Zambeef Products PLC

Annual Report
2017

Feeding the Nation
ZAMBEEF
Products PLC

Achieving Market Leadership

Contents

Our profile

The Zambeef Group is one of the largest integrated agri-businesses in Zambia, involved in the primary production, processing, distribution and retailing of beef, chicken, pork, milk, eggs, dairy products, fish, flour 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 7,787 hectares of row crops under irrigation which are planted twice a year, and a further 8,694 hectares of rainfed/dry-land crops available for planting each year.

Our vision and strategy

Our vision is to be one of the most accessible and affordable quality protein providers in the Southern Africa region, delivered through the Group's extensive retail and distribution network.

Our business model

Our vertically integrated business model provides for strong foundations for growth and:

- Underpins margin capture and value add;
- Secures supply chain;
- Reduces risk and earnings volatility.

Highlights

Solid performance from the Stock Feed division which was the top performing division within the Group

Robust Cost Control

Agreement to sell 90% stake in Zampalm to the Industrial Development Corporation of Zambia for USD16m

Good operational performance of the traditional core Cold Chain Food Products division

Zambia Retailing Turnover

↑ 44.9% (USD)

↑ 27.3% (ZMW)

2017: ZMW1,441m (USD151m)
2016: ZMW1,132m (USD104m)

Retailing and CCFP EBITDA

↑ 77.1% (USD)

↑ 55.7% (ZMW)

2017: ZMW133m (USD13.9m)
2016: ZMW85m (USD7.9m)

Stock Feed EBITDA

↑ 37% (USD)

↑ 20% (ZMW)

2017: ZMW117m (USD9m)
2016: ZMW97m (USD12.2m)

Successful completion of capacity expansion and efficiency improvement capex projects, including:

- 10 Macro stores opened
- Commissioning of USD30m hatchery and stock feed mill at Mpongwe Farm
- Commissioning of USD1.2m rotary milking parlour at Kalundu Dairy Farm

Challenges

Cropping EBITDA

↓ 86.6% (USD)

↓ 88.3% (ZMW)

2017: ZMW16m (USD1.7m)
2016: ZMW140m (USD12.9m)

Material drop in soft commodity prices with soya prices dropping around 34% and maize prices dropping around 44%

Tight monetary policies and increase in fuel and electricty costs impacted consumer spending and put margins under pressure

Wheat yields adversely impacted by the outbreak of a fungal disease, Septoria, which reduced wheat yields by 10.2%

Zambeef at a glance

Robust business model of vertical integration

Retail and distribution

- Currently 160 retail outlets in Zambia: 78 retail outlets, 19 macro stores, three fast food outlets, 17 Novatek outlets, 12 Zamshu outlets and 31 Shoprite butcheries.
- Currently 35 retail outlets in West Africa: six retail outlets, 22 Shoprite butcheries and one U Save outlet in Nigeria; and six Shoprite butcheries in Ghana.
- Shoprite butcheries throughout Zambia, Nigeria and Ghana provide an exciting opportunity for the Zambeef Group, in partnership with Shoprite.
- Total Shoprite butcheries of 59: Zambia (31); Nigeria (22) and Ghana (6).
- Vast majority of Zambeef products retailed directly to end consumer, in a value added form, through the Group's extensive retail and distribution network.
- Zambeef also operates one of the largest transport and trucking fleets in Zambia and has its own workshop to service and maintain its vehicle fleet, giving the Group control over logistics and distribution.

Cold Chain Food Products

- One of the largest suppliers of beef in Zambia. Five beef abattoirs and three feedlots located throughout Zambia, with a capacity to slaughter 100,000 cattle p.a. and a capacity to feedlot 24,000 grain fed cattle p.a. In 2017, Zambeef slaughtered 78,223 cattle (2016: 69,848).
- One of the largest chicken and egg producers in Zambia, currently producing 12.6 million day-old chicks p.a.; processing 7.3 million chickens p.a. (2016: 6.75 million); and producing over 69 million eggs p.a. (2016: 40.2 million).
- One of the largest piggeries, pig abattoirs and pork processing plants in Zambia, with a capacity to slaughter 100,000 pigs p.a. In 2017, Masterpork slaughtered 61,152 pigs (2016: 69,644).
- Rotary milking parlour commissioned at Kalundu Dairy in December 2016, enabling the milking of 70 cows at a time, thus increasing efficiency.
- Dairy farm with approximately 2,456 dairy cattle, with 1,039 currently lactating and currently producing/processing around 19.3 million litres of milk p.a. (2016: 14.8 million).
- Meat and dairy processing plants add value in producing yoghurt, drinking yoghurt, cheese, butter, milk-based juices and processed meat products.

Stock Feed

- One of the leading animal feed suppliers in Zambia and the surrounding region, with a capacity of 25,000 M.T. per month (14,000 M.T. Lusaka plant, 11,000 M.T. Mpongwe plant). In 2017, Novatek produced 154,000 tons of stock feed (2016: 150,000 tons).
- Second stock feed plant 11,000 M.T. p. m. capacity was commissioned at Mpongwe Farm in August 2017, nearly doubling capacity. This plant is ideally placed to service Zambia's Copperbelt and North Western provinces, as well as the Democratic Republic of Congo market, while simultaneously reducing distribution costs.
- Over 70 per cent. of Novatek's stock feed production is for the large and growing poultry sector.
- Approximately 30 per cent. of Novatek's production is for internal consumption within the Zambeef Group; the balance of 70 per cent. is sold in the external market, both within Zambia and in the surrounding region.
- Novatek stock feed marketing and distribution aided by over 90 branded Novatek agency distribution points and 17 Novatek outlets in Zambia; and 18 agency distribution points in Zimbabwe.
- Novatek products have been certified by the Zambia Bureau of Standards (ZS 017, ZS 018 and ZS 019) and Novatek is also ISO 9001 (Quality Management) and ISO 22,000 (Food Safety Management) certified.

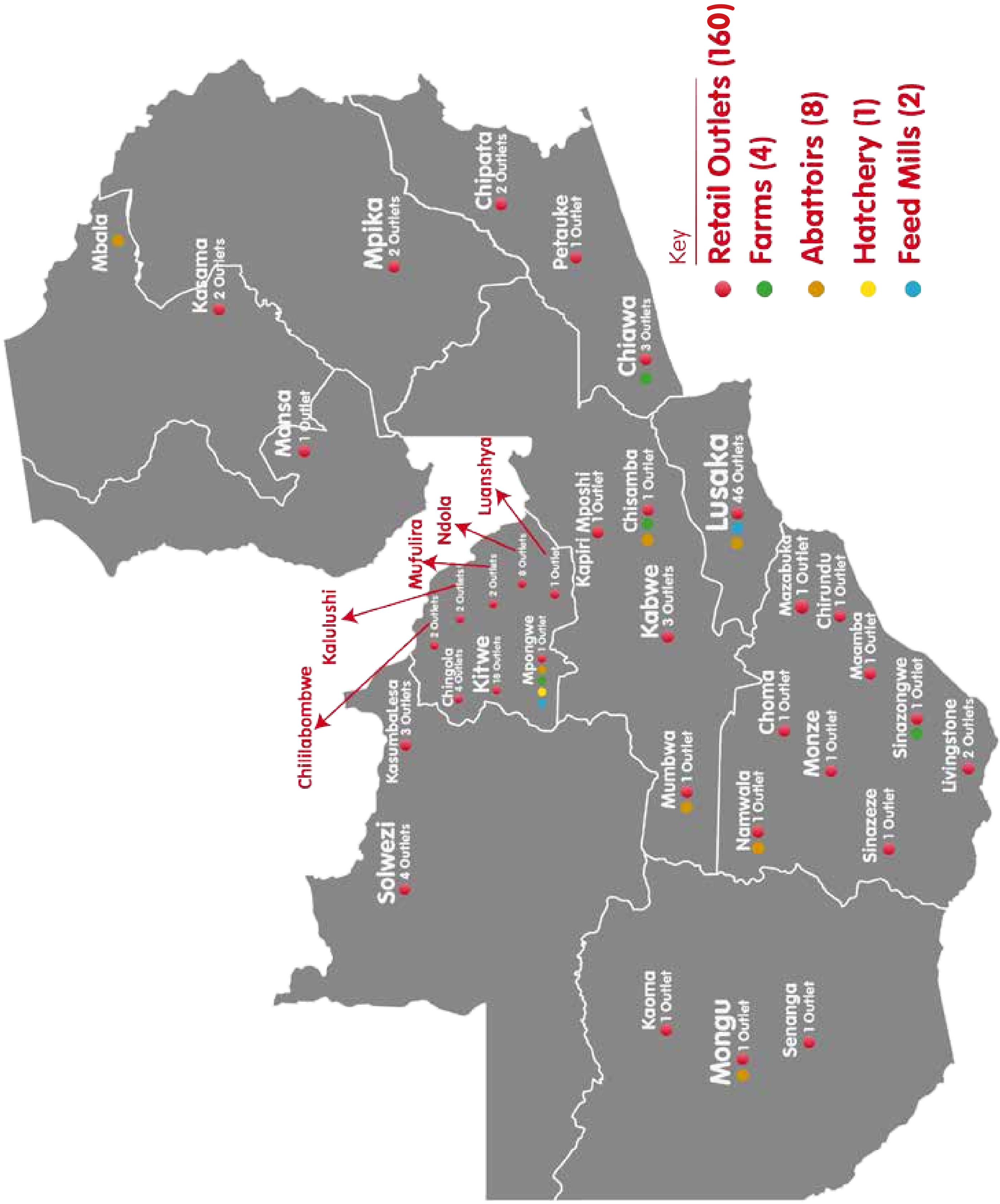
Cropping

- One of the largest irrigated row cropping operations in Zambia.
- Approximately 7,787 Ha irrigated and 8,694 Ha rainfed, arable, developed land available for planting each year. 2017: 16,465 Ha planted in the summer and 7,787 Ha planted in the winter (24,252 Ha in total).
- Crop production focused on soya beans during summer and wheat during winter.
- In 2017, Zambeef Cropping division produced 42,832 tons soya (2016: 39,942 tons); 42,500 tons wheat (2016: 40,643 tons); 30,040 tons maize (2016: 33,032 tons); and 24,073 tons maize silage (2016: 27,334 tons).
- 125,000 M.T. storage capacity (68,000 M.T. silo storage capacity).
- Cropping division provides raw materials input (wheat, soya, and maize) for further value add processing within the Group.

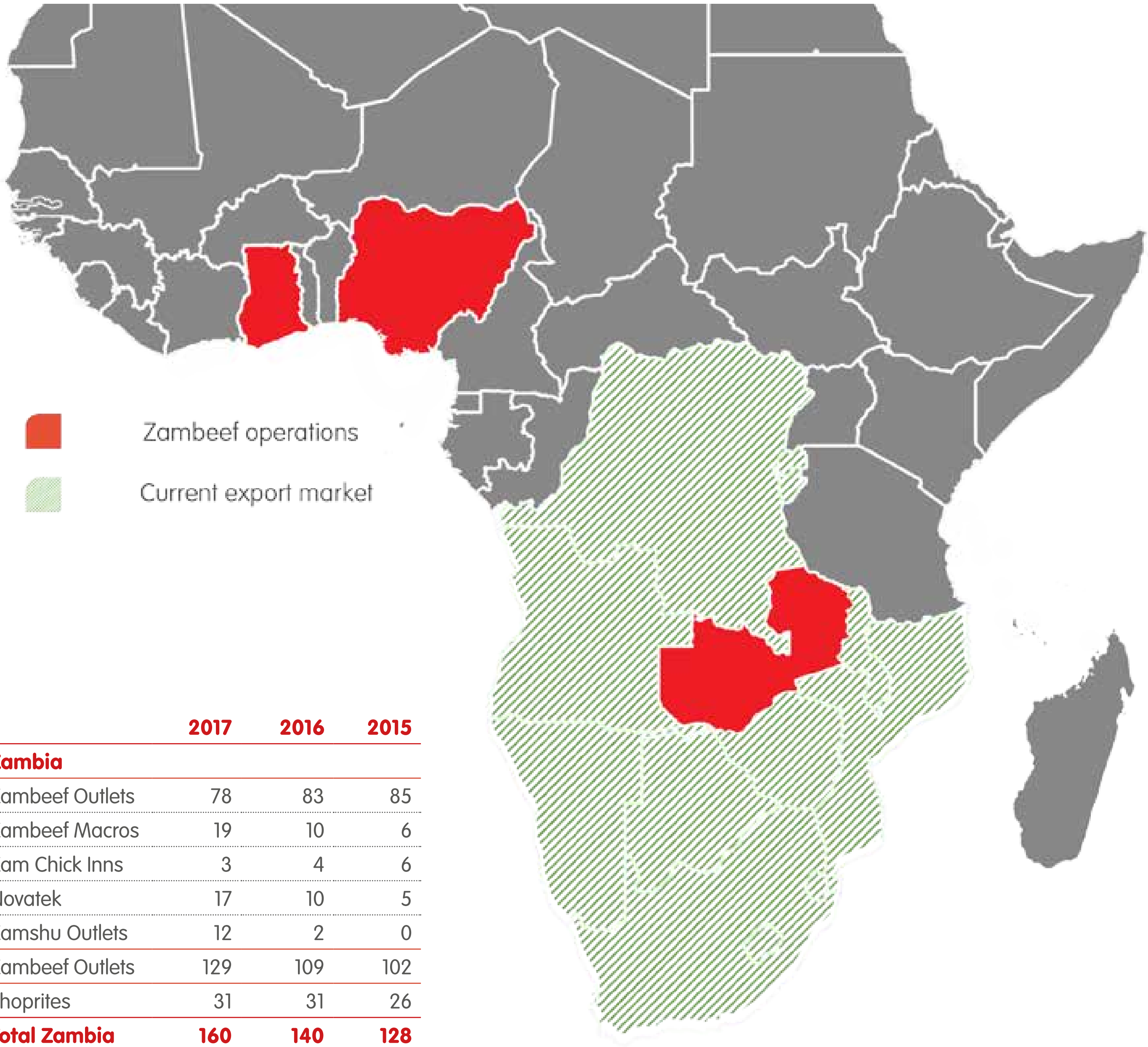
Other

- Wheat mill with a capacity to mill 30,000 M.T. of wheat p.a. In 2017, the wheat mill produced 10,377 tons of flour (2016: 9,820 tons).
- Wheat mill adds value to the wheat from the Zambeef farms, producing flour.
- One of the largest tanneries in Zambia, with a processing capacity of 130,000 hides p.a. In 2017, the tannery processed 100,000 hides (2016: 97,533 hides).
- One of the largest shoe plants in Zambia with a processing capacity of 150,000 pairs p.a. In 2017, the shoe plant produced 68,500 pairs of shoes (2016: 67,746 pairs).
- Tannery and shoe plant add value to the by-product of the beef division (cattle hides); producing leather, industrial footwear and protective leather clothing.

Our Zambia operations



Feeding a growing region



	2017	2016	2015
Zambia			
Zambeef Outlets	78	83	85
Zambeef Macros	19	10	6
Zam Chick Inns	3	4	6
Novatek	17	10	5
Zamshu Outlets	12	2	0
Zambeef Outlets	129	109	102
Shoprites	31	31	26
Total Zambia	**160**	**140**	**128**
Nigeria			
Shoprites	23	20	14
Master Meats Outlets	6	6	6
Total Nigeria	**29**	**26**	**20**
Ghana			
Shoprites	6	5	4
Total Ghana	**6**	**5**	**4**

	2017	2016	2015
Total Zambeef	**135**	**115**	**108**
Total Shoprites	**60**	**56**	**44**
Total Retail Network	**195**	**171**	**152**

Strategic report

Chairman's report

Despite record profits in the Retailing and Cold Chain Food Products division, the material drop in commodity prices have significantly impacted our Cropping division and thereby impacted the results for the year

Operating environment

The financial year ended 30 September 2017 has been particularly challenging for Zambeef Products PLC. Despite a record contribution from our Stock Feed division and strong growth in our Retail and Cold Chain Food Products ("CCFP") divisions, our results have been impacted by external factors largely outside of Management's control. Global and local commodity prices for soya and maize fell sharply to seven year lows, and lower than expected wheat yields due to the fungal disease Septoria have adversely impacted gross profits in our Cropping division by USD9.1 million. The Cropping division has historically generated circa 29 per cent. of the Group's overall gross profit (five year average fiscal years 2012-2016) and this will be the first year in which this division will have reported an operating loss. Many farming businesses and small-scale growers in Zambia are also suffering from the fall in soya and maize prices, which for many are now below the cost of production. It is pleasing to see the recent initiative by Zambia Agricultural Commodities Exchange (ZAMACE) and the Johannesburg Stock Exchange to launch future contracts for Zambian maize, soya and wheat, which will give the Group and other Zambian growers the opportunity to more easily manage commodity price risk.

Following the Zambian General Election in October 2016, the Bank of Zambia put in strict measures to stabilise the currency and reduce inflation. These measures, which included high interest rates and tight control of the money supply, impacted consumer spending in the first half of the year. Consequently, gross margins in our Retail and CCFP divisions declined by 6.1 per cent. in the first half, to 23.3 per cent. (H12016: 29.4 per cent.). It is pleasing to see that these tough short-term measures have achieved their goals, with Zambia now back to single digit inflation, a relatively stable currency and reduced interest rates. This has resulted in margins starting to normalise and increasing to 26.8 per cent. for H2.

Overview of financial performance

The Group has achieved an Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses, and losses arising from price adjustments in fair value of biological assets) of ZMW4.5 million (USD0.5 million) compared with an Adjusted Profit Before Tax of ZMW92.7 million (USD8.6 million) in the previous year.

The Group's Profit After Tax for the year from continuing operations was ZMW4.4 million (USD0.5 million) versus a Profit After Tax from continuing operations of ZMW123.8 million (USD11.4 million) in the prior year.

Group EBITDA after adjusting for fair value adjustments and unrealised exchange gains has decreased to ZMW173.6 million (USD18.2 million) versus a prior year comparative of ZMW316.6 million (USD29.2 million).

While the financial results for the year are disappointing, it is pleasing to report strong growth in our Zambian Retail sales revenue which has increased by 27.3 per cent. in ZMW from ZMW1,132 million to ZMW1,441 million (44.9 per cent. increase in USD from USD104.5 million to USD151.3 million). Our CCFP division has also performed well with volumes handled up 15.8 per cent., although operational difficulties experienced in our dairy unit in the first half of the year (now resolved) and higher diesel

and electricity costs adversely impacted cost of sales. In the second half, the Retail and CCFP gross margins started to recover. Notwithstanding these challenges, EBITDA in this division significantly increased in ZMW by 55.7 per cent. from ZMW82 million to ZMW133 million (in USD by 77.1 per cent. from USD7.9 million to USD13.9 million) .
Our Stock Feed division had a record year with falling raw material prices contributing to a 20 per cent. increase in EBITDA in ZMW, from ZMW97 million to ZMW116 million (36.5 per cent. in USD, from USD9.0 million to USD12.2 million).

Strategic progress

As we set out in the 2016 Annual Report, Zambeef's vision is to become a leading provider of Cold Chain Food Products in Zambia, the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) regions, where there is a growing and rapidly urbanising population of circa 450 million people. In pursuit of this vision, the Group committed to a number of strategic priorities and objectives. These included:

1. Expansion of our retail network and footprint across Zambia;
2. Expansion of production capacity across our Cold Chain Food Production facilities;
3. The construction of a second stock feed plant;
4. The disposal of non-core businesses.

It is pleasing to be able to report significant progress during the year in achieving these objectives.

Retail

- A 28 per cent. increase in Zambeef's retail footprint with the successful opening of 10 new Macro stores in Zambia (of which seven opened in the second half), adding circa 4,950 sq. m of retail space to bring Zambeef's own retail footprint at the year-end to circa 22,740 sq. m from 130 outlets across Zambia.
- The opening in partnership with Shoprite of eight new Zambeef butchery counter concessions. Four new stores in Zambia (bringing the total to 31, with two stores closed and one store closed temporarily following a fire), three in Nigeria (bringing the total to 23) and one in Ghana (bringing the total to six).

Cold Chain Food Products

- Day-old chick production capacity increased from 210,000 per week to 340,000 per week during the second half of the year.
- Broiler slaughter and processing capacity increased by 30,000 birds per week, to a total of 160,000 per week from June 2017.
- Installation of a 70 unit (365 cows/hour capacity) rotary milking parlour at the Kalundu Dairy Farm in December 2016.

Stock Feed

- The opening in August 2017 of a new 120,000 M.T. annual capacity Stock Feed Mill at Mpongwe which will service the Copperbelt and DRC markets.

The full economic benefits of these capacity improvements are expected to flow through to the underlying business divisions in FY2018.

Disposal of non-core assets

The Group entered into an agreement on 6 September 2017 to sell 90 per cent. of the Group's equity in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018 for a cash consideration of USD16 million, with a further performance amount of up to USD2 million being payable by IDC, dependent on the achievement of certain performance milestones over the three years 2018 to

Chairman's report continued

2020. Following the Group's disposal of its oilseed crushing business Zamanita in 2016, the Board concluded that given the long timescales required to create value from the Zampalm plantation project, with only 2,911 Ha of the 20,238 Ha concession planted out to date, it was in the best interests of Zampalm stakeholders to seek a new majority shareholder. IDC represents the ideal partner given its mandate of working with the private sector to deliver long-term economic transformation. We are pleased that Zambeef has been appointed by IDC to manage the Zampalm plantation on its behalf for an initial term of three years, during which time we will be assisting IDC with the launch of a smallholder out-grower scheme.

Dividend policy

In view of the financial performance of the Group during the year to 30 September 2017, no dividend will be payable in respect of this financial year. However, it remains the Board's intention to keep its dividend policy under review with a view to adopting a policy of regular progressive dividend payments to shareholders once operating cash flow permits.

Leadership succession

During the last nine months a special committee of the Board, including the founders and Joint Chief Executive Officers, Dr. Carl Irwin and Francis Grogan, has undertaken a leadership succession planning process with the assistance of an executive recruitment consultant ahead of the planned retirement on 31 March 2018 of Dr. Carl Irwin. I am pleased to announce that Tim Pollock, Investment Director for Food & Agriculture for CDC Group Plc, has tendered his resignation from CDC and will join Zambeef on 1 January 2018 initially as Group Managing Director and subsequently as Joint Chief Executive Officer effective from 31st March 2018, subject to usual regulatory requirements. Mr. Pollock, who has been a Non-Executive Director of Zambeef since September 2016, has over 35 years of experience across the food and agribusiness sectors in operational, leadership and strategic roles in businesses operating in both developed and frontier markets. We look forward to his and Francis Grogan's ongoing contribution to the Group over the coming years. In light of Mr. Pollock's candidature, CDC Group recused its nominee directors from the special committee and from any involvement in subsequent Board discussions regarding the leadership succession.

I would like to take this opportunity to thank on behalf of shareholders, employees and the Board, Carl Irwin for his outstanding contribution to Zambeef over the past 23 years. He, along with Francis Grogan, co-founded the business and it has been through their vision, entrepreneurial drive and leadership that Zambeef has grown to become a market-leading and respected Zambian and Southern African business.

I am also pleased to announce that Mike Lovett, General Manager of the Cropping Division, has been appointed Chief Operating Officer and Director of Agriculture, and Walter Roodt, General Manager of our Stock Feed Division, has been appointed Deputy Managing Director with the additional responsibility for leading the implementation across the Cold Chain Food Products Division of a food safety management system and certification to ISO standards.

Board

During the year there have been a number of changes to the composition of the Zambeef Board. Graham Clark stepped down in April 2017 as non-executive Director, in order to take up the full-time role of CEO of Fiji Sugar Corporation Ltd. His extensive business experience has been greatly appreciated, and I would like to thank him for his contribution.

Three new non-executive Directors were appointed in April 2017, to broaden the depth of experience and diversity on the Board. Yollard Kachinda, a Zambian national who is currently Director General of the National Pension Scheme Authority (NAPSA) which holds 8.3 per cent. of the Company's equity; Margaret Kunda Chalwe-Mudenda, a Zambian lawyer and former Director General of the Zambia Information and Communications Authority; and Professor Enala Lyson Tembo-Mwase, a prominent Zambian academic who holds a Doctorate in Entomology from the University of London, and is currently Deputy Vice Chancellor of the University of Zambia.

In August 2017, Jonathan Kirby joined the Board as a non-executive Director. Mr. Kirby is a qualified Chartered Accountant with over 25 years' experience with SABMiller, predominantly as Finance Director of SABMiller's African portfolio, comprising of operations in 18 countries, until his retirement earlier this year.

CDC Group has advised Zambeef that it will in due course nominate a non-executive Director to replace Tim Pollock as one of its two representatives on the Board.

I believe that our new non-executive Directors all bring relevant experience and skills to the Board which will help support Management in building the business in the future, and I welcome their appointments.

Outlook for 2018

The Board is conscious of the significant level of investment that has been made in the Zambeef business over the past two years, and of the need to improve shareholder returns. Whilst the financial performance in FY2017 has been disappointing for reasons largely outside of Management's direct control, the strength of Zambeef's balance sheet provides a solid platform from which to continue to deliver sustainable long-term growth and added shareholder value.

Management's focus in FY2018 will be largely upon improving the financial performance, optimising the price volume and product line mix to improve operating margins and the return on capital employed from our existing assets. Capital expenditure in FY2018 is expected to moderate to USD14.5 million (FY2017: USD21.5 million).

We do not expect a significant improvement in global soya or maize prices in the next fiscal year, given what in historical terms are relatively high global stocks-to-use ratios, unless there is a significant weather event regionally or in one of the major producing countries, and therefore Management's focus is on ensuring we continue to be a globally competitive low cost producer. During the year the Directors of Zambeef took the decision to explore strategic options for our southern Chiawa and Sinazongwe farms, both of which have amenity value and climates which could permit alternative crops to be produced. Chiawa also has a valuable 2,737 Ha game conservation area and corridor. Options being considered include sale and leaseback, joint venture share farming and disposal, all with a view to reducing the overall level of long-term capital employed within our Cropping division.

It has been encouraging to see the recent strengthening of the Zambian economy, which translated into improved consumer spending across our retail network in Q4 FY2017, which if maintained, bodes well for our FY2018 Retail and CCFP sales. However, over the past year there has been a significant expansion in the number of new FMCG retail outlets and malls servicing the Lusaka premium consumer market and competing with the Shoprite chain, so margins and volumes in our concessions within Shoprite, which account for circa 17 per cent. (2016: 22 per cent.) of our retail sales, are expected to remain competitive.

The fall in soya and maize raw material prices in FY2017 should benefit the Group's in-house livestock production operations, with feed prices now some 20 per cent. lower than a year ago. Consequently, we expect continued improved operating margins from these businesses in FY2018.

We have an experienced and capable Management team and loyal, committed and motivated staff, whose efforts have been fundamental in delivering our growth over recent years. I thank them all for their valued contribution over the past year. Finally, I would like to thank our shareholders and all my Board colleagues for their support and commitment during the past year.

Dr. Jacob Mwanza
Chairman
14 November 2017

Joint Chief Executive Officers' review

Continued focus by Zambeef on its Retailing and Cold Food Chain Products division have resulted in record profits and growth in these operations

Overview

The financial year ended 30 September 2017 has been particularly challenging for Zambeef Products PLC. Despite a record contribution from our Stock Feed business and strong growth in revenues from our Retail and Cold Chain Food Products (CCFP) divisions, a sharp fall in commodity prices to seven year lows and lower than expected wheat yields severely impacted gross profits in our Cropping division. The Group is reporting an Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses, and losses arising from price adjustments in fair value of biological assets) of ZMW4.5 million (USD0.5 million) compared to an Adjusted Profit Before Tax of ZMW92.7 million (USD8.6 million) in the previous year.

The Group's Profit After Tax for the year from continuing operations was ZMW4.4 million (USD0.5 million) versus a Profit After Tax of ZMW123.8 million (USD11.4 million) in the prior year. Group EBITDA, after adjusting for fair value adjustments and unrealised exchange gains, has decreased to ZMW173.6 million (USD18.2 million) versus a prior year comparative of ZMW316.6 million (USD29.2 million).

Whilst the financial results for the year are disappointing (principally because the sharp fall in soya and maize prices and lower wheat yields have adversely impacted the gross profit in our Cropping division by USD9.1 million), they mask strong growth in revenues from our Retail and CCFP divisions.

It is pleasing to report that our Zambian retail sales have increased by 27.3 per cent. in ZMW from ZMW1,132 million to ZMW1,441 million (44.9 per cent. in USD from USD104.4 million to USD151.3 million), and like for like sales in the Zambeef Macro and retail stores increased by 18.2 per cent. in ZMW (34.4 per cent. in USD). However, a slowdown in consumer spending in the first half of the year as the Bank of Zambia tightened money supply and raised interest rates to stabilise the economy, operational difficulties in our dairy unit (now resolved) and higher transport and electricity costs impacted cost of sales, resulting in the Retail & CCFP margin falling by 6.1 per cent. in the first half, from 29.4 per cent. to 23.3 per cent. The Retail & CCFP margin improved in the second half to 26.8 per cent. to give an average margin for the year of 25.0 per cent. (prior year 29.4 per cent.). Notwithstanding these challenges, EBITDA in this division increased in ZMW by 55.7 per cent. from ZMW82 million to ZMW133 million (77.1 per cent. in USD from USD7.9 million to USD13.9 million).

