



Zambeef Products PLC and its Subsidiaries

Interim Report

**Results for the 6 months ended
31 March 2017**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS – 31 MARCH 2017

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ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

THE ENVIRONMENT

The first six months of ZambeeF's 2017 financial year have been a period of a challenging economic environment for Zambia. As a result of rising inflation, Exchange Rate volatility and rapidly increasing interest rates, the Bank of Zambia was forced to introduce strict control measures, in order to stabilise the economy. These measures, which included tight control of the money supply, and high interest rates, resulted in a slowdown in consumer spending.

It is pleasing to see that these tough short-term measures are achieving their goal. Inflation is down to single-digit levels, having peaked at 18.9 per cent.; the Zambian Kwacha has stabilised at around ZMW9.66/USD at 31st March 2017, having started the period under review at ZMW10.01/USD, and interest rates are starting to fall significantly, having peaked at around 30 per cent.

The period has also seen a material drop in global soft commodity prices, with international soya prices touching ten-year lows. Zambian soya prices have followed international markets, dropping from around USD535/M.T. last year, to USD360/M.T. this year.

Whilst a drop in soft commodity prices will be welcomed by consumers as it should lead to lower prices of related consumer goods that are sensitive to the input prices of soft commodities, it poses a major challenge to the agricultural sector, who are the prime producers of such soft commodities.

As a result of improving Economic Indicators, and downward price pressure on certain consumer food products, we expect the business environment and consumer demand to improve in the second six months of this financial year.

TRADING RESULTS

It is pleasing to report good operational progress in all four areas of Strategic Focus that were outlined in our Annual Report for the year ended 30th September 2016:

1. Retail and Distribution – The retail footprint comprising our concessions within Shoprite in Zambia, Nigeria and Ghana, and the ZambeeF- owned Macro stores and Outlets across Zambia has grown during the period under review, by the opening of three Shoprite stores and two Macro Stores. A further 4 Shoprite stores and 8 Macro stores will open in the six months to 30th September 2017. Like for like sales in ZambeeF's own stores grew by 21 per cent. in ZMW during the period, with new stores adding a further 9.9 per cent. growth in sales, as compared to last year.
2. Cold Chain Food Production – In order to meet the demand for goods to support our rapidly expanding Retail division, Cold Chain Food Production continues to receive strategic focus in terms of Capital Expenditure. This has led to good volume growth across the Cold Chain Food Production division.
3. Stock Feed – ZambeeF's stock feed operation, which trades under the brand name Novatek, is recognised as the market leader in Zambia. It produces a wide range of stock feed, for sale to the end users, either direct, or through its Novatek retail outlets, as well as certain ZambeeF Macro and Outlet stores. Despite the challenging macroeconomic conditions, Novatek was able to increase its volume sales by 2.7 per cent. during the period. The Novatek plant in Lusaka is currently running at full capacity, but the new mill located on Mpongwe Farm, which is due to open in June 2017, will almost double Novatek's production capacity. This will enable ZambeeF to supply its own growing divisions which depend on a reliable supply of stock feed, as well as expand its sales into the Zambian and adjacent markets.
4. Arable Farming – ZambeeF's cropping focus is centered on its Mpongwe estate, where the microclimate, irrigation facilities and soils allow it to consistently achieve yields comparable to the best farming areas in the world. Yields of the summer crops just harvested were ahead of budget. However, the severe drop in the soft commodity prices has had a significant impact on profitability for the period under review.

Against a backdrop of good operational progress in all four of our areas of strategic focus, financial results for the period under review have been disappointing.

The negative impact on consumer disposable income from the measures taken by the Bank of Zambia to stabilise the economy put pressure on margins of all retail businesses, including ZambeeF. Whilst we have managed to maintain (and in certain areas, grow) market share, this has been at the cost of short-term profit.

Notwithstanding this, Zambeef's Retail and Cold Chain Food Production divisions have delivered a satisfactory EBITDA of ZMW 72.7m versus ZMW 81.1m in the same period last year (USD 7.4m vs USD 7.1m), generating an EBITDA margin of 8.5 per cent.

The material drop in soft commodity prices, and in particular the price of soya, has had a substantial impact on Gross Profit of the Arable Farming division. With the division producing over 40 000MT of soya, the fall in soya prices resulted in a drop in Gross Profit of ZMW26m (USD2.7m) for the period. The division has also suffered a further loss of USD1.5m from a FX translation loss relating to the valuation of inventory on hand as at 31st March 2017. The winter wheat crop, which is grown in the next six month period, is normally the most profitable, and it is hoped that this will be reflected in improved results for the next period.

The fall in the price of soya has also had a severe short term impact on the gross profit of the Stock Feed division. All stock feed producers experienced the need to get rid of old soya stock, acquired at the higher price, before the new lower priced soya stock became available. This led to heavy price discounting of stock feed, leading to a drop in Gross Profits of ZMW41m (USD4.2m) during the period under review. The old stock has been worked through Novatek's production system, and hence margins have recovered in April and are expected to normalise over the next six months.

Despite the underlying strength of performance of our Retail and Cold Chain Foods business, the impact of falling commodity prices upon Cropping and Novatek's stock feed profits have resulted in the Zambeef Group Profit After Tax (excluding discontinued operations) reducing in the period from ZMW68m to ZMW5m (USD6m to USD0.5m)

OUTLOOK

The General Election, held in August 2016, has shown once again that Zambia is a stable mature democratic state.

The recent actions taken by the Government and the Bank of Zambia to address the challenges faced by the economy bode well for the re-emergence of economic stability and growth. Against this background, Zambeef is well placed to take advantage of the improving macroeconomic conditions.

Given a tough economic backdrop leading to pricing pressures, some cost inflation, operational issues in the Milk and Eggs businesses and the impact of a material drop in agri-commodity prices, the Board anticipates that, despite the strong volume growth across Retail and Cold Chain Food Production, the financial results for the full year ending 30 September 2017 will be materially below previous market expectations.

As reported at our 2016 Full Year results in November 2016, the principle focus of Zambeef for the next six months will be on expanding our retailing and distribution footprint and on improving margins and restoring profitability. We will continue to: expand the Cold Chain Food Production capacity to meet increasing consumer demand; complete the build out of the new stock feed plant at Mpongwe, and continue to strengthen our balance sheet, through the disposal of non-core assets.

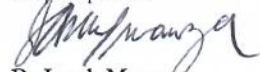
I am extremely proud of Zambeef's entire workforce. They display a commitment, dedication and professionalism in carrying out their duties and remain key to our success.

In order to ensure continuity in the Group at all levels, we have embarked on a Succession Planning process. Linked to this will be a Development Needs and Evaluation system, which aims to identify future leaders in the business, and to ensure that staff at all levels are given the opportunity to progress in the Group, and are provided with the necessary training and development opportunities in order to do so.

I would like to touch on the changes to the composition of the Zambeef Board, which were announced on 18th April 2017: Graham Clark has stepped down as non-executive director, in order to take up the full-time role of CEO of Fijji 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 have been appointed, to broaden the depth of experience and diversity on the Board. They are Yollard Kachinda, a Zambian national, who is currently Director General of the National Pension Scheme Authority ("NAPSA"), Margaret Kunda Chalwe-Mudenda, a Zambian lawyer, and Enala Lyson Tembo-Mwase, a prominent Zambian Academic, and currently Deputy Vice Chancellor of the University of Zambia. I believe that they all bring relevant experience and skills to the Board, which will help support Management in growing the business in the future, and I welcome their appointments.

In conclusion, I would like to thank the Executive, all members of staff and my Board colleagues, for their valued contributions during the past period.


Dr Jacob Mwanza
 Chairman

6 June 2017

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

JOINT CHIEF EXECUTIVES' REVIEW

OVERVIEW

In order to give greater clarity into the performance of the key activities of Zambeef, the results for the key business divisions are for the first time being reported to EBITDA level.

The first six months of the 2017 Financial Year have seen Zambeef continue to focus on the expansion of its Retail business which its directors believe is the engine room which will continue to drive growth in shareholder value across the business, while also investing in its downstream Cold Chain Foods operations to ensure a secure supply for this retail expansion. It is pleasing to report that in the six month period to 31st March 2017, Retail sales increased by 27.4 per cent. in ZMW from ZMW643m to ZMW819m (41.7 per cent. in USD from USD57m to USD83m). Like for like sales in Zambeef Macro and Outlet stores increased by 21 per cent. but this was partially offset by a 5.2 per cent. fall in like for like sales through the Shoprite concessions reflecting increased competition in the premium retail sector from new retail chains. This has been achieved in a challenging macro environment which has seen the Bank of Zambia reduce the money supply and increase interest rates to bring down inflation which has put pressure on margins across all retail businesses including Zambeef's. Gross profits were also impacted in the period by operational difficulties within our dairy production unit, very weak egg prices and a softening of beef prices. Notwithstanding this, Zambeef's Retail and Cold Chain Foods business has delivered a satisfactory EBITDA of ZMW72.7m versus ZMW81.1m in the prior period (in USD7.4m vs. USD7.1m) generating an EBITDA margin of 8.5 per cent., which compares very favourably with benchmark returns across the Cold Chain foods and retail sectors.

The period has also seen a material drop in global and local soft commodity prices due to rising stocks in producer countries, with international soya prices touching ten year lows. Zambian soya prices have followed international markets dropping from around USD535/M.T. last year to USD360/M.T. this year. This fall has impacted both our Cropping Division and Novatek, our stock feed division. With Zambeef's cropping operations producing just over 40,000 M.T. of soya, the fall in soya prices has resulted in a drop in farming gross profits of circa ZMW26m (USD2.7m) for the period despite yields being above budget. Cropping also suffered from a FX translation loss of USD1.5m.

In addition, the soya bean price has fallen from around USD600/M.T. to below USD400/M.T. for the new soya crop now being harvested. This rapid drop has resulted in competitor stock feed companies dropping margins in the last four months in order to get out of high priced old season raw material inventory, putting pressure on stock feed margins in this period. In contrast, in the previous season the stock feed industry was operating in a different environment, and Novatek was in the fortunate position of bringing forward soya bean meal at under USD400/M.T. when the new season pricing was around USD600/M.T. Whilst Novatek has maintained its market share and market leadership with volumes increasing by 2.7 per cent. Operating Profit has fallen by 39.4 per cent. in ZMW from ZMW103.6m to ZMW62.8m (or in USD by 29.8 per cent. from USD9.1m to USD6.4m).

Despite the underlying strength of performance of our Retail and Cold Chain Foods business, the impact of falling commodity prices upon Cropping and Novatek's stock feed profits have resulted in the Zambeef Group Profit After Tax (excluding discontinued operations) reducing in the period from ZMW68m to ZMW5m (USD6m to USD0.5m).

Full details of the individual performance of each division are set out in the Financial Review.

MACROECONOMIC ENVIRONMENT

This six month period has been a challenging economic environment. The Bank of Zambia put in strict measures to stabilise the currency, restrict money supply and reduce inflation. These steps created short-term challenges, but will set Zambia up for long-term sustainable growth again.

Inflation started the financial period at 18.9 per cent. and by the 31st March 2017 had reduced to 6.7 per cent. The 273 day treasury bills started the period at 24.99 per cent. but with the stabilization of the currency and reduction in inflation the 273 day treasury bill rate was down to 15.25 per cent. at 31st March 2017. This period also saw bank interest rates escalate to around 30 per cent. but with inflation under control and the Bank of Zambia reducing interest rates and easing measures to reduce the ZMW in circulation we have seen bank interest rates starting to fall quickly. The Zambian Kwacha started the period at ZMW10.01/USD and has steadily appreciated to ZMW9.66/USD at 31st March 2017 and we have seen this gradual appreciation of the currency continue.

The measures implemented by Bank of Zambia, which included high interest rates and tight control on the money supply, put operating margins under significant pressure over the last six months. It is pleasing to see that these tough short-term measures have achieved their goals, allowing Bank of Zambia to start easing this policy. The benefits of these measures can be seen, with

Zambia now back to single digit inflation, a stable currency and reducing interest rates. As a result, and having reviewed our sales in April and May, we expect the business environment and consumer demand in the second six months to improve.

STRATEGIC FOCUS

To ensure a long-term, sustainable and growing business, Zambeef will continue to be built on the four best-in-class market leading operations of the Group, namely:

- Retail and Distribution;
- Cold Chain Food Production;
- Stock Feed; and
- Arable Farming

Retail and Distribution

The main focus of Zambeef is on expanding its retailing and distribution footprint comprising of concessions within Shoprite stores across Zambia, Ghana and Nigeria and Zambeef owned Macro Stores and Outlets across Zambia and Nigeria, and using this retail network to drive growth across the Zambeef Cold Chain Foods and stock feed business. During the six months to 31st March 2017 two new Zambeef Macro Stores opened, and a further eight are expected to open before the end of the financial year. In addition, three new Shoprite stores opened in Nigeria, and in April 2017 a new store opened in Ghana. In the six months to 30th September 2017 a further three Shoprite stores are expected to open in Zambia, and the Accra Mall upgrade in Ghana will be completed. Newly opened stores accounted for 10.1 per cent. of the growth.

