet our needs, in terms of both quantity and quality. We established our own stock feed division and three years after commencing operations, this division is now one of the leading regional producers of stock feed and, importantly, is essential to the success and growth of our fast growing poultry division.

Approximately 35 per cent. of this division's production is for internal consumption, of which over 80 per cent. is for the Group's poultry division. The stock feed division now accounts for 12 per cent. of Group turnover and 10 per cent. of gross profits; turnover and gross profit growth over the last three years has been impressive, at 68 per cent. and 66 per cent. respectively.

Zamanita:

Zambeef acquired Zamanita in January 2008 as part of a process of vertical integration, enabling it to add value to edible oil seeds such as soya beans produced by the Zambeef farms, while obtaining a source of supply of feed meal, which is the primary ingredient in stock feed production. Zamanita is one of the largest edible oil and soya meal producers in Zambia. Its acquisition by Zambeef was a logical diversification, to protect the supply of feed meal and to enter the cooking oil market, which is an important basic commodity, forming part of the essential consumer shopping list in our retail outlets. With its recently completed upgrade and expansion, Zamanita will become one of the largest and most strategic divisions of the Group. The expansion of capacity at Zamanita represents the successful fulfilment of maximising the benefits of integrating it into the Group. The most significant advantage of which is enabling the Group to move away from expensive imports which attract low margins and towards more productive higher margin crushing and processing activities.

Mpongwe farm:

Soya seed is the prime raw material for the oil seed meal used by the stock feed division in the production of stock feed. It also produces the most desirable cooking oil available on the domestic, consumer market. Soya is therefore the critical input for Zamanita's crushing operation. Historic soya production in Zambia and the surrounding region has been erratic, leading to supply deficiencies, which resulted in Zamanita experiencing major input sourcing problems and created a significant exposure to price fluctuations.

Having a large internal production base of soya will provide Zamanita with the majority of its soya requirements from within the Group. In 2011, the total annual soya production of Zambia was c.120,000 metric tons ("MT"), and c.200,000 MT in 2012. At capacity, Zamanita will require 100,000 MT of soya per annum. Of this amount, Mpongwe farm has, during this year, grown 30,766 MT and there is the potential to increase this amount through expansion of the growing area. Total soya production across all the Zambeef group farms this year amounted to 40,137 MT.

This, together with the 40,000 MT we have secured from third party commercial farmers, means that the Group now has in excess of 80,000 MT of soya beans in storage, which stabilises Zamanita's business and provides continuity of oil seed meal supply for the stock feed division, which is then able to supply other Group divisions with their feed requirements.

In each enterprise, we strive to be "best of breed" and we are recognised as such in
most of our divisions. This strategy of integration and diversification also de-risks the Company, as it reduces the impact of cyclical fluctuations in performance across the divisions that can result from shifts in the demand patterns of our customers. Most importantly, it allows the Group to capture and retain margins throughout the value chain.

Outlook

Following the successful acquisition of Mpongwe farm in June 2011, the integration has been very smooth and the resulting performance has exceeded Directors' expectations. Crop production is ahead of budget and the additional soya beans produced from Mpongwe farm and the doubling of capacity at Zamanita will provide the raw materials essential for our fast growing stock feed and protein divisions. As a result, Zambeef is in an excellent position to meet the challenge of growing demand for food in the region. The large capital investments, especially in the cropping division, over the last two years have led to an increase in working capital requirements, resulting in net cash outflows. Furthermore, the Zamanita soya crushing plant was shut for almost ten months in order to carry out the upgrade and expansion, which is now complete. This, together with the fact that we have produced and procured in excess of 80,000 MT of soya beans, means that we can now look forward to returning Zambeef to a cash generating position over the course of the next twelve months, one of the key strategic targets set out at the time of the Group's IPO in June 2011.

It is important to reiterate that Zambeef's integrated business model is part of a well-considered strategy, going back many years, aimed at risk and earnings volatility reduction and value-add and margin capture throughout the value chain. The return to cash generation following the successful acquisition and integration of Mpongwe farm, together with the successful completion of the Zamanita upgrade and expansion, means that we will be able to reinvest in the business to fund organic growth. We will continue to make targeted investments in infrastructure and facilities aimed at satisfying the growing consumer demand within our markets and maintaining strong margins.

Major areas of capex investment over the next 18 months will be to increase production and efficiency levels in the following areas:

a. Expansion of the dairy herd and increase in production per animal.

b. Completion of the new milk processing facility at Huntley farm, which will increase production capacity from 25,000 litres per day to 60,000 litres per day.

c. Expansion of the stock feed capacity with the installation of a third pelleting line and a mixer to produce feed mashes.

d. Planned opening of two new wholesale centres, four new retail outlets and refurbishing three existing outlets.