Our Stock Feed division had a record year with falling raw material prices contributing to a 20 per cent. increase in EBITDA in ZMW from ZMW97 million to ZMW117 million (36.5 per cent. in USD from USD9.0 million to USD12.2 million).

The year has seen significant progress in the Board's strategy of disposing of non-core activities with an agreement signed on 6 September 2017 to divest 90 per cent. of the Group's equity in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018 for a cash consideration of USD16 million, with a further performance amount of up to USD2 million being payable by IDC, dependent on the achievement of certain performance milestones over the three years 2018 to 2020. Proceeds from the disposal will be used to reduce debt and further strengthen the Zambeef balance sheet.

The Group has continued to invest in the expansion of processing capacity in its Cold Chain Food Products division, and in the expansion of its Retailing footprint. Group capital expenditure of ZMW209 million (USD22 million) has been incurred during the year (2016: ZMW179 million or USD16.5 million), with Group net debt at year-end increasing from ZMW483.2 million (USD48.3 million) to ZMW620 million (USD64 million). However, overall gearing for the Group reduced from 25.7 per cent. (2016) to 21.4 per cent. (2017). Net debt is expected to fall in FY2018 as the proceeds from the disposal of Zampalm are received.

Retail: building our network

In line with the strategic priorities set out in our 2016 Annual Report, a key area of focus for Management during the year has been the expansion of Zambeef's retailing activities. We are pleased to report that Zambeef's total retail presence has increased from 171 outlets to 196 outlets during the past year. This growth has been driven both by the expansion of the Shoprite retail network in Zambia, Nigeria and Ghana, and the expansion of Zambeef's own retail network, with the building of new Zambeef Macro outlets across Zambia.

Shoprite is Africa's leading supermarket chain with whom Zambeef holds a concession agreement to operate in-store meat butchery counters in Zambia and West Africa. During the year, Shoprite opened four new stores in Zambia (bringing the total to 31 after closing two stores, and closing one temporarily due to fire damage), three in Nigeria (bringing the total to 23) and one in Ghana (bringing the total to six), all with Zambeef concessions within.

Zambeef has opened 10 new Macro stores in Zambia (of which seven opened in the second half), adding circa 4,950 sq. m of retail space to bring Zambeef's own retail footprint at the year-end to circa 22,740 sq. m from 130 outlets across Zambia, and delivering ZMW58 million (USD6.1 million) in new sales. These new Macro stores are expected to deliver sales, once fully established, of ZMW20 million (USD2 million) each on an annualised basis. All of the new Zambeef stores are on premises owned by Zambeef and are outlets that have been built and fitted to Zambeef's specifications with the Group's own construction, IT and refrigeration teams ensuring cost-effective and timely delivery of the rollout programme. Total capital expenditure in Retail was ZMW46 million (USD4.7 million), including expenditure securing future sites, and the new Kitwe distribution centre.

The progressive expansion of our Retail business will drive Zambeef's growth and ensure the Group plays a leading role in providing food to a fast growing and urbanising population in Zambia, West Africa and the wider SADC/COMESA regions.

Cold Chain Food Products: building capacity

In order to meet future growth in consumer demand for affordable proteins, Zambeef continued to invest in its Cold Chain Food Products division.

During the year, we invested USD3.1 million in:

- Additional broiler breeder rearing and laying housing and additional hatchery setters to increase day-old chick production from 210,000 per week to 340,000 per week effective May 2017;
- Increasing the Huntley broiler slaughter and processing capacity by 30,000 birds per week to a total of 160,000 per week from June 2017;
- Construction of a new CCFP depot outside Kitwe, in order to improve distribution efficiency to our expanding retail network in the Copperbelt region, which is expected to be completed in December 2017;
- Installed a new rotary milking parlour at the Kalundu dairy unit in February 2017.

The full benefits of these capacity improvements are expected to flow through into the CCFP business in FY2018.

Stock Feed: new Mpongwe plant

Zambeef's Stock Feed operation, which trades under the brand name Novatek, had an excellent year, helped by the expansion of the retail network and growth in demand from monogastric and ruminant customers in both the formal and informal sectors. Demand remains high and our existing plant in Lusaka has been operating at full capacity for the past two years in order to meet this demand. It is therefore pleasing to be able to report that our new Mpongwe feed mill was commissioned in August 2017. This will add 120,000 M.T. of annual capacity to our existing annual capacity of 140,000 M.T. at our Lusaka mill. The new Mpongwe mill is ideally placed to supply the Copperbelt market, the northern half of Zambia and the northern export markets. This will save upon finished feed transport costs and further improve the efficiencies of Novatek.

Cropping

This has been one of the most difficult years for our Cropping division, with sharp falls in the international and local prices of soya and maize to seven year lows on the back of large global and regional harvests and an increase in carryover stocks. Soya prices in Zambia fell from USD530/M.T. to USD360/M.T. and maize prices fell from an average of USD225/M.T. to USD125/M.T. The Cropping result has been further impacted by lower than expected biological realisation from the FY2016 year-end valuation, wheat yields which were 10.2 per cent. below budget at 41,750 M.T. due to a fungal disease, Septoria, which appears to have been more virulent this year despite implementation of our usual fungicide control programme, and diesel fuel and electricity cost of sales increasing by USD1.8 million. Consequently, gross profit in the Cropping division fell by ZMW86 million (USD9.1 million) from ZMW252 million to ZMW135 million (USD23.2 million to USD14.1 million), and the business has, for the first time, posted a small operating loss of ZMW14 million (USD1.5 million) versus an operating profit of ZMW107 million (USD9.9 million) in the prior year.

Joint Chief Executive Officers' review continued

Other activities

During the last quarter of the year, we refurbished our flour mill at Huntley and commenced trials of an in-store bakery at our Mtendere Macro store, to ensure we maximise value from our wheat production.

Zamleather has had a difficult year, with poor export demand for wet blue hides.

As reported above, the Group has signed an agreement to sell 90 per cent. of the equity it holds in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018. Following the Group's disposal of its oilseed crushing business Zamanita in 2016, the Board concluded that given the long timescales required to create value from the Zampalm plantation project, with only 2,911 Ha of the 20,238 Ha concession planted out, it was in the best interests of Zampalm stakeholders to seek a new majority shareholder. IDC represents the ideal partner given its mandate of working with the private sector to deliver long-term economic transformation. We are pleased that Zambeef has been appointed by IDC to manage the Zampalm plantation on its behalf for an initial term of three years, during which time we will be assisting IDC with the launch of a smallholder out-grower scheme.

Outlook for FY2018

The Board is conscious of the significant level of investment that has been made in the Zambeef business over the past two years, and of the need to improve shareholder returns. Our focus in FY2018 will be largely upon optimising operating margins and the return on capital employed from our existing assets.

The strengthening of the Zambian economy seen in Q4 FY2017 translated into improved consumer spending across the Zambeef retail network, which bodes well for our FY2018 Retail and CCFP sales. However, there has been a significant expansion in the number of FMCG retail outlets and malls servicing the Lusaka premium consumer market and competing with the Shoprite chain, so margins and volumes in our concessions within Shoprite are expected to remain competitive.

We do not expect a significant improvement in global soya or maize prices in the next fiscal year given what in historical terms are relatively high global stocks-to-use ratios, unless there is a significant weather event regionally or in one of the major producing countries, and therefore Management's focus is on ensuring we continue to be a globally competitive low cost producer. We may idle and fallow some of our poorer yielding land.

The recent fall in soya and maize raw material prices should benefit our own broiler, egg, dairy and beef feedlot livestock operations, with feed prices now some 20 per cent. lower than a year ago, thus we expect improved operating margins from these businesses in FY2018.

The pace of capital investment will slow from USD22.0 million in FY2017 to circa USD14.5 million in FY2018. Budgeted projects including amounts originally planned for FY2017 but carried forward include:

- USD2.5 million on the construction of a further eight macro outlets and investment in refrigerated distribution capacity;
- USD2.9 million completing the Mpongwe stock feed mill;
- USD1.8 million of improvements across Cold Chain Food Product operations in beef, dairy and pork;
- USD1.2 million increasing our IQF gyro freezer capacity to meet rising fast food outlet demand for portions;
- USD1.3 million expansion of broiler breeder laying farms capacity to complete the increase in day-old chick production from 210,000 to 340,000 per week;
- USD1.0 million on the delivery of the E&S improvements under the ESAP;
- USD3.8 million in replacement and contingency capex.

In line with our previously announced strategy, we will divest non-core operations and assets with a view to enabling Management to focus on those areas of the business where we can maximise shareholder returns, as well as reducing gearing and net debt. Following the usual four yearly revaluation of fixed assets which was undertaken during the past year, Group gearing stood at 21.4 per cent. at the year-end (2016: 25.7 per cent.). Gearing and net debt are expected to fall in FY2018 once the proceeds from the disposal of Zampalm to IDC are received.

Zambeef is fortunate to be operating in areas with some of the fastest growing urbanising populations in the world. The consequence of this is that the demand for food is growing rapidly, and the immediate challenge for Zambeef will be to meet this growing demand whilst driving operational efficiencies and margin improvements across our beef, chicken, pork, eggs and dairy products lines to reflect the significant capital investment made over the past two years in increasing our retail footprint and production capacities in our CCFP division.

It has been an extremely busy year at Zambeef and we feel incredibly proud of our 7,000 employees and what they have achieved over this period despite what has been a challenging trading environment, and we would like to take this opportunity to thank all of our employees for the contribution they have made to the Company. In addition, we would like to thank our Chairman, Dr. Jacob Mwanza, as well as our entire Board of Directors for their valuable guidance and support.

Carl Irwin & Francis Grogan
Joint CEOs

14 November 2017

Operational and financial review

Summary

Turnover for the Group increased by 2.5 per cent. in ZMW to ZMW2,435 million (16.6 per cent. in USD to USD255.8 million), while gross profit margins reduced from 36.9 per cent. to 32.8 per cent., resulting in gross profit reducing by 8.8 per cent. in ZMW from ZMW876 million to ZMW799 million (increasing by 3.7 per cent. in USD from USD80.9 million to USD83.9 million). The Group has tightly controlled its overheads despite the average inflation rate at the start of the year being 18.9 per cent., dropping to finish the year at 6.6 per cent., with overheads increasing by 3.0 per cent. in ZMW (17.1 per cent. in USD). EBITDA margin (after adjusting for fair value adjustments and unrealised exchange gains) reduced from 13.3 per cent. to 7.1 per cent. Operating profit decreased by 53.8 per cent. in ZMW from ZMW188 million to ZMW87 million (47.5 per cent. in USD from USD17.3 million to USD9.1 million).

The ZMW101 million (USD8.2 million) fall in operating profit was largely driven by a drop in Cropping division gross profit of USD9.1 million from USD23.3 million to USD14.1 million arising from:

- A sharp fall in global and local soft commodity prices, with Zambian soya prices dropping from USD530/M.T. at the end of March 2016 to USD360/M.T. by September 2017, and regional maize prices falling from USD225/M.T. in April 2016 to USD125/M.T. by September 2017. It should be noted that the Zambian forward market is generally illiquid, making forward hedge sales very difficult.
- Cost of sales and distribution costs were impacted by circa USD1.8 million as a result of a 30 per cent. increase in fuel prices during the first half of the year, and a 50 per cent. increase in electricity costs in May 2017 as Zambia moves towards a market-based electricity pricing policy.
- A shortfall in budgeted wheat yields of 10.2 per cent. and in the realisations from the 2016 year-end biological valuation.

The poor result from Cropping was partially offset by:

- Novatek, our Stock Feed business, which had a record year with falling raw material prices contributing to a 20.4 per cent. (in ZMW) increase in operating profit from ZMW94 million to ZMW113 million (36.9 per cent. in USD from USD8.7 million to USD11.9 million).
- The Retail and Cold Chain Food Products (CCFP) divisions, which contributed to a 77.1 per cent. (in ZMW) increase in operating profit from ZMW49 million to ZMW86 million (101.4 per cent. in USD from USD4.5m to USD9.1m).

Operating profit was also impacted by a rise in central overheads which increased from ZMW75 million to ZMW107 million (USD7.0 million to USD11.3 million).

Interest expense has fallen by 21 per cent. in ZMW (10.2 per cent. in USD) to ZMW88 million (2016: ZMW111 million) as a result of lower debt levels, although interest rates were higher for the first half of the year.

The Group has achieved an Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses arising from price adjustments in fair value of biological assets) of ZMW4.5 million (USD0.5 million) compared with an Adjusted Profit Before Tax of ZMW92.7 million (USD8.6 million) in the previous year.

The Group's Profit After Tax for the year from continuing operations was ZMW4.4 million (USD0.5 million) versus a Profit After Tax of ZMW123.8 million (USD11.4 million) in the prior year.

Group EBITDA, after adjusting for fair value adjustments and unrealised exchange gains, has decreased to ZMW173.6 million (USD18.2 million) versus a prior year comparative of ZMW316.6 million (USD29.2 million).

Exchange rates and macroeconomic environment

This past year has been a challenging economic environment. Post-election in October 2016 the Bank of Zambia put in strict measures to stabilise the currency, restrict money supply and reduce inflation. The measures implemented by Bank of Zambia, which included high interest rates and tight control on the money supply, impacted consumer spending and put Retail operating margins under significant pressure in H1. It is pleasing to see that these tough short-term measures have achieved their goals, with Zambia now back to single digit inflation, a relatively stable currency and reduced interest rates.

Inflation started the year at 18.9 per cent. and by year-end had reduced to 6.6 per cent. The 273 day treasury bills started the period at 24.9 per cent. but with the stabilisation of the currency and reduction in inflation the 273 day treasury bill rate has reduced to 8.5 per cent. at 30 September 2017.

During the year, the ZMW has steadily appreciated against the USD from 10.01 ZMW/USD at 30 September 2016 to 9.67 ZMW/USD at 30 September 2017. The exchange rates for the last two years are summarised in the table below:

	2016	2017
	ZMW/USD	ZMW/USD
Average rate for year	10.83	9.52
Closing rate at 30 September	10.01	9.67

The appreciation of the ZMW exchange rate during the year has resulted in both realised and unrealised exchange gains of ZMW6.7 million (USD0.7 million) being recorded (2016: ZMW58.3 million, USD5.4 million). It is worth noting that the Group has a natural currency hedge in that most of its Cropping sales income is USD denominated.

Administration and overhead costs

Strong control of administrative and overhead costs has continued to be a key focus of Management, with total administrative and overhead costs for the year of ZMW631 million (2016: ZMW612 million), representing an increase of 3.0 per cent. in ZMW on the prior year (17.3 per cent. in USD from USD56.5 million to USD66.3 million). These costs, excluding depreciation, as a percentage of turnover marginally increased from 25.8 per cent. in 2016 to 25.9 per cent. This is an excellent achievement when one considers that:

- Fuel prices increased by 30 per cent. during H1;
- Electricity costs increased by 50 per cent. in May 2017 as Zambia moves towards a market-based electricity pricing policy. However, good rains this year have been positive for power generation, resulting in a reduction in load shedding;
- Councils increased levy and slaughter fees by up to 500 per cent.;
- Toll fees introduced on all major arterial routes.

Within our Retail division, distribution costs, which are a cost of sale rather than an overhead, increased by 78.3 per cent. on the prior year to ZMW41.2 million (USD4.3 million), or 2.9 per cent. of turnover (2016: 2.0 per cent.) reflecting higher diesel fuel and road toll expenses.

Our largest single cost is wages and salaries which increased in ZMW by 16 per cent. from ZMW307 million (USD28.4 million) to ZMW357 million (USD37.5 million), which accounts for 56.6 per cent. of total administration and overhead costs (2016: 50.2 per cent.).

Balance sheet

Total capital employed in the Group has increased to ZMW3,246 million (USD336 million) versus a prior year comparative of ZMW2,422 million (USD242 million), reflecting capital investment and an increase of ZMW790 million (USD82 million) in revaluation reserves following the usual four yearly revaluation of the Group's fixed assets.

A term loan of USD15 million was drawn down from Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) on 17 May 2017 to fund capex. This loan is repayable over six years with semi-annual payments of USD1.25 million starting in March 2018. The interest rate is six month USD LIBOR plus 5.75 per cent.

During the year term debt totaling USD10.5 million (2016: USD9.4 million) was repaid. Debt capital repayment servicing is expected to be USD8.0 million in 2018.

Net debt at the year end was ZMW620 million (USD64.1 million) versus a prior year comparative of ZMW483 million (USD48.3 million), giving a debt-to-equity ratio of 21.4 per cent. (2016: 25.7 per cent.).

Finance costs

The finance costs for the Group have decreased by 21 per cent. in ZMW from ZMW111 million to ZMW88 million (10.2 per cent. in USD from USD10.3 million to USD9.2 million). This decrease was as a result of a reduction in net debt versus the previous year following the investment of USD65 million by CDC Group Plc in September 2016. The lower gearing was partially offset by an increase in interest rates during the first half of the year. The table below shows the movement in the average interest rates incurred by Zambeef over the year:

	Average Rate (USD)	Average Rate (ZMW)	USD : ZMW Debt Split (%)
March 2015	4.0%	15.6%	77.0% : 23.0%
September 2015	4.4%	16.7%	64.5% : 35.5%
March 2016	6.5%	28.1%	59.8% : 40.2%
September 2016	6.6%	27.6%	82.1% : 17.9%
March 2017	7.0%	24.1%	62.3% : 37.7%
September 2017	6.3%	17.0%	67.4% : 32.6%

Finance expenses are expected to reduce during 2018.

Capital expenditure

Total capital expenditure during the year was ZMW209 million or USD22 million (2016: ZMW179 million or USD16.5 million).

Capital expenditure incurred during the year included:

- USD4.2 million on the rollout of 10 new Zambeef Macro outlets plus the acquisition of seven new sites;
- USD2.3 million on the new Kalundu Dairy rotary milking parlour and upgrades to milk processing plant;
- USD1.0 million on the new Mpongwe stock feed plant;
- USD2.2 million on the expansion of the Zamhatch hatchery and breeder farm;
- USD0.8 million on the expansion of the Zam Chick processing plant;
- USD1.0 million on the expansion of added value foods processing plant at Masterpork;

- USD0.7 million on the new Kitwe Processing Plant;
- USD1.9 million on the Zampalm palm project;
- USD3.2 million for Cropping division replacement capex;
- USD0.4 million in E&S capex;
- USD4.4 million in other replacement capex.

The capex budget for FY2018 is approximately USD14.5 million, with the main focus being on investments which are expected to be cash generative.

Divisional performance

In order to give more clarity into the performance of the key activities of Zambeef, the results for the key business divisions are now being reported to EBIT level. The directors have elected to consolidate the reporting of the Retail and Cold Chain Food Products divisions given that in the year 78 per cent. of the Cold Chain Food Products division's sales were made on an inter-company basis to the Zambeef Retail division.

Tables 1 and 2 below provide a summary of the performance of the key business units:

Table 1: Segmental financial summary in ZMW'000s

Division	Revenue 2017 ZMW'000	Revenue 2016 ZMW'000	Gross Profit 2017 ZMW'000	Gross Profit 2016 ZMW'000	Overheads 2017 ZMW'000	Overheads 2016 ZMW'000	EBIT 2017 ZMW'000	EBIT 2016 ZMW'000
Total Retailing	1,604,958	1,348,059	197,048	181,699				
CCFP	1,242,477	1,134,693	273,369	266,080				
less interco	(964,480)	(961,533)						
Combined Retail & CCFP	1,882,955	1,521,219	470,417	447,779	(337,692)	(362,524)	86,831	49,041
Stock Feed	662,068	697,563	166,884	143,916	(50,300)	(46,766)	113,613	94,377
Cropping	505,738	413,391	134,556	251,860	(118,152)	(112,244)	(14,303)	106,833
Others	161,387	213,964	26,774	32,391	(15,014)	(13,168)	10,958	18,519
Total	3,212,148	2,846,137	798,631	875,946	(521,158)	(534,702)	197,099	268,770
Less: Intra/ Inter Group Sales	(776,966)	(469,989)						
Central Overhead					(107,520)	(75,867)	(110,446)	(81,177)
Group Total	2,435,182	2,376,148	798,631	875,946	(628,678)	(610,569)	86,653	187,593

Table 2: Segmental financial summary in USD'000s

Division	Revenue 2017 USD'000	Revenue 2016 USD'000	Gross Profit 2017 USD'000	Gross Profit 2016 USD'000	Overheads 2017 USD'000	Overheads 2016 USD'000	EBIT 2017 USD'000	EBIT 2016 USD'000
Total Retailing	168,588	124,475						
CCFP	130,512	104,773						
less interco	(101,311)	(88,784)						
Combined Retail & CCFP	197,789	140,463	49,414	41,346	(35,472)	(33,474)	9,121	4,528
Stock Feed	69,545	64,410	17,530	13,289	(5,284)	(4,318)	11,934	8,714
Cropping	53,124	38,171	14,134	23,256	(12,411)	(10,364)	(1,502)	9,865
Others	16,952	19,757	2,812	2,991	(1,577)	(1,216)	1,151	1,710
Total	337,411	262,801	83,890	80,881	(54,743)	(49,372)	20,704	24,817
Less: Intra/ Inter Group Sales	(81,614)	(43,397)	-	-	-	-	-	-
Central Overhead	-	-	-	-	(11,294)	(7,005)	(11,601)	(7,496)
Group Total	255,796	219,404	83,890	80,881	(66,038)	(56,378)	9,102	17,322

Return on capital employed

The Directors are presenting for the first time the return on capital employed for each of the Group's major activities. (Note: Directors unable to accurately allocate interest expense to each division as borrowings are centrally managed and held).

	Capital Employed ZMW'000	Operating Profit % ZMW'000	Operating Profit % ZMW'000	Capital Employed USD'000	Operating Profit % USD'000	Operating Profit % USD'000
Retail & CCFP	1,053,014	86,831	4.61%	108,895	9,121	4.61%
Cropping	1,603,704	(14,303)	(2.83)%	165,843	(1,502)	(2.83)%
Stock Feed	264,109	113,613	17.16%	27,312	11,934	17.16%
Other	75,949	10,958	6.79%	7,854	1,151	6.79%
Group	2,996,776	197,099	7.89%	309,904	20,704	7.89%
Discontinued	220,099	(1,133)	(4.76)%	22,761	(119)	(4.76)%

DIVISIONAL REVIEW

Taking each of our key business areas in turn as follows:

Retail and Cold Chain Food Products

Division	Revenue 2017 ZMW'000	Revenue 2016 ZMW'000	Gross Profit 2017 ZMW'000	Gross Profit 2016 ZMW'000	Overheads 2017 ZMW'000	Overheads 2016 ZMW'000	EBIT 2017 ZMW'000	EBIT 2016 ZMW'000
Retailing Zambia	1,440,784	1,131,524						
Retailing West Africa	164,174	216,535						
Total Retailing	1,604,958	1,348,059						
CCFP	1,242,477	1,134,693						
less interco	(964,480)	(961,533)						
Combined Retail & CCFP	1,882,955	1,521,219	470,417	447,779	(337,692)	(362,524)	86,831	49,041

Division	Revenue 2017 USD '000	Revenue 2016 USD '000	Gross Profit 2017 USD '000	Gross Profit 2016 USD '000	Overheads 2017 USD '000	Overheads 2016 USD '000	EBIT 2017 USD '000	EBIT 2016 USD '000
Retailing Zambia	151,343	104,481						
Retailing West Africa	17,245	19,994						
Total Retailing	168,588	124,475						
CCFP	130,512	104,773						
less interco	(101,311)	(88,784)	-					
Combined Retail & CCFP	197,789	140,463	49,414	41,346	(35,472)	(33,474)	9,121	4,528

Retail and Cold Chain Food Products - Summary financial performance

Net sales in the combined Retail and Cold Chain Food Products divisions increased by 23.8 per cent. in ZMW and 40.8 per cent. in USD. Gross profit grew by 5.1 per cent. in ZMW and 19.5 per cent. in USD. Growth in gross profit was impacted principally because of a slowdown in consumer spending in the first half of the year as the Bank of Zambia tightened money supply and raised interest rates to stabilise the economy, operational difficulties in our dairy unit (now resolved) and higher transport and electricity costs which in turn impacted cost of sales, resulting in the Retail & CCFP margin falling by 6.1 per cent. in the first half from 29.4 per cent. to 23.3 per cent. The Retail & CCFP margin improved in the second half to 26.8 per cent. to give an average margin for the year of 25.0 per cent. (prior year 29.4 per cent.). Notwithstanding these challenges, operating profit in this division increased in ZMW by 77.1 per cent. (101.4 per cent. in USD from USD4.5 million to USD9.1 million).

EBITDA in ZMW increased 55 per cent., from ZMW85 million to ZMW133 million, whilst in USD, it increased by 77.1 per cent., from USD7.8 million to USD13.9 million. The business has generated a satisfactory EBITDA margin of 7.0 per cent. (2016: 5.6 per cent.), which is broadly in line with EBITDA margins seen across the unbranded cold chain foods sector.

Further details of the Cold Chain Food Products business are set out in the analysis of the performance of each product line.

Retail and Distribution

Zambia

The Retail business has grown strongly during the period, with revenue up 27.3 per cent. in ZMW (44.9 per cent. in USD). Like for like sales in Zambeef Macro and retail stores increased by 18.2 per cent. in ZMW (34.4 per cent. in USD), but this was partially offset by a 5.7 per cent. fall in ZMW in like for like sales (but an increase in USD of 7.3 per cent.) through the Shoprite concessions, reflecting increased competition in the premium retail sector from new retail chains and the opening of a number of new retail malls in Lusaka. Gross profit increased in ZMW by 23.8 per cent. from ZMW133 million to ZMW164 million.

Zambeef has opened 10 new Macro stores in Zambia (of which seven opened in H2), adding circa 4,950 sq. m of retail space to bring Zambeef's own retail footprint at year-end to circa 22,740 sq. m from 130 outlets across Zambia, and adding ZMW58 million (USD6.1 million) in new sales.

Shoprite is Africa's leading supermarket chain with whom Zambeef holds a concession agreement to operate in-store meat butchery counters in Zambia and West Africa. During the year, Shoprite opened four new stores in Zambia (to total 31 after closing two stores and closing one temporarily following a fire), all with Zambeef concessions within.

West Africa

Sales in West Africa fell by 13.7 per cent. in USD, reflecting challenging economic conditions in Nigeria and the temporary closure for refurbishment of the Accra Mall store in Ghana. Although the Nigerian operations' turnover increased in Naira by 21.3 per cent., the average Naira/USD exchange rate depreciated by 41.6 per cent., from 225.0 Naira/USD to 318.7 Naira/USD. Gross profit in USD fell 24.1 per cent., from USD4.5 million to USD3.4 million. Margins remain unsatisfactory and we are exploring a number of options to improve performance.

During the year, Shoprite opened three new stores in Nigeria (to total 23) and one in Ghana (to total six), all with Zambeef concessions within.

Cold Chain Food Products (CCFP)

The CCFP operations include beef, chicken, pork, fish, dairy and egg production and processing activities which primarily supply the Zambeef and Shoprite retail chains. Whilst sales across all product lines have grown strongly during the period, with turnover increasing by 9.5 per cent. in ZMW (24.6 per cent. in USD), a slowdown in consumer spending and operational difficulties in our dairy unit in H1 with low fertility (now resolved) resulted in CCFP gross margins falling from 23.4 per cent. to 22.0 per cent.

The Cold Chain Food Products performance is analysed in more detail below.

Cold Chain Food Products continued

Beef (Zambeef)

Volumes in the beef category increased by 2.2 per cent. from 16.4 million kg to 16.8 million kg, and cattle slaughtered increased from 69,848 to 78,223 head. Revenue decreased by 2.5 per cent., reflecting the general fall in cattle prices. Beef margins improved with gross margin increasing from 22.8 per cent. to 24.9 per cent., principally because of a decline in cattle value. Gross profit increased by 6.8 per cent. in ZMW, from ZMW97 million to ZMW104 million. Beef remains the largest product line within the Cold Chain Food Product operations, accounting for 33.5 per cent. of turnover (2016: 37.6 per cent.).

Chicken (Zam Chick and Zamhatch)

Turnover of our poultry business increased by a satisfactory 4.3 per cent. in ZMW over the prior year. The Zam Chick and Zamhatch operations account for 23.9 per cent. of turnover of the Cold Chain Food Products division, making it the second biggest part of the CCFP operations. Overall gross margins were stable at 22.1 per cent. (2016: 22.1 per cent.) as we maintained domestic and export volumes despite the strengthening of the ZMW. Gross profit increased in ZMW by 4.2 per cent., from ZMW63 million to ZMW66 million.

Zam Chick processed volumes increased by 9.2 per cent., from 10.7 million kg of chicken to 11.7 million kg. Zamhatch increased day-old chick volumes by 26.8 per cent., from 9.9 million day-old chicks to 12.6 million during the year.

During the year, we invested USD3.1 million in:

- Additional broiler breeder rearing and laying housing and additional hatchery setters to increase day old chick production from 210,000 per week to 340,000 per week during the second half of the year;
- Increasing the Huntley broiler slaughter and processing capacity by 30,000 birds per week, totalling 170,000 birds per week from June 2017.