It is encouraging to report like for like sales through Zambeef's own stores grew by 21 per cent. (in ZMW) with new stores contributing a further 9.9 per cent. (in ZMW of growth) compared to the same period last year. At the same time the amount of stock feed the Group is now retailing through the Macro Stores and Outlets has increased by 123 per cent. in ZMW (158 per cent. in USD). This demonstrates the success of Zambeef's focus on this part of the business, which is driving growth in the Cold Chain Food Products and stock feed operations. This will remain a key focus area of the business both in terms of investment and senior management attention.

The Zambeef retail network is not only increasing its market share but is also gaining a large share of the incremental business from a growing and rapidly urbanising population. In addition, Zambeef's border town outlets are becoming important channels for exporting informally into neighbouring countries.

Cold Chain Food Products

The strong growth in the Zambeef retail network sales has resulted in volume growth across the Cold Chain Food Production divisions, with the following volumes as compared to the same period in 2016:

	2017 (kg) (Millions)	2016 (kg) (Millions)	% Change
Beef	8.51	7.83	8.7
Chicken	5.60	5.00	12.0
Pork	5.51	4.60	19.7
Fish	1.49	0.89	67.4
	21.11	18.72	15.2

	Quantity (Millions)	Quantity (Millions)	% Change
Dairy (Litres)	9.32	6.52	42.9
Eggs	34.47	17.77	93.9

This is a part of the business in which Zambeef believes it is best-in-class. In order to ensure the supply matches the increase in demand Zambeef will continue to invest in these parts of the business where the returns are attractive. This period has seen the successful completion of the new USD1.5m rotary milking parlour at Kalundu Dairy.

The USD1.2m expansion of the egg laying operations was completed at the start of this period which increased the point-of-lays from 153,000 to 273,000, allowing for strong growth in the egg division sales.

The chicken operations will also benefit from the investment of USD1.7m in the expansion of the hatchery capacity by 46 per cent., which became fully operational at the end of May 2017. In addition, USD0.7m is being spent on increasing broiler chicken slaughtering capacity by 20 per cent. This is expected to be in full operation by the end of June 2017, and will allow us to better service demand for whole birds and chicken portions.

Stock Feed

Zambeef's stock feed operation, which trades under the brand name Novatek, has firmly established itself as the market leader in the stock feed industry in Zambia and is expanding on the number of countries it is currently exporting to. This business ties in very closely with the chicken business and the retailing expansion of Zambeef. Despite the challenging macroeconomic environment, Novatek increased volumes by 2.7 per cent. from 71,737 M.T. to 73,679 M.T.

With the soft commodity prices reducing for the new crop being harvested, feed prices have come down and it is pleasing to see that Novatek's gross margins in April have normalised. This reduction in stock feed prices will benefit the whole livestock sector and is expected to positively impact the demand for stock feed. The demand for stock feed is expected to increase going forward, as a result of:

- Reduced feed prices due to lower soft commodities/raw material prices;
- Increased demand by the livestock sector from increases in consumption of proteins as protein prices come down;
- Increased demand from Zambeef from the expansion of the poultry operations; and
- Export demand

The Novatek plant in Lusaka is currently operating at full capacity. In order to meet the expected increase in stock feed demand going forward, Zambeef will be commissioning a brand new state-of-the-art mill at Mpongwe Farm in June 2017. This plant will be capable of producing 12,000 M.T. of feed per month, almost doubling the existing Novatek capacity. The plant will be well positioned to service Zambia's Copperbelt and North-Western provinces and the Democratic Republic of Congo demand, provide savings in distribution cost as well as secure raw materials competitively from the region. The capex to complete this plant in the current financial year is budgeted at USD2.8m, taking the total project cost to USD8.5m.

Arable Cropping

The Mpongwe arable farming operations remain world-class. The microclimate, irrigation facilities and soils make this farm a unique farming asset which achieves yields which compare with the best farming areas in the world. The directors estimate there is an additional 5,000 ha of land on the Mpongwe estate which could be bought into crop production and as part of a strategic review of all Zambeef farms they are considering how best to achieve this. The unique yields being achieved at Mpongwe have resulted in the Board considering the disposal of some of its other farmland assets to facilitate the expansion of its future farming activities at Mpongwe. Options being considered include the sale of Chiawa and/ or Sinazongwe farms.

This year has seen soft commodity prices drop severely which has impacted the arable cropping results. Despite yields being ahead of budget and costs being on budget, gross profits are down 213 per cent. in USD in 2017, with soya prices having dropped from around USD535/M.T. in 2016 to USD360/M.T. in 2017 for the new crop. It is disappointing that although the operational performance of the farms has been strong, this is not reflected in the financial performance. Although this drop in soft commodities is disappointing for the farming operations and has materially affected the Zambeef results in this half year, it will be beneficial for the stock feed and livestock sectors going forward. The winter wheat crop is normally the most profitable crop grown, hence the next six months should see an improvement in the arable cropping results.

Outlook

Zambeef has a clear strategy which it is executing. This includes:

- Consistent revenue growth through expanding the retail network and addressing supply side constraints in Cold Chain Food Product and stock feed operations;
- Margin improvements by investing capex in high margin parts of the business while tightly controlling administration costs;
- De-risking the business through maintaining acceptable/comfortable gearing levels; and
- Improving cash conversion from strong working capital control and tight control on capex.

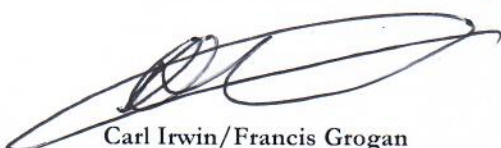
As part of this strategy Zambeef will continue to explore opportunities to dispose of assets where it does not consider itself best-in-class. The resulting cash will be used to further reduce gearing and will be invested in those parts of the business which can best enhance shareholder value.

Although our interim results are disappointing with Profit After Tax down from ZMW68m to ZMW5m for the period, this is largely due to the impact of the major drop in soft commodity prices which is outside of the Company's control. Overheads in the business have been tightly controlled, increasing by only 1.8 per cent. in ZMW over the same period last year.

The Retail, Distribution and Cold Chain Food Product operations have performed well in a challenging macroeconomic environment, although margins have been under pressure. In addition, the farming and stock feed operations have performed well operationally, but have been impacted by the severe soft commodity price movements.

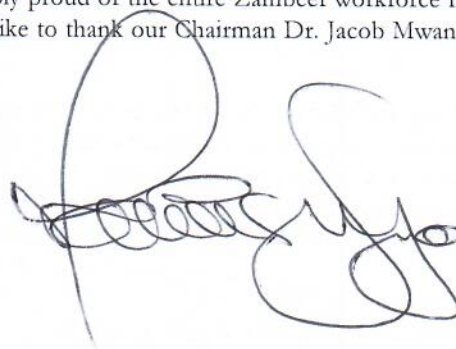
With the macroeconomic environment improving and the drop in commodity prices having now been priced in, we are confident that cheaper raw material prices will benefit our stock feed and livestock divisions and lead to increased demand as well as an improvement in gross margins in these businesses in the second half of our financial year. Margins in April were encouraging. Our retail business should benefit from an uplift in consumer spending and also enjoy additional geographic sales growth in the second half of the year from the eight Zambeef and three Shoprite stores expected to open. We anticipate that margins in the dairy products and egg businesses should also improve over the next six months. As the Zambian grains market is rather illiquid and it is not easy to hedge production through forward sales except at discounted pricing, the Cropping division second half result could be impacted by any further weakness in grain prices.

It has been a very busy period with the construction and fit out of a number of Macro stores and the opening of additional Shoprite concessions, the commissioning of the new dairy parlour, work on completing the second stock feed plant at Mpongwe and the expansion of the broiler breeder farm, hatchery and broiler operations. In addition, the flour milling, pork and beef operations have continued to grow their volumes. We feel incredibly proud of the entire Zambeef workforce for the dedication and determination in making this possible. In addition, we would like to thank our Chairman Dr. Jacob Mwanza, as well as our board of directors for their valuable guidance and support.



Carl Irwin/Francis Grogan
Joint CEOs

6th June 2017



FINANCIAL REVIEW

The first six months of the 2017 financial year have seen the Zambeef business continue to grow, but margins have been under real pressure. Turnover for the Group increased by 3.5 per cent. in ZMW and 19.8 per cent. in USD, while Gross Profit margins reduced from 40 per cent. to 33 per cent., resulting in Gross Profits reducing by 15.3 per cent. in ZMW from ZMW446m to ZMW378m (2.02 per cent. in USD from USD39m to USD38m). The Group has tightly controlled its overheads despite the inflation rate starting the period at 18.9 per cent., and overheads increased by only 1.8 per cent. in ZMW (17.7 per cent. in USD). EBITDA margin reduced from 14.1 per cent. to 7.3 per cent., and operating profits decreased by 64 per cent. in ZMW from ZMW122m to ZMW44m (58 per cent. in USD from USD10.7m to USD4.5m).

The ZMW73.3m (USD6.2m) fall in EBITDA is largely driven by the material drop in global and local soft commodity prices with Zambian soya prices dropping from USD535/M.T. at the end of March 2016 to USD360/M.T. in March 2017. Unfortunately, this has impacted results in both the Cropping and the stock feed divisions. With Zambeef producing in excess of 40,000 M.T. of soya in this period, the impact of the drop in soya prices on revenue was around USD4m but a strong underlying operational performance by the cropping division has resulted in a net reduction in gross profit of ZMW25.9m (equivalent to USD2.7m). Secondly, stock feed margins have also been adversely impacted by the fall in stock 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. Stock feed gross profits fell from ZMW103m to ZMW62m and in USD from USD9.1m to USD6.4m. Gross margins were also impacted by operational difficulties in our Kalundu dairy unit which resulted in gross profits from our Dairy products reducing by ZMW10.9m (equivalent to USD1.1m).

Interest costs reduced by 25 per cent. in ZMW (13 per cent. in USD) as a result of lower debt levels although interest rates increased. As a result, Zambeef's PAT excluding discontinued operations reduced from ZMW68m to ZMW5m (USD6m to USD0.5m).

The highlight of this period was the strong 26.1 per cent. (in ZMW) growth in the Retail and Cold Chain Food Products division sales. Zambeef has firmly established itself as best-in-class in terms of its production and distribution of the Cold Chain Food Products delivering a very satisfactory EBITDA margin of 8.5 per cent. which compares favourably with benchmark returns across the cold chain foods and retail sector, in what has been a challenging macroeconomic environment.

The focus for the next six months will be on:

- Continuing to expand the footprint and sales of the Retail network, which will drive sales of our Cold Chain Food Production business and stock feed operations. (Eight Zambeef Macros and four Shoprite stores are expected to open before the end of the financial year);
- Commissioning the new Kitwe Cold Chain Food distribution hub which will increase capacity and improve distribution efficiencies in the Copperbelt and North Western Province operations (completion September 2017);
- Completing the expansion of the broiler breeding farms and hatchery to increase day-old chick production from 210,000 birds per week to 310,000 birds per week (completion end of May 2017);
- Expand the broiler processing operations to increase production by 30,000 birds per week to 160,000 birds per week (completion end of June 2017); and
- Commission the new stock feed plant at Mpongwe to bring an additional 140,000 M.T. of stock feed capacity on line (completion July 2017).

It will be a busy period but with an improvement in the macroeconomic environment Zambeef can expect to grow the business and improve margins over the next six months.

Exchange rate movements

This period has seen a 3.5 per cent appreciation of the ZMW with the exchange rate, starting the period at 10.01 ZMW/USD and closing the period at 9.66 ZMW/USD. The table below shows the comparative exchange rates over the periods:

	ZMW/USD
Closing Rate 30th September 2015	12.02
Closing Rate 31st March 2016	11.16
Closing Rate 30th September 2016	10.01
Closing Rate 31st March 2017	9.66
Average Rate for 6 months to 31st March 2016	11.35
Average Rate for 6 months to 31st March 2017	9.81
Average Rate for year ended 30th September 2016	10.83

The appreciating currency has impacted the arable farming and stock feed gross profits, as the ZMW value realised for USD priced commodities reduced as the ZMW appreciated. The brought forward commodities at the beginning of the period were:

	USD'000	ZMW'000
Standing Crops	6,031	60,377
Stocks (Grains)	35,617	356,529
Total	41,648	416,906

The 3.5 per cent ZMW currency appreciation has resulted in the value of these commodities in ZMW, reducing by ZMW14.6m (USD1.5m). This is partially offset by the realised and unrealised exchange gains of ZMW6.7m (USD0.7m) on the dollar debt.