The Board also believes that the return to cash generation will enable the Company to start paying meaningful dividends from 2014 onwards.

With the progress made during the last year, and the growth opportunity offered
by Zambia's developing economy, Zambeef is well placed to achieve its long-term ambition to become one of the
largest food producers in the region. Therefore we look forward to the future with confidence.

Dr. Jacob Mwanza
Chairman
November 2012

Chief Executive's review

"We have invested significantly in our core businesses to generate organic growth and to address supply constraints. This will allow the Group to narrow the gap between supply capacity and consumer demand in the Zambian market."

I am pleased to present results for the year ended 30 September 2012, which show continued growth in the core business year-on-year, supported by the on-going growth of the Zambian economy and higher disposable income amongst our customers.

During the year, turnover increased by 32 per cent. (ZMK) and 23 per cent. (USD) and margins increased from 34.1 per cent. to 34.4 per cent., resulting in an increase in gross profits of 33 per cent. (ZMK) and 25 per cent. (USD) to ZMK446 billion (USD88 million). Administrative overheads increased by 46 per cent. (ZMK) and 37 per cent. (USD) largely as a result of the introduction of Mpongwe farm operations into the Group.

Profit after tax (excluding the Zamanita tax provision) increased substantially by 41 per cent. (ZMK) and 31 per cent. (USD) to ZMK63 billion (USD12 million). Profit after tax (including the Zamanita tax provision) was ZMK13 billion (USD3 million).

The Zambian Kwacha also weakened during the year by 6.3 per cent. versus the US Dollar, leading to an exchange loss of ZMK19 billion (USD4 million), mostly unrealised, as a result of translating our foreign currency denominated debt into the local currency. In order to mitigate this, we have been converting some existing debt and accessing some new debt in Zambian Kwacha, which has been more attractive due to Kwacha lending rates reducing during the last 12 months. Our debt profile is now 80 per cent. US Dollar and 20 per cent. Zambian Kwacha; in 2011, it was 90:10. More details on our debt profile and structure is contained in the finance report below.

We have also invested significantly in our core businesses, to generate organic growth and to address capacity and supply constraints, allowing the Group to narrow the gap between supply capacity and consumer demand in the Zambian market. Details of the Group's most notable investments during the year include:

1. Master Pork commissioned a new, state-of-the-art Hirsch-Pro 400 automated processing plant, capable of processing 30 MT of meat products per day, an increase of 15 MT per day. Total current processing capacity is now 185 MT per day. Master Pork also built an additional abattoir in Chingola, which should deliver an additional 100 pigs per day.
2. 20 new broiler houses and two new layer houses built during the year, which will increase the number of broilers by 720,000 per annum and the number of eggs by 11,000,000 per annum.
3. Our retail footprint continues to increase with seven new stores opened and two stores refurbished during the year bringing our total retail chain outlets to 101 in Zambia (excluding the 20 Shoprite butcheries).

I believe that Zambeef is well positioned to benefit as one of the leading food providers in Zambia and with opportunities to serve the neighbouring region.

Operational report

Cropping

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	43.97	23.22	89	15
Gross Profit	20.47	8.63	137	22

The cropping season in Zambia is split into Summer (November – March) and Winter (April – September).

Turnover in the cropping division increased largely due to the Mpongwe farm acquisition, which accounted for 38 per cent. of cropping turnover.

A total of 15,436 hectares ("Ha") of summer cropping was planted this year, of which the majority was soya beans (12,193 Ha). Maize was planted across an aggregate of 2,111 Ha. The Group harvested 40,137 MT of soya beans, at an average of 3.29 MT/ Ha, against a budget of 36,065 MT (2.96 MT/Ha). This was largely due to good yields being achieved by Mpongwe farm (4.5 MT/Ha on irrigated fields and 3.6 MT/ Ha on rain fed fields). 21,751 MT of maize was harvested, at an average of 10.3 MT/ Ha, against a budget of 19,347 MT (9.16 MT/Ha). Again this can be attributed to higher than average yields at Mpongwe farm, which averaged 9.5 MT/Ha.

A total of 8,082 Ha of winter cropping was planted in 2012, mostly wheat (6,663 Ha). We harvested 45,308 MT (averaging 6.61MT/Ha), although Mpongwe farm produced very good results at 8.9 MT/Ha.

The strategic fit of the cropping division within the Zambeef business model is to provide the raw materials input (soya beans, wheat and maize) for further margin enhancing and value adding processing in Zamanita, stock feed and flour milling divisions. It also provides a natural hedge to the downstream businesses' exposure to rising commodity prices and a strengthening US Dollar.

Beef

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	64.37	58.88	9	22
Gross Profit	22.30	16.79	33	24

Turnover growth in the beef division was largely driven by price.