The full benefits of these capacity improvements are expected to flow through into the CCFP business in FY2018.

Pork (Masterpork)

Masterpork has shown strong growth with volumes increasing by 8.2 per cent., from 10.0 million kg to 10.8 million kg. Turnover increased by 14.0 per cent. in ZMW while gross profit increased by 58.8 per cent., from ZMW23 million to ZMW37 million. It was pleasing see gross margins in Masterpork improve from 10.9 per cent. to 15.2 per cent., although still below the divisional average margin. We will continue to seek to introduce added value products within the pork category.

Masterpork accounts for 19.6 per cent. of the Cold Chain Food Products turnover, making it the third largest product line within the Cold Chain Food Products division.

Milk and dairy (Zammilk)

The milk products business has also shown strong growth, with turnover in ZMW up 37.4 per cent. and sales volumes up 35.5 per cent., from 14.8 million litres to 20.0 million litres. Despite this strong volume growth, poor fertility in our Kalundu Dairy unit led to a drop in milk output in H1, and a rise in the cost of goods as cows were culled and liquid milk was acquired from third parties to replace the shortfall in our own volumes. This has resulted in gross profits in ZMW falling by 11.2 per cent., from ZMW56 million to ZMW49 million. Gross margin in the first half declined from 45.1 per cent. to 18.4 per cent. Following a change of management in February 2017, milk output and culling rates at Kalundu Dairy have normalised, and gross margin in the second half of the year recovered to 38.9 per cent. versus 43.5 per cent. in the prior year. Zammilk accounts for 13.9 per cent. (2016: 11.1 per cent.) of the Cold Chain Food Products turnover.

Capital expenditure of USD2.1 million during the past year includes the building of a new rotary milking parlor at Kalundu Dairy as part of the continued growth of the milk production from Zambeef's own dairy herd, and investment in extra processing capacity at the Huntley facilities, enabling us to widen the range of branded value-added yoghurt and drinking yoghurt lines produced.

Fish

Fish is gaining popularity as a cheap source of protein. Volumes grew by 57.5 per cent. from 1.8 million kg to 2.9 million kg. Changes in product mix resulted in a 15.1 per cent. increase in ZMW turnover ,but a 24.7 per cent. decline in gross profit contribution, from ZMW14 million to ZMW11 million. Fish accounts for only 4.5 per cent. of turnover within the Cold Chain Food Products division. It is pleasing to see increasing supplies of locally produced tilapia becoming available.

Eggs (Zamegg)

The egg operations, trading under the brand name Zamegg, increased volumes by 73.4 per cent. to 70 million eggs. Gross profit in ZMW decreased by 45.9 per cent., from ZMW13 million to ZMW7 million with egg prices coming down sharply in H1 due to the difficulties in Katanga Province of DRC. This resulted in large volumes of eggs, which are normally exported into DRC, being dumped in Zambia. Eggs account for only 4.6 per cent. of turnover within the Cold Chain Food Products division.

Stock Feed (Novatek)

Revenue 2017 ZMW'000	Revenue 2016 ZMW'000	Gross Profit 2017 ZMW'000	Gross Profit 2016 ZMW'000	Overheads 2017 ZMW'000	Overheads 2016 ZMW'000	EBIT 2017 ZMW'000	EBIT 2016 ZMW'000
662,068	697,563	166,884	143,916	(50,300)	(46,766)	113,613	94,377

Revenue 2017 USD'000	Revenue 2016 USD'000	Gross Profit 2017 USD'000	Gross Profit 2016 USD'000	Overheads 2017 USD'000	Overheads 2016 USD'000	EBIT 2017 USD'000	EBIT 2016 USD'000
69,545	64,410	17,530	13,289	(5,284)	(4,318)	11,934	8,714

Novatek has had a record year, maintaining its market share and market leadership, with volumes increasing by 3.6 per cent. from 150,280 M.T. to 155,752 M.T. Our existing Lusaka mill has been operating at full capacity throughout the year. Unfortunately, the new Mpongwe mill only commenced operations in August 2017, some four months later than budgeted due to delays in sub-contract installation works, and therefore has only produced circa 1,600 M.T. in FY2017. Whilst margins in H1 were adversely impacted by the fall in feed prices as competitors sought to liquidate high priced 2016 old crop stocks of raw materials ahead of the new crop harvest in April/May 2017, margins recovered strongly in H2 as cheaper soya and maize raw material became available. Gross margin improved from 20.6 per cent. to 25.2 per cent. Operating profit has increased by 20.4 per cent. in ZMW from ZMW94 million to ZMW113 million (36.9 per cent. in USD from USD8.7 million to USD11.9 million).

The new Mpongwe mill will provide an additional 120,000 M.T. of annual production capacity and is well placed to supply the Copperbelt Province, the North Western Province and the DRC markets, enabling Novatek and its customers to benefit from savings in transport costs. Novatek continues to explore new markets in the region and is now exporting to Zimbabwe, Angola, DRC, Rwanda, Kenya, Malawi and Mozambique.

Capital investment of USD2.9 million will be incurred at Mpongwe mill in FY2018 to increase bagged storage capacity and employee housing facilities and to improve road access.

Cropping

Revenue 2017 ZMW'000	Revenue 2016 ZMW'000	Gross Profit 2017 ZMW'000	Gross Profit 2016 ZMW'000	Overheads 2017 ZMW'000	Overheads 2016 ZMW'000	EBIT 2017 ZMW'000	EBIT 2016 ZMW'000
505,738	413,391	134,556	251,860	(118,152)	(112,244)	(14,303)	106,833

Revenue 2017 USD'000	Revenue 2016 USD'000	Gross Profit 2017 USD'000	Gross Profit 2016 USD'000	Overheads 2017 USD'000	Overheads 2016 USD'000	EBIT 2017 USD'000	EBIT 2016 USD'000
53,124	38,171	14,134	23,256	(12,411)	(10,364)	(1,502)	9,865

The Cropping division planted a summer crop of 12,005 Ha of soya, 2,416 Ha of maize and 500 Ha of silage, and a winter crop of 6,263 Ha of wheat, 997 Ha of winter maize, 78 Ha of seed maize and 193 Ha of Lucerne. The summer farming operations performed well with a record yield of soya crop averaging 3.57 M.T./Ha. The division has harvested 42,833 M.T. of soya, (2016: 39,942 M.T.) 22,172 M.T. of summer maize (2016:15,532 M.T.), and 24,073 M.T. of maize silage (2016: 27,334 M.T.). Winter wheat yields were 10.2 per cent. below budget at 6.8 M.T./Ha due to a fungal disease known as Septoria, which appears to have been more virulent this year despite implementation of our usual fungicide control programme. Wheat production was 41,750 M.T., winter maize production was 8,455 M.T., seed maize production was 306 M.T. and Lucerne production was 640 M.T.

This has been a tough year for our Cropping division, with gross profit declining by ZMW117 million (USD9.1 million) from ZMW252 million to ZMW135 million (USD23.2 million to USD14.1 million) from factors largely outside of Management's control. Firstly, global and local commodity prices declined sharply following a significant build-up of stocks in most major production areas, with international soya and maize prices touching seven year lows. Zambian soya prices dropped from USD530/M.T. at the end of March 2016 to USD360/M.T. by September 2017, and regional maize prices fell from USD225/M.T. in April 2016 to USD125/M.T. by September 2017. It should be noted that the Zambian forward market is generally illiquid, making forward hedge sales very difficult. Secondly, costs of sales and distribution costs were impacted by circa USD1.8 million from a 30 per cent. increase in diesel fuel prices during the first half of the year, and a 50 per cent. increase in electricity costs in May 2017. Thirdly, the division experienced a shortfall in budgeted wheat yields which were 10.2 per cent. below budget due to a fungal disease, Septoria, which appears to have been more virulent this year despite implementation of our usual fungicide control programme. Fourthly, the business experienced a shortfall in the realisations from the 2016 year-end biological valuation.

Overhead expenses increased by 5.7 per cent. in ZMW, from ZMW112 million to ZMW118 million (19.7 per cent. in USD, from USD10.4 million to USD12.4 million), principally because of the strengthening of the ZMW. Replacement capital expenditure of USD3.1 million was incurred during the year.

Zambeef's Mpongwe farming and irrigation assets are of the highest quality, enabling relatively consistent high yields to be achieved. During the year the directors of Zambeef took the decision to explore strategic options for the Chiawa and Sinazongwe farms, both of which have amenity value and climates which could permit alternative crops to be produced. Chiawa also has a valuable 2,289 Ha game conservation area and corridor. Options being considered include sale and leaseback, joint venture share farming and disposal, all with a view to reducing the overall level of long term capital employed within our Cropping Division.

Other businesses

Revenue 2017 ZMW'000	Revenue 2016 ZMW'000	Gross Profit 2017 ZMW'000	Gross Profit 2016 ZMW'000	Overheads 2017 ZMW'000	Overheads 2016 ZMW'000	EBIT 2017 ZMW'000	EBIT 2016 ZMW'000
161,387	213,964	26,774	32,391	(15,014)	(13,168)	10,958	18,519

Revenue 2017 USD'000	Revenue 2016 USD'000	Gross Profit 2017 USD'000	Gross Profit 2016 USD'000	Overheads 2017 USD'000	Overheads 2016 USD'000	EBIT 2017 USD'000	EBIT 2016 USD'000
16,952	19,757	2,812	2,991	(1,577)	(1,216)	1,151	1,710

Flour milling

The milling operations have performed well, with flour sale volumes increasing by 22.2 per cent. as we made the decision to increase throughput in our milling operations by selling more flour through our retail network. This strategy has worked well, with retail sales in Zambeef's own retail network increasing by 189 per cent., and representing 43 per cent. of overall flour sales (2016: 18 per cent.). Operating profit improved from ZMW15 million to ZMW18 million. Following refurbishment of one of the flour lines in FY2017, the aim is to increase flour sales further in 2018 by continuing to drive sales through Zambeef's expanding retail network.

Zamleather

This division has had a difficult year, with world hide prices dropping and the market for lower grade hides being very sluggish. The number of hides processed increased by 4.3 per cent. to 101,706 hides from 97,533 last year. In addition, shoe sales increased by 10.8 per cent. from 67,746 pairs to 75,076 pairs. Gross profit in ZMW fell by 21.2 per cent. and operating profit fell from ZMW1 million to an operating loss of ZMW6 million.

Edible oil

Following the sale of Zambeef's edible oil operation Zamanita Ltd to Cargill in 2015, Zambeef has continued to retail edible oil through its retail network. These sales have increased during the year. However, the majority of the oil is now delivered directly into the Retail network by Cargill, hence is reflected in the Retail division,

Discontinued activities

Zampalm

In line with Group strategy of disposing of non-core activities, an agreement was signed on 6 September 2017 to sell 90 per cent. of the Group's equity in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018 for a cash consideration of USD16 million, with a further performance amount of up to USD2million being payable by IDC, dependent on the achievement of certain performance milestones over the three years 2018 to 2020. Proceeds from the disposal will be used to reduce debt and further strengthen the Zambeef balance sheet.

Discontinued trading losses of ZMW1.1 million (USD0.1 million) arose during the year as 2012 planted palm started to come into production. Any gain or loss, if any, against the carrying value will be recognised in fiscal 2018 once the transaction has completed.

Going forward Zambeef's 10per cent. equity interest in Zampalm, will be treated as an investment in an associate. Zambeef will not be required under its shareholder agreement with IDC to provide any further funding for Zampalm. We are pleased that Zambeef has been appointed by IDC to manage the Zampalm plantation on its behalf for an initial term of three years, during which time we will be assisting IDC with the launch of a smallholder out-grower scheme.

Sustainability report

Specialised asbestos removal team donning appropriate personal protective equipment (PPE)

Zambeef takes a 'triple bottom line' approach to its sustainability and is committed to ensuring a positive social, environmental and economic impact.

Policy

Zambeef takes a sustainable 'triple bottom line' approach to its operations thus helping ensure a positive social, environmental and financial impact.

We believe that sustainable development is a fundamental aspect of sound business management. We are committed to providing a safe and healthy workplace, protecting the environment and being a responsible corporate citizen in the communities where we operate. This commitment is enshrined in our Environmental and Social Policy.

Continuous improvement in environmental and social management

Zambeef continues to work towards international best practice in all aspects of its operations. We have established an Environmental and Social Committee to the Board to provide strategic advice and guidance regarding systemic and strategic environmental and social issues. We have also developed a structured Environmental and Social Action Plan (ESAP) to help ensure continuous performance improvement at the operational level.

Zambeef has a dedicated unit of nine corporate staff to deal with environmental and social compliance and improvements to the operations. There is a complement of 18 operational level individuals dedicated to environmental and social activities across the business. In the year under review, the environmental and social team has seen the recruitment of an additional 10 staff, four added to the corporate team and the other six at operational level. These recruitments have been made to further strengthen the team in the areas of occupational health and safety, food safety, biosecurity and social performance. Environmental and social performance at operational level has been further strengthened by making each business unit head responsible and accountable for these functions in their respective divisions. The corporate team offers support to the business units. In addition, Zambeef regularly contracts other global/international consultants and specialists to supplement in-house expertise. The dedication has resulted in no penalty by the authorities for any form of environmental violation on Zambeef's part in the preceding four years.

Key achievements this year have included:

Asbestos management

- As part of our continuing improvements to our facilities as we work towards international standards in food safety management we required the removal of asbestos-containing material from our Masterpork site, which is undergoing renovations. Zambeef contracted a specialist consultancy to ensure safe handling, removal, transport and safe disposal in line good international industry practice.
- A dedicated group, including staff from maintenance and the environment and social compliance team, has received specialised training in the safe handling and disposal of asbestos.

Staff training

All operational staff have received further training in areas of occupational health and safety, food safety, etc. This is an ongoing process with the overall objective of improving the performance of the Company in these areas to international standards.

Improvements to environmental performance/compliance

- Two new EU compliant waste incinerators were procured and will be installed at the Masterpork and Mbala abattoirs before the end of the calendar year; this will lead to a reduction in air emissions and ensure compliance with international environmental norms. Resources have been allocated to procure more incinerator units for other Company sites.
- Further improvements are being made to the effluent treatment plant at Masterpork. Resources have also been allocated to improve effluent treatment at other Company facilities.
- A new de-watering unit has been commissioned at Zamleather to speed up the separation of solids from the effluent stream. This has significantly improved the effluent treatment process and has freed up space that was previously occupied by traditional sludge drying beds. This space will now be used to expand the chemical store, leading to better safety in chemical handling.

Social investment

Zambeef aligns its social investments with the United Nations Sustainable Development Goals (UN SDGs).

Suppliers

Raw material suppliers

Zambeef works very closely with small and medium scale farmers in every sphere of its operations. These farmers make up the majority of the Company's suppliers of beef, chicken, pork and milk to the Cold Chain Food Products division, and maize suppliers for its Novatek stock feed operation.

Zambeef has 20 poultry out-growers who supply 70 per cent. of the slaughtered broilers. In the year under review, 215 farmers supplied 85 per cent. of the pigs slaughtered at Masterpork. 100 third party dairy farmers accounted for 46 per cent. of the raw fresh milk processed at the dairy plant. All the beef animals processed by the Company are sourced from third party suppliers, the majority (9,600 in the year under review) of them smallholder farmers. The Company also supports over 20,000 small scale farmers through purchase of maize at its Novatek stock feed plants.

New supplier support initiatives

Along with Musika, Zambeef embarked on a private scheme to provide farmers in Mongu and the surrounding areas within Western Province with a market for their raw fresh milk.

A 1,000 litres per hour plant processing fresh raw milk from small scale farmers into fermented lacto was installed. Before this plant was commissioned, most milk from small scale farmers in the area was going to waste. These farmers are now managing to sell most of their milk to the processing facility, resulting in increased and more stable income.

Extension services are being provided and milk cooling tanks have been installed nearer to farmers living in far flung areas in order to preserve the milk, resulting in reduced spoilage, consequently cutting down economic losses for these rural farmers.

A similar program, mainly focusing on increasing the cattle population and improving the health of animals, is under implementation in the Northern Province. This program is termed 'stimulation of early stage private investment and cattle development in the agricultural markets in Northern Province'.

Zambeef has noted the vast potential of the Northern Province in terms of beef production; it therefore partnered with

Food safety training session in progress

Sustainability report continued

Musika in order to improve and increase the cattle population in the Province. This is being done through provision of extension services, improved genetics and breeding, management of herd health, vaccinations, deworming and dipping, which is resulting in improved health, reduced mortalities and better quality animals. There are currently 317 farmers being supported through this program.

One vet (Project Manager) and three assistant vets (Livestock Scouts) have been recruited. One cattle delivery truck, one vehicle for the Project Manager and three motorcycles for the Scouts have been bought so far.

There also seven livestock centres, each equipped with improved animal handling facilities, crush pens, spray races and a mobile scale.

The Company team is supplementing the work of the government vets in the province.

The Company also commissioned an abattoir in Mbala to ensure that a readily available market for the beef cattle exists.

This strong linkage to rural based suppliers helps fight poverty in these otherwise 'economically excluded' communities, meeting the aspirations of UN SDG 1: "…ending poverty in all its forms everywhere."

Support to vulnerable communites/ groups through foodstuff donations

The Company continues to render support to the vulnerable (hospices/hospitals, orphanages, care homes) through donation of foodstuffs. This is done on a weekly or monthly basis, for those institutions with adequate storage facilities. There are currently 21 institutions hosting vulnerable people that the Company supports through its food supply program.

This gesture by the company aligns strongly with UN SDG 2: "…end hunger, achieve food security and improved nutrition."

Support to educational and healthcare institutions

Zambeef continues to fund educational and healthcare institutions. This includes those institutions like Mpongwe School and Company Clinic, wholly owned by the Company, where teachers, teaching aids, healthcare workers, equipment and facilities are fully funded by Zambeef.

The Group also supports community/ government schools and healthcare institutions located in the communities where it operates. Six classrooms, an administration block and a laboratory are currently being built by the Company at Mwayasunka Secondary School located in Chibombo District.

These activities align with UN SDG 3:

"…ensure healthy lives and promote wellbeing for all at all ages" – and UN SDG 4: "...ensure inclusive and equitable quality education and promote lifelong learning opportunities for all."

The Company also supports a number of traditional ceremonies and sporting activities.

Economic and social contribution
The Group is a significant contributor to the country's economic activities, with a turnover in excess of 1 per cent. of national GDP.

Employment
- Zambeef continues to be one of the largest employers in the country, with over 7,200 staff, 16 per cent. of whom are female.
- Over 99.6 per cent. of employees are Zambian.
- The Group's Cropping division provides significant employment to rural communities, where poverty levels are higher than in urban areas.
- Most of the Company's raw material suppliers are located in rural areas and provide employment to communities in these locations.

Reinvestments
Zambeef has a strong development record, being one of the largest investors in the agricultural sector in Zambia over the last seven years, amounting to over (USD150 million).

Taxes
The Group is a significant contributor to government revenues.

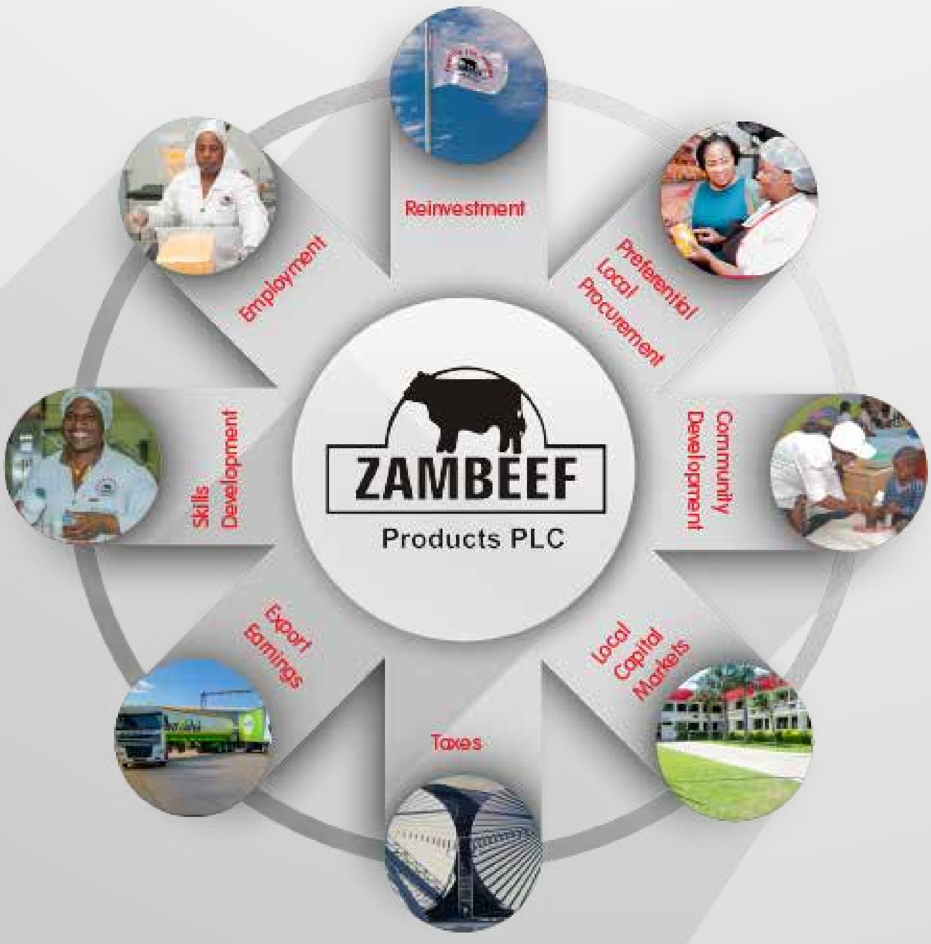
Local capital markets
A significant percentage of the Group's shareholding is owned by local institutional investors and pension funds including the National Pension Scheme Authority (NAPSA), which means every working Zambian has a stake in the Company.

Export earnings
- The Group is a member of the Zambia Development Agency's elite Million Dollar Club of leading exporters.
- For the FYE 30 September 2017, the Group recorded foreign exchange export income of over USD2.6 million, while total Group USD-denominated revenues were USD55 million.

Skills development
- The Group is fully committed to developing and training its employees at all levels.
- During the year, specific trainings in food safety, occupational health and safety, and safe handling of hazardous materials (asbestos, chemicals) were offered to employees.
- The Group's continual reinvestment in human resources has resulted in many senior positions being held by Zambians.

Food security
Zambeef plays a pivotal role in the national food security of Zambia, ensuring that the country has sufficient capacity to feed its growing population as well as a surplus for export to help feed neighbouring countries. The Company produced over 115,000 M.T. of grains in the year under review.

Building a nation




ZAMBEEF

Corporate governance

Corporate governance

The Board of Directors believes that high ethical standards in the conduct of business, and a verifiable corporate governance framework of policies and procedures should be at the heart of how we do business

Zambeef values excellence in corporate governance, and the principles that enhance openness, integrity, transparency and accountability.
High ethical standards in the conduct of business and a verifiable framework of corporate governance policies and procedures underpin all Zambeef's decision making and management.

The Board of Directors believes that demonstrably good corporate governance fosters trust and confidence in the management of our business, amongst all our stakeholders.

Corporate Governance in action

The Board has an approved Corporate Governance Code, originally issued in 2006, which is monitored for compliance on an annual basis via the Audit Committee.
As a listed company, Zambeef also adheres to the LuSE Corporate Governance Code, and is in compliance with its principles and provisions.
Zambeef is confident that the concepts contained within this code can be clearly demonstrated throughout its corporate governance framework, and as detailed in this statement of corporate governance.
In June 2011, the Company was also admitted to the AIM Market of the London Stock Exchange, and whilst not technically required to comply with the UK Corporate Governance Code, the Board agreed to progressively adopt best practices in line with the UK Corporate Governance Code so far as it is practicable for a public company of its size, stage of development and nature quoted on AIM.

Board of Directors

The Board of Directors has been appointed by and is responsible to the shareholders, for the performance and direction of Zambeef through the establishment of strategic objectives and key policies, as well as approving major business decisions in accordance with its charter.
The Board currently consists of twelve directors, of whom nine are non executive directors and three are executive directors. Seven non executive directors are considered to be independent.
The Board believes that its overall composition is appropriate, with no individual or group dominating the decision-making process.
The role of Chairman is a separate role and position from that of the Joint Chief Executive Officers. The Chairman is considered to be independent.
The Board is responsible for:

- Strategy and leadership – setting the long term objectives and strategic aims;
- Values and standards – developing and monitoring the Group Code of Ethics and Conduct and the Anti Bribery and Corruption programme;
- Governance – approval of Board membership, review of corporate governance processes, Board Charter and Committees' terms of reference, Board and Committee performance, Board and senior executive succession planning, senior executive appointments;
- Business performance – monitoring financial and business performance of the Group, approval of the annual

and half year financial results, interim management statements, dividend policy, monitoring executive performance;
- Representing shareholders' interests – Shareholder and market feedback, analysis of shareholder register.

Corporate Governance in action

Risk Management

An effective Group Risk Assessment/Risk Management tool, based on recommended best practice and regular inputs from senior management, is formally reviewed on a quarterly basis.

Formal risk assessments are carried out every quarter at Group level, as well as per company and division, in conjunction with respective General Managers.

This provides the Audit Committee and directors with regular updates/mitigating action plans on all the major risks facing the Group.

Internal Audit

The dedicated and independent Internal Audit function, operating under an Internal Audit Charter, reports directly to the Audit Committee of the Board in order to maintain its independence and objectivity. It independently reviews and monitors governance processes, the risk management framework/processes, and related mitigating action plans implemented by Management. It also provides objective assurance of the operation and validity of the systems of internal control through its regular compliance audit programmes, making recommendations for improvement as required.

The Board requires competitive bidding for significant purchases and contracts, above determined thresholds, through a formal Board-approved Delegations of Authority policy document that covers the Board and senior management.

Share Dealing Code

The Company has adopted a share dealing code for dealings in shares by the Directors and senior employees that is appropriate for an AIM listed company.

The Directors ensure that they comply with Rule 21 of the AIM rules for Companies relating to Directors' dealings, and take all reasonable steps to ensure compliance by the Company's relevant employees.

Incident Reporting, Anti Bribery/ Corruption, and Whistleblowing policies and procedures

The Company has detailed policies and procedures covering Incident Reporting, Anti Bribery and Corruption (ABC), and Whistleblowing.

The Group's ABC programme has been formulated in conjunction with CDC Group PLC (CDC), following best international practice. It is well structured, documented and rigorously monitored.

There is a dedicated internal high level Whistleblowing Manager who handles reports and complaints. These complaints can be made in various forms, including anonymously, without fear of adverse consequences. This policy has active senior management encouragement and has had widespread communication within the Group, with a verifiable and transparent process of handling complaints. This has resulted in valuable information being obtained for further action/investigation.

Internal Audit closely monitors, reviews and reports on all of these policies to the Audit Committee of the Board.

Group Code of Ethics and Conduct

The Company, in line with its Corporate Governance Code section on Organisational Integrity, has implemented and widely disseminated a Group Code of Ethics and Conduct to all stakeholders, including suppliers. This Code of Ethics covers the important principles and more detailed ethical guidelines with respect to responsibility, accountability, transparency, and fairness.

The key aspects covered under this Code are:

Responsibility and accountability
- Obedience to all laws, applicable rules and regulations;
- Honesty, accuracy and full disclosure in all reports;
- Highest standards of service and productivity;
- Safeguarding and protection of all Zambeef's assets and intellectual property;
- Confidentiality regarding non-public information;
- Provision of a safe and healthful work place, environmental protection in all our operations, and being a responsible corporate citizen in our communities.

Transparency
- Honesty and clear communication in all dealings;
- Avoidance of conflicts of interest;
- Avoidance of accepting or offering gifts or entertainment other than per prescribed policy;
- Avoidance of all forms of criminal activity.

Fairness
- Fair treatment of all stakeholders;
- Personal growth and professional development of staff;
- Valuing the diversity of cultures and beliefs;
- Respect for the communities where Zambeef is located.

Board evaluation

The Board annually carries out a self-assessment of its performance during the year, based on its Charter's objectives, with the Company Secretary collating and reporting on the findings from each Board member.

Areas covered in the self-assessment include:
- Management of Board meetings and discussions;
- External and internal Board relationships;
- Skills of Board members;
- Reaction to events;
- Chairman;
- Chairman and CEO relationships;
- Attendance of and contribution in meetings;
- Open channels of communication;
- Risk and Control frameworks;

Board engagement

The attendance by the Directors during the year was as follows:

	Board		Audit		E&S		R&S	
Non-Executive	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Dr. Jacob Mwanza	4	4						
Dr. Lawrence Sikutwa	4	4	5	5	4	2	1	1
John Rabb	4	4			4	3	1	1
Graham Clark*	4	2	5	2	4	2	1	1
David Osborne	4	4	5	5			1	1
Tim Pollock	4	4			4	4		
Yollard Kachinda #	4	1					1	0
Margaret Mudenda #	4	2	5	1				
Enala Mwase #	4	2			4	2		
Jonathan Kirby #	4	1						
Executive								
Carl Irwin	4	4						
Francis Grogan	4	4						
Yusuf Koya	4	4						
Danny Museteka	4	4	5	5	4	4	1	1

Notes
* Director left during the year
\# Director joined during the year
A indicates number of meetings held during the year
B indicates number of meetings attended during the year

- Composition;
- Terms of reference;
- Committees of the Board;
- Company Secretary;
- Timeliness of information;
- Board agenda;
- AGM;
- External stakeholders;
- Induction and training;
- Succession planning.