The stabilisation of the ZMW during this period after a very volatile period in 2015 and 2016 has been welcomed, and this relative stability is expected to continue.

ADMINISTRATION AND OVERHEAD COSTS

Management has continued to place a strong emphasis on cost control in the business and it is pleasing to report that costs excluding depreciation as a percentage of turnover have again reduced, moving from 25.6 per cent. to 25.2 per cent. These overheads increased in ZMW by 1.8 per cent. (USD17.4 per cent.). This is an excellent achievement when one considers that:

- Fuel prices increased by 36 per cent. at the beginning of the period and were later reduced by 6 per cent.;
- Staff costs increased by 12 per cent.;
- We have had levy and slaughter fee increases of up to 500 per cent.; and
- We are incurring road toll fees which were introduced at the beginning of the financial period but are increasing as more toll gates are opened and are currently running at around ZMW45,000 per day, which will have a bigger impact on the second six months.

Electricity costs have now been increased by 50 per cent. as of 15th May 2017, which will impact our overheads in the second six months. A further increase is expected on 1st September 2017. As a result, overheads will come under pressure in the second half of the year.

FINANCE COSTS

The finance costs for the Group have decreased in ZMW by 25 per cent. from ZMW60m to ZMW45m (13 per cent. in USD from USD5.3m to USD4.6m). This decrease was as a result of a large reduction in gearing over the same period in the previous year. The lower gearing was partially offset by an increase in interest rates. The table below shows the movement in the average interest rates incurred by Zambeef over the period:

	Average Rate (USD)	Average Rate (ZMW)
March 2015	4.0%	15.6%
September 2015	4.4%	16.7%
March 2016	6.5%	28.1%
September 2016	6.6%	27.6%
March 2017	7.0%	24.1%

We are expecting our ZMW rates to drop below 20 per cent. again, which will materially reduce interest charges. In terms of the USD debt the increase in rates has arisen from the rise in LIBOR rate.

Gearing has reduced from 57 per cent. at H1/2016 to 32 per cent. at H1/2017.

CAPITAL EXPENDITURE

Total capital expenditure during the period was ZMW135.3 million (USD13.8 million) against a budgeted capital expenditure of ZMW 221m (USD21m) for the year.

The main capital expenditure during the period is as follows:

- USD2.2m on the rollout of new Zambeef Macro outlets;
- USD1.8m on new Kalundu Dairy rotary milking parlour and upgrades to milk processing plant;
- USD1.2m on the new Mpongwe stock feed plant;
- USD1.5m on the expansion of the Zamhatch hatchery and breeder farm;
- USD0.6m for the expansion of the Zam Chick processing plant;
- USD0.4m on the new Kitwe Processing Plant
- USD0.9m for the Zampalm palm project; and
- USD2.8m for farming replacement capex.

This capex is being focused towards the expansion of the retail network as well as putting extra capacity into the Cold Chain Food Product and stock feed divisions to meet the increased demand. Capex will continue to be targeted at high return parts of the business with the view to increase margins in the business.

TERM FINANCE

In order to finance the remainder of the capital expenditure to be incurred in the year, a loan of USD15m was drawn down from DEG on 17th May 2017. This loan is repayable over six years with semi-annual payments of USD1.25m starting in March 2018. The interest rate is six month USD LIBOR plus 5.75 per cent.

In the first six months of the year term debt totalling USD5.8m was repaid. A further USD5.1m will be paid in the next six months. Debt servicing will then reduce to USD8.0m in 2018.

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 EBITDA level. The directors have elected to consolidate the reporting of the Retail and Cold Chain Food Processing activities given that in the period 94.2 per cent. (prior period 93.1 per cent.) of Cold Chain Food Processing'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	EBITDA 2017 ZMW'000	EBITDA 2016 ZMW'000
Retailing	818,963	642,885						
CCFP	653,811	536,662						
<i>Less Intra/ Inter Group</i>	<i>(615,981)</i>	<i>(499,849)</i>						
Retail & Cold Chain Foods	856,793	679,698	222,181	220,905	(149,392)	(139,741)	72,788	81,164
Stock Feed	324,701	364,176	62,830	103,603	(20,141)	(28,269)	42,690	75,334
Cropping	201,901	129,404	79,745	105,667	(60,309)	(56,597)	19,436	49,070
Others	79,009	107,358	12,868	15,737	(10,612)	(9,015)	2,256	6,722

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	EBITDA 2017 ZMW'000	EBITDA 2016 ZMW'000
Total	1,462,404	1,280,636	377,624	445,912	(240,454)	(233,622)	137,170	212,290
<i>Less: Intra/ Inter Group Sales less Central Overhead</i>	<i>(301,086)</i>	<i>(159,031)</i>	-	-	<i>(52,199)</i>	<i>(53,951)</i>	<i>(52,199)</i>	<i>(53,951)</i>
Group Total	1,161,318	1,121,605	377,624	445,912	(292,653)	(287,573)	84,971	158,339

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	EBITDA 2017 USD'000	EBITDA 2016 USD'000
Retailing	83,483	56,642						
CCFP	66,647	47,283						
<i>Less Intra/ Inter Group</i>	<i>(62,791)</i>	<i>(44,040)</i>						
Retail & Cold Chain Foods	87,339	59,885	22,648	19,463	(15,229)	(12,004)	7,420	7,459
	-	-	-	-	-	-	-	-
Stock Feed	33,099	32,086	6,405	9,128	(2,053)	(2,491)	4,352	6,637
	-	-	-	-	-	-	-	-
Crop-Row Crops	20,581	11,401	8,129	9,310	(6,148)	(4,414)	1,981	4,896
	-	-	-	-	-	-	-	-
Others	8,054	9,459	1,312	1,386	(1,081)	(1,674)	230	289
	-	-	-	-	-	-	-	-
Total	149,073	112,831	38,494	39,287	(24,511)	(20,583)	13,983	18,704
	-	-	-	-	-	-	-	-
<i>Less: Intra/ Inter Group Sales less Central Overhead</i>	<i>(30,692)</i>	<i>(14,012)</i>	-	-	<i>(5,321)</i>	<i>(4,753)</i>	<i>(5,321)</i>	<i>(4,753)</i>
Group Total	118,381	98,820	38,494	39,287	(29,832)	(25,337)	8,662	13,951

DIVISIONAL REVIEW

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

RETAIL AND COLD CHAIN FOOD PRODUCTION

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	EBITDA 2017 ZMW'000	EBITDA 2016 ZMW'000
Retailing	818,963	642,885						
CCFP	653,811	536,662						
<i>Less Intra/Inter Group</i>	<i>(615,981)</i>	<i>(499,849)</i>						
Retail & Cold Chain Foods	856,793	679,698	222,181	220,905	(149,392)	(139,741)	72,788	81,164

RETAIL & COLD CHAIN FOODS- SUMMARY FINANCIAL PERFORMANCE:

Following the September 2016 year end the directors announced their decision to simplify the presentation of the financial reporting of the business and to report EBITDA for each of the Zambeef Group's key business areas. In the six month period to 31st March 2017, 94.2 per cent. (prior period 93.1 per cent) of Cold Chain Food Processing's sales were made on an inter-company basis to the Zambeef Retail Division and therefore the directors have elected to consolidate the EBITDA reporting of the Retail and Cold Chain Food Processing activities.

Net Sales in the Combined Retail and Cold Chain Food Processing business increased by 26.1 per cent. in ZMW and 45.8 per cent. in USD. Gross profit grew by 0.6 per cent. in ZMW and 16.4 per cent in USD. Growth in gross profit was impacted principally because of operational difficulties within our dairy production unit, weak egg prices, a decision to grow market share leading to some margin contraction in the premium formal retail sector and a fall in beef prices. Further details are set out in the analysis of the performance of each product line.

Overhead costs increased by 6.9 per cent in ZMW and 23.7 per cent in USD mainly due to rises in transport, energy and employment costs.

EBITDA in ZMW fell 10.3 per cent. from ZMW81.1m to ZMW72.8m, whilst in USD, it increased from USD7.1m to 7.4m. The business has generated a satisfactory EBITDA margin of 8.5 per cent. (compared prior year period 11.9 per cent.)

RETAIL DISTRIBUTION

Retail business has grown strongly during the period with revenue up 27.4 per cent. in ZMW and 47.4 per cent. in USD. Like for like sales in Zambeef Macro and Outlet stores increased by 21 per cent. but this was partially offset by a 5.2 per cent. fall in like for like sales through the Shoprite concessions reflecting increased competition in the premium retail sector from new retail chains. During the period two Zambeef Macro outlets were opened and three new Shoprite stores were opened in Nigeria.

The pace of our retail store roll out will accelerate over the next six months with eight Zambeef Macro outlets, three Shoprite stores in Zambia and one Shoprite store in Ghana all expected to open in this period. This expansion of the retailing operations is expected to continue to create demand for our Cold Chain Food Products and our stock feed. A total of 70.5 per cent. of Zambeef's turnover is now through its retail operations.

COLD CHAIN FOOD PRODUCTION

The Cold Chain Food Production operations include the 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 all grown strongly during the period with turnover increasing by 21.8 per cent. in ZMW (41.0 per cent. in USD) margin fell principally as a result of operational difficulties within our dairy production unit, weak egg prices and margin contraction in the formal retail sector due to a challenging economic environment seen during the period (as described in the Joint CEOs' report).

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

a) Beef (Zambeef)

Beef volumes increased by 8.7 per cent and revenue by 4.2 per cent. Beef remains the largest product line within the Cold Chain Food Product operations, accounting for 36 per cent. of the turnover.

However, beef margins were squeezed with Gross Profit reducing from 22.3 per cent. to 20.5 per cent principally because of a decline in beef prices in the Zambeef retail network. This was driven by consumers looking for cheaper protein in this challenging macroeconomic period.

b) Chicken (Zam Chick and Zamhatch)

Turnover of our poultry business increased by a very satisfactory 35.2 per cent in ZMW over the prior period. The Zam Chick and Zamhatch operations account for 23 per cent. of the turnover of the Cold Chain Food Products division, making it the second biggest part of the Cold Chain Food Product operations, following beef. Margins were slightly down from 21.6 per cent. to 20.6 per cent as we maintained export volumes despite the strength of the ZMW.

Zam Chick processed volumes increased by 12 per cent. from 5 million kgs to 5.6 million kgs. Zamhatch increased volumes by 24.6 per cent. from 4.5 million day-old-chicks to 5.6 million during the period.

We have invested USD0.6m to increase our slaughter processing capacity by circa 23 per cent. from 130,000 to 160,000 birds per week. This upgrade should be commissioned by the end of June 2017. Demand for day-old chicks outstrips supply and as a result a further expansion of the Zamhatch operations will bring a further 100,000 on line from the end of May 2017 increasing total capacity to 315,000 day-old chicks per week. We expect the benefits of this additional volume to through to operating profit in the second half of the year.

c) Pork (Masterpork)

Masterpork has shown strong growth during the period with volumes increasing by 19.7 per cent., turnover by 21.8 per cent. in ZMW (41 per cent. in USD) and Gross Profits by 134 per cent. in ZMW (171 per cent. in USD).

Masterpork accounts for 19.3 per cent. of the Cold Chain Food Products turnover. making it the third largest product line within the Cold Chain Food Products division. Gross Profit margins increased from 7.6 per cent to 14.5 per cent. in this period, but this remains the second lowest margin of the Cold Chain Food Product operations and we continue to look at how to maximise returns from this product line.

d) Milk and dairy products (Zammilk)

The milk products business has shown strong growth in this period, with turnover up 34.2 per cent. Sales volumes increased by 42.9 per cent. from 6.52 million litres to 9.32 million litres. Despite this strong volume growth, operational difficulties in our Kalundu dairy unit led to a drop in milk output 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 reducing by ZMW10.9m (USD1.1m) or 40.9 per cent. in ZMW versus the prior year (31.7 per cent. in USD). Following a change of management in February 2017, milk output and culling rates at Kalundu dairy have started to improve reducing Zammilk's cost of production.

e) Fish

Fish is gaining popularity as a cheaper source of protein. Volumes grew by 66.9 per cent. from 0.9 million kgs to 1.49 million kgs. Changes in product mix, resulted in a 26.2 per cent. increase in ZMW turnover but a 13 per cent. decline in gross profit contribution. Fish accounts for only 4.7 per cent. of turnover within the Cold Chain Food Products division.

f) **Eggs (Zamegg)**

The egg operations, trading under the brand name Zamegg, increased volumes by 94.0 per cent. However, gross profit fell by ZMW2m with egg prices coming down sharply 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. This situation appears to have normalised and consequently, egg margins are now recovering. This is the smallest division within the Cold Chain Food Products accounting for 4.4 per cent. of turnover.