Demand for beef continued to remain very strong throughout the year – for both choice feedlot beef and traditional beef – and far exceeded supply. In order to address this demand/supply imbalance, the Group has done the following:

1. introduced a minimum guaranteed floor price for traditional cattle, to lessen the seasonal effects of cattle supply and to encourage small scale farmers to supply all year round; and
2. initiated programmes to help and educate small-scale cattle farmers in remote areas, which will result in greater availability of cattle, improved quality and heavier animals reaching the Zambeef satellite abattoirs and, therefore, an improved supply of beef all year round. It is hoped that the programme will also have the effect of rejuvenating the small scale beef sector, which has been declining for many years.

Good supply of choice beef was maintained due to an aggressive procurement policy and both demand and sales were above expectations for the year, partly due to the low availability of traditional beef and its substitution into Zambeef's retail outlets that would normally stock cheaper cuts of lower value meat. This change was very well received, despite the higher price, demonstrating that quality always has a market.

Increased demand for higher priced cuts of beef from hotels and restaurants increased, which we were able to meet from our own stocks. Feedlot numbers are being kept high and extra cattle are being stocked at Mpongwe farm to ensure our supply is able to meet demand for the coming year.

Chicken

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	23.66	22.32	6	8
Gross Profit	6.93	5.59	24	7

Turnover in the chicken division grew due to increases in both prices and volumes.

The demand for chicken has been very similar to that of beef and, again, has outstripped supply for most of the year. 20 extra broiler houses were been built and stocked in 2012, such that our supply is now meeting demand on both whole birds and portions, with healthy stocks in place to carry through the Christmas period.

Pork

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	22.93	17.70	30	8
Gross Profit	6.69	5.44	23	7

Turnover growth in the pork division was both price and volume driven.

The demand for pork continues to grow and, as with beef and chicken, demand outstripped supply for most of the year. Furthermore, the Livingstone abattoir was closed for three months due to a Foot and Mouth Disease outbreak in the province, which restricted capacity.

In order to address this demand/supply imbalance:
1. prices to suppliers were increased to secure supply;
2. a guaranteed minimum floor price was introduced, for small scale producers;
3. a new pig abattoir was built in Chingola; and
4. a new, state-of-the-art Hirsch-Pro 400 automated processing plant was commissioned, capable of processing
30 MT of meat products per day and extending the range of value-added processed meat products.

This strategy of guaranteeing a market and a minimum price has proved to be very popular with supply now beginning to keep pace with the ever increasing demand, which management hopes will continue into the future.

Milk and Dairy

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	10.53	10.92	(4)	4
Gross Profit	5.94	6.94	(14)	6

Sales and profitability have been lower than the previous year, entirely because we were unable to produce or purchase sufficient milk. Demand far outstripped supply throughout the year and management estimates that Zambeef is not fulfilling as much as 50 per cent. of this demand.

This is an area in which we are concentrating focus and resource including:
1. improving the health and productivity of the Zambeef dairy herd through better management practices (and personnel);
2. improving the nutrition available by planting lucerne (also known as alfalfa) at the Chiawa farm, fertilising previously under-irrigated pastures, better quality and increased availability of silage to improve yields;
3. 180 in-calf and young heifers were purchased from South Africa, which will start producing milk towards the end of the next calendar year; and
4. more heifers from the existing herd will also come into production in the longer term and the number of cows-in-milk will be built up to 1,000 over the next 18 to 24 months, whilst the yield per animal will increase by approximately 25 per cent. as a result of improved nutrition and management.

Milk powder imports, which are used for the production of the value added products, were the subject of a temporary import moratorium between April and June 2012. As these products have the highest gross profit margins and were produced in very limited quantities, the profitability and sales value of this sector was adversely affected. Milk powder imports have now been reinstated by the Government and supply of the value added products is back to normal.

Edible oils

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	46.80	58.82	(20)	16
Gross Profit*	9.79	13.11	(25)	10

*Excludes ZRA liability of USD7 million

As previously described, Zamanita has undergone a transitional year, shutting down its soya crushing and Solvent Extraction Plant in December 2011 (having crushed 8,000 MT of beans plus 2,000 MT through a toll crush arrangement this financial year) in order to undergo a major upgrade and expansion, which has doubled the capacity for soya bean crushing to 100,000 MT per annum, which was completed in September 2012. The upgrade improved efficiency and reduced costs of production to a level comparable with the best facilities anywhere in the world and we now have a plant that will support Zambeef's growth strategy well into the future. Additionally, an extra 10,000 MT of silo storage space was added to cope with the doubling of production. An upgrade of the oil refinery was also undertaken, refining capacity has increased by 50 per cent., again, to be able to refine the increased volume of oil produced with the new plant.