Board committees

The Board has three principal standing committees led by non-executive Chairmen, each with written terms of reference.
The terms of reference are per recommended best practice for AIM listed companies/ICSA, and also per requirements from co-operating partners.

Remuneration and Succession Committee
Chairman: David Osborne
Members:
Lawrence Sikutwa
John Rabb
Yollard Kachinda

Audit Committee
Chairman: Lawrence Sikutwa
Members:
David Osborne
Margaret Chalwe-Mudenda
Hastings Mtine

Environmental and Social Committee
Chairman: Tim Pollock
Members:
Lawrence Sikutwa
Enala Tembo-Mwase
John Rabb

Remuneration and Succession Committee responsibilities

- To regularly review the structure, size, knowledge, experience and diversity of the Board, as well as the sub-committees of the Board, and make recommendations to the Board with regard to any changes.
- To be responsible for identifying, evaluating and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- To give full consideration to succession planning for Directors and other senior executive management, and in particular, for the key roles of Chairman and Chief Executive Officer of the Company.
- The appointment of CEO and directors can only be made following a formal, rigorous assessment by this Committee and its formal recommendations being made to the Board, having also evaluated the balance of skills, knowledge, experience and diversity on the Board.
- To determine and agree with the Board the framework or broad policy for the remuneration of the Chief

Executive, the Chairman of the Board, the executive directors, the Company Secretary, and such other members of the executive management of the Group to whom the Board has extended the remit of the Committee.

- In determining the remuneration policy, take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance.
- The objective of such policy shall be to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.
- The committee ensures clear, transparent reporting of the Remuneration Committee's agreed fees and remuneration, for both the executive directors and non executive directors, in the formal Report of the Directors in the Annual Report. This requires formal approval by the shareholders in an AGM. The Chairman ensures he is available to answer any questions/comments put forward by the shareholders in the AGM regarding directors' fees and remuneration.
- Perform evaluations of the Board, Board Committees, respective Chairmen and non executive directors, and recommend training where necessary.

Audit Committee responsibilities

- The primary role of the audit committee is to ensure the integrity of the financial reporting and audit process, including review of the interim and annual financial statements before they are submitted to the Board for final approval.
- To ensure that a sound risk management and internal control system is maintained, as well as reviewing the system for monitoring compliance with applicable laws and regulations.
- To give due consideration and review of corporate governance matters in accordance with relevant frameworks including the LuSE Corporate Governance Code and the UK Corporate Governance Code.
- Monitor and review the reports and function of the Internal Audit department in line with its own charter, which requires systematic evaluation of the effectiveness of risk management, control, compliance and governance processes for the Group.
- At least once a year, the members of the committee should meet the external auditors without the presence of any executive director.
- The committee should also consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment and/or reappointment of the company's external auditor.

Environmental and Social Committee responsibilities

- Provide strategic advice and guidance to the Board in relation to systemic and strategic Environmental and Social issues which affect the Company's business model and strategy.
- Ensure that the Company has in place adequate and robust systems, policies and procedures for monitoring the Environmental and Social management of the Company, in accordance with applicable legislation and Good International Industry Practice (GIIP), defined by IFC Performance Standards.
- Monitor the implementation of the Environmental and Social Action Plan and any corrective action plans that may be developed in due course.
- Oversee any Company investigations relating to breaches of ES laws, regulations and standards and/or the Company's ES policies, management systems and plans.
- Ensure good corporate citizenship through promotion of equality, prevention of unfair discrimination and reduction of corruption.
- Ensure contribution to development of the communities in which its activities are predominantly conducted, or within which its products or services are predominantly marketed.
- Monitor the ethical conduct of the Company, its executives and senior officials.

Directors' interests in other companies

In compliance with Section 218 of the Companies Act of Zambia, all Directors are required to declare to the Board their interests in other companies.

This is taken into account in the event that any such company enters into any contract with any Group company.

The Group has a Related Parties Transactions policy which aims to ensure transparency in related party transactions, as well as identification and removal of any potential conflict of interest in such transactions.

Directors' shareholdings

In compliance with Section 225 of the Companies Act of Zambia all directors are required to disclose their shareholdings in the Company and any related companies. The register containing this information is available for inspection by shareholders for 14 days before the Annual General Meeting, at the meeting, and three days thereafter.

Company Secretary

The Board appoints the Company Secretary and all Directors have access to his services.

If deemed necessary, the Board may seek independent professional advice on some matters.

The Company Secretary ensures the following:

- Sufficient and timeous information is provided to all the Members prior to commencement of the Board and sub-committee meetings.
- Promotion of Good Corporate Governance, and related frameworks and standards.
- Good relations and liaison with Security and Exchange Commission (SEC), the Lusaka Stock Exchange (LuSE), and Patents and Companies Registration (PACRA).
- Maintenance of statutory registers.
- Key liaison for investors and contact point for shareholders.
- Board is updated on relevant statutory amendments and developments.

Board of Directors

Dr. Jacob Mwanza (age 81)
Non-Executive Chairman
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 Bank of Zambia, currently Chancellor of the University of Zambia.

External appointments
Has served and is currently serving on several boards, including IMF Advisory Group on Sub-Sahara African Economic and Social Affairs, Pangaea Securities, David Shepard Foundation and Kafue Sanctuary.

Francis Grogan (age 56)
Joint CEO
Nationality: Irish

Qualifications:
BSc Agriculture (Ireland).

Experience:
Over 22 years' experience in agriculture and meat, both in Ireland and Zambia. Co-founder of Zambeef.

External appointments
Other directorships include Zambezi Ranching and Cropping Ltd, Fraca Meat Company Ltd and Tractorzam Ltd.

Dr. Carl Irwin (age 52)
Joint CEO
Nationality: Zambian

Qualifications:
B. Com (University of Cape Town)
FCA (UK)
FZICA Honorary doctorate (Copperbelt University).

Experience:
Over 20 years' accounting and finance experience with a number of companies, including Coopers & Lybrand UK. Co-founder of Zambeef.

External appointments
Other directorships include Proflight Commuter Services Ltd, Zambezi Ranching and Cropping Ltd, Kanyanja Development Company Ltd, Leopard Investment Company Ltd, Fraca Meat Company Ltd and Tractorzam

Yusuf Koya (age 52)
Executive Director
Nationality: British

Qualifications:
BSc in Geology & Economics (Keele University, UK)
MSc in Economics (Keele University, UK)
AIFS (UK).

Experience:
Over 20 years' business management experience in corporate finance and credit risk management, both in the UK and Zambia. Previously Country Credit Director with Barclays Bank Zambia PLC.

External appointments
Director in Marhaba Service Station Ltd.

Margaret Chalwe-Mudenda (age 45)
Non-Executive Director
Nationality: Zambian

Qualifications:
LLB (University of Zambia) LLM (Southampton University, UK)
Post Grad Diploma in Legislative Drafting.

Experience:
Over 10 years' legal experience across several disciplines, including investment banking and labour law. Almost 10 years' experience in ICT and telecommunications. Previously Director General of Zambia Information and Communications Authority.

External appointments
Currently serving on the Boards of Madison Financial Services Plc, Medical Stores Ltd and MCK Legal Practitioners.

Prof. Enala Tembo-Mwase (age 58)
Non-Executive Director
Nationality: Zambian

Qualifications:
BSc Biological Sciences (University of Zambia)
MSc Medical Parasitology (University of London, UK)
PhD in Zoology – Entomology (University of London, UK).

Experience:
Over 30 years' research and teaching experience. Associate Professor at University of Zambia. A founding member of the Zambia Association of Women in Science and Technology. Has previously served on a number of boards and technical committees.

External appointments
Deputy Vice Chancellor of University of Zambia (UNZA)

John Rabb (age 74)
Non-Executive Director
Nationality: South African

Qualifications:
BSc (Agriculture)
MBA (RSA).

Experience:
Over 30 years' business management experience. Formerly Managing Director of the Wooltru Group in South Africa, which was listed on the Johannesburg Stock Exchange.

External appointments
Has served on, and is currently serving on, several boards, including Wellspring Ltd.

Yollard Kachinda (age 54)
Non-Executive Director
Nationality: Zambian

Qualifications:
BSc (Ed.)
Mathematics and Statistics (University of Zambia)
MSc Social Protection Financing (Maastricht University, Netherlands).

Experience:
Over 25 years' experience at the Zambian National Pension Scheme Authority (NAPSA), Zambeef's biggest local shareholder.

External appointments
Director General of NAPSA. Currently serving on the Board of Trustees of NAPSA Lusaka Trust Hospital Staff Pension Scheme.

Dr. Lawrence Sikutwa (age 63)
Non-Executive Director
Nationality: Zambian

Qualifications:
MBA
FCII
Post Grad Diploma in Insurance (UK).
Honorary doctorate (University of Lusaka).

Experience:
Over 30 years' experience in business management. Previously General Manager of Zambia State Insurance Corporation Limited.

External appointments
Currently Chairman of Lawrence Sikutwa Associates Ltd Group of Companies.

Jonathan Kirby (age 55)
Non-Executive Director
Nationality: South African

Qualifications
Bachelor of Accounting (University of the Witwatersrand, RSA)
Higher Diploma in Tax Law (Rand Afrikaans University, RSA).

Experience:
25 years' experience with SABMiller. Previously SABMiller Finance Director: Africa. Appointed VP Finance for AB InBev Africa before retirement.

External appointments
Delta Corporation (Zimbabwe)

David Osborne (age 53)
Non-Executive Director
Nationality: British

Qualifications:
Cambridge University; Trinity College (Natural Sciences).

Experience:
Over 30 years' investment experience in private equity and infrastructure in UK, Europe, Africa and Asia. Previously Managing Partner and Head of the Islamic Infrastructure Fund at CapAsia.

External appointments
Director of Direct Equity Team and Head of Portfolio Management with CDC Group PLC.

Tim Pollock (age 59)
Non-Executive Director
Nationality: British

Qualifications:
Royal Agricultural College, Cirencester (Agriculture).
London Business School (Corporate Finance).

Experience:
Over 30 years' management, supply chain, manufacturing and M&A experience in agribusiness. Previously director of Strategic Development and Operations with Lallemand Inc, and CEO of Grainfarmers Group.

External appointments
Investment Director of Food and Agriculture with CDC Group PLC.

Report of the Directors

In compliance with Division 8.3 of the Zambian Companies Act, the Directors submit their report on the activities of the Group for the year ended 30 September 2017.

1. Principal activities

Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agribusinesses in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 7,787 Ha of row crops under irrigation and 8,694 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana.

2. The Company

The Company is incorporated and domiciled in Zambia.

Business address
Plot 4970, Manda Road
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 as follows:

	30 September 2017		30-September 2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Authorised				
700,000,000 ordinary shares of ZMW0.01 each	7,000	938	7,000	938
Issued and fully paid				
Ordinary shares				
300,579,590 of ZMW0.01 each	3,006	449	3,006	449
Preference shares – Convertible Redeemable				
100,057,658 of ZMW0.01 each	1,000	100	1,000	100

4. Results

The Group's results are as follows:

		2017	2017	2016	2016
Group	Notes	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Revenue	5	2,435,182	255,796	2,376,148	219,404
Profit/(Loss) before taxation		5,450	572	134,592	12,427
Taxation charge	10	(1,049)	(110)	(10,798)	(997)
Profit/(loss) from discontinued operation		(1,133)	(119)	33,592	3,101
Group profit/(loss) for the year		3,268	343	157,386	14,531
Group profit/(loss) attributable to:					
Equity holders of the parent		4,037	424	137,103	12,659
Non-controlling interest		(769)	(81)	20,283	1,872
		3,268	343	157,386	14,531

5. Dividends

There has been no dividend proposed for the year ended 30 September 2017 (2016: ZMW nil).

6. Management

The senior management currently comprises:

Francis Grogan	- Joint Chief Executive Officer
Carl Irwin	- Joint Chief Executive Officer
Yusuf Koya	- Executive Director
Craig Harris	- Chief Financial Officer
Danny Museteka	- Company Secretary
Mike Lovett	- General Manager Farming Division
Felix Lupindula	- Corporate Affairs and General Manager - Zambeef Retailing
Pravin Abraham	- Chief Internal Auditor
Ebrahim Israel	- General Manager – International Retailing
Murray Moore	- General Manager – Beef and Dairy
David Mynhardt	- General Manager – Sinazongwe Farm
Robert Hoskins Davies	- General Manager – Chiawa Farm
Francis Mondomona	- General Manager – Huntley Farm
Richard Franklin	- General Manager – Zamleather Limited
Walter Roodt	- General Manager – Stock Feed
Harry Hayden-Payne	- General Manager – Zampalm Limited
Willem Abraham Vorster	- General Manager – Dairy
Webster Mapulanga	- General Manager – Masterpork Limited
Theo de Lange	- Group Technical Manager
Bartholomew Mbao	- Dairy Processing Manager
Andries Van Rensburg	- Piggery Manager
Samson Lungu	- Flour Mill Manager
Charles Milupi	- Poultry Manager
Ivor Chilufya	- Group Financial Controller
Justin Rust	- Commercial Manager
Basil Webber	- Commercial Manager
Christiaan Engelbrecht	- Commercial Manager
Niyaas Dalal	- Finance Manager – Zambeef Products Plc, Zam Chick Limited
Rory Park	- Finance Manager – Masterpork Limited, Zampalm Limited, Zamhatch Limited
Simon Nkhata	- Finance Manager – Zambeef Retailing Limited
Baron Chisola	- Financial Controller – Group Inventory
Shadreck Banda	- Financial Controller – Group Suppliers
Gbenga Ibitoye	- Financial Controller – West Africa
Samantha Dale	- Group Head – Debtors and Credit Control
Anthony Seno	- Head of IT
Guy Changole	- Head of Human Resources
Mathews Mbasela	- Head of Payroll Processing
Eddie Tembo	- Chief Security Manager
Jones Kayawe	- Head of Environment, Health and Safety
Field Musongole	- Maintenance Manager
Justo Kopulande	- CSR/PR Manager
Ernest Gondwe	- Regional Manager – Shoprite & Excellent Meats
Francis Mulenga	- Regional Manager – Shoprite
Noel Chola	- Regional Manager – Shoprite
Rodgers Chinkuli	- Regional Manager – Zambeef Outlets
Deon Conradie	- Managing Director – Master Meats Nigeria
Hillary Anderson	- National Retail Manager – Nigeria
Lufeyo Nkhoma	- General Manager – Master Meats Ghana
Clement Mulenga	- General Manager – Master Meats Nigeria

Report of the Directors continued

7. Directors and Secretary

The Directors in office at the financial period and at the date of this report were as follows:

Dr. Jacob Mwanza - Chairman
Dr. Lawrence S. Sikutwa
John Rabb
Graham Clark - Resigned on March 7, 2017
David Osborne
Timothy Pollock
Yollard Kachinda - Appointed on April 18, 2017
Margaret Mudenda - Appointed on April 18, 2017
Enala Mwase - Appointed on April 18, 2017
Jonathan Kirby - Appointed on August 3, 2017
Francis Grogan - Joint Chief Executive Officer
Dr. Carl Irwin - Joint Chief Executive Officer
Yusuf Koya - Executive Director
Danny Museteka - Company Secretary

8. Directors' Interests

The Directors held the following interests in the Company's ordinary shares at the reporting date:

	30 September 2017		30-September-16	
	Direct	**Indirect**	**Direct**	**Indirect**
Jacob Mwanza (Dr)	1,100,000	-	1,100,000	-
Carl Irwin (Dr)	3,763	5,406,445	3,763	5,406,445
Francis Grogan	995,000	3,596,631	995,000	4,591,631
John Rabb	-	14,000,000	-	12,000,000
Yusuf Koya	245,482	-	245,482	-
	2,344,245	**23,003,076**	**2,344,245**	**21,998,076**

9. Directors' fees and remuneration

The Remuneration Committee has agreed the following gross annual packages.

	Salary	Bonus	Car Allowance	Air Fares Allowance	Medicals	Long Term Incentive Plan 2 (Shares)
ZMW						
NON-EXECUTIVE						
Jacob Mwanza	822,108.12	-	-		-	-
John Rabb	309,360.34	-	-		-	-
Yollard Kachinda	129,751.13	-	-		-	-
Enala Mwase	129,308.50	-	-		-	-
Margaret Mudenda	129,308.50					
Lawrence Sikutwa	360,921.50					
Jonathan Kirby	52,389.06					
Graham Clark	179,885.68	-	-		-	-
EXECUTIVE						
Carl Irwin	3,167,502.72	5,000	Company Car	460,800	Yes	6,250,000
Francis Grogan	3,002,736.25	5,000	Company Car	460,800	Yes	6,250,000
Yusuf Koya	3,343,653.82	5,000	-	384,000	Yes	275,000
Danny Museteka	2,629,293.46	267,517.88	-	384,000	Yes	275,000

Further, the Board co-opted Mr. Hastings Mtine into the Audit Committee as an expert advisor. Mr. Mtine's remuneration is ZMW4.6 thousand per sitting and ZMW12 thousand for any special projects and advisory services.

9. Directors fees and remuneration (continued)

In addition to the above, all Executive Directors are entitled to a gratuity of 10 per cent. of their gross basic salary paid over the contract term, less statutory deductions for tax.

The Long-Term Incentive Plan 2 ("LTIP 2") has the following key terms/conditions:

(a) Structure: market value option shares ("Options");
(b) Exercise price: 15 pence;
(c) Maximum shares: The annual award base value (number of shares multiplied by the share price on the date of grant plus number of Options multiplied by the exercise price) may not exceed three times the Executive's base salary; (this term/condition does not apply to the two Joint CEOs under the JCEO LTIP Scheme).
(d) Vesting period: three years from 2015 to 2018; exercisable from June 2018.
(e) The Options can only be exercised if Zambeef achieves the following targets:
    (i) If the share price reaches 40 pence, then 25 per cent. of the Options become exercisable.
    (ii) If the share price reaches 48 pence, a further 25 per cent. of the Options become exercisable.
    (iii) If the share price reaches 56 pence, a further 25 per cent. of the Options become exercisable.
    (iv) If the share price reaches 65 pence, the final 25 per cent. of the Options become exercisable.
    (v) Zambeef achieving a debt-to-equity (gearing) ratio of less than 35 per cent. in the audited accounts immediately prior to exercising the Options.
    (vi) Zambeef achieving a current ratio (current assets divided by current liabilities) of 1.5 or higher in the audited annual accounts immediately prior to the exercising of the Options.
    (vii) Zambeef generating free cash flows.
    (viii) The Zambeef share price triggers set above will be considered achieved if in the 14 days immediately prior to exercising the Options, the shares have traded continuously at not less than these prices for 14 days.
    (ix) The Options will be exercisable at any time for 2 years after the 3-year period from the issue of the Options have lapsed.
    (x) The Options can only be exercised if the relevant executives are still employed by the Company.

10. Significant Shareholdings

As at 30 September 2017, the Company has been advised of the following notable interests in its ordinary share capital:

Investor Name	Current Position	% of Shareholding
CDC Group Plc	52,601,435	17.5%
M & G Investment Management	46,304,408	15.4%
National Pension Scheme Authority (Zambia)	24,979,819	8.3%
Rhodora	22,797,537	7.6%
Africa Life	15,530,053	5.2%
Sussex Trust	14,000,000	4.7%
Miton Asset Management	9,608,437	3.2%
Artio Global Investors	9,360,000	3.1%

CDC Group Plc are also the holders of 100,057,658 convertible redeemable preference shares. These shares have three voting rights for every four preference shares held resulting in CDC having 34.8% of the voting rights.

Report of the Directors continued

11. Employees
The Group employed an average of 7,068 (30 September 2016 – 6,253) employees and total salaries and wages were ZMW357 million (USD28.3 million) for the year ended 30 September 2017 (30 September 2016 – ZMW307 million [USD37.5 million]).

The average number of persons employed by the Group in each month of the financial year is as follows:

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Headcount	6,754	6,900	7,023	6,826	6,756	6,861	7,037	7,085	7,364	7,535	7,411	7,267

12. Safety, Health and Environmental issues
As part of some of the Group's term loans, as well as the CDC Group PLC equity investment, the Group has signed up to an Environmental and Social Action Plan ("ESAP"), which requires the Group to meet both local Zambian standards as well as international standards relating to the environment, food safety, health and safety and social responsibility. The Group provides education and healthcare services to its employees. The Group also supports various community activities in the areas that it operates from.

13. Legal matters
There are no significant legal or arbitration proceedings (including to the knowledge of the Directors, any such proceedings which are pending or threatened, by or against the Company or any subsidiary of the Group) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or any member of the Group.

14. Gifts and donations
The Group made donations of ZMW2 million (USD0.2 million) (30 September 2016: ZMW2.2 million [USD0.2 million]) to a number of activities.

15. Export sales
The Group made exports of ZMW24.5 million (USD2.6 million) during the period (30 September 2016: ZMW90.7 million [USD8.6 million]).

16. Property, plant and equipment
Assets totalling ZMW209.4 million (USD22 million) were purchased by the Group during the period (30 September 2016 – ZMW178.8 million [USD16.5 million]) which included expenditure on the palm plantation development during the period of ZMW13.8 million (USD1.5 million) (30 September 2016 – ZMW12.2 million [USD1.1 million]).

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

18. Events since the Year-End
There have been no significant events affecting the Group since the year-end.

19. Annual financial statements
The annual financial statements set out on pages 53 to 117 have been approved by the directors.

20. Auditor
In accordance with the provisions of section 171(3) of the Zambian 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.

By order of the Board

Danny Shaba Museteka
Company Secretary
Date: 14 November 2017

Statement Of Directors' Responsibilities

Section 164 of the Zambian 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 whether due to fraud or error;
- 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 applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that 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 Group and enable them to ensure that the financial statements comply with the Zambian Companies Act 1994. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion:

(a) the financial statements give a true and fair view of the financial position of Zambeef Products PLC and its subsidiaries as at 30 September 2017, and of its financial performance and its cash flows for the year then ended;

(b) at the date of this statement there are reasonable grounds to believe that the Group will be able to pay its debts as and when these fall due; and

(c) 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 14 November 2017

Dr. Jacob Mwanza
Chairman

Carl Irwin
Joint Chief Executive Officer

Approval of annual financial statements

The annual financial statements that appear on pages 53 to 117 were approved by the Board of Directors on 14 November 2017 and signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Dr. Carl Irwin
Joint CEO

Signed in Lusaka on 14 November 2017

Annual compliance certificate

Pursuant to the requirements of schedule 18 to the rules of the Lusaka Stock Exchange, I the undersigned Danny Museteka being the duly appointed and registered Secretary certify to the Lusaka Stock Exchange that Zambeef Products Plc has during the twelve months ended 30 September 2017, 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 2017, the Company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Zambian Companies Act 1994 and that all such returns are true and correct.

Danny Museteka
Company Secretary
14 November 2017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Feeding the Nation
ZAMBEEF
Products PLC

Financial statements

Report of the Independent Auditors to the Members of Zambeef Products PLC and its Subsidiaries

Opinion

We have audited the financial statements of Zambeef Products and its subsidiaries (the group), which comprise the statements of financial position as at 30 September 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements or give a true and fair view of the financial position of the group as at 30 September 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in our report
During the year, the group's property, plant and equipment was revalued and a revaluation surplus of K790 million (USD82 million) has been included in these financial statements.	We relied on the report of the external expert that the group engaged to carry out the revaluation exercise.
The investent in Zampalm Limited included in the financial statements at K220 million (USD23 million). This asset has been presented as held for sale in these financial statements.	We relied on the report of the external expert that the group engaged to carry out a valuation of this unit. The valuation was higher than the value included in the financial statements.
The group breached the debt service coverage ratio, interest bearing debt/EBITDA ratio and net financial debt/EBITDA ratio covenants with *some* lenders.	We reviewed the waivers that the group received from its lenders after the year end in respect of these covenant breaches. None of the group's borrowing facilities have been rescinded of materially altered.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs,

and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of Zambeef Products PLC and its subsidiaries as at 30 September 2016 have been properly prepared in accordance with the Zambian Companies Act 1994, and the accounting and other records and registers have been properly kept in accordance with the Act.

Grant Thornton

Grant Thorton

Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the firm

Lusaka

Date: 14 November 2017

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2017

Group	Notes	2017	2017	2016	2016
		ZMW'000s	USD'000s	ZMW'000s	USD'000s
Revenue	5	2,435,182	255,796	2,376,148	219,404
Net gain/(loss) arising from price changes in fair value of biological assets	16	(3,491)	(367)	13,257	1,224
Cost of sales		(1,633,060)	(171,540)	(1,513,459)	(139,747)
Gross profit		798,631	83,890	875,946	80,881
Administrative expenses		(714,746)	(75,078)	(690,047)	(63,716)
Other income	6	2,768	291	1,694	156
Operating profit	7	86,653	9,102	187,593	17,321
Exchange gains/(losses) on translating foreign currency transactions and balances		6,701	704	58,345	5,387
Finance costs	9	(87,904)	(9,234)	(111,346)	(10,281)
Profit/(loss) before taxation		5,450	572	134,592	12,427
Taxation charge	10	(1,049)	(110)	(10,798)	(997)
Group income/(loss) for the year from continuing operations		4,401	462	123,794	11,430
Profit/(loss) from discontinued operations	33	(1,133)	(119)	33,592	3,101
Group income/(loss) for the year		3,268	343	157,386	14,531
Group income/(loss) attributable to:					
Equity holders of the parent		4,037	424	137,103	12,659
Non-controlling interest		(769)	(81)	20,283	1,872
		3,268	343	157,386	14,531
Other comprehensive income:					
Exchange (losses) /gains on translating presentational currency		(31,190)	4,243	(86,511)	16,909
Total comprehensive (loss)/income for the year		(27,922)	4,586	70,875	31,440
Total comprehensive (loss)/income for the year attributable to:					
Equity holders of the parent		(27,257)	4,681	52,292	29,473
Non-controlling interest		(665)	(95)	18,583	1,967
		(27,922)	4,586	70,875	31,440

		Ngwee	Cents	Ngwee	Cents
Earnings per share					
Basic earnings per share – continued operations	12	1.72	0.18	41.38	3.82
Basic earnings per share – discontinued operations	12	(0.38)	(0.04)	13.42	1.24
Total Basic earnings per share	12	1.34	0.14	54.80	5.06

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

(i) In Zambian Kwacha	Issued share capital ZMW'000s	Share premium ZMW'000s	Preference share capital ZMW'000s	Foreign exchange reserve ZMW'000s	Revaluation reserve ZMW'000s	Retained earnings ZMW'000s	Total attributable to owners of the parent ZMW'000s	Non-controlling interest ZMW'000s	Total equity ZMW'000s
At 1 October 2015	**2,480**	**506,277**	**-**	**188,332**	**504,671**	**239,449**	**1,441,209**	**34,083**	**1,475,292**
Profit for the year	-	-	-	-	-	137,103	137,103	20,283	157,386
Transfer of surplus depreciation	-	-	-	-	(18,906)	18,906	-	-	-
Other comprehensive income:									
Exchange losses on translating presentational currency	-	-	-	(84,811)	-	-	(84,811)	(1,700)	(86,511)
Total comprehensive income	-	-	-	(84,811)	(18,906)	156,009	52,292	18,583	70,875
Transactions with owners									
Non-controlling interest shares acquired	-	-	-	-	-	22,177	22,177	(60,282)	(38,105)
Shares issued	526	618,735	1,000	-	-		620,261	-	620,261
Total Transactions with owners	**526**	**618,735**	**1,000**	**-**	**-**	**22,177**	**642,438**	**(60,282)**	**582,156**
At 30 September 2016	**3,006**	**1,125,012**	**1,000**	**103,521**	**485,765**	**417,635**	**2,135,939**	**(7,616)**	**2,128,323**
Profit for the year	-	-	--	-	-	4,037	4,037	(769)	3,268
Transfer of surplus depreciation	-	-	-	-	(23,418)	23,418	-	-	-
Other comprehensive income:									
Exchange (loss) gain on translating presentational currency	-	-	-	(31,294)	-	-	(31,294)	104	(31,190)
Revaluation	-	-	-	-	789,795	-	789,795	-	789,795
Total comprehensive income	**-**	**-**	**-**	**(31,294)**	**766,377**	**27,455**	**762,538**	**(665)**	**761,873**
At 30 September 2017	**3,006**	**1,125,012**	**1,000**	**72,227**	**1,252,142**	**445,090**	**2,898,477**	**(8,281)**	**2,890,196**