STOCK FEED (NOVATEK)

	2017 ZMW'000	2016 ZMW'000	% Change	2017 USD'000	2016 USD'000	% Change
Revenue	324,701	364,169	-10.8%	33,099	32,085	3.2%
Gross Profit	62,831	103,603	-39.4%	6,405	9,128	-29.8%
Overheads	(20,141)	(28,269)	-28.8%	(2,053)	(2,491)	-17.6%
Operating Profit	42,690	75,334	-43.3%	4,352	6,637	-34.4%

Novatek has maintained its market share and market leadership with volumes increasing by 2.7 per cent. from 71,737 M.T. to 73,679 M.T. This has been a good performance in a challenging macroeconomic environment with sluggish demand. However, margins have been 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. The last three months have seen Zambian soya beans move from USD535/M.T. for the old crop to well below USD400/M.T. for new crop. Whilst, Operating Profit has fallen by 39.4 per cent. in ZMW from ZMW103.6m to ZMW62.8m (29.8 per cent. in USD from USD9.1m to USD6.4m), Novatek has performed well in difficult circumstances. It should be noted that margins in the comparable prior year period were enhanced by a favourable raw material forward soya book

Following the fall in raw material prices, Novatek's stock feed margins have returned to more usual levels in March and April. Lower market prices and an improving macroeconomic environment are expected to stimulate demand for stock feed.

Novatek will be commissioning a second stock feed plant at Mpongwe in June 2017. The existing Lusaka plant is currently working at capacity, and we look forward to the new Mpongwe plant providing an additional 140,000 M.T. of capacity. The Mpongwe plant is well placed to supply the Copperbelt, the North Western Province and the DRC markets, and the Group will benefit from saving 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.

With margins normalising and the second stock feed plant coming on line in June 2017, Novatek is expected to grow revenues and profitability over the next six months.

CROPPING

	2017 ZMW'000	2016 ZMW'000	% Change	2017 USD'000	2016 USD'000	% Change
Revenue	201,901	129,404	56.0%	20,581	11,401	80.5%
Gross Profit	79,745	105,667	-24.5%	8,129	9,310	-2.0%
Overheads	(60,309)	(56,597)	6.6%	(6,148)	(4,987)	23.3%
Operating Profit	19,436	49,070	-60.4%	1,981	4,323	-42.2%

This has been a tough period for our cropping division with global and local commodity prices declining following a significant build-up of stocks in most major production areas with international soya prices touching ten year lows. Furthermore, the ZMW appreciation of 3.5 per cent over the past six months has resulted in a ZMW14.6m (USD1.5m) reduction in income derived from the biological assets and inventory held at 30th September 2016.

The cropping division planted 12,005 Ha of soya, 2,185 Ha of maize and 500 Ha of silage for the summer season. These crops are coming off ahead of budget with over 40,000 M.T. of soya, 21,000 M.T. of maize and 24,000 M.T. of maize silage expected.

Unfortunately, the decline in soya price from USD500/M.T. the previous year to under USD400/M.T. for the current crop has resulted in a circa USD4m reduction in dollar income on the 40,000 M.T. produced in the period as the Zambian forward market is generally illiquid making hedging very difficult. However, a strong underlying operational performance by the cropping division has resulted in a net reduction in gross profit of ZMW25.9m (equivalent to USD2.7m).

Cropping operations have performed operationally very well, with yields ahead of last year and variable costs on budget. Overhead costs increased by 6.6 per cent reflecting the rise in energy, repair and labour costs. The winter crop, which has just been planted, is made up of 6,374 Ha of wheat, 1,004 Ha of winter maize, 75 Ha of seed maize and 193 Ha of Lucerne. Wheat prices are expected to be similar to last year at this stage, hence we expect the cropping division to deliver a better performance in the next six months provided there is no further softening of maize or wheat prices.

OTHER BUSINESSES

	2017 ZMW'000	2016 ZMW'000	% Change	2017 USD'000	2016 USD'000	% Change
Revenue	79,009	107,364	-26.4	8,054	9,459	-14.9
Gross Profit	12,868	15,737	-18.2	1,312	1,386	-5.4
Overheads	(10,612)	(9,015)	+17.7	(1,082)	(1,675)	-5.4
Operating Profit	2,256	6,722	-66.4	230	(289)	-179.6

Flour Milling: The milling operations have performed well with flour sale volumes increasing by 23.5 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 163 per cent. and representing 29 per cent. of overall flour sales (which represents a 13 per cent increase from the prior period). The aim is to increase flour sales further by continuing to drive sales through Zambeef's own retail network.

Zamleather: This division has had a difficult six months, with world hide prices dropping and the market for lower grade hides being very sluggish. The number of hides processed fell by 23.7 per cent. to 43,492 hides. In addition, shoe sales decreased by 21.3 per cent. to 30,594 pairs, with purchases from the mines being slow in the period. The next six months are not expected to see any material improvements in the leather industry.

Edible oil: Following the sale of Zambeef's edible oil operations, Zamanita Ltd, to Cargill in 2015, Zambeef has continued to retail edible oil through its retail network. These sales have reduced over the last eighteen months but the Zambeef palm project started producing crude palm oil during this period. Crude palm oil output will increase as planted areas progressively come into production. The edible oils operations are not material to Zambeef's operations.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

In compliance with Division 8.3 of the Companies Act, the Directors submit their report on the activities of the Group for the six month period ended 31 March 2017.

1. **Principal activities**

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 7,971 Ha of irrigated row crops and 8,623 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:

	31 March 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				
300,579,630 ordinary shares 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:

	Unaudited				Audited	
	6 months to 31 March 2017	6 months to 31 March 2017	6 months to 31 March 2016	6 months to 31 March 2016	Year ended 30 September 2016	Year ended 30 September 2016
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Group Revenue	1,161,318	118,381	1,121,605	98,820	2,376,148	219,404
Profit before taxation	5,780	590	76,954	6,780	134,592	12,427
Taxation charge	(556)	(57)	(8,827)	(778)	(10,798)	(997)
Profit from discontinued operations	-	-	33,592	2,960	33,592	3,101
Group profit for the period	5,224	533	101,719	8,962	157,386	14,531
Group profit attributable to:						
Equity holders of the parent	5,519	563	90,285	7,955	137,103	12,659
Non-controlling interest	(295)	(30)	11,434	1,007	20,283	1,872
	5,224	533	101,719	8,962	157,386	14,531

REPORT OF THE DIRECTORS (CONTINUED)

5. **Dividends**

There was no dividend paid or proposed for the six month period ended 31 March 2017.

6. **Management**

The Senior Management team comprises the following:

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 Manager
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
Webster Mapulanga	-	General Manager – Master Pork 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 Limited, Zam Chick Limited
Rory Park	-	Finance Manager – Master Pork Limited, Zampalm Limited, Zamhatch Limited
Simon Nkhata	-	Finance Manager – Zambeef Retailing Limited
Baron Chisola	-	Financial Controller – Group Inventory
Shadreck Banda	-	Financial Controller – Group Suppliers
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

REPORT OF THE DIRECTORS (CONTINUED)

6. Management (continued)

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

7. Directors and Secretary

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

Dr. Jacob Mwanza	-	Chairman
Dr. Lawrence S. Sikutwa		
John Rabb		
Graham Clarke		
David Osborne		
Tim Pollock		
Francis Grogan	-	Joint Chief Executive Officer
Dr. Carl Irwin	-	Joint Chief Executive Officer
Yusuf Koya		
Danny Museteka	-	Company Secretary

8. Directors' interests

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

	31 March 2017		30 September 2016	
	Direct	Indirect	Direct	Indirect
Dr. Jacob Mwanza	1,100,000	-	1,100,000	-
Dr. Carl Irwin	3,763	5,406,445	3,763	5,406,445
Francis Grogan	995,000	3,591,631	995,000	3,591,631
John Rabb	-	14,000,000	-	14,000,000
Graham Clark	-	1,000,000	-	1,000,000
Yusuf Koya	245,482	-	245,482	-
	<u>2,344,245</u>	<u>23,998,076</u>	<u>2,344,245</u>	<u>23,998,076</u>

REPORT OF THE DIRECTORS (CONTINUED)

9. Directors' fees and remuneration

ZMW	Salary	Bonus	Housing Allowance	Car Allowance	Air Fares Allowance	Medicals	Long Term Incentive Plan 2 (Shares)
NON-EXECUTIVE							
Jacob Mwanza	825,514	-	-	-	-	-	
Lawrence Sikutwa	359,779	-	-	-	-	-	
John Rabb	308,380	-	-	-	-	-	
Graham Clark	359,771	-	-	-	-	-	
EXECUTIVE							
Francis Grogan	2,978,684	5,000	Company House	Company Car	480,462	Yes	6,250,000
Carl Irwin	3,151,825	5,000	-	Company Car	480,462	Yes	6,250,000
Yusuf Koya	3,371,278	5,000	-	-	400,385	Yes	275,000
Danny Museteka	2,368,759	257,518	-	-	-	Yes	275,000

In addition to the above, all Executive Directors are also entitled to a gratuity of 10 per cent. of their gross basic salary paid over the two-year 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; and
- d) **Vesting period:** three years from 2015 to 2018; exercisable from 1 March 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 in the audited annual accounts immediately prior to the exercising of the options.
 - VII. Zambeef generating free cash flow.
 - 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.

REPORT OF THE DIRECTORS (CONTINUED)

10. **Significant Shareholdings**

As at 31 March 2017, the Company has been advised of the following notifiable interests in its ordinary share capital:

Investor Name	Current Position	% of Shareholding
CDC Group Plc	132,648,561	34.85%
M & G Recovery Fund	46,304,408	12.16%
National Pension Scheme Authority (Zambia)	24,979,819	6.56%
Rhodora	25,379,180	6.67%
SQM Frontier Management	15,489,554	4.07%
Sussex Trust	14,000,000	3.68%

11. **Employees**

The Group employed an average number of employees of 6,854 (30 September 2016 – 6,253; 31 March 2016 – 6,200) and total salaries and wages were ZMW173 million (USD17.7 million) for the six month period to 31 March 2017 (30 September 2016 – ZMW307 million [USD28.3 million], 31 March 2016 – ZMW139.3 million [USD12.3 million]).

The average number of persons employed by the Group in each month of the 6 month period is as follows:

October 2016	6,754
November 2016	6,900
December 2016	7,023
January 2017	6,826
February 2017	6,756
March 2017	6,864

REPORT OF THE DIRECTORS (CONTINUED)

12. **Safety, Health and Environmental issues**

As part of some of the Group's term loans, the Group 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.

The Group provides 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 or material 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 or material 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 ZMW1.23 million (USD0.13 million), (30 September 2016 – ZMW2.2 million [USD0.2 million], 31 March 2016 – ZMW1.27 million [USD0.11 million]) to a number of activities.

15. **Export sales**

The Group made exports of ZMW14 million (USD1.4 million) during the period (30 September 2016 – ZMW90.7 million [USD8.6 million], 31 March 2016 – ZMW59.3 million [USD5.2 million]).

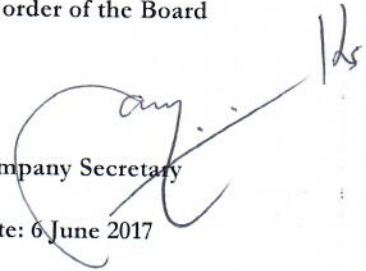
16. **Property, plant and equipment**

Assets totalling ZMW126.5 million (USD12.9 million) were purchased by the Group during the period (30 September 2016 – ZMW178.8 million [USD16.5 million], 31 March 2016 – ZMW84 million [USD7.4 million]) which included expenditure on the palm plantation development during the period of ZMW8.8 million (USD0.9 million) (30 September 2016 – ZMW12.2 million [USD1.1 million], 31 March 2016 – ZMW6.5 million [USD0.57 million]).

17. **Interim report**

The interim report set out below has been approved by the directors.

By order of the Board



Company Secretary

Date: 6 June 2017

6 June 2017

The Director
Zambeef Products PLC
Plot 4970, Manda Road
Industrial Area
Lusaka

Dear Sirs

Grant Thornton

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INDEPENDENT REVIEW REPORT OF ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**Introduction**

We have been instructed by the Directors of the Company to review the financial information set out on pages 22 to 52 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

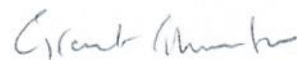
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Lusaka Stock Exchange and International Accounting Standard 34 require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where changes, and reasons for them, are disclosed.