The ten month shutdown meant that Zamanita had to import both crude soya oil and palm oil, whilst the stock feed division had to import soya cake for part of the year. This has reduced the profitability of Zamanita, as retailing imported oil is a low margin business.

Cotton crushing has been on-going throughout the upgrade and enabled Zamanita to maintain more than a breakeven position during the months when the main part of the plant was down.

Zamanita is now producing its own soya oil and soya cake. The demand for cake within Zambia is being satisfied and approximately 3,000 MT per month is being exported to Zimbabwe. Both local and export demand is high, with contracts secured until April 2013. All the cake Zamanita will produce this season has been pre sold.

Zamanita is currently crushing at 250 MT of beans per day and building up to its maximum capacity of 300 MT per day.

Stock feed

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	36.87	26.88	37	12
Gross Profit	9.61	5.78	66	10

Both price and volume increases drove turnover growth in the stock feed division.

The stock feed division has had another very good year. Despite running at capacity, consistently producing 7,000 MT of feed per month, it was still unable to meet the demand from third party customers.

As chicken production increases within the Group, it will require more stock feed. A revamped mixer is being assembled to relieve pressure on the pelleting lines and by late January 2013, this should add a further 3,000 MT of mashes per month. A third pelleting line, which will add a further 30 per cent. capacity, is at an advanced planning stage but will only come into production in nine to twelve months.
With the increased soya secured by the Group, and with the Zamanita upgrade and expansion now completed, we expect the stock feed division to go from strength to strength, and are hopeful that by the end of the next financial year, we should be producing around 12,000 MT of feed per month.

We will also introduce the solvent extracted soya cake produced by Zamanita into our agency outlets, further increasing sales volume and providing small scale farmers with more options to feed their livestock.

The "Novatek" stock feed brand is now recognised as the producer of one of the best quality feeds in Zambia and has now become the market leader. This has been achieved just three years after entering the commercial stock feed business.

Eggs

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	3.59	4.20	(15)	1
Gross Profit	1.60	1.97	(19)	2

Egg sales and profitability were disappointing and considerably below last year, mainly due to a disease outbreak in the early part of the year, from which it took several months to recover. Production was low but demand was very strong. The disease problem has now been eradicated and production is back to normal.

Two extra layer houses are being stocked and an extra 32,000 eggs per day will be available from February 2013, which is a 40 per cent. increase on our current production.

Mill and bakery

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	17.82	14.72	21	6
Gross Profit	4.50	1.91	135	5

This division has performed well compared to last year. Most of the profitability has come from the milling of wheat, with the demand for flour being high, particularly in the Zambeef shops. At present 70% of our flour is sold through our own retail network and Shoprite, either as flour or bread.

Margins in the Bakery division were under pressure due to intense competition, higher raw material input costs and high transport costs resulting from supplying bread to some of our distant retail outlets. However, Zambeef is currently the only national supplier of bread and therefore in a position of strength, and it is this strength we will try and capitalise on next year to generate higher volumes and margins.

Leather and shoe

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	3.96	2.53	56	1
Gross Profit	2.14	0.73	195	2

This division has had an excellent year. In addition to running the tannery at 100 per cent. capacity, another facility is being rented in order to process all the hides available. An average of 8,000 hides per month are now being processed (65 per cent. being from Zambeef).

Demand for shoes is increasing as are exports to Zimbabwe. Shoe production is now approaching 700 pairs per day (compared with less than 300 last year).

This division is strategic to the overall Zambeef model, as it creates value in the by-product of our beef abattoir division (cattle hides). The export of leather to regional and international markets also provides valuable foreign exchange earnings for the Group.

Retail outlets

Increasing demand across our product range has put pressure on our retail outlets to keep shelves full and avoid stock outs.

Especially pleasing is the success of the two new Zambeef wholesale outlets (Kitwe and Lusaka) which have become our two highest turnover outlets. This is a model that will be rolled out in the future (the next one being in Solwezi).

It is envisaged that a further two new wholesale centres and four new retail outlets will be opened and three existing retail outlets will be refurbished over the next twelve months.

It is not only our own retail outlets that have seen good growth but the Shoprite butcheries and sales to Africa Supermarkets have also grown throughout the year.

West Africa

USD'Ms	Year to 30 Sept 2012	Year to 30 Sept 2011	% change	% of Group (2012)
Revenue	12.63	8.17	55	4
Gross Profit	2.45	2.42	1	3

We continue to roll out our West Africa expansion plans to gear up on capacity resulting from the expansion of the Shoprite footprint in Nigeria and Ghana. Currently, there are five Shoprite stores in Nigeria (three in Lagos, one in Abuja and one in Enugu), and two Shoprite stores in Ghana (both in Accra). The next Shoprite store to open in Nigeria will be Ilorin (November 2012), Kano (April 2013), Ibadan (December 2013) and Apapa (2014). Additional sites in Lagos and Abuja are also under review. Shoprite is expanding and it is important that Master Meats (Nigeria) is able to expand in line with Shoprite.