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

(ii) In US Dollar	Issued share capital USD'000s	Preference Share capital USD'000s	Share premium USD'000s	Foreign exchange reserve USD'000s	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 2015	396	-	123,283	(161,712)	100,509	57,424	119,900	2,836	122,736
Profit for the year						12,659	12,659	1,872	14,531
Transfer of surplus depreciation	-	-	-	-	(1,746)	1,746	-	-	-
Other comprehensive income:									
Exchange gains on translating presentational currency	-	-	-	16,813			16,813	96	16,909
Total comprehensive income	**-**	**-**	**-**	**16,813**	**(1,746)**	**14,404**	**29,472**	**1,968**	**31,440**
Transactions with owners									
Non-controlling interest shares acquired						2,047	2,047	(5,565)	(3,518)
Shares issued	53	100	61,812	-	-	-	61,965	-	61,965
Total Transactions with owners	53	100	61,812	-	-	2,047	64,012	(5,565)	58,447
At 30 September 2016	449	100	185,095	(144,901)	98,763	73,875	213,384	(761)	212,623
Profit for the year	-	-	-	-	-	424	424	(81)	343
Transfer of surplus depreciation	-	-	-	-	(2,460)	2,460	-	-	-
Other comprehensive income									
Exchange gains/ (losses) on translating presentational currency	-	-	-	4,257	-	-	4,257	(14)	4,243
Revaluation	-	-	-	-	81,675	-	81,675	-	81,675
Total comprehensive income	**-**	**-**	**-**	**4,257**	**79,215**	**2,884**	**86,356**	**(95)**	**86,261**
At 30 September 2017	**449**	**100**	**185,095**	**(140,644)**	**177,978**	**76,759**	**299,740**	**(856)**	**298,884**

Company Statement of Changes in Equity

For the year ended 30 September 2017

(i) In Zambian Kwacha	Issued share capital ZMW'000s	Preference share capital ZMW'000s	Share premium ZMW'000s	Revaluation reserve ZMW'000s	Retained earnings ZMW'000s	Total equity ZMW'000s
At 1 October 2015	**2,480**	**-**	**506,277**	**297,712**	**469,967**	**1,276,436**
Profit for the year	-	-	-	-	91,377	91,377
Transfer of surplus depreciation	-	-	-	(16,731)	16,731	-
Other comprehensive income						
Exchange gains on translating presentational currency	-	-	-	-	(73,394)	(73,394)
Total comprehensive income	**-**	**-**	**-**	**(16,731)**	**34,714**	**17,983**
Shares issued	526	1,000	618,735	-	-	620,261
Total transactions with owners	**526**	**1,000**	**618,735**	**-**	**-**	**620,261**
At 30 September 2016	**3,006**	**1,000**	**1,125,012**	**280,981**	**504,681**	**1,914,680**
Profit for the year	-	-	-	-	24,003	24,003
Transfer of surplus depreciation				(14,605)	14,605	
Other comprehensive income:						
Surplus on revaluation	-	-	-	651,521	-	651,521
Exchange gains on translating presentational currency	-	-	-	-	(31,682)	(31,682)
Total comprehensive income	**-**	**-**	**-**	**636,916**	**6,926**	**643,842**
At 30 September 2017	**3,006**	**1,000**	**1,125,012**	**917,897**	**511,607**	**2,558,522**

Company Statement of Changes in Equity

For the year ended 30 September 2017

(ii) In US Dollars	Issued share capital USD'000s	Preference share capital USD'000s	Share premium USD'000s	Revaluation reserve USD'000s	Foreign exchange reserve USD'000s	Retained earnings USD'000s	Total equity USD'000s
At 1 October 2015	**396**	**-**	**123,283**	**56,533**	**(137,414)**	**63,394**	**106,192**
Profit for the year	-	-	-	-	-	8,439	8,439
Transfer of surplus depreciation	-	-	-	(2,370)		2,370	-
Other comprehensive income:							
Exchange losses on translating presentational currency	-	-	-	-	14,708	-	14,708
Total comprehensive income	**-**	**-**	**-**	**(2,370)**	**14,708**	**10,809**	**23,147**
Transactions with owners							
Shares issued	53	100	61,812	-	-	-	61,965
Total transactions with owners	**53**	**100**	**61,812**	**-**	**-**	**-**	**61,965**
At 30 September 2016	**449**	**100**	**185,095**	**54,163**	**(122,706)**	**74,203**	**191,304**
Profit for the year	-	-	-	-	-	2,522	2,522
Transfer of surplus depreciation	-	-	-	-	-		
Other comprehensive income:							
Surplus on revaluation	-	-	-	68,437	-	-	68,437
Exchange losses on translating presentational currency	-	-	-	-	2,321	-	2,321
Total comprehensive income	**-**	**-**	**-**	**68,437**	**2,321**	**2,522**	**73,280**
At 30 September 2017	**449**	**100**	**185,095**	**122,600**	**(120,385)**	**76,725**	**264,584**

Consolidated Statement of Financial Position

For the year ended 30 September 2017

ASSETS	Notes	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Non-current assets					
Goodwill	13	166,801	17,249	157,922	15,776
Property, plant and equipment	14	2.610,488	269,958	1,769,966	176,820
Plantation development expenditure	14	-	-	94,302	9,421
Assets held for disposal	33	221,087	22,863	-	-
Biological assets	16	-	-	48,480	4,843
Deferred tax asset	10(e)	43,368	4,485	28,366	2,834
		3,041,745	**314,555**	**2,099,036**	**209,694**
Current assets					
Biological assets	16	167,857	17,359	187,026	18,684
Inventories	17	516,418	53,404	544,739	54,419
Trade and other receivables	18	90,792	9,390	113,151	11,304
Assets held for disposal	33	91	9	-	-
Amounts due from related companies	19	11,422	1,181	10,543	1,053
Income tax recoverable	10(c)	1,376	142	1,759	176
Cash and cash equivalents	20	-	-	64,806	6,474
		787,956	**81,485**	**922,024**	**92,110**
Total assets		**3,829,701**	**396,040**	**3,021,060**	**301,804**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	3,006	449	3,006	449
Preference share capital	21	100	100	1,000	100
Share premium	22	1,125,012	185,095	1,125,012	185,095
Other reserves		1,769,459	114,096	1,006,921	27,740
		2,898,477	299,740	2,135,939	213,384
Non-controlling interest		(8,281)	(856)	(7,616)	(761)
		2,890,196	**298,884**	**2,128,323**	**212,623**

Consolidated Statement of Financial Position

For the year ended 30 September 2017

Non-current liabilities					
Interest bearing liabilities	23	328,238	33,944	261,734	26,147
Obligations under finance leases	24	27,915	2,887	31,485	3,145
Deferred liability	25	16,756	1,733	10,442	1,043
Deferred tax liability	10(e)	7,212	746	4,039	403
		380,121	**39,310**	**307,700**	**30,738**
Current liabilities					
Interest bearing liabilities	23	78,080	8,074	116,223	11,611
Collateral management agreement	23	60,248	6,230	118,849	11,873
Obligations under finance leases	24	19,916	2,060	19,697	1,968
Trade and other payables	26	291,843	30,307	322,133	32,179
Assets held for disposal	33	1,079	111	-	-
Amounts due to related companies	27	81	9	313	31
Taxation payable	10(c)	2,988	309	7,822	781
Cash and cash equivalents	20	105,148	10,874	-	-
		559,384	**57,846**	**585,037**	**58,443**
Total equity and liabilities		**3,829,701**	**396,040**	**3,021,060**	**301,804**

The financial statements on pages 53 to 117 were approved by the Board of Directors on 14 November 2017 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Carl Irwin
Joint Chief Executive Officer

Company Statement of Financial Position

For the year ended 30 September 2017

ASSETS	Notes	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Non-current assets					
Property, plant and equipment	14	1,915,760	198,114	1,161,485	116,032
Investment in subsidiaries	15	245,807	25,420	293,763	29,347
Deferred tax asset	10(e)	26,566	2,747	28,366	2,834
		2,188,133	**226,281**	**1,483,614**	**148,213**
Current assets					
Biological assets	16	150,087	15,521	170,511	17,034
Inventories	17	411,841	42,590	413,670	41,326
Cash and cash equivalents	20	-	-	37,193	3,716
Asset held for disposal		56,835	5,877	-	-
Trade and other receivables	18	37,169	3,844	45,866	4,582
Amounts due from related companies	19	655,060	67,741	463,114	46,265
Income tax recoverable	10(c)	-	-	-	-
		1,310,992	**135,573**	**1,130,354**	**112,924**
Total assets		**3,499,125**	**361,854**	**2,613,968**	**261,137**

EQUITY AND LIABILITIES	Notes	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Capital and reserves					
Share capital	21	3,006	449	3,006	449
Preference share capital	21	1,000	1,000	1,000	100
Share premium	22	1,125,012	185,095	1,125,012	185,095
Other reserves		1,429,504	78,940	785,662	5,660
		2,558,522	**264,584**	**1,914,680**	**191,304**
Non-current liabilities					
Interest bearing liabilities	23	328,238	33,945	261,734	26,147
Obligations under finance leases	24	17,195	1,778	19,685	1,967
Deferred liability	25	3,659	378	2,266	227
Deferred tax liability	10(e)	4,169	431	3,382	338
		353,261	**36,532**	**287,067**	**28,679**
Current liabilities					
Interest bearing liabilities	23	138,328	14,305	229,394	22,916
Obligations under finance leases	24	13,272	1,373	14,108	1,409
Trade and other payables	26	164,843	17,046	164,467	16,404
Amounts due to related companies	27	243,876	25,220	325	33
Taxation payable	10(c)	1,588	164	3,927	392
Cash and cash equivalents	20	25,435	2,630	-	-
		587,342	**60,738**	**412,221**	**41,154**
Total equity and liabilities		**3,499,125**	**361,854**	**2,613,968**	**261,137**

The financial statements on pages 53 to 117 were approved by the Board of Directors on 14 November 2017 and were signed on its behalf by:

Dr. Jacob Mwanza
Chairman

Carl Irwin
Joint Chief Executive Officer

Consolidated Statement of Cash Flows

For the year ended 30 September 2017

	Notes	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Cash inflow from operating activities					
Profit before taxation		5,450	572	134,592	12,427
Finance costs	9	87,904	9,234	111,346	10,281
Profit/(loss) on disposal of property, plant and equipment		(974)	(102)	1,124	104
Depreciation	14	83,301	8,750	77,784	7,182
Loss on discontinued operations		(1,133)	(119)	33,592	3,101
Fair value price adjustment	16	3,491	367	(13,257)	(1,224)
Net unrealised foreign exchange differences		(4,410)	(463)	(28,626)	(2,643)
Earnings before interest, tax, depreciation and amortisation, fair value adjustments and net unrealised foreign exchange losses/ gains		**173,629**	**18,239**	**316,555**	**29,228**
(Increase)/decrease in biological assets		19,169	2,014	(46,308)	(4,276)
(Increase)/decrease in inventory		28,321	2,975	(132,500)	(12,235)
Increase/(decrease) in trade and other receivables		22,503	2,363	97,078	8,949
(Increase)/decrease in amounts due from related companies		(1,158)	(122)	(1,650)	(137)
(Increase)/decrease in trade and other payables		(33,308)	(3,499)	(50,200)	(4,636)
(Decrease)/increase in amounts due to related companies		4,113	432	(44,165)	(4,078)
Increase in deferred liability		6,314	663	1,188	110
Cash outflow from assets held for disposal		(14,226)	(1,494)	-	-
Income tax paid	10(c)	(17,329)	(1,820)	(8,850)	(817)
Net cash inflow from operating activities		**188,028**	**19,751**	**131,148**	**12,109**
Investing activities					
Purchase of property, plant and equipment	14	(195,610)	(20,547)	(166,513)	(15,376)
Expenditure on plantation development	14	(13,805)	(1,450)	(12,259)	(1,132)
Movement in investments		(8,879)	(933)	-	-
Proceeds from the issue of shares		-	-	620,262	57,273
Purchase of shares		-	-	(175,075)	(16,166)
Net cash inflow/(outflow) on investing activities		**(218,294)**	**(22,931)**	**266,415**	**24,599**
Net cash inflow/(outflow) before financing activities		(30,266)	(3,179)	397,563	36,708
Financing activities					
Long term loans repaid		(104,768)	(11,005)	(110,289)	(10,184)
Receipt of long term loans		140,100	15,000	-	-
Receipt/ (repayment of short term funding		(55,292)	(5,808)	26,997	2,493
Lease finance obtained/(repayment)		(3,551)	(373)	16,249	1,500
Finance costs including discontinued operations	9	(87,904)	(9,234)	(111,346)	(10,281)
Net cash outflow on financing activities		**(111,415)**	**(11,420)**	**(178,389)**	**(16,472)**
Increase/(decrease) in cash and cash equivalents		**(141,681)**	**(14,599)**	**219,177**	**20,236**
Cash and cash equivalents at beginning of the year		64,806	6,474	(190,648)	(15,861)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(28,273)	(2,749)	36,280	2,099
Cash and cash equivalents at end of the year	**20**	**(105,148)**	**(10,874)**	**64,806**	**6,474**
Represented by:					
Cash in hand and at bank	20	62,518	6,465	95,747	9,565
Bank overdrafts	20	(167,729)	(17,339)	(30,941)	(3,091)
		(105,148)	**(10,874)**	**64,806**	**6,474**

Company Statement of Cash Flows

For the year ended 30 September 2017

	Notes	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Cash inflow from operating activities					
Profit before taxation		37,735	3,964	101,173	9,342
Finance costs		67,744	7,116	87,815	8,109
Depreciation	14	41,706	4,381	43,728	4,037
Fair value price adjustment	16	3,452	363	(12,587)	(1,162)
(Profit)/Loss on disposal of property, plant and equipment		(825)	(87)	824	76
Net unrealised foreign exchange differences		3,871	407	(17,010)	(1,571)
Earnings before interest, tax, depreciation and amortisation		**153,683**	**16,144**	**203,943**	**18,831**
(Increase)/decrease in biological assets		20,424	2,144	(21,601)	(1,995)
(Increase)/decrease in inventory		1,829	192	(102,428)	(9,458)
Decrease in trade and other receivables		6,727	707	103,853	9,574
Assets held for disposal		(56,835)	(5,970)	-	-
(Increase)/decrease in amounts due from related companies		(189,976)	(19,955)	(178,682)	(16,484)
(Decrease)/increase in trade and other payables		376	39	(87,379)	(8,068)
Increase/(decrease) in amounts due to related companies		243,551	25,583	289	27
Increase in deferred liability		1,393	146	596	55
Income tax paid	10(c)	(13,484)	(1,416)	(4,438)	(410)
Net cash inflow/(outflow operating activities		**167,688**	**17,615**	**(85,847)**	**(7,928)**
Investing activities					
Purchase of property, plant and equipment	14	(154,880)	(16,269)	(49,743)	(4,593)
Proceeds from the issue of shares		-	-	620,261	57,273
Movements in investments	15	47,956	5,037	(175,075)	(16,166)
Proceeds from disposal of investment		-	-	-	-
Proceeds from sale of assets		1,239	130	65	6
Net cash inflow from investing activities		**(105,685)**	**(11,102)**	**395,509**	**36,520**
Net cash inflow before financing activities		**62,003**	**6,513**	**309,662**	**28,592**
Financing activities					
Long term loans repaid		(99,663)	(10,468)	(101,811)	(9,401)
Receipt from term loans		140,100	14,716	-	-
Movement in short term funding		(55,292)	(5,808)	39,938	3,688
Lease finance obtained/(repayment)		(3,551)	(374)	11,823	1,092
Interest paid		(67,744)	(7,116)	(87,815)	(8,109)
Net cash outflow from financing activities		**(86,150)**	**(9,050)**	**(137,865)**	**(12,730)**
Increase/(decrease) in cash and cash equivalents		**(24,147)**	**(2,537)**	**171,797**	**15,862**
Cash and cash equivalents at beginning of the year		37,193	3,716	(140,855)	(11,718)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(38,481)	(3,810)	6,251	(428)
Cash and cash equivalents at end of the year	**20**	**(25,435)**	**(2,631)**	**37,193**	**3,716**
Represented by:					
Cash in hand and at bank	20	16,509	1,707	52,239	5,219
Bank overdrafts	20	(41,944)	(4,338)	(15,046)	(1,503)
		(25,435)	**(2,631)**	**37,193**	**3,716**

Notes to the Financial Statements continued

For the year ended 30 September 2017

1. The Group

Zambeef Products PLC and its subsidiaries ("Group") is one of the largest agri-businesses in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 7,787 Ha of row crops under irrigation and 8,694 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana.

2. Principal 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 financial statements 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 statement of comprehensive income from the date of their acquisition or up to the date of their disposal. Intercompany transactions and profits are eliminated on consolidation and all income and profit figures relate to external transactions only.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition or up to the effective date of disposal, as applicable.

(b) Going Concern

At the reporting date loans and other finance amounts repayable within twelve months amount to ZMW158.2 million (USD16.4 million) [2016: ZMW254.8 million (USD25.5 million)]. After reviewing the available information including the Group's strategic plans and continuing support from the Group's working capital funders, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Group has also increased its term facilities to fund the capital assets being acquired during the current financial year and the next financial year. All current liabilities will be settled from the continued liquidation of stock and expected increase in income from the capital expenditure carried out during the financial year.

(c) Basis of presentation

The financial statements are prepared in accordance with the provisions of the Zambian Companies Act 1994 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".

The financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, and financial assets and liabilities at fair value through profit or loss. Biological assets are measured at fair value less costs to sell.

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 Group'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.

(d) Foreign currencies

(i) Presentation and functional currency

The Company has twelve operating branches of which eleven have a functional currency of Zambian Kwacha (ZMW) and one (the Mpongwe Farms Branch) has a functional currency of United States Dollars (USD) being an operational branch set up during the year ended 30 September 2012. Management have chosen a variant on the functional currency of Mpongwe due to the following factors:

- the majority of farm input costs (fertilizer, farming chemicals, agricultural machinery spares, etc.), which are primarily sourced from overseas, are driven by USD to ZMW exchange rate due to origin prices being USD;
- the pricing of Mpongwe's principal outputs (wheat, soya and maize) are significantly influenced by world USD denominated grain prices;
- the capital raised attached to the acquisition of the Mpongwe assets was denominated in foreign currency;
- the Mpongwe assets were purchased in USD;
- upon admission and dual listing on the AIM market of the London Stock Exchange (LSE), Zambeef was required to report in USD in addition to reporting in ZMW for the LuSE listing; and
- the majority of financial liabilities associated with working capital funding and capital expenditure are sourced in USD and repayable in USD, with a substantial portion of the Company's term liabilities secured on the assets of Mpongwe.

In light of this, Mpongwe's assets and liabilities are translated to ZMW and consolidated with other branches of the Company for reporting and tax purposes in Zambia.

As a result of using a functional currency of USD for Mpongwe, there arose an exchange difference of ZMW31.7 million (2016: ZMW73.4 million) upon translating all assets and liabilities, which has been recognised as an unrealised gain in the statement of comprehensive income of the company and an exchange adjustment under property, plant and equipment.

Notes to the Financial Statements continued

For the year ended 30 September 2017

2. Principal accounting policies continued

The Group's reporting currency in Zambia is ZMW and the presentation of financial statements to Non-Zambian shareholders and for the purposes of being listed on the AIM market of the London Stock Exchange also necessitate the presentation of the financial statements in United States Dollars (USD).

(ii) Basis of translating presentation currency to USD for the purposes of supplementary information

Income statement items have been translated using the average exchange rate for the year as an approximation to the actual exchange rate. Assets and liabilities have been translated using the closing exchange rate. Any differences arising from this process have been recognised in other comprehensive income and accumulated in the foreign exchange reserve in equity.

Equity items have been translated at the closing exchange rate. Exchange differences arising on retranslating equity items and opening net assets have been transferred to the foreign exchange reserve within equity.

The following exchange rates have been applied:

ZMW: USD	Average exchange rate	Closing exchange rate
Year ended 30 September 2016	10.83	10.01
Year ended 30 September 2017	9.52	9.67

All historical financial information, except where specifically stated, is presented in Zambian Kwacha rounded to the nearest ZMW'000s and United States Dollars rounded to the nearest USD'000s.

(iii) Basis of translating 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 recognized in the Statement of Comprehensive Income.

Non-operating foreign exchange gains and losses mainly arise on fluctuations of the exchange rate between United States Dollars and Zambian Kwacha. Due to the instability of the exchange rate, which may result in significant unrealised variances of foreign exchange related assets and liabilities, these gains and losses have been presented below operating profit in the Statement of Comprehensive Income.

(iv) Basis of translating foreign operations

In the consolidated financial statements, the financial statements of the foreign subsidiaries originally presented in their local currency have been translated into Zambian Kwacha. Assets and liabilities have been translated into Zambian Kwacha at the exchange rates ruling at the year end. Statement of comprehensive income items have been translated at an average monthly rate for the year. Any differences arising from this procedure are taken to the foreign exchange reserve.

ZMW: Nigeria Naira	Average exchange rate	Closing exchange rate
Year ended 30 September 2016	29.09	31.47
Year ended 30 September 2017	36.55	36.79

ZMW: Ghana Cedi	Average exchange rate	Closing exchange rate
Year ended 30 September 2016	0.36	0.40
Year ended 30 September 2017	0.45	0.45

(e) New and revised standards that are effective for annual periods beginning on or after 1 January 2016

The Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position.

The standards and amendments that are effective for the first time in 2017 (for entities with a 31 December 2017 year end) and could be applicable to the Group are:

- 'Annual Improvements to IFRSs' 2014-2016 cycle;
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
- Recognition of Deferred tax assets for unrealized losses (Amendments to IAS 12); and
- 'Disclosure Initiative' (Amendments to IAS 7)

These amendments do not have a significant impact on amounts recognised in prior periods and will not affect current or future periods.

2. Principal accounting policies continued

In addition, IFRS 14 'Regulatory Deferral Accounts' is also effective from 1 January 2016. However, it is only applicable to first time adopters of IFRS and therefore is not applicable to the Group.

(f) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Group's financial statements.

IFRS 9 'Financial Instruments'
The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Group's trade receivables and investments in debt-type assets currently classified as Available for Sale (AFS) and Held To Maturity (HTM), unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income.
- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 introduces new guidance that will require the Group to evaluate the separability of multiple elements based on whether they are 'distinct'. A promised good or service is 'distinct' if both:
- the customer benefits from the item either on its own or together with other readily available resources, and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

The Group is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

The standard allows adoption using either retrospectively in full to each prior reporting period or modified retrospective with application only to contracts that are not complete at the date of initial application.

Notes to the Financial Statements continued

For the year ended 30 September 2017

2. Principal accounting policies continued

IFRS 16 'Leases

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact, of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance leases (note 2(m)) and operating leases (note 2(m)) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

(g) Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net asset acquired is credited to the statement of comprehensive income in the period of acquisition. Changes in the Group's ownership interest that do not result in a loss of control are accounted for as equity transactions. Purchase of non-controlling interests are recognized directly within equity being the difference between the fair value of the consideration paid and the relevant share acquired of the carrying value of the net assets to the subsidiary.

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. Contingent and deferred consideration is based on management's best estimate of the likely outcome and best estimate of fair value, which is usually, but not always, a contracted formula based on a multiple of net profit after tax. All acquisition expenses are recognised in the statement of comprehensive income.

(h) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of. A component can be distinguished operationally and for financial reporting purposes if:

- its operating assets and liabilities can be directly attributed to it
- its income (gross revenue) can be directly attributed to it
- at least a majority of its operating expenses can be directly attributed to it.

Profit or loss from discontinued operations, including prior year comparatives, is presented in a single amount in the income statement. This amount comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the disposal of the Group's share of the entity's net assets.

The disclosures for discontinued operations in prior years relate to all operations that have been discontinued by the reporting date for the latest period presented.

(i) Goodwill

Goodwill represents future economic benefits arising from a business combination that is not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses and is tested annually for impairment. Refer to the note for a description of impairment testing procedures.

(j) Revenue recognition

Revenue comprises the sale of goods as shown in note 5. Revenue is recognized when the 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.

Revenue comprises the fair value of consideration received or receivable for the sale of the Group's products in the ordinary course of the Group's activities. Revenue is shown net of trade allowances, duties and taxes paid and after eliminating sales within the Group.

<u>Revenue from sale of agricultural commodities</u>

Revenue for the agribusiness division includes the invoice value of goods where the Group grows or takes ownership risk on the relevant produce. Revenue is recognised when the supply of the goods is contracted. There are no discounts or other arrangements that create uncertainty over the level of revenue recognised.

2. Principal accounting policies continued

Revenue from retail sales
Revenue from the sale of products produced and supplied via Zambeef's retail outlets and to external parties is recognised on delivery to customers either by way of cash sales or credit sales.

(k) Property, plant and equipment
All classes of property, plant and equipment are stated at valuation except for plantation development expenditure and capital work in progress which are stated at historical cost. Capital work in progress relates to internally constructed building parts and plant and machinery and are categorised as such on completion. 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 profit or loss in the statement of comprehensive income during the financial year in which they are incurred.

The Group has adopted a policy of revaluing all classes of property, plant and equipment, excluding capital work in progress and plantation development expenditure. Revaluations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Increases in the carrying amount arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus in shareholders' 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:

Buildings	2%
Motor vehicles	20%
Furniture & equipment	10%
Plant & machinery	10%
Aircraft	10%

Land and capital work in progress is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted where 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 other income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are

transferred to retained earnings.

(l) Plantation development expenditure
Plantation development expenditure comprises assets held for plantation development activities. All capital expenditure related costs are recognised under plantation development during the development stage. Upon completion of any development phase, capitalised items are transferred to property, plant and equipment and depreciated, which depreciation is capitalised until the oil palms reach maturity and the plantation generates operating income.

All costs relating directly to plantation development are capitalized until such time as the oil palms reach maturity and meet the criteria for commercial production, at which point capitalized items are reclassified as mature plantations in property, plant and equipment, and all further costs expensed and depreciation commences. Such capitalized costs include:

– construction of roads and bridges attached to the plantation
– installation of drainage
– land preparation
– construction of an office block and workshops
- borrowing costs

These are stated at cost less accumulated depreciation and impairment losses, if any.

2. Principal accounting policies continued

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

Bridges and roads 5%
Mature plantations 4%

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

m) Leased assets

Where property, plant and equipment 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 statement of comprehensive income 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.

Rentals payable under operating leases are charged to profit or loss in the statement of comprehensive income over the term of the relevant lease and in accordance with the terms of the relevant leases.

(n) Financial assets

For the purpose of measurement financial assets are classified into categories. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

(o) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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.

(p) 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 reorganization; 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.

2. Principal accounting policies continued

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 individual 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 loans 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.

2. Principal accounting policies continued

(ii) Impairment of goodwill
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(q) Financial liabilities
The Group's financial liabilities include bank overdrafts, interest bearing liabilities, obligations under finance leases and trade and other payables. Financial liabilities are recognised when the Group becomes party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in 'Finance costs' in the consolidated statement of comprehensive income. Financial liabilities are recognised initially at their fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(r) Biological assets

(i) Current assets
Biological assets are valued at their fair values less estimated point of sale costs as determined by the Directors. The fair value of livestock is determined based on market prices of animals of similar age, breed and genetic merit. Standing crops are revalued to fair value at each reporting date based on the estimated market value of fully grown standing crops adjusted for the age and condition of the crops at the reporting date. Feedlot, standing and dairy cattle, chickens (broilers and layers), and pigs have been classified as current biological assets based on Directors' expectation of their useful economic life. Upon maturity of biological assets, they are transferred to inventory through harvest and culling.

Net gains and losses arising from changes in fair value less estimated point of sale costs of biological assets are recognised in profit and loss in the statement of comprehensive income.

(ii) Non-current assets
Oil palms which are not yet mature at the accounting date, and hence are not producing fresh fruit bunches (FFB), are valued at cost as an approximation of fair value which is not capable of being accurately measured.

All expenditure on the oil palms up to maturity is treated as an addition to the oil palms. Such costs include seedling costs, holing and planting, transport and field distribution, lining and pruning. The variation in the value of the oil palms in each accounting period, after allowing for additions to the oil palms in the period, is charged or credited to profit or loss in the statement of comprehensive income as appropriate, with no depreciation being provided on such assets.

Bearer plans are accounted for in the same way as property, plant and equipment in IAS16.

(s) Inventory
Inventory is stated at the lower of cost and net realizable 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 realizable value takes into account all further costs directly related to marketing, selling and distribution.

Biological assets are transferred to inventory at the point of harvest/slaughter at fair value in accordance with IAS 41.

2. Principal accounting policies continued

(t) Cash and cash equivalents
Cash and cash equivalents include cash in hand, bank overdrafts, deposits held at call with banks, structured agricultural finance, other short-term highly liquid investments and balances held with banks.
Bank overdrafts are defined as facilities which are repayable on demand and classified as current liabilities.

(u) 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 be prepared 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 recognized within 'finance costs' in profit or loss in the statement of comprehensive income in the period in which they are incurred.

(v) 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 payable more than twelve months from the reporting date.

(w) Other income
Other income is income not related to the operation or management of the specific business activities of the Group, but which arises from the function of operating an agri-business. Other income comprises the fair value of the consideration received or receivable.

(x) Taxation
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(y) 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 per cent. of their gross earnings up to the statutory cap.

2. Principal accounting policies continued

(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.

(z) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders at a general meeting.

(aa) Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment. This reserve is non-distributable.

Foreign currency translation differences arising from translating to presentational currency and translating foreign operations are included in the foreign exchange reserve. These reserves are non-distributable.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income. All transactions with owners of the parent are recorded separately within equity.