Review of work performed


We conducted our review in accordance with guidance contained in the International Standards on Auditing. A review consists principally of making enquiry of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On basis of our review we are not aware of any material modifications that should be made to the consolidated financial information as presented for the six month period ended 31 March 2017.



Chartered Accountants


Christopher Mulenga (AUD/ F000178)

Name of Partner signing on behalf of the Firm

Lusaka

Date: 6 June 2017

Partners

Edgar Hamuwele (Managing)
Christopher Mulenga
Wesley Beene
Rodia Musonda
Chilala Banda

Chartered Accountants

Zambian Member of Grant Thornton International

Audit • Tax • Advisory

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017**

		Unaudited		Audited
		Mar 2017	Mar 2016	Sept 2016
Group	Note	ZMW'000s	ZMW'000s	ZMW'000s
Revenue	5(i)	1,161,318	1,121,605	2,376,148
Net (loss) /gain arising from price changes in fair value of biological assets	8	(91)	17,430	13,257
Cost of sales		(783,603)	(693,123)	(1,513,459)
Gross profit	5(i)	377,624	445,912	875,946
Administrative expenses		(334,707)	(324,966)	(690,047)
Other income		1,243	763	1,694
Operating profit		44,160	121,709	187,593
Exchange gains on translating foreign currency transactions and balances		6,748	15,602	58,345
Finance costs		(45,128)	(60,357)	(111,346)
Profit before taxation	5(i)	5,780	76,954	134,592
Taxation charge	6(a)	(556)	(8,827)	(10,798)
Group profit for the period from continued operations		5,224	68,127	123,794
Profit from discontinued operations		-	33,592	33,592
Total profit for the period		5,224	101,719	157,386
Group profit/(loss) attributable to:				
Equity holders of the parent		5,519	90,285	137,103
Non-controlling interest		(295)	11,434	20,283
		5,224	101,719	157,386
Other comprehensive income				
Exchange losses on translating presentational currency		(10,547)	(52,198)	(86,511)
Total comprehensive (loss)/income for the period		(5,323)	49,521	70,875
Total comprehensive (loss) /income for the period attributable to:				
Equity holders of the parent		(4,308)	36,692	52,292
Non-controlling interest		(1,015)	12,829	18,583
		(5,323)	49,521	70,875
Earnings per share		Ngwee	Ngwee	Ngwee
Basic and diluted earnings per share from continued operations	7	1.84	22.86	41.38
Basic and diluted earnings per share from discontinued operations	7	-	13.55	13.42
Total	7	1.84	36.41	54.80

The accompanying notes form part of the financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017**

		Unaudited		Audited
		Mar 2017	Mar 2016	Sept 2016
Group	Note	USD'000s	USD'000s	USD'000s
Revenue	5(ii)	118,381	98,820	219,404
Net (loss)/ gain arising from price changes in fair value of biological assets	8	(9)	1,536	1,224
Cost of sales		(79,878)	(61,069)	(139,747)
Gross profit	5(ii)	38,494	39,287	80,881
Administrative expenses		(34,119)	(28,631)	(63,716)
Other income		127	67	156
Operating profit		4,502	10,723	17,321
Exchange losses on translating foreign currency transactions and balances		688	1,375	5,387
Finance costs		(4,600)	(5,318)	(10,281)
Profit before taxation	5(ii)	590	6,780	12,427
Taxation charge	6(f)	(57)	(778)	(997)
Group profit for the period from continued operations		533	6,002	11,430
Profit from discontinued operations		-	2,960	3,101
Total profit for the period		533	8,962	14,531
Group profit/(loss) attributable to:				
Equity holders of the parent		563	7,955	12,659
Non-controlling interest		(30)	1,007	1,872
		533	8,962	14,531
Other comprehensive income				
Exchange gains on translating presentational currency		6,617	4,973	16,909
Total comprehensive income for the period		7,150	13,935	31,440
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent		7,282	12,528	29,473
Non-controlling interest		(132)	1,407	1,967
		7,150	13,935	31,440
Earnings per share		Cents	Cents	Cents
Basic and diluted earnings per share from continued operations	7	0.19	2.02	3.82
Basic and diluted earnings per share from discontinued operations	7	-	1.19	1.24
Total	7	0.19	3.21	5.06

The accompanying notes form part of the financial statements.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017

	Share capital ZMW'000s	Share premium ZMW'000s	Preference share capital ZMW'000s	Revaluation reserve ZMW'000s	Foreign exchange translation 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	-	504,671	188,332	239,449	1,441,209	34,083	1,475,292
Profit for the period	-	-	-	-	-	90,285	90,285	11,434	101,719
Transfer of surplus depreciation	-	-	-	(6,278)	-	6,278	-	-	-
Consolidation of Zambatch Limited	-	-	-	-	-	-	-	24,800	24,800
Other comprehensive income									
Exchange gains on translating presentational currency	-	-	-	-	(53,593)	-	(53,593)	1,395	(52,198)
Total comprehensive income for the period	-	-	-	(6,278)	(53,593)	96,563	36,692	37,629	74,321
At 31 March 2016	2,480	506,277	-	498,393	134,739	336,012	1,477,901	71,712	1,549,613
Profit for the period	-	-	-	-	-	46,818	46,818	8,849	55,667
Transfer of surplus depreciation	-	-	-	(12,628)	-	12,628	-	-	-
Removal of Zambatch Limited	-	-	-	-	-	-	-	(24,800)	(24,800)
Other comprehensive income:									
Exchange gains/(losses) on translating presentational currency	-	-	-	-	(31,218)	-	(31,218)	(3,095)	(34,313)
Total comprehensive income for the period	-	-	-	(12,628)	(31,218)	59,446	15,600	(19,046)	(3,446)
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	485,765	103,521	417,635	2,135,939	(7,616)	2,128,323
Profit for the period	-	-	-	-	-	5,519	5,519	(295)	5,224
Transfer of surplus depreciation	-	-	-	(9,318)	-	9,318	-	-	-
Other comprehensive income									
Exchange gains on translating presentational currency	-	-	-	-	(9,827)	-	(9,827)	(720)	(10,547)
Total comprehensive income for the period	-	-	-	(9,318)	(9,827)	14,837	(4,308)	(1,015)	(5,323)
At 31 March 2017	3,006	1,125,012	1,000	476,447	93,694	432,472	2,131,631	(8,631)	2,123,000

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017

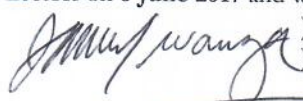

	Share capital USD'000s	Share premium USD'000s	Preference share capital USD'000s	Revaluation reserve USD'000s	Foreign exchange translation reserve USD'000s	Retained earnings USD'000s	Total attributable to owners of the parent USD'000s	Non- controlling Interest USD'000s	Total equity USD'000s
At 1 October 2015	396	123,283	-	100,509	(161,712)	57,424	119,900	2,836	122,736
Profit for the period	-	-	-	-	-	7,955	7,955	1,007	8,962
Transfer of surplus depreciation	-	-	-	(553)	-	553	-	-	-
Consolidation of Zambhatch Limited	-	-	-	-	-	-	-	2,185	2,185
Other comprehensive income									
Exchange losses on translating presentational currency	-	-	-	-	4,573	-	4,573	400	4,973
Total comprehensive income for the period	-	-	-	(553)	4,573	8,508	12,528	3,592	16,120
At 31 March 2016	396	123,283	-	99,956	(157,139)	65,932	132,428	6,428	138,856
Transactions with owners									
Profit for the period	-	-	-	-	-	4,704	4,704	865	5,569
Transfer of surplus depreciation	-	-	-	(1,193)	-	1,193	-	-	-
Consolidation of Zambhatch Limited	-	-	-	-	-	-	-	(2,185)	(2,185)
Other comprehensive income:									
Exchange losses on translating presentational currency	-	-	-	-	12,240	-	12,240	(304)	11,936
Total comprehensive income for the period	-	-	-	(1,193)	12,240	5,897	16,944	(1,624)	15,320
Transactions with owners									
Non-controlling interest shares acquired	-	-	-	-	-	2,047	2,047	(5,565)	(3,518)
Shares issued	53	61,812	100	-	-	-	61,965	-	61,965
Total transactions with owners	53	61,812	100	-	-	2,047	64,012	(5,565)	58,447
At 30 September 2016	449	185,095	100	98,763	(144,899)	73,876	213,384	(761)	212,623
Profit for the period	-	-	-	-	-	563	563	(30)	533
Transfer of surplus depreciation	-	-	-	(950)	-	950	-	-	-
Other comprehensive income									
Exchange losses on translating presentational currency	-	-	-	-	6,719	-	6,719	(102)	6,617
Total comprehensive income for the period	-	-	-	(950)	6,719	1,513	7,282	(132)	7,150
At 31 March 2017	449	185,095	100	97,813	(138,180)	75,389	220,666	(893)	219,773

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2017

		Unaudited		Audited
	Notes	31 Mar 2017 ZMW'000s	31 Mar 2016 ZMW'000s	30 Sept 2016 ZMW'000s
ASSETS				
Non – current assets				
Goodwill		166,801	15,699	157,922
Property, plant and equipment		1,837,941	1,820,210	1,769,966
Plantation development expenditure		100,277	87,336	94,302
Biological assets	8	51,541	34,619	48,480
Deferred tax assets	6(e)	41,013	24,569	28,366
		<u>2,197,573</u>	<u>1,982,433</u>	<u>2,099,036</u>
Current assets				
Biological assets	8	373,280	370,285	187,026
Inventories		372,975	277,809	544,739
Trade and other receivables		131,497	138,408	113,151
Amounts due from related companies		2,727	5,569	10,543
Income tax recoverable	6(c)	1,569	1,467	1,759
Cash and cash equivalents	9	-	-	64,806
		<u>882,048</u>	<u>793,538</u>	<u>922,024</u>
Total assets		<u>3,079,621</u>	<u>2,775,971</u>	<u>3,021,060</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		3,006	2,480	3,006
Preference share capital		1,000	-	1,000
Share premium		1,125,012	506,276	1,125,012
Reserves		<u>1,002,613</u>	<u>969,145</u>	<u>1,006,921</u>
		2,131,631	1,477,901	2,135,939
Non-controlling interest		<u>(8,631)</u>	<u>71,712</u>	<u>(7,616)</u>
		<u>2,123,000</u>	<u>1,549,613</u>	<u>2,128,323</u>
Non – current liabilities				
Interest bearing liabilities	10	233,589	379,957	261,734
Obligations under finance leases		33,433	17,582	31,485
Amounts due to related companies		-	64,187	-
Deferred liability		11,037	9,366	10,442
Deferred taxation	6(e)	<u>8,630</u>	<u>7,243</u>	<u>4,039</u>
		<u>286,689</u>	<u>478,335</u>	<u>307,700</u>
Current liabilities				
Interest bearing liabilities	10	77,306	94,927	116,223
Collateral management agreement	10	68,008	75,788	118,849
Obligations under finance leases		22,422	9,222	19,697
Trade and other payables		238,757	292,930	322,133
Amounts due to related companies		-	-	313
Taxation payable	6(c)	12,046	5,037	7,822
Cash and cash equivalents	9	<u>251,393</u>	<u>270,119</u>	<u>-</u>
		<u>669,932</u>	<u>748,023</u>	<u>585,037</u>
Total equity and liabilities		<u>3,079,621</u>	<u>2,775,971</u>	<u>3,021,060</u>

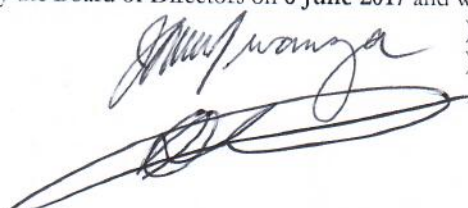
The accompanying notes form part of the financial statements. The interim financial statements on pages 22 to 52 were approved by the Board of Directors on 6 June 2017 and were signed on its behalf by