We are now in the final stages of constructing our beef and pork abattoir at our Ikene farm, which consists of a modern slaughtering line and refrigeration. We are confident that the chicken houses to be erected on the farm, as well as the extension of the piggery operation and the addition of cattle and camps for the feedlot will be successful. We are also in the process of relocating our pork processing plant from Lekke (Lagos) to our Ikene farm and hence streamlining the operations in Nigeria. This plant has the capacity to produce 5 MT of processed meat products per day.

Francis Grogan
Chief Executive
November 2012

Finance report

"Excluding the tax provision, we have made progress against all of our financial goals, which consist of rolling annual targets for key elements of both the income statement and the balance sheet."

The financial year has seen Zambeef continue to make significant strides with respect to large growth in turnover of over 31 per cent. in ZMK terms from ZMK983 billion to ZMK1,295 billion and 23 per cent. in US Dollar terms from USD207 million to USD255 million. This exceeds the Board's internal threshold expectations for growth of at least inflation plus GDP.

One of the key challenges we have faced is the ZRA tax liability imposed on Zamanita Limited with respect to importation of palm oil in previous financial years. Details of this were announced to the market in February 2012, with a further update provided in April 2012.

Excluding the ZRA provision, gross margins increased from 34.1 per cent. to 37 per cent. Including the ZRA provision, gross margins have increased from 34.1 per cent. to 34.4 per cent.

One of the key contributors to the increased turnover and margins was the performance of Mpongwe farm which recorded very good yields.

Group overheads increased by 46 per cent. (ZMK) and 37 per cent. (USD) during the year (40 per cent. (ZMK) and 31 per cent. (USD) excluding the ZRA provision). This was a result of the issues highlighted below:

1. The increase in minimum wages by over 60 per cent. brought about as a result of the introduction of statutory instruments and increase in the number of employees as a result of the expansion in the business.
2. Increases in input costs as a direct result of the statutory instrument on minimum wages.
3. Increases in energy costs caused by an increase in prices and tariffs.
4. The depreciation of the Zambian Kwacha, which has led to unrealised exchange differences being reported.

In addition to the above, there has been an increase in costs caused by inflation.

As such, the cost to income ratio has increased to 26 per cent.

In line with increased turnover and improved gross margins, and taking into account negative operating factors as highlighted above, the Group profit for the year, excluding the ZRA provision, has increased by 41 per cent. (ZMK) and 31 per cent. (USD) from ZMK44.5 billion (USD9.4 million) to ZMK62.6 billion (USD12.3 million), leading to net income margins increasing from 4.5 per cent. in FY 2011 to 4.8 per cent. in FY 2012.

The Group incurred a taxation charge of ZMK2.9 billion (USD0.6 million) [2011: ZMK1.5 billion (USD0.3 million). The tax charge comprises corporation and income tax payable in respect of the Group's profitable operating entities after taking into account tax losses and tax incentives.

Exchange losses for the year were ZMK19 billion (USD4 million) (mostly unrealised) as a result of the weakening Zambian Kwacha.

EBITDA, excluding the ZRA provision, has increased by 56 per cent. from ZMK88 billion (USD18.6 million) to ZMK138 billion (USD27 million). The Group's working capital has decreased significantly during the year due to the build-up of stock to satisfy the increased crushing capacity of Zamanita, an increase in commodity prices and an increase in other stock items, along with an increase in the size of our farming operations during the year through the 10,600 Ha of farm land acquired in FY 2011.

Capital expenditure during the year amounted to ZMK132 billion (USD26 million) [2011: ZMK88.7 billion (USD18.7 million) excl. acquisition of Mpongwe farm assets and ZMK323.5 billion (USD68 million) incl. acquisition of Mpongwe farms assets] which was expended on various projects as highlighted in the CEO's report. The main areas of expenditure were as follows:

a. Expansion of processing facilities at Master Pork at a cost of ZMK17.5 billion (USD3.4 million).
b. Continued expansion of crushing capacity at Zamanita at a cost of ZMK41 billion (USD8 million).
c. Expansion of processing capacity at the dairy plant at a cost of ZMK8 billion (USD1.6 million).
d. Expansion of broiler and layer operations at a cost of ZMK0.5 billion (USD0.1 million).
e. Continued investment into the palm project at a cost of ZMK13 billion (USD2.6 million).
f. Expansion of the retail footprint across Zambia at a cost of ZMK5 billion (USD1 million).
g. Expansion and replacement of the trucking infrastructure at a cost of ZMK7 billion (USD1.4 million).