(bb) Segmental reporting

IFRS 8 requires segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Joint Chief Executive Officers and Chief Financial Officer who are the Chief Operating Decision Maker (CODMs) to allocate resources and to assess their performance. The Group operates 14 main reportable divisions which match the main external revenues earned by the Group:

- Beef
- Chicken
- Pork
- Crops
- Stock feed
- Eggs
- Retailing
- Fish
- Milk and dairy
- Edible oils
- Mill and bakery
- Leather and shoe
- Master Meats (Nigeria)
- Master Meats (Ghana)

Due to the nature of the Group's operations, namely that Groups of assets and liabilities are each used to generate a number of the revenue streams above, balance sheet items cannot be discretely allocated to the above components, and the CODM also reviews management information regarding the operating assets and liabilities of the main reporting entities within the Group as follows:

- Zambeef
- Retailing
- Zam Chick
- Zamanita
- MasterPork
- Zampalm
- Other

The 'Other' segment includes the foreign subsidiaries, Zamleather Limited and Zamhatch Limited. Foreign subsidiaries include the Group's two majority-owned subsidiaries in Nigeria and Ghana. Inter and intra-divisional, and inter-company sales are recognised based on an internally set transfer price. The prices are reviewed periodically and aim to reflect what each Business segment could achieve if it sold its output to external parties at arm's length.

Notes to the Financial Statements continued

For the year ended 30 September 2015

2. Principal accounting policies continued

(cc) 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.

(dd) Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans are cash-settled.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. Estimates are based on historical experience and other assumptions that are considered reasonable under the circumstances. The estimates and judgements are under continuous review.

(i) Plantation development expenditure

Management exercises judgement in assessing whether costs incurred at the Zampalm plantation:

- Continue plantation development expenditure (and are therefore capitalised).
- Constitute other classes of property, plant and equipment (and are therefore capitalised and allocated as such).
- Relate directly to palm oil trees (and are therefore accounted for via the valuation of biological assets).

(ii) Deferred tax

Management applies judgement in assessing whether a deferred tax asset is recognised on carried forward trading losses based on anticipated future profits.

3.1 Significant accounting estimates

(i) Translating to the presentational currency

Management have applied the average exchange rate as an approximation to the actual exchange rate for the purposes of translating the Group's consolidated financial statements into USD. The Directors have conducted an exercise to evaluate the impact of these fluctuations on the presentation of the Group's results and has concluded that the application of the average exchange rate is a reasonable approximation to the actual rate. The Group has long-term borrowings denominated in USD and management has conducted sensitivity analysis on the Group's reported profits and equity for the periods reported (see note 28).

3.1 Critical accounting estimates continued

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the present value of future cash flows generated from the cash generating units to which the goodwill has been allocated. The present value calculation requires an estimation of the future cash flows expected to arise and a suitable discount rate in order to calculate present value (see note 13).

(iii) Valuation of biological assets and inventory

Biological assets are measured at fair value less estimated costs to sell. In estimating fair values and costs to sell, management takes into account the most reliable evidence at the times the estimates are made.

The most significant estimate relates to management's assessment of anticipated yield per hectare for establishing the fair value of standing crops. This assessment takes into account historic yields, climate conditions and certain other key factors. Realisation of the carrying amounts of biological assets of ZMW3.5 million (USD0.37 million) (2016: ZMW13.3 million [USD1.2 million]) is affected by price changes in different market segments, and ZMW468.1 million (USD49.2 million) (2016: ZMW249.5 million [USD23 million]) is affected by physical changes in different segments. Refer to note 16.

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amounts of inventory assets of ZMW516.4 million (USD53.4 million) (2016: ZMW545.2 million [USD54.5 million]) is affected by price changes in different market segments.

4. Management of financial risk

The Group's Board of Directors believes that the Group is well positioned in an improving economy. Factors contributing to the Group's strong position are:

(d) Growth in the Zambian economy leading to higher disposable incomes.
(e) Increase in the retail foot print of the Group.
(f) Increase in production facilities of the Group leading to higher volumes available for retail.
(g) Improvements in the management team across various areas of the Group leading to positive reinforcement of strong operational synergies.

Overall, the Group is in a strong position and has sufficient capital and liquidity to service its operating activities and debt.

4.1 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 cash flow risk, interest rate risk, foreign exchange risk and credit risk. These risks 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.

4.2 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. The 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 credit 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.

4.3 Interest risk

The Group has exposure to both variable and fixed interest rates on its borrowings. The area where the Group is exposed to interest risk is where the variable rate benchmark such as LIBOR, Zambian Treasury Bill rate, or the Bank of Zambia Policy rate may change.

The Group structures its debt with low spreads over the variable rate benchmark and protects itself with matching fixed interest rates on its borrowings. Management periodically review economic conditions relating to such variable benchmarks and is allowed to consider alternate debt structures where the need may arise.

Notes to the Financial Statements continued

For the year ended 30 September 2017

4.4 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 characteristics 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, issue new shares, or sell assets to reduce debt.

Capital structure

(i) In Zambian Kwacha	2017 ZMW'000s	2016 ZMW'000s
Cash and cash equivalents	(105,148)	64,806
Interest bearing liabilities	(514,397)	(547,988)
Equity	2,898,477	2,135,939
	2,278,932	**1,652,757**

(ii) In United States Dollars	2017 USD'000s	2016 USD'000s
Cash and cash equivalents	(10,874)	6,474
Interest bearing liabilities	(53,195)	(54,744)
Equity	299,740	213,383
	235,671	**165,113**

The Directors define capital as equity plus cash less borrowings and its financial strategy in the short term is to minimize the level of debt in the business whilst ensuring sufficient finances are available to continue the Group's business activities.

4.5 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 currency denominated borrowings, comprise the currency risk of the Group. These risks are minimized by matching the foreign currency receipts to the foreign currency payments as well as holding foreign currency bank accounts and export sales.

4.6 Agricultural risk

Agricultural production by its nature contains elements of significant risks and uncertainties which may adversely affect the business and operations of the Group, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to floods or droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; (iii) wild and domestic animal conflicts and crop raiding; and (iv) livestock disease outbreaks. Adverse weather conditions represent a significant operating risk to the Business, affecting the quality and quantity of production and the levels of farm inputs.

The Group minimises these risks through a robust insurance policy on biological stock (crop and livestock) and grain inventory.

5. Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker ('CODMs'), which is the Chief Executive officers and Chief Financial officer, to make decisions about the allocation of resources and assessment of performance about which discrete financial information is available. Gross margin information is sufficient for the CODM to use for such purposes. The CODM reviews information regarding the operating divisions which match the main external revenues earned by the Group, and management information regarding the operating assets and liabilities of the main business divisions within the Group.

Year ended 30 September 2017

(i) In Zambian Kwacha

Segment	Revenue ZMW'000s	Revenue ZMW'000s	Gross Profit ZMW'000s	Gross Profit ZMW'000s
Retailing – Zambia	**1,440,784**		**164,450**	
Master Meats Nigeria	137,759		25,139	
Master Meats Ghana	26,415		2,775	
Retailing West Africa		**164,174**		**32,598**
Total Retailing		**1,604,958**		**197,048**
Beef	415,963		103,725	
Chicken	297,340		65,686	
Pork	243,491		36,980	
Milk and dairy	172,516		49,338	
Fish	55,438		10,591	
Eggs	57,729		7,049	
Total Cold Chain Food Production		**1,242,477**		**273,369**
Stock Feed		**662,068**		**166,884**
Crops		**505,738**		**134,556**
Mill and Bakery	117,504		19,827	
Leather and shoe	31,571		7,260	
Edible oils	12,312		(313)	
Total Other		**161,387**		**26,774**
Total		**4,176,628**		**798,631**
Less: Intra/Inter Group Sales		(1,741,446)		(182,925)
Group total		**2,435,182**		**798,631**
Central operating costs and other income				(711,978)
Operating profit				**86,653**
Foreign exchange gains				6,701
Finance costs				(87,904)
Profit before tax				**5,450**

Operating assets/(liabilities)	Zambeef ZMW'000s	Retailing ZMW'000s	Master Pork ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property plant and equipment	1,915,758	167,854	85,779	441,097	2,610,488
Biological assets and inventories	561,928	47,624	22,837	51,886	684,275
Cash, cash equivalents and bank overdrafts	(24,435)	(96,578)	1,108	14,757	(105,148)

Notes to the Financial Statements continued

For the year ended 30 September 2017

5. Segmental reporting continued

(ii) In US Dollars

Segment	Revenue USD'000s	Revenue USD'000s	Gross Profit USD'000s	Gross Profit USD'000s
Retailing – Zambia	**151,343**		**17,273**	
Master Meats Nigeria	14,470		2,641	
Master Meats Ghana	2,775		784	
Retail – West Africa		**17,245**		**3,425**
Total Retailing		**168,588**		**20,698**
Beef	43,694		10,895	
Chicken	31,233		6,900	
Pork	25,577		3,884	
Milk and dairy	18,121		5,183	
Fish	5,823		1,113	
Eggs	6,064		740	
Total Cold Chain Food Production		**130,512**		**28,715**
Stock Feed		**69,545**		**17,530**
Crops		**53,124**		**14,134**
Mill and Bakery	12,343		2,083	
Leather and shoe	3,316		763	
Edible oils	1,293		(33)	
Total Other		**16,952**		**2,813**
Total		**438,721**		**83,890**
Less: Intra/Inter Group Sales		(182,925)		
Group total		**255,796**		**83,890**
Central operating costs and other income				(74,788)
Operating profit				**9,102**
Foreign exchange gains				704
Finance costs				(9,234)
Profit before tax				**572**

Operating assets/(liabilities)	Zambeef USD'000s	Retailing USD'000s	Master Pork USD'000s	Other USD'000s	Total USD'000s
Property plant and equipment	198,114	17,358	8,871	45,615	269,958
Biological assets and inventories	58,110	4,925	2,362	5,366	70,763
Cash, cash equivalents and bank overdrafts	(2,630)	(9,987)	115	1,628	(10,874)

Year ended 30 September 2016

5. Segmental reporting continued

(i) In Zambian Kwacha

Segment	Revenue ZMW'000s	Revenue ZMW'000s	Gross Profit ZMW'000s	Gross Profit ZMW'000s
Retailing – Zambia	**1,131,524**		**132,872**	
Master Meats Nigeria	182,825		39,421	
Master Meats Ghana	33,710		9,406	
Total Retailing		**1,348,059**		**181,699**
Retailing West Africa		216,535		**48,827**
Beef	426,731		97,130	
Chicken	285,056		63,028	
Pork	213,535		23,285	
Milk and dairy	125,526		55,538	
Fish	48,172		14,062	
Eggs	35,673		13,037	
Total Cold Chain Food Production		**1,134,693**		**266,080**
Stock Feed		**697,563**		**143,916**
Crops		**413,391**		**251,860**
Mill and Bakery	89,137		20,464	
Leather and shoe	33,037		9,216	
Edible oils	91,790		2,711	
Total Other		**213,964**		**32,391**
Total		**3,807,670**		**875,946**
Less: Intra/Inter Group Sales		(1,431,522)		
Group total		**2,376,148**		**875,946**
Central operating costs and other income				(688,353)
Operating profit				**187,593**
Foreign exchange gains				58,345
Finance costs				(111,346)
Profit before tax				**134,592**

Operating assets/(liabilities)	Zambeef ZMW'000s	Retailing ZMW'000s	Master Pork ZMW'000s	Zampalm ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property plant and equipment	1,161,484	192,846	62,521	46,159	306,956	1,769,966
Biological assets and inventories	584,181	85,628	20,414	48,480	41,542	780,245
Cash, cash equivalents and bank overdrafts	37,193	7,991	232	738	18,652	64,806

Notes to the Financial Statements continued

For the year ended 30 September 2017

5. Segmental reporting continued

(ii) In US Dollars

Segment	Revenue USD'000s	Revenue USD'000s	Gross Profit USD' 000s	Gross Profit USD' 000s
Retailing – Zambia	**104,481**		**12,269**	
Master Meats Nigeria	16,881		3,640	
Master Meats Ghana	3,113		869	
Total Retailing		**124,475**		**16,778**
Retail – West Africa		**19,994**		**4,508**
Beef	39,400		8,967	
Chicken	26,321		5,820	
Pork	19,717		2,150	
Milk and dairy	11,591		5,128	
Fish	4,448		1,298	
Eggs	3,294		1,204	
Total Cold Chain Food Production		**104,771**		**24,567**
Stock Feed		**64,410**		**13,289**
Crops		**38,171**		**23,256**
Mill and Bakery	8,231		1,890	
Leather and shoe	3,051		851	
Edible oils	8,476		250	
Total Other		**19,758**		**2,991**
Total		**351,585**		**80,881**
Less: Intra/Inter Group Sales		(132,181)		
Group total		**219,404**		**80,881**
Central operating costs and other income				(63,560)
Operating profit				**17,321**
Foreign exchange gains				5,387
Finance costs				(10,281)
Profit before tax				**12,427**

Operating assets/(liabilities)	Zambeef USD'000s	Retailing USD'000s	Masterpork USD'000s	Zampalm USD'000s	Other USD'000s	Total USD'000s
Property plant and equipment	116,032	19,265	6,246	4,612	30,665	176,820
Biological assets and inventories	58360	8,584	2,039	4,843	4,120	77,946
Cash, cash equivalents and bank overdrafts	3,716	798	23	74	1,863	6,474

	2017				2016			
Geographical	**ZMW'000s Revenues**	**ZMW'000s Non-current assets**	**USD'000s Revenues**	**USD'000s Non-current assets**	**ZMW'000s Revenues**	**ZMW'000s Non-current assets**	**USD'000s Revenues**	**USD'000s Non-current assets**
Zambia	2,104,431	3,142,675	221,055	324,992	1,977,148	2,081,055	182,562	207,898
West Africa	306,296	24,946	32,174	2,580	306,296	17,981	28,282	1,796
Rest of world	24,455	-	2,568	-	92,704	-	8,560	-
	2,435,182	**3,167,621**	**255,796**	**327,572**	**2,376,148**	**2,099,036**	**219,404**	**209,694**

6. Other income

Other income is derived from rental income recieved by the letting out of guest houses on Mpongwe Farm.

7. Operating profit

	2017		2016	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Operating profit is stated after charging/(crediting):				
Depreciation				
– Owned assets	81,672	41,339	76,103	42,047
– Leased assets	2,869	367	1,681	1,681
Staff costs	357,244	219,674	307,370	111,306
Legal and other professional fees	20,438	16,443	32,397	22,657
Directors' remuneration				
– Executive	15,324	15,324	22,535	22,535
– Non-Executive	2,112	2,112	2,539	2,539
	17,436	17,436	25,074	25,074
Auditors remuneration				
– Audit services	3,071	2,514	2,786	2,340
– Non-audit services	557	705	677	669
	3,628	3,219	3,463	3,009
Impairment of trade receivables	313	218	3,835	2,021
Profit/(loss) on disposal of property, plant and equipment	(974)	(825)	(1,124)	(824)
Rentals under operating lease	12,727	-	11,437	-

	2017		2016	
	Group USD´ 000s	Company USD'000s	Group USD'000s	Company USD'000s
Operating profit before taxation is stated after charging/(crediting):				
Depreciation				
– Owned assets	8,579	4,342	7,027	3,882
– Leased assets	301	39	155	155
Staff costs	37,526	23,075	28,381	10,278
Legal and other professional fees	2,147	1,728	2,991	2,092
Directors' remuneration				
– Executive	1,609	1,609	2,080	2,080
– Non-Executive	222	222	234	234
	1,831	1,831	2,314	2,314
Auditors remuneration				
– Audit services	323	264	257	216
– Non audit services	58	74	62	62
	381	338	319	278
Impairment of trade receivable	33	23	354	187
Profit/(loss) on disposal of property, plant and equipment	(102)	(87)	(104)	(76)
Rentals under operating leases	1,337	-	1,056	-

Notes to the Financial Statements continued

For the year ended 30 September 2017

8. Staff costs

The Group employed an average of 7,068 employees during the year ended 30 September 2017 (2016: 6,253).

	2017 Number	2016 Number
Zambeef Products PLC, Zambeef Retailing Limited, Zam Chick Limited, Zamhatch Limited & Zamleather Limited	5,857	5,158
Zampalm Limited	527	430
Master Pork Limited	281	264
Foreign Subsidiaries	403	401
Total	**7,068**	**6,253**

Employee costs for all employees of the Group, including Executive Directors, were:

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Salaries and wages	322,014	33,825	278,610	25,725
Social security costs	27,482	2,887	8,065	745
Pension costs	7,748	814	20,695	1,911
	357,244	37,526	307,370	28,381

2017	Carl Irwin ZMW'000s	Francis Grogan ZMW'000s	Yusuf Koya ZMW'000s	Danny Museteka ZMW'000s	Total ZMW'000s
Short term benefits					
Salary and fees	2,293	2,188	2,356	1,771	8,608
Bonus	5	5	258	5	273
Pension contributions	11	11	11	11	44
Airfare Allowance	461	461	142	384	1,448
Employment taxes	1,325	1,265	1,000	1,361	4,951
Total	4,095	3,930	4,117	3,182	15,324

2016	Carl Irwin ZMW'000s	Francis Grogan ZMW'000s	Yusuf Koya ZMW'000s	Danny Museteka ZMW'000s	Total ZMW'000s
Short term benefits					
Salary and fees	2,459	2,221	2,515	1,799	8,994
Bonus	2,679	2,679	128	128	5,614
Pension contributions	10	10	10	10	40
Employment taxes	2,745	2,622	1,406	1,114	7,887
Total	7,893	7,532	4,059	3,051	22,535

2017	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Danny Museteka USD'000s	Total USD'000s
Short term benefits					
Salary and fees	241	230	247	186	904
Bonus	1	1	1	27	30
Pension contributions	1	1	1	1	4
Airfare Allowance	48	48	40	15	151
Employment taxes	139	133	143	105	520
Total	430	413	432	334	1,609

8. Staff costs continued

2016	Carl Irwin USD'000s	Francis Grogan USD'000s	Yusuf Koya USD'000s	Danny Museteka USD'000s	Total USD'000s
Short term benefits					
Salary and fees	227	205	232	166	830
Bonus	247	247	13	12	518
Pension contributions	1	1	1	1	4
Employment taxes	253	242	130	103	728
Total	728	695	375	282	2,080

Details of Directors' contracts may be found in the Directors' Report.

9. Finance costs

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Interest on bank loans and overdrafts	82,348	8,650	108,704	10,037
Finance lease cost	5,556	584	2,642	244
Total	87,904	9,234	111,346	10,281

Notes to the Financial Statements continued

For the year ended 30 September 2017

10. Taxation

The Group has various tax rates applicable on the basis of individual entities being defined as agricultural entities or divisions (income tax rate of 10%) or manufacturing entities or divisions (income tax rate of 35%). The Group has further obtained tax holidays through investment incentives offered by the Zambian Government.

(i) In Zambian Kwacha	2017		2016	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
(a) Tax charge				
Current tax:				
Tax charge	12,878	11,145	17,896	12,403
	12,878	11,145	17,896	12,403
Deferred tax:				
Deferred taxation (note 9(e))	(11,829)	2,587	(7,098)	(2,607)
Tax charge/(credit) for the year	1,049	13,732	10,798	9,796
Profit/(loss) before taxation	5,450	37,735	134,592	101,173
(b) Reconciliation of tax charge/(credit)				
Taxation on accounting loss	(6,872)	6,069	19,210	8,839
Effects of:				
Permanent differences:				
Disallowable expenses	1,191	1,496	4,304	1,887
Timing differences:				
Capital allowances and depreciation	1,763	(10,626)	(167)	(1,071)
Livestock and crop valuations adjustment	3,283	3.250	(3,174)	(3,110)
Other income	(5)	4	2,907	-
Unrealised exchange (gains)/ losses	1,581	834	(6,999)	(4,074)
Unrealised tax losses	11,937	10,118	1,815	9,932
Tax charge for the year	12,878	11,145	17,896	12,403
(c) Movement in taxation account				
Taxation recoverable at 1 October	6,063	3,927	(2,983)	(4,038)
Charge for the year	12,878	11,145	17,896	12,403
Arising on discontinued operation		-	-	
Taxation paid	(17,329)	(13,484)	(8,850)	(4,438)
Taxation payable/ (recoverable) as at 30 September	1,612	1,588	6,063	3,927
Analysed as follows:				
Taxation payable	2,988	1,588	7,822	3,927
Taxation recoverable	(1,376)	-	(1,759)	-
	1,612	1,588	6,063	3,927

(d) A self-assessment system for income tax was introduced for periods subsequent to 31 March 2004. Tax returns for the year ended 30 September 2017 will be made on the due date.

10. Taxation continued

	2017		2016	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
(e) Deferred taxation				
Represented by:				
Biological valuation	11,005	10,644	9,792	9,398
Accelerated tax allowances	39,213	32,783	39,295	19,847
Provisions	(6,974)	(1,162)	(4,580)	(710)
Tax loss	(79,400)	(64,662)	(68,834)	(53,519)
	(36,156)	22,397	(24,327)	(24,984)
Analysis of movement:				
Deferred tax asset as at 1 October	(24,327)	(24,984)	(17,229)	(22,377)
Charge/(credit) to profit and loss account (note 9(a))	(11,829)	2,587	(7,098)	(2,607)
Arising on discontinued operations	-	-	-	-
Deferred tax asset as at 30 September	(36,156)	22,397	(24,327)	(24,984)
Deferred tax asset	(43,368)	(26,566)	(28,366)	(28,366)
Deferred tax liability	7,212	4,169	4,039	3,382

(ii) In US Dollars	2017		2016	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
(a) Tax charge				
Current tax:				
Tax charge	1,353	1,171	1,652	1,145
	1,353	1,171	1,652	1,145
Deferred tax:				
Deferred taxation (note 9(e))	(1,243)	271	(655)	(241)
Tax charge/ (credit) for the year	110	1,442	997	904

9. Taxation continued
(b) Reconciliation of tax charge

	2017		2016	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Profit/(loss) before taxation	**572**	**3,964**	**12,427**	**9,342**
Taxation on accounting profit/(loss)	(722)	638	1,774	816
Effects of:				
Permanent differences:				
Disallowable expenses	126	157	397	174
Timing differences:				
Capital allowances and depreciation	185	(1,116)	(15)	(99)
Livestock and crop valuations adjustment	345	341	(293)	(287)
Other income	(1)	-	268	-
Unrealised exchange (gains)/losses	166	1,063	(646)	(376)
Unrealised tax loss	1,254	88	167	917
Tax charge for the year	**1,353**	**1,171**	**1,652**	**1,145**

(c) Movement in taxation account

	2017		2016	
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Taxation recoverable at 1 October	605	392	(248)	(336)
Charge for the year	1,353	1,171	1,652	1,145
Arising on discontinued operations			-	-
Taxation paid	(1,820)	(1,416)	(817)	(410)
Foreign exchange differences	29	17	18	(7)
Taxation payable /(recoverable) as at 30 September	167	164	605	392
Analysed as follows:				
Taxation payable	309	164	781	392
Taxation recoverable	(142)	-	(176)	-
	167	164	605	392

(d) A self-assessment system for income tax was introduced for periods subsequent to 31 March 2004. Tax returns for the year ended 30 September 2017 will be made on the due date.

10. Taxation continued

(e) Deferred taxation	2017 Group USD'000s	2017 Company USD'000s	2016 Group USD'000s	2016 Company USD'000s
Represented by:				
Biological valuation	1,138	1,118	978	781
Accelerated tax allowances	4,055	3,444	3,926	1,651
Provisions	(721)	(122)	(458)	(59)
Tax loss	(8,211)	(6,756)	(6,877)	(4,869)
	(3,739)	(2,316)	(2,431)	(2,496)
Analysis of movement:				
Deferred tax asset as at 1 October	(2,431)	(2,496)	(1,433)	(1,862)
Charge/(credit) to profit and loss account (note 9(a))	(1,243)	272	(655)	(241)
Arising on discontinued operations		-	-	-
Foreign exchange	(65)	(92)	(343)	(393)
Deferred tax asset as at 30 September	(3,739)	(2,316)	(2,431)	(2,496)
Deferred tax asset	(4,485)	(2,747)	(2,834)	(2,834)
Deferred tax liability	746	431	403	338
	(3,739)	(2,316)	(2,431)	(2,496)

11. Equity dividends

	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Dividends declared or paid	-	-	-	-

There has been no dividend paid or proposed for 2017 (2016: ZMW nil).

12. Earnings per share

Earnings per share

Basic earnings per share have been calculated in accordance with IAS 33 which requires that earnings should be based on the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Basic earnings per share	2017 ZMW'000s	2017 USD'000s	2016 ZMW'000s	2016 USD'000s
Profit/(loss) for the year	4,037	424	137,103	12,659
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	300,579	300,579	250,170	250,170
	Ngwee	US cents	Ngwee	US cents
Basic earnings per share (ZMW and US cents) – Continued operations	1.72	0.18	41.38	3.82
Basic earnings per share (ZMW and US cents) – Discontinued operations	(0.38)	(0.04)	13.42	1.24

12. Earnings per share continued

	2017		2016	
Basic earnings per share				
Total Basic earnings per share (ZMW and US cents)	1.34	0.14	54.80	5.06
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share (including preference shares)	300,579	300,579	254,339	254,339
Basic earnings per share (ZMW and US cents) – Continued operations	1.72	0.18	40.70	3.76
Basic earnings per share (ZMW and US cents) – Discontinued operations	(0.38)	(0.04)	13.21	1.22
Total Basic earnings per share (ZMW and US cents)	1.34	0.14	53.91	4.98

13. Goodwill

	ZMW'000s	USD'000s
Cost and Net Book Value		
At 1 October 2015	15,699	1,306
Arising during the year	142,223	14,208
Foreign exchange difference	-	262
At 30 September 2016	157,922	15,776
Arising during the year	8,879	918
Foreign exchange difference	-	555
At 30 September 2017	166,801	17,249

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating unit, which is the unit expected to benefit from the synergies of the business combinations in which the goodwill arises:

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Masterpork Limited	15,699	1,623	15,699	1,568
Zam Chick Limited	141,786	14,663	134,590	13,445
Zamhatch Limited	9,316	963	7,633	763
	166,801	**17,249**	**157,922**	**15,776**

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired. The recoverable amounts of the cash generating unit (CGU) is determined from value in use calculations.

The Board's key assumptions are based on their past experience and future expectations of the market over the longer term. The Board estimates a discount rate of 15 per cent. post tax derived from the Group's cost of external borrowing and dividend payment history, adjusted to reflect currency risk and price risk, in accordance with IAS 36 'Impairment of Assets'. Master Pork Limited is expected to achieve a minimum growth rate of Zambian inflation plus Zambian GDP growth, in light of its infrastructure, and continued increase in protein consumption in the domestic market.

Due to the significant headroom within historical impairment calculations (approximately 2 times utilising a discounted cash flow for a period of three years), assumptions including growth rates of cash flows and changes to selling prices and direct costs have not been sensitised.

The Board is not aware of any other changes that would necessitate changes to its calculations.