 DIRECTORS


CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2017

		Unaudited		Audited
		31 Mar 2017	31 Mar 2016	30 Sept 2016
	Notes	USD '000s	USD '000s	USD '000s
ASSETS				
Non – current assets				
Goodwill		17,267	1,407	15,776
Property, plant and equipment		190,263	163,101	176,820
Plantation development expenditure		10,381	7,826	9,421
Biological assets	8	5,336	3,102	4,843
Deferred tax asset	6(j)	4,246	2,202	2,834
		<u>227,493</u>	<u>177,638</u>	<u>209,694</u>
Current assets				
Biological assets	8	38,642	33,180	18,684
Inventories		38,610	24,893	54,419
Trade and other receivables		13,613	12,402	11,304
Amounts due from related companies		282	499	1,053
Income tax recoverable	6(h)	162	131	176
Cash and cash equivalents	9	-	-	6,474
		<u>91,309</u>	<u>71,105</u>	<u>92,110</u>
Total assets		<u>318,802</u>	<u>248,743</u>	<u>301,804</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		449	396	449
Preference share capital		100	-	100
Share premium		185,095	123,283	185,095
Reserves		35,022	8,749	27,740
		<u>220,666</u>	<u>132,428</u>	<u>213,384</u>
Non-controlling interest		(893)	6,428	(761)
		<u>219,773</u>	<u>138,856</u>	<u>212,623</u>
Non – current liabilities				
Interest bearing liabilities	10	24,181	34,046	26,147
Obligations under finance leases		3,461	1,575	3,145
Amounts due to related companies		-	5,752	-
Deferred liability		1,143	839	1,043
Deferred tax liability	6(j)	893	649	403
		<u>29,678</u>	<u>42,861</u>	<u>30,738</u>
Current liabilities				
Interest bearing liabilities	10	8,003	8,506	11,611
Collateral management agreement	10	7,040	6,791	11,873
Obligations under finance leases		2,321	826	1,968
Trade and other payables		24,716	26,248	32,179
Amounts due to related companies		-	-	31
Taxation payable	6(h)	1,247	451	781
Cash and cash equivalents	9	26,024	24,204	-
		<u>69,351</u>	<u>67,026</u>	<u>58,443</u>
Total equity and liabilities		<u>318,802</u>	<u>248,743</u>	<u>301,804</u>

The accompanying notes form part of the financial statements. The interim financial statements on pages 22 to 52 were approved by the Board of Directors on 6 June 2017 and were signed on its behalf by

) DIRECTORS

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017

	Unaudited		Audited
	6 months to 31 Mar 2017 ZMW'000s	6 months to 31 Mar 2016 ZMW'000s	Year to 30 Sept 2016 ZMW'000s
Cash inflow from operating activities			
Profit before taxation	5,780	110,546	134,592
Finance costs	45,128	60,357	111,346
Loss on disposal of property, plant and equipment	-	-	1,124
Depreciation	40,810	36,630	77,784
Profit on discontinued operations	-	-	33,592
Fair value price adjustment	91	(17,430)	(13,257)
Net unrealised foreign exchange (gains)/losses	(4,525)	(14,738)	(28,626)
Earnings before interest, tax, depreciation and amortisation	87,284	175,365	316,555
Increase in biological assets	(189,315)	(205,546)	(46,308)
Decrease in inventory	171,764	124,271	(132,500)
(Increase)/ decrease in trade and other receivables	(18,346)	47,830	97,078
Decrease in amount due from related companies	7,816	-	(1,650)
(Decrease)/increase in trade and other payables	(83,378)	(63,694)	(50,200)
Increase in amount due to related companies	(313)	11,891	(44,165)
Increase in deferred liability	595	112	1,188
Income tax paid	(4,368)	(2,371)	(8,850)
Net cash inflow from operating activities	(28,261)	87,858	131,148
Investing activities			
Purchase of property, plant and equipment	(117,613)	(77,533)	(166,513)
Expenditure on plantation development	(8,848)	(6,512)	(12,259)
Movement in investments	(8,879)	-	-
Proceeds from sale of assets	-	623	-
Proceeds from the issue of shares	-	-	620,262
Purchase of shares	-	-	(175,075)
Net cash (outflow)/ inflow (on)/ from investing activities	(135,340)	(83,422)	266,415
Net cash (outflow)/ inflow before financing	(163,601)	4,436	397,563
Financing			
Long term loans repaid	(57,096)	(56,420)	(110,289)
(Repayment)/ receipt of short term funding	(47,410)	(9,492)	26,997
Lease finance obtained	4,965	656	16,249
Finance costs including discontinued operations	(45,128)	(60,357)	(111,346)
Net cash outflow from financing	(144,669)	(125,613)	(178,389)
(Decrease)/ increase in cash and cash equivalents	(308,270)	(121,177)	219,174
Cash and cash equivalents at beginning of year	64,806	(190,648)	(190,648)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(7,929)	41,706	36,280
Cash and cash equivalents at end of year	(251,393)	(270,119)	64,806
Represented by:			
Cash in hand and at bank	56,416	67,740	95,747
Bank overdrafts	(307,809)	(337,859)	(30,941)
	(251,393)	(270,119)	64,806

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2017

	Unaudited		Audited
	6 months to 31 Mar 2017 USD'000s	6 months to 31 Mar 2016 USD'000s	Year to 30 Sept 2016 USD'000s
Cash inflow from operating activities			
Loss before taxation	590	9,740	12,427
Finance costs	4,600	5,318	10,281
Loss on disposal of property, plant and equipment	-	-	104
Depreciation	4,160	3,227	7,182
Profit on discontinued operations	-	-	3,101
Fair value price adjustment	9	(1,536)	(1,224)
Net unrealised foreign (gains)/ exchange losses	(461)	(1,299)	(2,643)
Earnings before interest, tax, depreciation and amortisation	8,898	15,450	29,228
Increase in biological assets	(19,298)	(18,110)	(4,276)
Decrease in inventory	17,509	10,949	(12,235)
(Increase)/ decrease in trade and other receivables	(1,870)	4,214	8,949
Decrease in amount due from related companies	797	-	(137)
(Decrease)/ increase in trade and other payables	(8,499)	(5,612)	(4,636)
Increase in amount due to related companies	(32)	1,048	(4,078)
Increase in deferred liability	61	10	110
Income tax paid	(445)	(209)	(817)
Net cash (outflow)/inflow (on)/from operating activities	(2,879)	7,740	12,108
Investing activities			
Purchase of property, plant and equipment	(11,989)	(6,831)	(15,376)
Expenditure on plantation development	(902)	(574)	(1,132)
Movement in investments	(905)	-	-
Proceeds from sale of assets	-	55	-
Proceeds from the issue of shares	-	-	57,273
Purchase of shares	-	-	(16,166)
Net cash (outflow)/ inflow (on)/ from investing activities	(13,796)	(7,350)	24,599
Net cash (outflow)/inflow before financing	(16,675)	390	36,707
Financing			
Long term loans repaid	(5,820)	(4,971)	(10,184)
(Repayment)/ receipt of short term funding	(4,833)	(851)	2,493
Lease finance	506	58	1,500
Finance costs including discontinued operations	(4,600)	(5,318)	(10,281)
Net cash outflow from financing	(14,747)	(11,082)	(16,472)
Decrease in cash and cash equivalents	(31,422)	(10,692)	20,235
Cash and cash equivalents at beginning of year	6,474	(15,861)	(15,861)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,076)	2,349	2,100
Cash and cash equivalents at end of year	(26,024)	(24,204)	6,474
Represented by:			
Cash in hand and at bank	5,840	5,783	9,565
Bank overdrafts	(31,864)	(29,987)	(3,091)
	(26,024)	(24,204)	6,474

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 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 7,971 Ha of irrigated row crops and 8,623 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, as well as a palm project within Zambia.

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. Losses incurred are allocated to the non-controlling interest in equity until this value is nil, at which point any subsequent losses are allocated against the interests of the parent.

(b) Going Concern

At the reporting date the current portion of long term loan amounts repayable amount to ZMW167.7 million (USD17.4 million) [30 September 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. All current liabilities will be settled from the continued liquidation of stock and expected increase in income from the capital expenditure carried out.

(c) Basis of presentation

The information for the period ended 31 March 2017 and 31 March 2016 do not constitute statutory accounts. The figures for the year ended 30 September 2016 have been extracted from the 2016 statutory financial statements. The auditors' report on those financial statements was unqualified.

The financial statements are prepared in accordance with the provisions of the Companies Act and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive income" in one statement namely the "Statement of Comprehensive Income".

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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

2. Principal accounting policies (continued)

(d) Foreign currencies

(i) *Presentational and functional currency*

Zambeef Products PLC as a company has ten operating branches of which nine have a historical functional currency of Zambian Kwacha (ZMW) and one (the Mpongwe Farm Branch) has a functional currency of United States Dollars (USD) being an operational branch set up during the financial 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 original 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
- 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, with any differences arising out of translation posted as a capital reserve item and a non-distributable reserve.

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 presentational currency to USD for the purposes of supplementary information*

Statement of comprehensive income items have been translated using the average exchange rate for the period 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 also been transferred to the foreign exchange reserve within equity.

The following exchange rates have been applied:

ZMW:USD	Average exchange rate	Closing exchange rate
6 months ended 31 March 2016	11.35	11.16
Year ended 30 September 2016	10.83	10.01
6 months ended 31 March 2017	9.81	9.66

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

2. Principal accounting policies (continued)

(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 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 period end. Statement of comprehensive income items have been translated at an average monthly rate for the period. Any differences arising from this procedure are taken to the foreign exchange reserve.

The following exchange rates have been applied:

	Average exchange rate	Closing exchange rate
ZMW:Nigeria Naira		
6 months ended 31 March 2016	17.92	17.62
Year ended 30 September 2016	29.09	31.47
6 months ended 31 March 2017	31.74	32.32
ZMW:Ghana Cedi		
6 months ended 31 March 2016	0.35	0.35
Year ended 30 September 2016	0.36	0.40
6 months ended 31 March 2017	0.44	0.44

(e) **General information and basis of preparation**

The condensed interim consolidated financial statements are for the six months ended 31 March 2017 and are presented in Zambian Kwacha and United States Dollars. They have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2016.

(f) **Significant accounting policies**

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 September 2016.

3. **Critical accounting estimates and judgements**

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

3. **Critical accounting estimates and judgements (continued)**

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

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

4. **Significant events and transactions**

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

- (a) Growth in the Zambian economy leading to higher disposable incomes.
- (b) Increase in the retail foot print of the Group.
- (c) Increase in production facilities of the Group leading to higher volumes available for retail.
- (d) 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. The Group's objectives and policies for managing capital credit risk and liquidity risk should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2016.

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 Board of Directors ('BoD') 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 BoD to use for such purposes. The BoD 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.

During the six month period to 31 March 2017, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and gross profit generated by each of the Group's operating segments and segment assets are summarised as follows:

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2017

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Retailing – Zambia	731,070	61,432
Master Meats (Nigeria)	73,857	13,053
Master Meats (Ghana)	14,036	3,706
Retailing West Africa	87,893	16,759
Total Retailing	818,963	78,191
Beef	232,432	66,568
Chicken	149,472	32,562
Pork	126,417	18,584
Milk	86,378	16,859
Fish	30,482	5,737
Eggs	28,630	3,680
Total Cold Chain Food Production	653,811	143,990
Stock Feed	324,701	62,830
Crops – row crops	201,901	79,745
Mill	59,578	10,429
Leather	13,355	3,590
Edible oils	6,076	(1,151)
Total Other	79,009	12,868
Total	2,078,385	377,624
Less: intra/inter group Sales	(917,067)	-
Group total	1,161,318	377,624
Central operating costs		(333,464)
Operating profit		44,160
Foreign exchange gains		6,748
Finance costs		(45,128)
Profit before tax		5,780

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 and plantation development expenditure	1,105,237	212,287	65,705	149,980	405,009	1,938,218
Biological assets and inventories	565,505	45,835	21,651	51,541	113,264	797,796
Cash, cash equivalents and bank overdrafts	(207,229)	(82,828)	4,195	432	34,037	(251,393)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)
 Period ended 31 March 2017
 (ii) in US Dollars

Segment	Revenue USD '000s	Gross Profit USD '000s
Retailing – Zambia	74,523	6,262
Master Meats (Nigeria)	7,529	1,331
Master Meats (Ghana)	1,431	378
Retailing West Africa	8,960	1,708
Total Retailing	83,483	7,971
Beef	23,693	6,786
Chicken	15,237	3,319
Pork	12,887	1,894
Milk	8,805	1,719
Fish	3,107	585
Eggs	2,918	375
Total Cold Chain Food Production	66,647	14,678
Stock Feed	33,099	6,395
Crops – row crops	20,581	8,139
Mill	6,073	1,062
Leather	1,361	366
Edible oils	619	(117)
Total Other	8,053	1,311
Total	211,863	38,494
Less: intra/inter group sales	(93,482)	-
Group total	118,381	38,494
Central operating costs		(33,992)
Operating profit		4,502
Foreign exchange gains		688
Finance costs		(4,600)
Profit before tax		590

Operating assets/(liabilities)