This is expected to increase the Group's market share in the various segments in future years thereby leading to higher profits and cash generation. With respect to debt capital, during the year Zambeef drew on a number of debt facilities as detailed below:

1. ZMK46.5 billion from Zanaco Bank which was used to fund the repayment of the Commercial Paper subscribed for in FY2011 and fund the dairy processing expansion.
2. Continued drawdown of the term funding for Zamanita Limited (total facility limit of USD8 million) used for the expansion of the oil seed crushing capacity.
3. USD30 million from the International Finance Corporation ("IFC") to finance capital expansion.
4. ZMK13.5 million in hire purchase from Freddy Hirsch to finance the capital expansion at Master Pork.

Zambeef increased its structured working capital funding with Standard Chartered Bank Zambia PLC to assist in growing and storage of cereal commodities.

As explained in the Chairman's statement, major areas of capex investment over the next 18 months will be to increase production and efficiency levels in the dairy, milk processing plant, stock feed division and roll-out of new retail/wholesale outlets as well as refurbishing existing retail outlets.

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Group	**2012 ZMK'Ms**	2012 ZMK'Ms	**2012 ZMK'Ms**	**2012 USD'000s**	2012 USD'000s	**2012 USD'000s**	2011 ZMK'Ms	2011 USD'000s
	Pre-tax liab	Tax liab	**Total**	**Pre-tax liab**	Tax liab	**Total**		
Revenue	**1,296,339**	-	**1,296,339**	**255,059**	-	**255,059**	983,138	206,802
Net gain arising from price changes in fair value of biological assets	**9,873**	-	**9,873**	**1,936**	-	**1,936**	17,057	3,587
Cost of sales	**(826,434)**	(33,962)	**(860,396)**	**(162,597)**	(6,682)	**(169,279)**	(665,248)	(139,934)
Gross profit	**479,778**	(33,962)	**445,816**	**94,398**	(6,682)	**87,716**	334,947	70,455
Administrative expenses	**(372,879)**	(15,188)	**(388,067)**	**(73,366)**	(2,988)	**(76,354)**	(265,857)	(55,922)
Other income	**3,506**	-	**3,506**	**690**	-	**690**	1,147	241
Operating profit	**110,405**	(49,150)	**61,255**	**21,722**	(9,670)	**12,052**	70,237	14,774
Exchange losses on translating foreign currency transactions and balances	**(18,887)**	-	**(18,887)**	**(3,717)**	-	**(3,717)**	(1,562)	(328)
Finance costs	**(26,810)**	-	**(26,810)**	**(5,275)**	-	**(5,275)**	(18,319)	(3,854)
Profit before taxation	**64,708**	(49,150)	**15,558**	**12,730**	(9,670)	**3,060**	50,356	10,592
Taxation (charge)/credit	**(2,129)**	-	**(2,129)**	**(419)**	-	**(419)**	(5,816)	(1,223)
Group profit for the year	**62,579**	(49,150)	**13,429**	**12,311**	(9,670)	**2,641**	44,540	9,369
Group profit attributable to:								
Equity holders of the parent	**63,733**	(49,150)	**14,583**	**12,538**	(9,670)	**2,868**	44,436	9,347
Non-controlling interest	**(1,154)**	-	**(1,154)**	**(227)**	-	**(227)**	104	22
	62,579	(49,150)	**13,429**	**12,311**	(9,670)	**2,641**	44,540	9,369
Other comprehensive income:								
Exchange losses on translating presentational currency	**(696)**	-	**(696)**	**(9,265)**	-	**(9,265)**	(390)	(275)
Total comprehensive income for the year	**61,883**	(49,150)	**12,733**	**3,046**	(9,670)	**(6,624)**	44,150	9,094
Total comprehensive income for the year attributable to:								
Equity holders of the parent	**63,143**	(49,150)	**13,993**	**3,298**	(9,670)	**(6,372)**	44,089	9,082
Non-controlling interest	**(1,260)**	-	**(1,260)**	**(252)**	-	**(252)**	61	12

	61,883	(49,150)	**12,733**	**3,046**	(9,670)	**(6,624)**	44,150	9,094
	Kwacha	Kwacha	**Kwacha**	**Cents**	Cents	**Cents**	Kwacha	Cents
Earnings per share								
Basic and diluted earnings per share	**257.01**	(198.20)	**58.81**	**5.06**	(3.90)	**1.16**	242.60	5.10