14. Property, plant and equipment

(i) In Zambian Kwacha

(a) Group	Plantation development expenditure ZMW'000s	Leasehold land and buildings ZMW'000s	Aircraft ZMW'000s	Plant and machinery ZMW'000s	Motor vehicles ZMW'000s	Furniture and equipment ZMW'000s	Capital work in progress ZMW'000s	Total ZMW'000s
Cost or valuation								
As at 1 October 2015	**76,218**	**1,004,500**		**604,326**	**87,585**	**30,016**	**235,201**	**2,037,846**
Exchange differences	-	(91,844)		(58,343)	(4,959)	(922)	(1,226)	(157,294)
Additions	12,259	3,244		29,216	8,191	2,627	123,235	178,772
Transfers	-	116,356		62,131	2,470	1,345	(182,350)	(48)
Disposals	-	(619)		(2,305)	(2,630)	(114)	-	(5,668)
Reclassification	-	-	-	190	(190)	-	(24)	(24)
As at 30 September 2016	**88,477**	**1,031,637**		**635,215**	**90,467**	**32,952**	**174,836**	**2,053,584**
Exchange differences		(1,346)		(6,744)	(981)	(1,676)	(2,157)	(12,904)
Additions	13,805	63,332	865	100,863	9,704	6,611	14,235	209,415
Disposals		(166)			(2,098)	51		(2,213)
Transfers								
Surplus/ (deficit) on revaluation		720,622		(117,250)	(48,415)	(21,372)		533,585
Reclassification								
As at 30 September 2017	**102,282**	**1,814,079**	**865**	**612,084**	**48,677**	**16,566**	**186,914**	**2,781,688**
Depreciation								
As at 1 October 2015	**(4,606)**	**17,689**		**73,925**	**29,743**	**6,641**	**-**	**123,392**
Exchange difference	-	(1,746)		(5,638)	(2,058)	(646)	-	(10,088)
Charge for the year	-	9,744		47,230	17,689	3,121	-	77,784
Depreciation on Palm Plantation	(1,219)	-		-	-	-	-	(1,219)
Disposals		-		(181)	(434)	(52)	-	(667)
Transfers	-	-		-	114	-	-	114
Reclassification	-	-		76	(76)	-	-	-
As at 30 September 2016	**(5,825)**	**25,687**	**-**	**115,412**	**44,978**	**9,064**	**-**	**189,316**
Exchange difference		(388)	-	(1,531)	(623)	(458)	-	(3,000)
Charge for the year		10,612	50	50,570	19,489	3,820	-	84,541
Depreciation on Palm Plantation	(1,239)							(1,239)
Disposals				(82)	(7,411)	(9)	-	(7,502)
Revaluation		(33,618)	(50)	(153,329)	(57,857)	(11,356)	-	(256,210)
As at 30 September 2017	(7,064)	2,293	-	11,124	5,302	1,098	(1,019)	11,733
Net book value								
At 30 September 2017	**109,346**	**1,811,786**	**865**	**601,044**	**43,375**	**15,505**	**186,914**	**2,768,835**
At 30 September 2016	**94,302**	**1,005,950**		**519,803**	**45,489**	**23,888**	**174,836**	**1,864,268**

Notes to the Financial Statements continued

For the year ended 30 September 2017

14. Property, plant and equipment continued

(ii) In US Dollars

(a) Group	Plantation development expenditure USD'000s	Leasehold land and buildings USD'000s	Aircraft USD'000s	Plant and machinery USD'000s	Motor vehicles USD'000s	Furniture and equipment USD'000s	Capital work in progress USD'000s	Total USD'000s
Cost or valuation								
As at 1 October 2015	**6,341**	**83,569**	**-**	**50,277**	**7,286**	**2,497**	**19,567**	**169,537**
Foreign translation	1,366	8,505		4,943	1,027	439	3,359	19,639
Additions	1,132	300		2,698	756	243	11,379	16,508
Transfers	-	10,744		5,737	228	124	(16,837)	(4)
Disposals	-	(57)		(213)	(243)	(11)	-	(524)
Reclassification	-	-		18	(18)	-	-	-
As at 30 September 2016	**8,839**	**103,061**		**63,460**	**9,036**	**3,292**	**17,468**	**205,156**
Foreign translation	288	2,207		1,558	285	1,250	365	4,692
Additions	1,450	6,653	91	10,595	1,019	694	1,495	21,997
Disposals		(17)			(220)	5		(232)
Surplus/ (deficit) on revaluation	-	75,696		(12,316)	(5,086)	(3,529)		56,049
Reclassification								
As at 30 September 2017	**10,577**	**187,600**	**91**	**63,297**	**5,034**	**1,712**	**19,328**	**287,662**
As at 1 October 2015	**(383)**	**1,471**		**6,150**	**2,474**	**553**	**-**	**10,265**
Charge for the year	-	900		4,361	1,633	288	-	7,182
Depreciation on Palm Plantation	(113)	-		-	-	-	-	(113)
Disposals	-	-		(17)	(40)	(5)	-	(62)
Transfer	-	-		-	11	-	-	11
Reclassification	-	-		7	(7)	-	-	-
Disposal of subsidiary	-	(204)		(1,646)	(129)	(30)	-	(2,009)
Foreign Translation	(86)	195		1,031	423	69	-	1,632
As at 30 September 2016	(582)	2,566		11,532	4,494	905	-	18,915
Charge for the year		1,115	5	5,312	2,047	401	-	8,880
Depreciation on Palm Plantation	(130)							(130)
Disposals				(9)	(71)	(1)	-	(81)
Revaluation		(3,531)	(5)	(16,106)	(6,077)	(1,190)		(26,909)
Foreign Translation	**(19)**	**91**		**412**	**156**	**(9)**	**-**	**631**
As at 30 September 2017	**(731)**	**241**	**-**	**1,141**	**549**	**106**	**-**	**1,306**
Net book value								
At 30 September 2017	**11,308**	**187,359**	**91**	**62,156**	**4,485**	**1,606**	**19,328**	**286,333**
At 30 September 2016	**9,421**	**100,495**		**51,928**	**4,542**	**2,387**	**17,468**	**186,241**

14. Property, plant and equipment continued

(a) The depreciation charge for the year includes ZMW23.4 million (USD2.5 million) (2016: ZMW18.9 million [USD1.7 million]) 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 distributable reserve from revaluation reserve.
(b) The carrying value of the Group's property, plant and equipment includes an amount of ZMW49.6 million (USD5.1 million) (2016: ZMW33.7 million [USD3.4 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMW2.9 million (USD0.3 million) (2016: ZMW3.3 million [USD0.16 million]).
(c) The capital work in progress depicts all capital expenditure items on projects that are yet to be completed.
(d) In the opinion of the Directors, the carrying values of property, plant and equipment stated above are not higher than their fair values.

(i) In Zambian Kwacha

(b) Company	**Leasehold land and buildings ZMW'000s**	**Plant and machinery ZMW'000s**	**Motor vehicles ZMW'000s**	**Furniture and equipment ZMW'000s**	**Capital work in progress ZMW'000s**	**Total ZMW'000s**
Cost or valuation						
At 1 October 2015	**832,565**	**452,460**	**39,637**	**6,184**	**24,600**	**1,355,446**
Exchange differences	(84,671)	(47,484)	(2,281)	(111)	(904)	(135,451)
Additions	3,235	965	1,854	307	41,801	48,162
Transfers	1,329	10,514	501	235	(10,456)	2,123
Disposals	(619)	(540)	(1,369)	(17)	-	(2,545)
Reclassification		982	(982)			
At 30 September 2016	**751,839**	**416,897**	**37,360**	**6,598**	**55,041**	**1,267,735**
Exchange differences	(8,670)	(7,134)	(712)	(131)	-	(16,647)
Additions	31,468	71,722	6,283	2,503	75,230	187,206
Transfers	48,374	44,599	11,536	1,798	(102,376)	(19,141)
Disposals	(166)	-	(551)	-	-	(717)
Revaluation	608,447	(96,132)	(14,021)	(970)	-	497,324
As at 30 September 2017	1,431,292	429,952	16,823	9,798	27,985	1,915,760
Depreciation						
As at 1 October 2015	**9,580**	**41,617**	**11,455**	**984**	**-**	**63,636**
Charge for the year	5,710	30,151	7,239	628	-	43,728
Disposals	(98)	(35)	(1,518)	(5)	-	(1,656)
Transfers	-	428	114	-	-	542
As at 30 September 2016	**15,192**	**72,161**	**17,290**	**1,607**	**-**	**106,250**
Charge for the year	5,485	29,669	5,809	743	-	41,706
Transfers	3,315	5,787	3,518	565	-	13,185
Disposals	-	(82)	(6.862)	-	-	(6,944)
Depreciation no longer required	(23,992)	(107,535)	(19,755)	(2,915)	-	(154,197)
As at 30 September 2017	**-**	**-**	**-**	**-**	**-**	**-**
Net book value						
At 30 September 2017	**1,431,292**	**429,952**	**16,823**	**9,798**	**27,895**	**1,915,760**
At 30 September 2016	**736,647**	**344,736**	**20,070**	**4,991**	**55,041**	**1,161,485**

14. Property, plant and equipment continued

(ii) In US Dollars

(b) Company	Leasehold land and buildings USD'000s	Plant and machinery USD'000s	Motor vehicles USD'000s	Furniture and equipment USD'000s	Capital work in progress USD'000s	Total USD'000s
Cost or valuation						
As at 1 October 2015	69,265	37,643	3,297	514	2,047	112,766
Exchange differences	(7,818)	(4,385)	(211)	(10)	(83)	(12,507)
Additions	299	89	171	28	3,860	4,447
Transfers	109	396	13	13	(531)	-
Disposals	(57)	(50)	(126)	(2)	-	(235)
Foreign translation	13,298	7,289	645	106	641	21,979
Reclassification		94	(94)			
As at 30 September 2016	**75,110**	**41,650**	**3,728**	**658**	**5,501**	**126,646**
Exchange differences	(911)	(749)	(75)	(14)	-	(1,749)
Additions	3,305	7,534	660	263	7,902	19,664
Transfers	5,082	4,685	(1,212)	189	(10,754)	(2,010)
Disposals	(17)	-	(58)	-	-	(75)
Foreign translation	1,532	1,444	167	19	237	3,398
Surplus/ (deficit) on revaluation	63,913	(10,098)	(1,473)	(102)	-	52,240
As at 30 September 2017	**148,014**	**44,462**	**1,740**	**1,013**	**2,885**	**198,114**
Depreciation						
As at 1 October 2015	**797**	**3,462**	**953**	**82**	**-**	**5,294**
Charge for the year	527	2,784	668	58	-	4,037
Foreign translation	203	927	235	21	-	1,386
Disposals	(9)	(3)	(140)	(1)	-	(153)
Transfers	-	40	10	-	-	50
As at 30 September 2016	1,518	7,210	1,726	160	-	10,614
Charge for the year	576	3,116	610	79	-	4,381
Disposals	-	(9)	(721)			(730)
Transfers	348	608	370	59	-	1,385
Foreign translation	78	371	91	8	-	548
Depreciation no longer required	(2,520)	(11,296)	(2,075)	(306)	-	(16,197)
As at 30 September 2017						
Net book value						
At 30 September 2017	**148,014**	**44,462**	**1,740**	**1,013**	**2,885**	**198,114**
At 30 September 2016	**73,592**	**34,374**	**2,005**	**498**	**5,500**	**116,032**

(a) The carrying value of the Company's property, plant and equipment includes an amount of ZMW25.2 million (USD2.6 million) (2016: ZMW12.6 million [USD1.3 million]) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to ZMW0.367 million (USD0.039 million) (2016: ZMW1.7 million [USD0.15 million]).

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

15. Investments in subsidiaries

The principal subsidiaries of the Company, their country of incorporation, ownership of their issued, ordinary share capital and the nature of their trade are listed below:

(a) Directly owned:	Country of incorporation	Proportion of all classes of issued share capital owned by the Company 2017	Proportion of all classes of issued share capital owned by the Company 2016	Principal activity
Zambeef Retailing Limited	Zambia	100	100	Retailing of Zambeef products
Zamleather Limited	Zambia	100	100	Processing and sale of leather and production and sale of shoes
Master Meats and Agro Production Co of Nigeria Limited	Nigeria	80	80	Processing and sale of meat products
Masters Meat (Ghana) Limited	Ghana	90	90	Processing and sale of meat products
Masterpork Limited	Zambia	100	100	Processing and sale of pork and processed products
Zampalm Limited	Zambia	100	100	Palm tree plantation
Zam Chick Limited	Zambia	100	100	Processing and sale of poultry products
Zamhatch Limited	Zambia	100	100	Chicken breeding, rearing and stock feed

The proportion of voting rights held is the same as the proportion of shares held.

	2017		2016	
(b) Movement at cost:	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
At beginning of the year	293,763	29,347	118,688	9,874
Arising during the year	8,879	993	175,075	16,166
Transferred to hold for disposal	(56,835)	(5,970)	-	-
Foreign translation	-	1,050	-	3,307
At end of the year	**245,807**	**25,420**	**293,763**	**29,347**

15. Investments in subsidiaries continued

(c) The Company's interests in its subsidiaries, which are unlisted, are as follows:

Name of company	Country of Incorporation	Assets ZMW'000s	Liabilities ZMW'000s	Revenues ZMW'000s	Profit/(loss) ZMW'000s
Zambeef Retailing Limited	Zambia	653,093	619,909	1,440,784	(25,930)
Zamleather Limited	Zambia	55,853	19,814	31,571	(6,894)
West Africa Operations	Nigeria & Ghana	47,664	86,173	164,174	(4,782)
Masterpork Limited	Zambia	283,585	199,902	243,491	2,177
Zampalm Limited	Zambia	221,418	140,263	238	(1,133)
Zam Chick Limited	Zambia	497,189	333,879	230,931	12,015
Zamhatch Limited	Zambia	313,362	217,484	71,103	1,021
Total at the end of 30 September 2017		**2,072,164**	**1,617,424**	**2,182,292**	**(23,526)**
Zambeef Retailing Limited	Zambia	416,285	385,325	1,363,809	34,613
Zamleather Limited	Zambia	48,076	18,430	33,037	(1,849)
West Africa Operations	Nigeria & Ghana	40,351	74,569	52,535	(9,821)
Masterpork Limited	Zambia	146,472	84,902	234,474	398
Zampalm Limited	Zambia	189,813	107,524	135	(1,563)
Zam Chick Limited	Zambia	302,088	201,745	224,331	19,634
Zamhatch Limited	Zambia	192,716	140,143	54,464	24,620
Total at the end of 30 September 2016		**1,335,801**	**1,012,638**	**1,962,785**	**66,032**

Name of company	Country of Incorporation	Assets USD'000s	Liabilities USD'000s	Revenues USD'000s	Profit/(loss) USD'000s
Zambeef Retailing Limited	Zambia	67,538	64,106	151,343	(2,724)
Zamleather Limited	Zambia	5,776	2,049	3,316	(724)
West Africa Operations	Nigeria & Ghana	4,929	8,911	17,245	(502)
Masterpork Limited	Zambia	29,326	20,762	25,577	229
Zampalm Limited	Zambia	22,897	14,505	25	(119)
Zam Chick Limited	Zambia	51,416	34,527	24,257	1,262
Zamhatch Limited	Zambia	32,406	21,656	7,469	107
Total at the end of 30 September 2017		**214,288**	**166,516**	**229,232**	**(2,471)**
Zambeef Retailing Limited	Zambia	41,587	38,838	125,929	3,196
Zamleather Limited	Zambia	4,803	1,841	3,051	(171)
West Africa Operations	Nigeria & Ghana	4,031	7,449	5,248	(907)
Masterpork Limited	Zambia	14,633	8,482	21,650	37
Zampalm Limited	Zambia	18,962	10,742	12	(146)
Zam Chick Limited	Zambia	30,179	20,154	20,714	1,813
Zamhatch Limited	Zambia	19,252	14,000	5,029	2,273
Total at the end of 30 September 2016		**133,447**	**101,506**	**181,633**	**6,095**

15. Investments in subsidiaries continued

	2017		2016	
Name of company	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Zambeef Retailing Limited	31	3	31	3
Zamleather Limited	1,477	153	1,477	148
Master Meats and Agro Production Co of Nigeria Limited	216	22	216	22
Master Meats (Ghana) Limited	1,310	136	1,310	131
Masterpork Limited	26,601	2,751	26,601	2,657
Zampalm Limited	56,835	5,877	56,835	5,678
Zam Chick Limited	158,230	16,363	151,033	15,088
Zamhatch Limited	57,942	5,992	56,260	5,620
	302,642	**31,297**	**293,763**	**29,347**

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

16. (a) Biological assets – Group

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 30 September 2017 there were 13,076 cattle (10,620 feedlot cattle and 2,456 dairy cattle) and 565,666 chickens (526,403 layers and 39,263 broilers), and 4,300 pigs. A total of 22,733 feedlot cattle, 1,358 dairy cattle, 9,295 pigs and 7,425,578 chickens were culled during the year. The palm plantation is in developmental stage with current plantation size of 2,911 hectares.

(i) In Zambian Kwacha	As at 1 October ZMW'000s	Increase due to purchases ZMW'000s	Gains/ (losses) arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/ transferred to inventory ZMW'000s	As at 30 September ZMW'000s
Standing Crops	60,377	297,156	197,453	(3,452)	(505,738)	45,796
Feedlot Cattle	52,871	257,178	141,884	-	(405,426)	46,507
Dairy Cattle	46,103	60,922	110,529	-	(172,480)	45,074
Pigs	4,034	9,588	2,221	(39)	(12,116)	3,688
Chickens	23,641	280,441	16,011	-	(293,301)	26,792
Palm oil plantation	48,480	1,570	12,929	-	(238)	62,741
Total	**235,506**	**906,855**	**481,027**	**(3,491)**	**(1,389,299)**	**230,598**
Less: Non-current biological assets	(48,480)	(1,570)	(12,929)	-	238	(62,741)
Total	**187,026**	**905,285**	**468,098**	**(3,491)**	**(1,389,061)**	**167,857**

16. (a) Biological assets – Group continued

(ii) In US Dollars	As at 1 October USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains/ (losses) arising from fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to harvest/ transferred to inventory USD'000s	As at 30 September USD'000s
Standing Crops	6,031	237	31,214	20,741	(363)	(53,124)	4,736
Feedlot Cattle	5,282	197	27,015	14,904	-	(42,587)	4,811
Dairy Cattle	4,606	163	6,399	11,610	-	(18,118)	4,660
Pigs	403	15	1,007	233	(4)	(1,273)	381
Chickens	2,362	78	29,458	1,682	-	(30,809)	2,771
Palm oil plantation	4,843	147	165	1,358	-	(25)	6,488
Total	**23,527**	**837**	**95,258**	**50,528**	**(367)**	**(145,936)**	**23,847**
Less: Non-current biological assets	(4,843)	(147)	(165)	(1,358)	-	25	(6,488)
Total	**18,684**	**690**	**95,093**	**49,170**	**(367)**	**(145,911)**	**17,359**

16. (b) Biological assets – Company

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, and chickens. At 30 September 2017 there were 13,076 cattle (10,620 feedlot cattle and 2,456 dairy cattle), and 351,959 chickens (351,959 layers). A total of 22,733 feedlot cattle and 1,358 dairy cattle were culled during the year.

(i) In Zambian Kwacha	As at 1 October ZMW'000s	Increase due to purchases ZMW'000s	Gains/ (losses) arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/ transferred to inventory ZMW'000s	As at 30 September ZMW'000s
Standing Crops	60,377	297,156	197,453	(3,452)	(505,738)	45,796
Feedlot Cattle	52,875	257,178	141,884	-	(405,430)	46,507
Dairy Cattle	46,101	60,922	110,529	-	(172,478)	45,074
Chickens	11,158	52,537	6,745	-	(57,730)	12,710
Total	**170,511**	**667,793**	**456,611**	**(3,452)**	**(1,141,376)**	**150,087**

(ii) In US Dollars	As at 1 October USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains/ (losses) arising from fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to harvest/ transferred to inventory USD'000s	As at 30 September USD'000s
Standing Crops	6,031	236	31,214	20,741	(363)	(53,124)	4,735
Feedlot Cattle	5,283	195	27,015	14,904	-	(42,587)	4,810
Dairy Cattle	4,606	163	6,399	11,610	-	(18,117)	4,661
Chickens	1,114	37	5,519	709	-	(6,064)	1,315
Total	**17,034**	**631**	**70,147**	**47,964**	**(363)**	**(119,892)**	**15,521**

17. Inventories

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Trading stocks	241,289	195,697	298,317	231,740
Abattoir stocks	6,217	-	3,282	-
Raw materials	78,820	-	6,377	-
Stock feed	17,621	85,491	58,212	54,467
Consumables	169,693	130,653	176,269	127,463
Raw hides and chemicals	2,778	-	2,282	-
	516,418	**411,841**	**544,739**	**413,670**

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Trading stocks	24,953	20,238	29,802	23,151
Abattoir stocks	643	-	328	-
Raw materials	8,151	-	637	-
Stock feed	1,822	8,841	5,815	5,552
Consumables	17,548	13,511	17,609	12,623
Raw hides and chemicals	287	-	228	-
	53,404	**42,590**	**54,419**	**41,326**

A total of ZMW1,633.1 million (USD171.5 million) (2016: ZMW1,513.5 million (USD139.7 million)) was included in profit and loss as an expense within cost of sales. Inventory was turned every 118 days (2016: 116 days).

Biological assets totalling ZMW1,389.1 million (USD145.9 million) (2016: ZMW944.7 million [USD87.2 million]) were transferred to inventories during the year.

18. Trade and other receivables

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Gross trade receivables	66,155	28,227	92,150	33,303
Less: provision for impairment of trade receivables	(4,504)	(2,254)	(5,475)	(2,033)
Trade receivables	61,651	25,973	86,675	31,270
Prepayments	28,474	11,196	26,019	14,596
Other receivables	667	-	457	-
	90,792	**37,169**	**113,151**	**45,866**

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For the year ended 30 September 2017

18. Trade and other receivables continued

	2017		2016	
(ii) In US Dollars	**Group USD'000**	**Company USD'000**	**Group USD'000**	**Company USD'000**
Gross trade receivables	6,842	2,919	9,206	3,327
Less: provision for impairment of trade receivables	(466)	(233)	(547)	(203)
Trade receivables	6,376	2,686	8,659	3,124
Prepayments	2,945	1,158	2,599	1,458
Other receivables	69	-	46	-
	9,390	**3,844**	**11,304**	**4,582**

(a) Provision for impairment of trade receivables
The Directors have made a provision against some of the trade receivables that are long standing. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

Movements on the Group's provision for impairment of trade receivables are set out in the table below:

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
At 1 October	5,475	2,033	1,438	226
Utilised	(1,002)	-	202	(214)
Arising on discontinued operations			-	-
Charge for the year	313	218	3,835	2,021
At 30 September	**4,786**	**2,254**	**5,475**	**2,033**

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
At 1 October	547	203	120	19
Foreign exchange	(9)	7	54	17
Utilised	(105)	-	19	(20)
Charge for the year	33	23	354	187
At 30 September	**466**	**233**	**547**	**203**

Trade receivables have a 15 or 30 day credit period.

Some of the unimpaired trade receivables are past due as at the reporting date. Financial assets past due but not impaired are shown below:

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
More than 3 months but not more than 6 months	2,691	541	2,365	672
More than 6 months but not more than a year	-	-	-	-
More than one year	-	-	-	-
Total	**2,691**	**541**	**2,365**	**672**

18. Trade and other receivables continued

(ii) In US Dollars	2017 Group USD'000s	2017 Company USD'000s	2016 Group USD'000s	2016 Company USD'000s
More than 3 months but not more than 6 months	278	56	236	67
More than 6 months but not more than a year	-	-	-	-
More than one year	-	-	-	-
Total	**278**	**56**	**236**	**67**

Management reviews recoverability of trade receivables on a continuous basis and where necessary makes provision for impairment on long outstanding receivables.

19. Amounts due from related companies

(i) In Zambian Kwacha	2017 Group ZMW'000s	2017 Company ZMW'000s	2016 Group ZMW'000s	2016 Company ZMW'000s
Leopard Investments Company Limited	565	703	2,034	1,626
Tractorzam Limited	162	162	258	258
Zambezi Ranching and Cropping Limited	10,385	6,153	5,924	-
Tembilo Farms Limited	-		247	-
Wellspring Limited	6	6	1,861	1,861
Squares Ranch	304	304		-
Zambia Pig Genetics Limited	-	279	219	219
Zambeef Retailing Limited	-	-	-	3,780
Zamleather Limited	-	12,464	-	4,200
Masterpork Limited	-	-	-	29,701
Zampalm Limited	-	82,807	-	55,100
Master Meats & Agro Production Co. of Nigeria Limited	-	56,603	-	42,756
Zam Chick Limited	-	325,381	-	195,649
Master Meats (Ghana) Limited	-	720	-	531
Zamhatch Limited	-	169,478	-	127,433
	11,422	655,060	10,543	463,114

19. Amounts due from related companies continued

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Leopard Investments Company Limited	58	73	203	162
Tractorzam Limited	17	17	26	26
Zambezi Ranching and Cropping	1,074	636	591	-
Tembilo Farms Limited	-		25	-
Wellspring Limited	1	-	186	186
Squares Ranch	31	31		-
Zambia Pig Genetics	-	29	22	22
Zambeef Retailing Limited	-	-	-	378
Zamleather Limited	-	1,289	-	420
Master Pork Limited	-	-	-	2,967
Zampalm Limited	-	8,563	-	5,504
Zam Chick Limited	-	33,649	-	19,545
Master Meats & Agro Production Co. of Nigeria Limited	-	5,854	-	4,271
Master Meats (Ghana) Limited	-	74	-	53
Zamhatch Limited	-	17,526	-	12,731
	1,181	**67,741**	**1,053**	**46,265**

The above balances relate to arm's length transactions between the transacting parties. External parties that fall under the 'Related Party' disclosure are with respect to all common shareholding companies of the Board of Directors of the Group. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

20. Cash and cash equivalents

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Cash in hand and at bank	62,518	16,509	95,747	52,239
Bank overdrafts (note (b))	(167,666)	(41,944)	(30,941)	(15,046)
	(105,148)	**(25,435)**	**64,806**	**37,193**

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Cash in hand and at bank	6,465	1,707	9,565	5,219
Bank overdrafts (note (b))	(17,339)	(4,337)	(3,091)	(1,503)
	(10,874)	**(2,630)**	**6,474**	**3,716**

20. Cash and cash equivalents continued

(a) Banking facilities

The Group has overdraft facilities totalling ZMW55 million (2016: ZMW35.137 million) and USD7 million (2016: USD5.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of Bank of Zambia Policy rate plus 5 per cent. on the Kwacha facility and 6 month USD LIBOR rate plus 4.5 per cent. on the USD facility.

The Group has overdraft facilities totalling ZMW30 million (2016: ZMW30 million) and USD2 million (2016: USD2 million) with Standard Chartered Bank Zambia Plc. The Standard Chartered Bank overdrafts bear interest rates of Bank of Zambia Policy rate plus 5 per cent. on the Kwacha facilities and 1 month USD LIBOR rate plus 4.5 per cent. on the USD facilities.

The Group has overdraft facilities totalling ZMW98.3 million (2016: ZMW98.3 million) with Zanaco Bank Plc. The Zanaco Bank overdraft bears an interest rate of Bank of Zambia Policy rate plus 7 per cent. on the Kwacha facility.

The Group has overdraft facilities totalling ZMW35 million (2016: ZMW54.7 million) and USD4.3 million (2016: USD6.3 million) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 7 per cent. on the Kwacha facility and 3 month USD LIBOR rate plus 5 per cent. on the USD facility.

(b) Bank overdrafts

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Bank overdrafts represented by:				
Zanaco Bank Plc	96,245	(53)	(14,753)	(127)
Citibank Zambia Limited	56,930	(27,730)	(1,999)	(730)
Stanbic Bank Zambia Limited	10,201	(9,871)	(14,189)	(14,189)
Standard Chartered Bank Zambia Plc	4,290	(4,290)	-	-
	167,666	**(41,944)**	**(30,941)**	**(15,046)**

	2017		2016	
(ii) In US Dollars	**Group USD'000**	**Company USD'000**	**Group USD'000**	**Company USD'000**
Bank overdrafts represented by:				
Zanaco Bank Plc	9,953	(5)	(1,474)	(13)
Citibank Zambia Limited	5,887	(2,868)	(200)	(73)
Stanbic Bank Zambia Limited	1,055	(1,020)	(1,417)	(1,417)
Standard Chartered Bank Zambia Plc	444	(443)	-	-
	17,339	**(4,337)**	**(3,091)**	**(1,503)**

(i) The Zambeef Products Plc Company bank overdrafts are secured by a first floating charge/debenture over all the assets of the Company. The floating charge/debenture ranks pari passu between Standard Chartered Bank Zambia Plc (USD5 million), Citibank Zambia Limited (USD14 million and ZMW8 million), Zanaco Bank Plc (ZMW98.3 million), and Stanbic Bank Zambia Limited (ZMW75 million).

All overdrafts are annual revolving facilities.

21. Share capital

(a) Ordinary share capital

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Authorised				
700,000,000 ordinary shares of ZMW0.01 each	7,000	938	7,000	938
(2016 : 700,000,000 ordinary shares of ZMW0.01 each)				
Issued and fully paid				
At 1 October	3,006	449	2,480	396
Issued during the year	-	-	526	53
At 30 September				
300,579,590 ordinary shares of ZMW0.01 each	3,006	449	3,006	449
(2016 : 300,579,590 ordinary shares of ZMW0.01 each)				

(b) Preference share capital

Issued and fully paid				
At 1 October	1,000	100	-	-
Issued during the year	-	-	1,000	100
At 30 September				
100,057,658 preference shares of ZMW0.01 each	1,000	100	1,000	100
(2016 : 100,057,658 preference shares of ZMW0.01 each)				

(c) At an Extraordinary General Meeting (EGM) held on 8 September 2016, the shareholders approved the alteration of the authorised share capital from 400,000,000 shares with a par value of ZMW0.01 each to 700,000,000 shares with a par value of ZMW0.01. The EGM also approved the issue of 52,601,435 ordinary shares with a par value of ZMW0.01 and 100,057,658 preference shares with a par value of ZMW0.01.

22. Share premium

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
At 1 October	1,125,012	185,095	506,277	123,283
Arising during the year	-	-	618,735	61,812
At 30 September	**1,125,012**	**185,095**	**1,125,012**	**185,095**

23. Interest bearing liabilities

	2017		2016	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (note (a))	220,573	220,573	128,228	128,228
Zanaco Bank Plc (note (b))	26,571	26,571	33,214	33,214
Standard Chartered Bank Zambia Plc (note (c))	60,248	60,248	118,849	118,849
IFC – International Finance Corporation (note (d))	159,174	159,174	216,515	210,837
	466,566	**466,566**	**496,806**	**491,128**
Less: Short term portion (repayable within next 12 months)	(138,328)	(138,328)	(235,072)	(229,394)
Long term portion (repayable after 12 months)	**328,238**	**328,238**	**261,734**	**261,734**

24. Interest bearing liabilities

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (note (a))	22,810	22,810	12,810	12,810
Zanaco Bank Plc (note (b))	2,748	2,748	3,318	3,318
Standard Chartered Bank Zambia Plc (note (c))	6,230	6,231	11,873	11,873
IFC – International Finance Corporation (note (d))	16,460	16,461	21,630	21,062
	48,248	**48,250**	**49,631**	**49,063**
Less: Short term portion (repayable within next 12 months)	(14,304)	(14,305)	(23,484)	(22,916)
Long term portion (repayable after 12 months)	**33,944**	**33,945**	**26,147**	**26,147**

(a) (i) DEG Term Loan 2
The Group has a loan facility of USDNil million (2016: USD3.58 million and original amount of USD25 million) from DEG. Interest on the loan was 4.55 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 14 bi-annual instalments of USD1,785,000 commencing November 2010 and expired in May 2017.