	Zambeef USD'000s	Retailing USD'000s	Master Pork USD'000s	Zampalm USD'000s	Other USD'000s	Total USD'000s
Property plant and equipment and plantation development expenditure	114,414	21,976	6,802	15,526	41,926	200,644
Biological assets and inventories	58,541	4,745	2,241	5,336	11,725	82,588
Cash, cash equivalents and bank overdrafts	(21,452)	(8,574)	434	45	3,523	(26,024)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2016

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Beef	249,347	89,293
Chicken	118,135	36,153
Pork	109,369	19,993
Crops - Row Crops	129,404	105,667
Stock feed	364,176	104,846
Eggs	15,672	6,275
Fish	24,267	9,229
Milk and dairy	60,114	31,301
Edible oils	40,380	23,149
Mill	49,768	11,456
Leather and shoe	17,298	3,688
Master Meats Nigeria	90,894	21,736
Master Meats Ghana	17,597	4,660
Total	1,286,421	467,446
Less: intra/inter group Sales	(164,816)	
Group total	1,121,605	467,446
Central operating costs		(312,145)
Operating profit		155,301
Foreign exchange losses		15,602
Finance costs		(60,357)
Profit before taxation		110,546

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 and plantation development expenditure	1,235,271	182,986	48,330	134,474	306,485	1,907,546
Biological assets and inventories	518,925	71,296	17,858	34,619	40,015	682,713
Cash, cash equivalents and bank overdrafts	(214,158)	(77,747)	70	359	21,357	(270,119)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2016

(ii) in US Dollars

Segment	Revenue USD'000s	Gross Profit USD'000s
Beef	21,970	7,866
Chicken	10,408	3,185
Pork	9,636	1,761
Crops - row crops	11,401	9,310
Stock feed	32,086	9,238
Eggs	1,381	553
Fish	2,138	813
Milk and dairy	5,296	2,758
Edible oils	3,558	2,041
Mill	4,385	1,009
Leather and shoe	1,524	325
Master Meats (Nigeria)	8,008	1,915
Master Meats (Ghana)	1,550	411
Total	113,341	41,185
Less: intra/inter group sales	(14,521)	
Group total	98,820	41,185
Central operating costs		(27,502)
Operating profit		13,683
Foreign exchange losses		1,375
Finance costs		(5,318)
Profit before taxation		9,740

Operating assets/(liabilities)

	Zambeef USD'000s	Retailing USD'000s	Master Pork USD'000s	Zampalm USD'000s	Other USD'000s	Total USD'000s
Property plant and equipment and plantation development expenditure	110,687	16,397	4,331	12,049	27,463	170,927
Biological assets and inventories	46,499	6,389	1,600	3,102	3,585	61,175
Cash, cash equivalents and bank overdrafts	(19,190)	(6,967)	6	33	1,914	(24,204)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

Year ended 30 September 2016

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Beef	476,102	169,591
Chicken	245,101	51,744
Pork	223,810	43,934
Milk and dairy	126,585	65,913
Fish	48,319	18,385
Eggs	35,837	14,345
Total Cold Chain Food Products	1,155,754	363,912
Zamhatch	54,464	32,341
Stock feed	697,572	146,291
Crops	413,391	251,860
Master Meats (Nigeria)	182,825	39,421
Master Meats (Ghana)	33,710	9,406
Total West Africa	216,535	48,827
Mill and bakery	89,243	20,571
Leather and shoes	33,037	9,216
Edible oils	92,008	2,928
Total other	214,288	32,715
Total	2,752,004	875,946
Less: intra/inter group Sales	(375,856)	
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	521,212	85,922	20,414	48,480	104,649	780,677
Cash, cash equivalents and bank overdrafts	37,193	7,991	232	738	18,652	64,806

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

Year ended 30 September 2016

(ii) in US Dollars

Segment	Revenue USD '000s	Gross Profit USD '000s
Beef	43,960	15,658
Chicken	22,632	4,778
Pork	20,666	4,057
Milk and dairy	11,688	6,086
Fish	4,462	1,698
Eggs	3,309	1,325
Total Cold Chain Food Products	106,717	33,602
Zamhatch	5,029	2,986
Stock feed	64,411	13,508
Crops	38,171	23,256
Master Meats (Nigeria)	16,881	3,640
Master Meats (Ghana)	3,113	869
Total West Africa	19,994	4,509
Mill and bakery	8,240	1,899
Leather and shoes	3,051	851
Edible oils	8,496	270
Total other	19,787	3,020
Total	254,109	80,881
Less: intra/inter group sales	(34,705)	
Group total	219,404	80,881
Central operating costs		(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	Master Pork 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	58,360	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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

5. Segmental reporting (continued)

The Group's revenue from external customers and its geographic allocation of non-current assets may be summarised as follows:

	31 Mar 2017		31 Mar 2016		30 Sept 2016	
	Revenues	Non-current assets	Revenues	Non-current assets	Revenues	Non-current assets
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Zambia	1,059,419	2,178,848	953,826	1,953,114	1,977,148	2,081,055
West Africa	87,893	18,725	108,491	29,319	306,296	17,981
Rest of world	14,006	-	59,288	-	92,704	-
	<u>1,161,318</u>	<u>2,197,573</u>	<u>1,121,605</u>	<u>1,982,433</u>	<u>2,376,148</u>	<u>2,099,036</u>

	31 Mar 2017		31 Mar 2016		30 Sept 2016	
	Revenues	Non-current assets	Revenues	Non-current assets	Revenues	Non-current assets
	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Zambia	107,993	225,555	84,037	175,011	182,562	207,898
West Africa	8,960	1,938	9,559	2,627	28,282	1,796
Rest of world	1,428	-	5,224	-	8,560	-
	<u>118,381</u>	<u>227,493</u>	<u>98,820</u>	<u>177,638</u>	<u>219,404</u>	<u>209,694</u>

6. Taxation

	March 2017	March 2016	September 2016
	ZMW'000s	ZMW'000s	ZMW'000s
Income tax expense			
(a) Tax charge			
Current tax:			
Tax charge	8,612	8,924	17,896
Deferred tax:			
Deferred taxation (note 6(e))	(8,056)	(97)	(7,098)
Tax charge/(credit) for the period	<u>556</u>	<u>8,827</u>	<u>10,798</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

6. Taxation (continued)

	March 2017 ZMW'000s	March 2016 ZMW'000s	September 2016 ZMW'000s
(b) Reconciliation of tax charge			
Profit/(loss) before taxation	5,780	110,546	134,592
Taxation on accounting profit	2,243	16,389	19,210
Effects of:			
Permanent differences:			
Disallowable expenses	2,372	2,478	4,304
Timing differences:			
Capital allowances and depreciation	(3,643)	(6,223)	(167)
Livestock and crop valuations adjustment	2,166	(1,123)	(3,174)
Other income	(4)	(701)	2,907
Unrealised exchange gains/(losses)	527	(1,102)	(6,999)
Unrealised tax loss	4,951	(794)	1,815
Tax charge for the period	8,612	8,924	17,896
(c) Movement in taxation account			
Taxation payable at 1 October	6,063	(2,983)	(2,983)
Charge for the period	8,612	8,924	17,896
Under provision in prior period	170	-	-
Taxation paid	(4,368)	(2,371)	(8,850)
Taxation payable/(recoverable) at the end of the period	10,477	3,570	6,063
Taxation payable	12,046	5,037	7,822
Taxation recoverable	(1,569)	(1,467)	(1,759)
Taxation payable as at 30 September	10,477	3,570	6,063

- (d) Income tax returns have been filed with the ZRA for the tax year ended 31 December 2015. Quarterly tax returns for the period were made on the due dates.

(e) **Deferred taxation**

	March 2017 ZMW'000s	March 2016 ZMW'000s	September 2016 ZMW'000s
Represented by:			
Biological valuation	14,423	8,278	9,792
Accelerated tax allowances	39,827	39,587	39,295
Provisions	(4,624)	(3,122)	(4,580)
Tax loss	(82,009)	(62,069)	(68,834)
	(32,383)	(17,326)	(24,327)
Analysis of movement:			
Asset as at 1 October	(24,327)	(17,229)	(17,229)
Charge to profit and loss account (note 6(a))	(8,056)	(97)	(7,098)
(Asset)/liability as at the end of the period	(32,383)	(17,326)	(24,327)
Deferred tax asset	(41,013)	(24,569)	(28,366)
Deferred tax liability	8,630	7,243	4,039
	(32,383)	(17,326)	(24,327)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

6. Taxation (continued)

	March 2017 USD'000s	March 2016 USD'000s	September 2016 USD'000s
Income tax expense			
(f) Tax charge			
Current tax:			
Tax charge	878	786	1,652
Deferred tax:			
Deferred taxation (note 6(j))	(821)	(8)	(655)
Tax (credit)/charge for the period	57	778	997
(g) Reconciliation of tax charge			
Profit/(loss) before taxation	589	9,740	12,427
Taxation on accounting profit	229	1,444	1,774
Effects of:			
Permanent differences:			
Disallowable expenses	242	220	397
Timing differences:			
Capital allowances and depreciation	(371)	(548)	(15)
Livestock and crop valuations adjustment	219	(99)	(293)
Other income	-	(62)	268
Unrealised exchange (gains)/losses	54	(99)	(646)
Unrealised tax loss	505	(70)	167
Tax charge for the period	878	786	1,652
(h) Movement in taxation account			
Taxation payable at 1 October	605	(248)	(248)
Charge for the year	878	786	1,652
Taxation paid	(445)	(209)	(817)
Foreign exchange	47	(9)	18
Taxation payable as at the end of the period	1,085	320	605
Taxation payable	1,247	451	781
Taxation recoverable	(162)	(131)	(176)
Taxation payable as at 31 March	1,085	320	605

- (i) Income tax returns have been filed with the ZRA for the year 31 December 2015. Quarterly tax returns for the period were made on the due dates.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

6. Taxation (continued)

	March 2017 USD'000s	March 2016 USD'000s	September 2016 USD'000s
(j) Deferred taxation			
Represented by:			
Biological valuation	1,493	742	978
Accelerated tax allowances	4,123	3,547	3,926
Provisions	(479)	(280)	(458)
Tax loss	(8,490)	(5,562)	(6,877)
	<u>(3,353)</u>	<u>(1,553)</u>	<u>(2,431)</u>
Analysis of movement:			
Liability as at 1 October	(2,431)	(1,433)	(1,433)
Charge to profit and loss account (note 6(f))	(821)	(8)	(655)
Foreign exchange	(101)	(112)	(343)
(Asset)/liability as at the end of period	<u>(3,353)</u>	<u>(1,553)</u>	<u>(2,431)</u>
 Deferred tax asset	(4,246)	(2,202)	(2,834)
Deferred tax liability	893	649	403
	<u>(3,353)</u>	<u>(1,553)</u>	<u>(2,431)</u>

7. Earnings per share

Basic and diluted 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 and diluted 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 calculation of the basic and diluted earnings/(loss) per share is shown below:

	Mar 2017		Mar 2016		Sept 2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
<u>Basic earnings per share</u>						
Profit for the period	5,519	563	90,285	7,955	137,103	12,659
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>300,580</u>	<u>300,580</u>	<u>247,978</u>	<u>247,978</u>	<u>250,170</u>	<u>250,170</u>
Basic and diluted earnings per share (Ngwee & US Cents)	1.84	0.19	36.41	3.21	54.80	5.06
From continued operations	1.84	0.19	22.86	2.02	41.38	3.82
From discontinued operations	-	-	13.55	1.19	13.42	1.24

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

8. Biological assets

(a) 31 March 2017

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 31 March 2017 there were 9,255 cattle (6,865 feedlot cattle, nil standing cattle and 2,390 dairy cattle) and 618,235 chickens (343,184 layers and 275,051 broilers), and 4,668 pigs. A total of 9,307 feedlot cattle, 315 dairy cattle, 4,812 pigs and 3,463,400 chickens were culled during the period. The palm plantation is in developmental stage with current plantation size of 2,911 hectares.