Consolidated Statement of Financial Position – 30 September 2012

ASSETS	**2012 ZMK'Ms**	**2012 USD'000s**	2011 ZMK'Ms	2011 USD'000s
Non-current assets				
Goodwill	15,699	3,078	15,699	3,270
Property, plant and equipment	862,015	169,023	756,013	157,503
Plantation development expenditure	36,459	7,149	43,126	8,985
Biological assets	6,528	1,280	2,573	536
Deferred tax asset	4,960	972	291	61
	925,661	**181,502**	**817,702**	**170,355**
Current assets				
Biological assets	119,584	23,448	116,760	24,325
Inventories	505,256	99,070	167,522	34,900
Trade and other receivables	63,432	12,438	72,746	15,155
Amounts due from related companies	2,337	458	2,091	436
Income tax recoverable	220	43	246	51
	690,829	135,457	359,365	74,867
Total assets	**1,616,490**	**316,959**	**1,177,067**	**245,222**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	248	61	248	61
Share premium	506,277	123,283	506,277	123,283
Reserves	246,316	24,272	237,629	31,688
	752,841	147,616	744,154	155,032
Non-controlling interest	(821)	(161)	439	91
	752,020	**147,455**	**744,593**	**155,123**
Non-current liabilities				
Interest bearing liabilities	342,120	67,082	172,627	35,964
Obligations under finance leases	17,025	3,338	7,316	1,524

Deferred liability	7,737	1,518	5,107	1,064
Deferred tax liability	7,347	1,440	3,444	718
	374,229	**73,378**	**188,494**	**39,270**
Current liabilities				
Interest bearing liabilities	190,118	37,278	51,402	10,709
Obligations under finance leases	6,839	1,341	3,369	702
Trade and other payables	192,190	37,685	116,117	24,191
Amounts due to related companies	409	80	331	69
Taxation payable	2,133	418	962	200
Dividends payable	-	-	18	4
Cash and cash equivalents	98,552	19,324	71,781	14,954
	490,241	**96,126**	**243,980**	**50,829**
Total equity and liabilities	**1,616,490**	**316,959**	**1,177,067**	**245,222**

Consolidated Statement of Movements in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2012

(i) In Zambian Kwacha	Issued share capital ZMK'Ms	Share premium ZMK'Ms	Foreign exchange reserve ZMK'Ms	Revaluation reserve ZMK'Ms	Retained earnings ZMK'Ms	Total attributable to owners of the parent ZMK'Ms	Non-controlling interest ZMK'Ms	Total equity ZMK'Ms
At 1 October 2010	**159**	**259,967**	**(915)**	**67,310**	**129,526**	**456,047**	**378**	**456,425**
Issue of shares	89	262,519	–	–	–	262,608	–	262,608
Cost of issue of shares written off	–	(16,209)	–	–	–	(16,209)	–	(16,209)
Dividends paid	–	–	–	–	(2,381)	(2,381)	–	(2,381)
Transactions with owners	**89**	**246,310**	**–**	**–**	**(2,381)**	**244,018**	**–**	**244,018**
Profit for the year	–	–	–	–	44,436	44,436	104	44,540
Transfer of surplus depreciation	–	–	–	(2,542)	2,542	–	–	–
Other comprehensive income:								
Exchange losses on translating presentational currency	–	–	(347)	–	–	(347)	(43)	(390)
Total comprehensive income	**–**	**–**	**(347)**	**(2,542)**	**46,978**	**44,089**	**61**	**44,150**
At 30 September 2011	**248**	**506,277**	**(1,262)**	**64,768**	**174,123**	**744,154**	**439**	**744,593**
Dividends paid	-	-	-	-	(5,306)	(5,306)	-	(5,306)
Transactions with owners	**-**	**-**	**-**	**-**	**(5,306)**	**(5,306)**	**-**	**(5,306)**
Profit for the year	-	-	-	-	14,583	14,583	(1,154)	13,429
Transfer of surplus depreciation	-	-	-	(2,542)	2,542	-	-	-
Other comprehensive income:								
Exchange losses on translating presentational currency	-	-	(590)	-	-	(590)	(106)	(696)
Total comprehensive income	**-**	**-**	**(590)**	**(2,542)**	**17,125**	**13,993**	**(1,260)**	**12,733**
At 30 September 2012	**248**	**506,277**	**(1,852)**	**62,226**	**185,942**	**752,841**	**(821)**	**752,020**

Consolidated Statement of Movements in Equity
FOR THE YEAR ENDED 30 SEPTEMBER 2012