The DEG term loan 2 was secured by:
- First ranking legal mortgage over Farm No. 4906, Lot No. 18835/M and Lot No. 18836/M (Sinazongwe farm); and
- First ranking legal mortgage over Farm No. 10097, R/E of Farm No. 5063 and Lot No. 8409/M (Chiawa farm).

(ii) DEG Term Loan 3
The Group has a loan facility of USD7.81 million (2016: USD9.23 million and original amount of USD10 million) from DEG. Interest on the loan is 4.25 per cent. above the 6 month USD LIBOR rate per annum payable 6 monthly in arrears. The capital is repayable in 14 biannual instalments of USD710,000 commencing May 2016 and expiring in November 2022.

The DEG term loan 3 is secured by:
- First ranking legal mortgage over Farm No. 4906, Lot No. 18835/M and Lot No. 18836/M (Sinazongwe farm); and
- First ranking legal mortgage over Farm No. 10097, R/E of Farm No. 5063 and Lot No. 8409/M (Chiawa farm).

(iii) DEG Term Loan 4
The Group has a loan facility of USD15 million (2016: USDnil million) from DEG. Interest on the loan is 5.75 per cent. above the 6 month USD LIBOR rate per annum payable quarterly in arrears. The capital is repayable in 12 quarterly instalments of USD1,250,000 commencing March 2018 and expiring in March 2023.

The DEG term loan 4 is secured by:
- Second ranking legal mortgage over Farm No. 4906, Lot No. 18835/M and Lot No. 18836/M (Sinazongwe farm); and
- Second ranking legal mortgage over Farm No. 10097, R/E of Farm No. 5063 and Lot No. 8409/M (Chiawa farm).

(b) Zanaco Bank Plc
The Group has a loan facility of ZMW26.6 million (2016: ZMW33.2 million) with Zanaco Bank Plc. Interest on the loan is 7 per cent. above the Bank of Zambia policy rate per annum payable monthly in arrears. The principal is repayable in 7 annual instalments of ZMW6,642,857 commencing December 2014 and expiring in December 2020.

The loan is secured by a first ranking legal mortgage over Stand No. 4970, Industrial Area, Lusaka (Head Office).

(c) Standard Chartered Bank Zambia Plc
The Group has a structured agricultural facility with an annual revolving limit totalling USD20 million (2016 – USD20 million) 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 days. The balance on the facilities at year end was USD6.2 million (2016: USD11.9 million). Interest on the facility is 3 month LIBOR plus 4 per cent. per annum calculated on the daily overdrawn balances.

(d) (i) International Finance Corporation Loan 1
The Group has a loan facility of USDNil million (2016: USD1.84 million in Zambia and USD0.57 million in Nigeria and original amount of USD10 million) from IFC. Interest on the loan was 4.75 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal was repayable in 11 equal bi-annual instalments of USD636,364 (Zambeef) and USD283,634 (Nigeria) commencing June 2012 and expired in June 2017.

The portion of the loan attributable to Zambia was secured through a first ranking legal mortgage over Plots 9070, 9071 and 9074, off Mumbwa Road, Lusaka, (Novatek stock feed premises) and the portion of the loan attributable to the Nigerian operations was secured by a floating charge over all assets of Master Meat and Agro Production Co of Nigeria Limited and a parental guarantee from Zambeef Products PLC.

24. Interest bearing liabilities continued

(d) (ii) International Finance Corporation Loan 2

The Group has a loan facility of USD13.1 million and ZMW32.5 million (2016: USD15.9 million and ZMW39.3 million). Interest on the loan is 4.75 per cent. above the 6 month USD LIBOR rate per annum for the USD facility and 4.45 per cent. above the 91 day Treasury Bill rate plus a variable swap margin for the Kwacha facility payable quarterly in arrears. The principal is repayable in 29 equal quarterly instalments of USD689,655 and ZMW1,710,345 commencing June 2015 and expiring in June 2022.

The loan is secured through a first ranking legal mortgage over Farm No. 4450, 4451 & 5388 (Mpongwe farm).

25. Obligations under finance leases

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Freddy Hirsch Group Zambia Limited (note (a))	17,364	-	17,389	-
Stanbic Bank Zambia Limited (note (b))	30,467	30,467	33,793	33,793
	47,831	30,467	51,182	33,793
Less: Payable within 12 months	(19,916)	(13,272)	(19,697)	(14,108)
Repayable after 12 months	27,915	17,195	31,485	19,685

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Freddy Hirsch Group Zambia Limited (note (a))	1,796	-	1,737	-
Stanbic Bank Zambia Limited (note (b))	3,151	3,151	3,376	3,376
	4,947	**3,151**	**5,113**	**3,376**
Less: Payable within 12 months	(2,060)	(1,373)	(1,968)	(1,409)
Repayable after 12 months	**2,887**	**1,778**	**3,145**	**1,967**

The ageing for the finance leases is as detailed below:

(i) In Zambian Kwacha	**Within 1 year ZMW'000s**	**1 to 5 years ZMW'000s**	**After 5 years ZMW'000s**	**Total ZMW'000s**
2017				
Lease payments	20,667	29,396	-	50,063
Finance charges	(751)	(1,481)	-	(2,232)
Net present values	19,916	27,915	-	47,831
2016				
Lease payments	20,300	32,541	-	52,841
Finance charges	(603)	(1,056)	-	(1,659)
Net present values	19,697	31,485	-	51,182

25. Obligations under finance leases continued

(ii) In US Dollars	Within 1 year USD'000s	1 to 5 years USD'000s	After 5 years USD'000s	Total USD'000s
2017				
Lease payments	2,138	3,040	-	5,178
Finance charges	(78)	(153)	-	(231)
Net present values	2,060	2,887	-	4,947
2016				
Lease payments	2,028	3,250		5,278
Finance charges	(60)	(105)		(165)
Net present values	1,968	3,145		5,113

(a) Masterpork Limited, a subsidiary of the Group, has hire purchase facilities of ZMW17.364 million (2016 – ZMW17.389 million) with Freddy Hirsch Group Zambia Ltd. The following equipment is on hire purchase and are interest free: HirschPro 400, Ulma, Cozzini Blender, 2 x Smokehouse machines, Salami Cabinet, Spiral Dryer and Polyclipper. The principle on the Kwacha hire purchase facilities is repayable in 48 equal monthly instalments totalling ZMW0.46 million (USD0.046 million).

(b) The Stanbic Bank Zambia Limited finance lease relates to the purchase of motor vehicles and agricultural machinery with terms of 48 months. The group has a facility of USD2m and ZMW25m. The interest on the finance lease is charged at 3 month USD LIBOR plus 5 per cent on the USD facility and the Bank of Zambia Policy Rate plus 7 per cent. on the Kwacha facility. 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.

26. 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, but are not considered material to the Group.

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
At 1 October	10,442	2,266	9,254	1,670
Provision made during the year	8,146	2,438	3,589	1,018
Payments made during the year	(1,832)	(1,045)	(2,401)	(422)
At 30 September	**16,756**	**3,659**	**10,442**	**2,266**

The company engaged a professional actuary, Quantum Consultants & Actuaries, to perform an actuarial valuation of the liability arising from the employee defined benefit plan as at 30 September 2017. As of the report date, the actuary had finalised the report and the provision was adjusted to agree to the report.

	2017		2016	
(ii) In US Dollar	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
At 1 October	1,043	227	770	139
Provision made during the year	856	256	331	94
Payments made during the year	(192)	(110)	(187)	(21)
	(222)	(39)	(201)	(43)
Foreign translation	26	5	164	33
At 30 September	**1,733**	**378**	**1,043**	**227**

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27. Trade and other payables

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Trade payables	223,630	133,516	253,271	127,438
Provisions and accruals	68,213	31,327	68,862	37,029
	291,843	**164,843**	**322,133**	**164,467**

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Trade payables	23,253	13,807	25,302	12,731
Provisions and accruals	7,054	3.239	6,877	3,673
	30,307	**17,046**	**32,179**	**16,404**

The average credit period taken in 2017 was 64 days (2016: 61 days).

All amounts shown under trade and other payables fall due for payment within one year. The carrying value of trade and other payables are considered to be a reasonable approximation of fair value.

28. Amounts due to related companies

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Zambian Pig Genetics	81	-	-	-
Zambeef Retailing Limited		202,261	-	-
Masterpork Limited		41,615	-	-
Squares Ranch			313	313
Zambezi Ranching and Cropping Limited	81		-	12
		243,876	313	325
Non-current	-	-	-	-
Current	**81**	**-**	**313**	**325**

28. Amounts due to related companies continued

	2017		2016	
(ii) In US Dollars	**Group USD'000s**	**Company USD'000s**	**Group USD'000s**	**Company USD'000s**
Zambian Pig Genetics	9	-		
Zambeef Retailing Limited		20,916		
Masterpork Limited		4,304		
Squares Ranch		-	31	31
Zambezi Ranching and Cropping Limited		-	-	2
		25,220	**31**	**33**
Non-current			-	-
Current	**9**	**-**	**31**	**33**

The above balances relate to arm's length transactions with the related parties. External parties that fall under the 'Related Party' disclosure are with respect to all common shareholding companies of the Board of Directors of the Group. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

Outstanding balances are usually settled in cash.

29. Financial instruments

Financial assets

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

Financial liabilities

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

Monetary assets and liabilities in foreign currencies

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency:

	2017		2016	
(i) In Zambian Kwacha	**Group ZMW'000s**	**Company ZMW'000s**	**Group ZMW'000s**	**Company ZMW'000s**
Financial assets				
- Cash at bank	46,821	15,813	49,207	39,635
- Trade receivables	41,384	25,372	14,590	2,959
- Other receivables	2,318	-	2,904	2,904
Financial liabilities				
- Bank overdrafts	(125,391)		(11,703)	(11,863)
- Trade and other payables	(167,038)	(119,824)	(90,297)	(70,511)
- Bank loans	(347,250)	(347,250)	(418,576)	(418,576)
- Finance leases	(36,427)	(20,280)	(31,047)	(16,091)
Net exposure	**(585,583)**	**(446,169)**	**(484,922)**	**(471,543)**

28. Financial instruments continued

(ii) In US Dollars	2017 Group USD'000s	2017 Company USD'000s	2016 Group USD'000s	2016 Company USD'000s
Financial assets				
- Cash at bank	4,843	1,635	4,916	3,960
- Trade receivables	4,279	2,624	1,458	296
- Other receivables	238	-	290	290
Financial liabilities				
- Bank overdrafts	(12,967)	-	(1,169)	(1,185)
- Trade and other payables	(17,273)	(12,391)	(9,021)	(7,044)
- Bank loans	(35,910)	(35,910)	(41,816)	(41,816)
- Finance leases	(3,767)	(2,097)	(3,102)	(1,607)
Net exposure	**(60,557)**	**(46,139)**	**(48,444)**	**(47,106)**

In Zambian Kwacha 2016	US Dollar ZMW'000s	SA Rand ZMW'000s	Other ZMW'000s	Total ZMW'000s
Financial Assets				
- Cash at bank	49,021	13	173	49,207
- Trade receivables	12,173	767	1,651	14,591
- Other receivables	1,719	1,185	1	2,905
Financial Liabilities				
- Bank overdrafts	(11,862)	-	-	(11,862)
- Trade and other payables	(92,228)	148	1,781	(90,299)
- Bank loans	(418,417)	-	-	(418,417)
- Finance leases	(31,047)	-	-	(31,047)
Net exposure	**(490,641)**	**2,113**	**3,606**	**(484,922)**

28. Financial instruments continued

2017	US Dollar ZMW'000s	SA Rand ZMW'000s	Other ZMW'000s	Total ZMW'000s
Financial Assets				
- Cash at bank	13,061	190	33,570	46,821
- Trade receivables	10,728	554	30,102	41,384
- Other receivables	-	-	2,318	2,318
Financial Liabilities				
- Bank overdrafts	(28,829)	-	(95,562)	(125,391)
- Trade and other payables	(93,047)	(14,777)	(59,214)	(167,038)
- Bank loans	(347,250)	-	-	(347,250)
- Finance leases	(36,427)	-	-	(36,427)
Net exposure	**(481,764)**	**(14,033)**	**(89,786)**	**(585,583)**

(ii) In US Dollars 2016	US Dollar USD'000s	SA Rand USD'000s	Other USD'000s	Total USD'000s
Financial Assets				
- Cash at bank	4,897	1	17	4,915
- Trade receivables	1,216	77	165	1,458
- Other receivables	172	118	-	290
Financial Liabilities				
- Bank overdrafts	(1,185)	-	-	(1,185)
- Trade and other payables	(9,214)	15	178	(9,021)
- Bank loans	(41,800)	-	-	(41,800)
- Finance leases	(3,102)	-	-	(3,102)
Net exposure	**(49,016)**	**211**	**360**	**(48,445)**

2017	US Dollar USD'000s	SA Rand USD'000s	Other USD'000s	Total USD'000s
Financial Assets				
- Cash at bank	1,351	20	3,472	4,843
- Trade receivables	1,109	57	3,113	4,279
- Other receivables	-	-	238	238
Financial Liabilities				
- Bank overdrafts	(2,981)	-	(9,986)	(12,967)
- Trade and other payables	(9,622)	(1,528)	(6,123)	(17,273)
- Bank loans	(35,910)	-	-	(35,910)
- Finance leases	(3,767)	-	-	(3,767)
Net exposure	**(49,820)**	**(1,451)**	**(9,286)**	**(60,557)**

Exposure to currency exchange rates arise from the Group's sales and purchases which are primarily denominated in US Dollar and South African Rand. It also arises from the retranslation of its foreign subsidiaries in West Africa. The Group activities expose it to a variety of financial risks. The main risks faced by the Group relate to foreign exchange rates, the risk of default by counter-parties to financial transactions and the availability of funds to meet business needs.o meet business needs.

These risks are managed as described below:

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For the year ended 30 September 2017

29. Financial instruments continued

(i) Currency risk

Some of 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 United States Dollar denominated exports.

The table below shows the extent to which Group companies have interest bearing liabilities in currencies other than their functional currency:

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH	220,573	22,810	128,228	12,810
International Finance Corporation	126,706	13,103	177,198	17,702
	347,279	35,913	305,426	30,512

Foreign currency risk sensitivity analysis

Zambian Kwacha/United States Dollar exchange risk

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the Group's foreign currency borrowings "with all other things being equal". It assumes a +/-10 per cent. and 5 per cent., movement in the United States Dollar/Zambian Kwacha exchange rate for the year ended 30 September 2017.

If the Zambian Kwacha had weakened against the United States dollar by 10 per cent. (2016: 10 per cent.) then this would have resulted in the following impact on net profit and equity:

	2017		2016	
Weakening of the Kwacha	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Net profit/(loss)	(31,460)	(3,004)	126,843	10,647
Equity	2,863,749	269,225	2,105,396	191,208

If Zambian Kwacha had strengthened against the United States Dollar by 5 per cent. (2015: 5 per cent) then this would have resulted in the following impact on net profit and equity:

	2017		2016	
Strengthening of the Kwacha	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Net profit/(loss)	20,632	2,281	172,657	16,782
Equity	2,915,841	317,405	2,151,210	226,217

There is no material difference between the carrying value and the fair value of the Group's financial liabilities.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from overdraft facilities and long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. The interest rates to which the Group is exposed are set out in notes 20, 23 and 24. The risk of interest rate movements is managed through on-going monitoring of the Group's overdrafts and long-term borrowings, the spreading of debt between a number of financial institutions and the denomination of debt in Zambian Kwacha and USD.

The Group's term facilities are medium to long term with fixed spread over LIBOR. A 0.5 per cent. movement in the LIBOR rate would not have a material impact on the interest expense for the Group.

(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 receivables

The Directors believe the credit risk of trade receivables is low. The credit risk is managed by the selective granting of credit.

(c) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations associated with its financial liabilities. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on any undrawn borrowing facilities so that the Group does not breach limits or covenants (where applicable) on any of its borrowing facilities. The maturity of the Group's financial liabilities with respect to borrowings is set out in notes 20, 23 and 24.

29. Financial instruments continued

30 September 2017	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Interest bearing liabilities	42,355	35,725	290,601	37,637
Other bank borrowings		60,248		
Finance lease obligations	9,958	9,958	27,915	-
Trade and other payables	291,843	-	-	-

30 September 2017	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	USD'000	USD'000	USD'000	USD'000
Interest bearing liabilities	6,381	3,694	30,052	3,892
Other bank borrowings		6,230		
Finance lease obligations	1,030	1,030	2,887	
Trade and other payables	29,867	-	-	

Notes to the Financial Statements continued

For the year ended 30 September 2017

30. Fair value measurement

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 September 2017, 30 September 2016, and 1 October 2015.

30 September 2017	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Financial assets				
Other forward exchange contracts inventory (CMA)	-	60,248	-	60,248
Total Assets	**-**	**60,248**	**-**	**60,248**
Financial liabilities				
US-dollar loans	-	(347,279)	-	(347,279)
Total Liabilities	**-**	**(347,279)**	**-**	**(287,031)**
Net fair value	**-**	**(287,031)**	**-**	**(287,031)**

30 September 2016	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Financial assets				
Other forward exchange contracts inventory (CMA)	-	118,849	-	118,849
Total Assets	-	118,849	-	118,849
Financial liabilities				
US-dollar loans	-	(377,957)	-	(377,957)
Total Liabilities	**-**	**(377,957)**	**-**	**(377,957)**
Net fair value	**-**	**(259,108)**	**-**	**(259,108)**

1 October 2015	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Financial assets				
Other forward exchange contracts inventory (CMA)	-	41,435	-	41,435
Total Assets	**-**	**41,435**	**-**	**41,435**
Financial liabilities				
US-dollar loans	-	(474,197)	-	(474,197)
Total Liabilities	**-**	**(474,197)**	**-**	**(474,197)**
Net fair value	**-**	**(432,762)**	**-**	**(432,762)**

30. Fair value measurement continued

30 September 2017	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Other forward exchange contracts inventory (CMA)	-	6,230	-	6,230
Total Assets	-	**6,230**	-	**6,230**
Financial Liabilities				
US-dollar loans	-	(35,913)	-	(35,913)
Total Liabilities	-	**(35,913)**	-	**(35,913)**
Net fair value	-	**(29,683)**	-	**(29,683)**

30 September 2016	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
Other forward exchange contracts inventory (CMA)	-	11,873	-	11,873
Total Assets	-	**11,873**	-	**11,873**
				(26,769)
Financial liabilities				
US-dollar loans	-	(37,758)	-	(37,758)
Total Liabilities	-	**(37,758)**	-	**(37,758)**
Net fair value	-	**(25,885)**	-	**(25,885)**

1 October 2015	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Other forward exchange contracts inventory (CMA)	-	3,447	-	3,447
Total Assets	-	3,447	-	3,447
Financial liabilities				
US-dollar loans	-	(39,451)	-	(39,451)
Total Liabilities	-	**(39,451)**	-	**(39,451)**
Net fair value	-	**(36,004)**	**(39,451)**	**(36,004)**

There were no transfers between Level 1 and Level 2 in 2017 or 2016.

Measurement of fair value of financial instruments
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the Chief Financial Officer (CFO) and to the audit committee.

Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates. The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:
Foreign currency forward contracts (Level 2)
The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

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30. Fair value measurement continued

US-dollar loans (Level 2)
The fair values of the US-dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 4.81% (2016: 4.81%).
Contingent consideration (Level 3)
The group did not have any contingent consideration during the year.

Fair value measurement of non-financial assets
The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 30 September 2017, 30 September 2016, and 1 October 2015:

30 September 2017	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Property, plant and equipment:				
Land held for production in Zambia	-	1,178,526	-	1,178,526
Office building in Zambia	-	39,407	-	39,407

30 September 2016	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Land held for production in Zambia	-	397,060	-	397,060
Office building in Zambia	-	18,666	-	18,666

1 October 2015	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Land held for production in Zambia	-	393,825	-	393,825
Office building in Zambia	-	17,284	-	17,284
30 September 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Property, plant and equipment:				
Land held for production in Zambia	-	121,874	-	121,874
Office building in Zambia	-	4,075	-	4,075
30 September 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Land held for production in Zambia	-	39,666	-	39,666
Office building in Zambia	-	1,865	-	1,865
1 October 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
Land held for production in Zambia	-	62,811	-	62,811
Office building in Zambia	-	2,757	-	2,757

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers, Fairworld Properties Limited. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors and audit committee at each reporting date.

Further information is set out below.

Land held for production in Zambia (Level 2)
Land has been valued using the direct comparison method. This method has been adopted as the most appropriate for the purpose of this valuation as there are enough comparisons available on the open market for land. The land was revalued on 30 September 2017.

30. Fair value measurement continued

The significant unobservable input is the adjustment for factors specific to the land in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The fair values of the office buildings are estimated by using the direct comparison method. This method has been adopted as the most appropriate for the purpose of this valuation as there are enough comparisons available on the open market for buildings.

31. 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.

32. Capital commitments

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Capital commitments entered into at the reporting date	19,804	2,048	31,672	3,164
Not contracted for at the reporting date	108,420	11,212	185,545	18,536

33. Operating leases

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

	2017		2016	
(i) In Zambian Kwacha	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Within one year	11,852	-	11,387	-
One to five years	17,964	-	30,754	-

	2017		2016	
(ii) In US Dollars	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Within one year	1,226	-	1,138	-
One to five years	1,858	-	3,072	-

The Company's subsidiary, Zambeef Retailing Limited, has operating leases for its butcheries that are for a minimum period of 12 months and a maximum period of 5 years and renewable at the request of either party. There are no purchase options, contingent rent payments or restrictions arising on these leases.

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34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the significant transactions between the Group and other related parties during the year ended 30 September 2017 are as follows:

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

		2017		2016	
	Sale of	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Wellspring Limited	Animal feeds/bran	425	45	485	45
Squares Ranch Limited	Animal feeds/bran	10	1	-	-
Zambezi Ranching and Cropping Limited	Animal feeds/bran	107	11	41,494	3,831
Leopard Investments Company Limited	Animal feeds/bran	8,181	859	11,122	1,027
Tembilo Farms Limited	Animal feeds/bran			2,589	239
Tractorzam Limited	Spares			33	3
Zambia Pig Genetics Limited	Animal feeds/bran			3,007	278
		8,723	916	58,730	5,423

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

		2017		2016	
	Purchase of	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Zambezi Ranching and Cropping Limited	Cattle beef, wheat, soya beans	58,206	6,114	60,424	5,579
Zambian Pig Genetics	Pigs	1,168	123	-	-
Wellspring Limited	Cattle beef	7,564	795	3,391	313
Leopard Investments Company Limited	Cattle beef, chickens, pigs, rental of property	25,674	2,697	17,804	1,644
Proflight Commuter Services Limited	Air travel tickets	143	15	91	8
Tembilo Farms	Chickens	-	-	3,096	286
Tractorzam Limited	Tractors/spares	7,322	769	4,135	382
Sqaures Ranch Limited	Cattle beef	180	19	664	61
Pro Charter	Air travel tickets	-	-	805	74
Nanga Plc	Cattle beef	534	56	1,160	107
		100,791	**10,588**	**91,613**	**8,458**

(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) The parties are related by virtue of certain Directors of the Group having a shareholding in the respective companies.
(h) Directors of the Group have shareholdings in the Company as stated in the Report of the Directors. No dividends have been paid to the Directors via their direct and indirect shareholdings at the same dividend per share as per Note 10.
(i) Key management compensation.

34. Related party transactions continued

The remuneration of Directors and other members of key management during the year were as follows:

	2017		2016	
	Group ZMW'000s	Company ZMW'000s	Group ZMW'000s	Company ZMW'000s
Short-term benefits	80,449	29,342	63,285	27,858
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
	Group USD'000s	Company USD'000s	Group USD'000s	Company USD'000s
Short-term benefits	8,451	3,082	5,843	3,946
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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

(k) The Company made the following sales to related parties:

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Zambeef Retailing	903,647	94,921	373,280	34,467
Zambezi Ranching and Cropping Limited	107	11	85	8
Wellspring Limited	425	45	485	45
Zambia Pig Genetics	2,786	293	3,007	
Masterpork Limited	13,972	1,468	10,077	931
Zam Chick Limited	112,298	11,796	104,639	9,662
Zamhatch Limited	30,690	3,174	20,175	1,863
Zamleather Limited	3,272	344	-	-
Zampalm Limited	65	7	-	-
Squares Ranch	10	1	-	-
Leopard Investments Company Limited	8,181	859	9,322	861
	1,075,453	**112,969**	**521,070**	**48,115**

34. Related party transactions continued

(l) The Group made the following purchases from related parties:

	2017		2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Zambeef Retailing	50,611	5,059	54,787	5,059
Zambezi Ranching and Cropping Limited	9,819	1,031	13,117	1,211
Zamleather Limited	572	60	333	31
Zam Chick Limited	201	21	33	3
Tractorzam Limited	7,322	769	3,505	324
Leopard Investments Company Limited	37	4	1,697	157
Proflight Commuter Services Limited	143	15	91	8
Procharter		1,161	122	805
Masterpork	93,255	9,796	-	-
Nanga Plc	534	56	1,160	107
Squares Ranch	180	19	664	61
Zamhatch Limited	442	46		
Wellspring Limited	7,564	795	3,391	313
	171,841	**18,050**	**79,583**	**7,348**

35. Discontinued Operations

During the previous period management decided to sell a majority stake of a 100% owned subsidiary, Zampalm Limited (Zampalm). The sale is subject to competition commission approval. As such the assets and liabilities of Zampalm are disclosed in accordance with IFRS 5. A shareholder's agreement was signed during the period.

The income generated by assets held for sale was generated as follows:

	September 2017 ZMW'000	September 2017 USD'000
Revenue	238	25
Cost of sales	(1,570)	(165)
Administration costs	199	21
Operating loss	(1,133)	(119)
Finance Costs	-	-
Exchange losses	-	-
Loss from discontinued operation before tax	(1,133)	(119)
Tax (expense)/credit	-	-
Profit for the year	(1,133)	(119)

35. Discontinued Operations continued

	September 2017 ZMW'000	September 2017 USD'000
Plantation development expenditure	109,346	11,308
Property, plant and equipment	49,001	5,067
Biological assets	62,740	6,488
Total non-current assets	**221,087**	**22,863**
Trade and other receivables	91	9
Total current assets	**91**	**9**
Total non-current liabilities	-	-
Trade and other payables	1,318	136
Cash and cash equivalents	(239)	(25)
Total current liabilities	**1,079**	**111**

	September 2017 ZMW'000	September 2017 USD'000
Cash inflow from operating activities	(15,359)	(1,613)
Cash outflow from investing activities	(13,805)	(1,450)
Cash outflow from financing activities	-	-

36. Events subsequent to reporting date

No item, transaction or event of a material and unusual nature has arisen since 30 September 2017, which in the opinion of the directors would substantially affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in the subsequent financial years.


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Notice of Annual General Meeting and agenda

Notice is hereby given that the 23rd Annual General Meeting of Zambeef Products PLC will take place at the Taj Pamodzi Hotel, along Addis Ababa Drive, Lusaka, on Monday, December 18, 2017 at 09:00 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 22nd Annual General Meeting held on December 19, 2016.

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, 2017. (Resolution 1).

5. To re-appoint Grant Thornton (Zambia) as Auditors for 2017/18 and to authorize the Directors to fix their remuneration. (Resolution 2).

6. In terms of the Companies Act, John Rabb retires but is eligible to offer himself for re-election. (Resolution 3)

7. To ratifiy the appointments of the following (Resolution 4):
   Mr. Yollard Kachinda
   Mr. Jonathan Kirby
   Mrs. Margaret Chalwe-Mudenda
   Prof. Enala Tembo-Mwase

8. To consider any competent business of which due notice has been given.

By order of the Board, Danny 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.

Proxy form

I/We, ...

of ....

being a member/s of and the registered holder/s of ....

Zambeef shares 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 18th day of December 2017 and at any adjournment of that meeting.

In Favour of/against (please tick)	**In Favour**	**Against**
Resolution 1 To recieve, approve and adopt financial statements for the year ended 30 September 2017.	☐	☐
Resolution 2 To re-appoint Grant Thornton as Auditors for 2017/18 and authorise the Directors to fix their remuneration.	☐	☐
Resolution 3 To re-elect Mr. John Rabb	☐	☐
Resolution 4 To ratifiy the appointments of the following:		
• Mr. Yollard Kachinda	☐	☐
• Mr. Jonathan Kirby	☐	☐
• Mrs. Margaret Chalwe-Mudenda	☐	☐
• Prof. Enala Tembo-Mwase	☐	☐

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

Signed: ....

Name: ....

Date: ....

Witnessed by: .... Signature: ....

Name: ....

Address: ....

....

Notes to the Proxy Form

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the Chairman of the Company". 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 4970, Manda Road, Industrial Area, P/B 17, Woodlands, Lusaka, by no later than 09:30 on Thursday, 14th December, 2017.

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 initialed by the signatory/ies.

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


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