(i) in Zambian Kwacha

	As at 1 October 2016	Increase due to purchases	Gains arising from fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest/ transferred to inventory	As at 31 Mar 2017
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Standing Crops	60,377	137,602	266,533	-	(201,901)	262,611
Feedlot cattle	52,871	68,858	28,648	-	(114,831)	35,546
Dairy Cattle	46,103	12,670	1,570	-	(16,659)	43,684
Pigs	4,034	5,029	1,440	(91)	(6,570)	3,842
Chickens	23,641	141,464	7,910	-	(145,418)	27,597
Palm Plantation	48,480	3,061	-	-	-	51,541
Total	235,506	368,684	306,101	(91)	(485,379)	424,821
Less: non-current biological assets	(48,480)	(3,061)	-	-	-	(51,541)
Total	187,026	365,623	306,101	(91)	(485,379)	373,280

(ii) in US Dollars

	As at 1 October 2016	Foreign exchange	Increase due to purchases	Gains arising From fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest/ transferred to inventory	As at 31 March 2017
	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Standing Crops	6,031	539	14,027	27,170	-	(20,581)	27,186
Feedlot cattle	5,282	164	7,019	2,920	-	(11,705)	3,680
Dairy Cattle	4,606	163	1,292	160	-	(1,698)	4,523
Pigs	403	14	513	147	(9)	(670)	398
Chickens	2,362	92	14,420	806	-	(14,825)	2,855
Palm Plantation	4,843	180	313	-	-	-	5,336
Total	23,527	1,152	37,584	31,203	(9)	(49,479)	43,978
Less: non-current biological assets	(4,843)	(180)	(313)	-	-	-	(5,336)
Total	18,684	972	37,271	31,203	(9)	(49,479)	38,642

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2016 (CONTINUED)

8. Biological assets (continued)

(b) 31 March 2016

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 31 March 2016 there were 8,235 cattle (6,027 feedlot cattle, nil standing cattle and 2,208 dairy cattle) and 289,955 chickens (204,316 layers and 85,639 broilers), and 4,694 pigs. A total of 14,784 feedlot cattle, 514 dairy cattle, 4,471 pigs and 3,313,494 chickens were culled during the period. The palm plantation is in developmental stage with current plantation size of 2,623 hectares.

(i) in Zambian Kwacha

	As at 1 Oct 2015 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 31 March 2016 ZMW'000s
Standing Crops	38,940	140,645	244,298	(5,596)	(148,784)	269,503
Feedlot cattle	53,189	60,761	21,868	-	(104,349)	31,469
Dairy Cattle	50,361	14,010	(760)	-	(14,821)	48,790
Pigs	3,383	5,038	1,036	-	(5,687)	3,770
Chickens	9,319	98,832	2,187	23,026	(116,611)	16,753
Palm Plantation	34,006	613	-	-	-	34,619
Total	189,198	319,899	268,629	17,430	(390,252)	404,904
Less: non-current biological assets	(34,006)	(613)	-	-	-	(34,619)
Total	155,192	319,286	268,629	17,430	(390,252)	370,285

(ii) in US Dollars

	As at 1 Oct 2015 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 31 March 2016 USD'000s
Standing Crops	3,239	596	12,392	21,524	(493)	(13,109)	24,149
Feedlot cattle	4,425	309	5,353	1,927	-	(9,194)	2,820
Dairy Cattle	4,190	320	1,234	(67)	-	(1,306)	4,372
Pigs	282	22	444	91	-	(501)	338
Chickens	775	71	8,708	193	2,029	(10,274)	1,501
Palm Plantation	2,829	219	54	-	-	-	3,102
Total	15,740	1,537	28,185	23,668	1,536	(34,384)	36,282
Less: non- current biological assets	(2,829)	(219)	(54)	-	-	-	(3,102)
Total	12,911	1,318	28,131	23,668	1,536	(34,384)	33,180

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

8. Biological assets (continued)

(c) 30 September 2016

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 30 September 2016 there were 12,536 cattle (10,191 feedlot cattle and 2,345 dairy cattle) and 628,633 chickens (418,316 layers and 210,317 broilers), and 4,784 pigs. A total of 32,015 feedlot cattle, 679 dairy cattle, 9,065 pigs and 6,935,909 chickens were culled during the year. The palm plantation is in developmental stage with current plantation size of 2,765 hectares.

(i) in Zambian Kwacha

	As at 1 October 2015	Increase due to purchases	Gains/(losses) arising from fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest/ transferred to inventory	As at 30 Sept 2016
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Standing Crops	38,940	267,586	121,993	12,587	(380,729)	60,377
Feedlot Cattle	53,189	166,603	45,850	-	(212,771)	52,871
Dairy Cattle	50,361	29,208	(1,638)	-	(31,828)	46,103
Pigs	3,383	10,138	1,523	670	(11,680)	4,034
Chickens	9,319	240,274	81,741	-	(307,693)	23,641
Palm oil plantation	34,006	15,340	-	-	(866)	48,480
Total	189,198	729,149	249,469	13,257	(945,567)	235,506
Less: Non-current biological assets	(34,006)	(15,340)	-	-	866	(48,480)
Total	155,192	713,809	249,469	13,257	(944,701)	187,026

(ii) in US Dollars

	As at 1 October 2015	Foreign exchange	Increase due to purchases	Gains/ (losses) arising from fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest / transferred to inventory	As at 30 September 2016
	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Standing Crops	3,239	813	24,708	11,264	1,162	(35,155)	6,031
Feedlot Cattle	4,425	886	15,383	4,234	-	(19,646)	5,282
Dairy Cattle	4,190	809	2,697	(151)	-	(2,939)	4,606
Pigs	282	61	936	141	62	(1,079)	403
Chickens	775	264	22,186	7,548	-	(28,411)	2,362
Palm oil plantation	2,829	678	1,416	-	-	(80)	4,843
Total	15,740	3,511	67,326	23,036	1,224	(87,310)	23,527
Less: Non-current biological assets	(2,829)	(678)	(1,416)	-	-	80	(4,843)
Total	12,911	2,833	65,910	23,036	1,224	(87,230)	18,684

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

9. Cash and cash equivalents

	March 2017		March 2016		September 2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Cash in hand and at bank	56,416	5,840	64,539	5,783	95,747	9,565
Bank overdrafts	(307,809)	(31,864)	(334,658)	(29,987)	(30,941)	(3,091)
	(251,393)	(26,024)	(270,119)	(24,204)	64,806	6,474

(a) Banking facilities

The Group has overdraft facilities totalling ZMW35.137 million (2016: ZMW35.137 million) and USD5.1 million (2016: USD5.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of 2.5 per cent. above the 182 day Treasury Bill for the Kwacha facility and 1 year USD LIBOR rate plus 5.5 per cent. for 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 12 per cent. on the Kwacha facilities and 1 month USD LIBOR rate plus 6 per cent on the USD facilities.

The Group has overdraft facilities totalling ZMW98.3 million (2016: ZMW98.3 million) and no USD facility (2016: USDnil million) with Zanaco Bank Plc. The Zanaco Bank overdraft bears an interest rate of Bank of Zambia Policy rate plus 11.5 per cent. on the Kwacha facility.

The Group has overdraft facilities totalling ZMW54.7 million (2016: ZMW42 million) and USD6.3 million (2016: USD6.3 million) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 13.5 per cent. on the Kwacha facility and 3 month USD LIBOR rate plus 5.92 per cent. on the USD facility.

(b) Bank overdrafts

	March 2017		March 2016		September 2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Bank overdrafts represented by:						
Zanaco Bank PLC	(85,398)	(8,840)	(96,032)	(8,604)	(14,753)	(1,474)
Citibank Zambia Limited	(71,690)	(7,422)	(85,402)	(7,653)	(1,999)	(200)
Stanbic Bank Zambia Limited	(100,942)	(10,449)	(108,120)	(9,688)	(14,189)	(1,417)
Standard Chartered Bank Zambia PLC	(49,779)	(5,153)	(45,104)	(4,042)	-	-
	(307,809)	(31,864)	(334,658)	(29,987)	(30,941)	(3,091)

- (i) The Zambef 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 (USD10 million and ZMW 8 million), Zanaco Bank Plc (USD4 million and ZMW58 million), and Stanbic Bank Zambia Limited (ZMW112.5 million).

All overdrafts are annual revolving facilities.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

10. Interest bearing liabilities

	31 Mar 2017		31 Mar 2016		30 September 2016	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
DEG – Deutsche Investitious						
GUD Entwicklungsgesellschaft MBH (note (a))	99,643	10,315	171,473	15,365	128,228	12,810
Zanaco Bank Plc (note (b))	26,571	2,751	33,214	2,975	33,214	3,318
International Finance Corporation (note (d))	184,681	19,118	256,463	22,981	216,515	21,630
Standard Chartered Bank Zambia PLC (note (c))	68,008	7,040	89,522	8,022	118,849	11,873
	<u>378,903</u>	<u>39,224</u>	<u>550,672</u>	<u>49,343</u>	<u>496,806</u>	<u>49,631</u>
Less: short term portion of long term funding (repayable within next 12 months)	<u>(145,314)</u>	<u>(15,043)</u>	<u>(170,715)</u>	<u>(15,297)</u>	<u>(235,072)</u>	<u>(23,484)</u>
	<u>233,589</u>	<u>24,181</u>	<u>379,957</u>	<u>34,046</u>	<u>261,734</u>	<u>26,147</u>

(a) (i) **DEG Term Loan 2**

The Group has a loan facility of USD1.795 million (2016: USD5.365 million and original amount of USD25 million) from DEG. Interest on the loan is 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 expiring in May 2017.

The USD25 million DEG term loan 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, Farm No. R/E 5063 and Lot No. 8409/M (Chiawa farm).

(ii) **DEG Term Loan 3**

The group obtained a loan facility of USD8.25 million (2016: USD:10 million and original amount of USD10 million). 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 USD10 million DEG term loan is secured by:

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

(b) **Zanaco Bank Plc**

The Group has a loan facility of ZMW33.2 million (2016: ZMW33.2 million) with Zanaco Bank Plc. Interest on the loan is 13.5 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).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

10. Interest bearing liabilities (continued)

(c) Standard Chartered Bank Zambia Plc

The Group has structured agricultural facilities with an annual revolving limit totalling USD20 million (2016: USD15 million) with Standard Chartered Bank Zambia Plc. The purpose of the facilities is the financing of wheat, soya beans, and maize under collateral management agreements and is for 270 days. The balance on the facilities at period end was USD7.04 million (2016: USD6.79 million). Interest on the facilities is 3 month USD LIBOR rate plus 5.5 per cent. per annum calculated on the daily overdrawn balances.

(d) International Finance Corporation Loan

(i) International Finance Corporation Loan 1

The Group has a loan facility of USD2.76 million (USD0.636 million in Zambia and USD0.284 million in Nigeria) [2016: USD1.909 million in Zambia and USD0.851 million in Nigeria and original amount of USD10 million] from IFC. Interest on the loan is 4.75 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 11 equal bi-annual instalments of USD636,364 (Zambeef) and USD283,634 (Nigeria) commencing June 2012 and expiring in June 2017.

The portion of the loan attributable to Zambia is secured through a first ranking legal mortgage over Plot 9070, 9071 and 9074, off Mumbwa Road, Lusaka, (Novatek stock feed premises) and the portion of the loan attributable to the Nigerian operations is 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.

(ii) International Finance Corporation Loan 2

The company has a loan facility of USD14.483 million and ZMW35.917 (2016: USD17.241 million in USD and ZMW42.759 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).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

11. Events subsequent to reporting date

There has not arisen since the end of the 6 months period any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially 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.

12. 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 31 March 2017 and 30 September 2016.

31 March 2017	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Financial Assets				
Other forwards exchange contracts inventory (CMA)	-	68,008	-	68,008
Total Assets	-	68,008	-	68,008
Financial Liabilities				
US-dollar loans	-	-	(245,825)	(245,825)
Total Liabilities	-	-	(245,825)	(245,825)
Net fair value	-	68,008	(245,825)	(177,817)

30 September 2016	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Financial Assets				
Other forwards 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	-	118,849	(377,957)	(259,108)

31 March 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial Assets				
Other forwards exchange contracts inventory (CMA)	-	7,040	-	7,040
Total Assets	-	7,040	-	7,040
Financial Liabilities				
US-dollar loans	-	-	(25,448)	(25,448)
Total Liabilities	-	-	(25,448)	(25,448)
Net fair value	-	7,040	(25,448)	(18,408)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

12. Fair value measurement (continued)

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

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.

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 31 March 2017 and 30 September 2016:

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2017 (CONTINUED)

13. Fair value measurement (Continued)

31 March 2017	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Property, plant and equipment:				
Land held for production in Zambia	-	397,316	-	397,316
Office building in Zambia	-	28,091	-	28,091
30 September 2016	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Property, plant and equipment:				
Land held for production in Zambia	-	397,060	-	397,060
Office building in Zambia	-	18,666	-	18,666
31 March 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Property, plant and equipment:				
Land held for production in Zambia	-	41,130	-	41,130
Office building in Zambia	-	2,908	-	2,908
30 September 2016	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Property, plant and equipment:				
Land held for production in Zambia	-	39,666	-	39,666
Office building in Zambia	-	1,865	-	1,865

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 2013.

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.