(ii) In US Dollar	Issued share capital USD’000s	Share premium USD’000s	Foreign exchange reserve USD’000	Revaluation reserve USD’000s	Retained earnings USD’000s	Total attributable to owners of the parent USD’000s	Non controlling interest USD’000s	Total equity USD’000s
At 1 October 2010	**42**	**71,861**	**(27,250)**	**17,685**	**32,672**	**95,010**	**79**	**95,089**
Issue of shares	19	54,806	–	–	–	54,825	–	54,825
Cost of issue of shares written off	–	(3,384)	–	–	–	(3,384)	–	(3,384)
Dividends paid	–	–	–	–	(501)	(501)	–	(501)
Transactions with owners	**19**	**51,422**	**–**	**–**	**(501)**	**50,940**	**–**	**50,940**
Profit for the year	–	–	–	–	9,347	9,347	22	9,369
Transfer of surplus depreciation	–	–	–	(530)	530	–	–	–
Other comprehensive income:								
Exchange losses on translating presentational currency	–	–	(265)	–	–	(265)	(10)	(275)
Total comprehensive income	**–**	**–**	**(265)**	**(530)**	**9,877**	**9,082**	**12**	**9,094**
At 30 September 2011	**61**	**123,283**	**(27,515)**	**17,155**	**42,048**	**155,032**	**91**	**155,123**
Dividends paid	-	-	-	-	(1,044)	(1,044)	-	(1,044)
Transactions with owners	**-**	**-**	**-**	**-**	**(1,044)**	**(1,044)**	**-**	**(1,044)**
Profit for the year	-	-	-	-	2,868	2,868	(227)	2,641
Transfer of surplus depreciation	-	-		(498)	498	-	-	-
Other comprehensive income:								
Exchange losses on translating presentational currency	-	-	(9,240)	-	-	(9,240)	(25)	(9,265)
Total comprehensive income	**-**	**-**	**(9,240)**	**(498)**	**3,366**	**(6,372)**	**(252)**	**(6,624)**
At 30 September 2012	**61**	**123,283**	**(36,755)**	**16,657**	**44,370**	**147,616**	**(161)**	**147,455**

Consolidated Cash Flow Statement
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	2012 ZMK'Ms	**2012 USD'000s**	**2011 ZMK'Ms**	**2011 USD'000s**
Cash (outflow)/ inflow from operating activities				
Profit before taxation	15,558	3,060	50,356	10,592
Finance costs	26,810	5,275	18,319	3,854
Depreciation	42,125	8,288	31,296	6,583
Impairment of biological assets	-	-	1,452	302
Fair value price adjustment	(9,873)	(1,936)	(17,057)	(3,587)
Net unrealised foreign exchange losses	13,934	2,742	4,054	887
Earnings before interest, tax, depreciation and amortisation, fair value adjustments and net unrealised foreign exchange losses	**88,554**	**17,429**	**88,420**	**18,631**
Decrease/(increase) in biological assets	3,094	2,069	(40,265)	(8,389)
Increase in inventory	(337,734)	(64,170)	(34,832)	(7,256)
Decrease/(increase) in trade and other receivables	9,312	2,717	(17,551)	(3,656)
Increase in amounts due from related companies	(246)	(22)	(1,107)	(231)
Increase in trade and other payables	76,073	13,494	29,568	6,161
Increase/(decrease) in amounts due to related companies	78	11	(432)	(90)
Increase/(decrease) in deferred liability	2,630	454	(61)	(13)
Income tax paid	(1,700)	(334)	(1,160)	(244)
Net cash (outflow)/inflow from operating activities	**(159,939)**	**(28,352)**	**22,580**	**4,913**
Investing activities				
Purchase of property, plant and equipment	(119,556)	(23,523)	(76,370)	(16,064)
Purchase of Mpongwe Farm assets	-	-	(234,774)	(49,384)
Expenditure on plantation development	(12,997)	(2,557)	(12,318)	(2,591)
Proceeds from sale of assets	1,188	233	1,559	328
Net cash outflow on investing activities	**(131,365)**	**(25,847)**	**(321,903)**	**(67,711)**

Net cash outflow before financing activities	**(291,304)**	**(54,199)**	**(299,323)**	**(62,798)**
Financing activities				
Proceeds from issue of shares	-	-	246,399	51,441
Long term loans repaid	(47,892)	(11,823)	(49,290)	(10,269)
Receipt from long term loans	225,131	44,143	81,672	17,015
Receipt of short term funding	130,970	25,368	4,230	882
Lease finance	13,179	2,453	8,308	1,731
Finance costs	(26,810)	(5,275)	(18,319)	(3,854)
Dividends paid	(5,306)	(1,044)	(9,965)	(2,096)
Net cash inflow from financing activities	**289,272**	**53,822**	**263,035**	**54,850**
Decrease in cash and cash equivalents	(2,032)	(377)	(36,288)	(7,948)
Cash and cash equivalents at beginning of year	**(71,781)**	**(14,954)**	**(30,627)**	**(6,381)**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(24,739)	(3,993)	(4,866)	(625)
Cash and cash equivalents at end of year	**(98,552)**	**(19,324)**	**(71,781)**	**(14,954)**
Represented by:				
Cash in hand and at bank	79,731	15,633	30,844	6,426
Bank overdrafts	(178,283)	(34,957)	(102,625)	(21,380)
	(98,552)	**(19,324)**	**(71,781)**	**(14,954)**

The notes can be read via the following link to the full annual report.

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