15 November 2017

Zambeef Products plc
("Zambeef" or the "Group")

## Audited Results for the Year Ended 30 September 2017

Zambeef (AIM: ZAM), the fully integrated cold chain foods and agri-business with operations in Zambia, Nigeria and Ghana, today announces its final audited results for the year ended 30 September 2017.

**Financial Performance Summary**

| (Figures in 000's) | 2017 USD | 2016 USD | % Change | 2017 ZMW | 2016 ZMW | % Change |
|---|---|---|---|---|---|---|
| Turnover | 255,796 | 219,404 | 16.6% | 2,435,182 | 2,376,148 | 2.5% |
| Gross Profit | 83,890 | 80,881 | 3.72% | 798,631 | 875,946 | (8.8%) |
| Admin Expenses | (75,078) | (63,716) | (17.8%) | (714,746) | (690,047) | (3.6%) |
| Operating Profit | 9,102 | 17,321 | (47.5%) | 86,653 | 187,593 | (53.8%) |
| Finance Costs | (9,234) | (10,281) | 10.2% | (87,904) | (111,346) | 21.1% |
| Exchange Gains/(Losses) | 704 | 5,387 | (86.9%) | 6,701 | 58,345 | (88.5%) |
| **Profit/(Loss) Before Tax** | **572** | **12,427** | **(95.4%)** | **5,450** | **134,592** | **(95.9%)** |
| Tax | (110) | (997) | 88.9% | (1,049) | (10,798) | 90.3% |
| Profit/(Loss) from Discontinued Operations | (119) | 3,101 | N/A | (1,133) | 33,592 | N/A |
| Profit After Tax | 343 | 14,531 | (97.6%) | 3,268 | 157,386 | (97.9%) |
| **Adjusted Profit Before Tax (*)** | **476** | **8,560** | **(94.4%)** | **4,531** | **92,709** | **(95.1%)** |
| EBITDA | 18,239 | 29,228 | (37.6%) | 173,629 | 316,555 | (45.2%) |
| Gross Profit Margin | 32.8% | 36.9% | | 32.8% | 36.9% | |
| EBITDA Margin | 7.1% | 13.3% | | 7.1% | 13.3% | |
| Debt/Equity (Gearing) | 21.4% | 25.7% | | 21.4% | 25.7% | |
| Debt-To-EBITDA | 3.5 | 1.6 | | 3.6 | 1.5 | |

(*) adjusted to exclude unrealised foreign exchange differences and losses arising from price adjustments in fair value of biological assets

Performance Overview:

- Strong performance from our Retailing, Cold Chain Food Products (CCFP) and Stock Feed divisions;
  - Retail sales revenue increased by 27.3 per cent. in ZMW from ZMW1,132 million to ZMW1,441 million (44.9 per cent. increase in USD from USD104.5 million to USD151.3 million). Like for like sales growth from the Zambeef Macro and Outlets stores was 18.2 per cent. in ZMW and 34.4 per cent. in USD (2016: 31.5 per cent. in ZMW and (-12.5 per cent.) in USD)
  - CCFP volumes increased by 15.8 per cent. and EBITDA increased by 4.0 . per cent. in ZMW from ZMW124.5 million to ZMW129.5 million (18.3 per cent. increase in USD from USD11.5 million to USD13.6 million).

- Stock Feed division had a record year with EBITDA increasing by 19.2 per cent. in ZMW, from ZMW97 million to ZMW116 million (36.6 per cent. in USD, from USD9.0 million to USD12.2 million); volumes also increased by 3.6 per cent. from 150,280 M.T. to 155,752 M.T.

- However, a challenging macroeconomic environment during H1/2017, which pressurised CCFP margins, and a major drop in soft commodity prices significantly impacted the Group's financial performance.
  - Global and local commodity prices for soya and maize fell sharply to seven year lows, and lower than expected wheat yields due to the fungal disease Septoria have adversely impacted gross profits in our Cropping division by USD9.1 million.
  - During H2, the improved liquidity in the Zambian economy resulted in consolidated retail and CCFP margins improving from 23.3 per cent. (H1) to 26.8 per cent. (H2).

Strategic Progress Summary:

- Successful completion of a number of capacity expansion and efficiency improvement capex projects, including:
  - Ten new Macro stores opened, adding circa 4,950 sq. m of retail space, to bring Zambeef's own retail footprint at the year-end to circa 22,740 sq. m from 130 outlets across Zambia.
  - Eight new Shoprite/Zambeef butchery counter concessions opened; four in Zambia (bringing total to 31), three in Nigeria (bringing total to 23) and one in Ghana (bringing total to six).
  - Zambeef's total retail network increased from 171 outlets to 196 outlets.
  - Day-old chick production capacity increased from 210,000 per week to 340,000 per week during the second half of the year.
  - Broiler slaughter and processing capacity increased by 30,000 birds per week, to a total of 160,000 per week from June 2017.
  - Installation of a 70 unit (365 cows/hour capacity) rotary milking parlour at Kalundu dairy farm in February 2017.
  - The opening in August 2017 of a new 120,000 M.T. annual capacity stock feed mill at Mpongwe, which will service the Copperbelt and DRC markets.
- The Group entered into an agreement on 6 September 2017 to sell 90 per cent. of the Group's equity in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018 for a cash consideration of USD16 million, with a further performance amount of up to USD2 million being payable by IDC, dependent on the achievement of certain performance milestones over the three years 2018 to 2020. Proceeds from the disposal will be used to reduce debt and further strengthen the Zambeef balance sheet.

Key Financial Points:

- Turnover increased by 2.5 per cent. in ZMW from ZMW2,376 to ZMW2,435 million (16.6 per cent. in USD from USD219.4 to USD255.8 million), while gross profit margins reduced from 36.9 per cent. to 32.8 per cent., resulting in gross profit reducing by 8.8 per cent. in ZMW from ZMW876 million to ZMW799 million (increasing by 3.7 per cent. in USD from USD80.9 million to USD83.9 million).
- Operating profit decreased by 53.7 per cent. in ZMW from ZMW188 million to ZMW87 million (47.4 per cent. in USD from USD17.3 million to USD9.1 million).
- Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses, and losses arising from price adjustments in fair value of biological assets) of ZMW4.5 million (USD0.5 million) compared with an Adjusted Profit Before Tax of ZMW92.7 million (USD8.6 million) in the previous year.
- Profit After Tax of ZMW3.3 million (USD0.3 million), compared with Profit After Tax of ZMW157.4 million (USD14.5 million) for the same period last year.
- EBITDA decreased to ZMW173.6 million (USD18.2 million), versus a prior year comparative of ZMW316.6 million (USD29.2 million). EBITDA margin reduced from 13.3 per cent. to 7.1 per cent.

- Group net debt at year end was ZMW620 million (USD64.1 million), versus a prior year comparative of ZMW483 million (USD48.3 million).
- The Group had undrawn headroom of over USD28 million in its working capital limits at year-end.

- Gearing reduced from 25.7 per cent. (2016) to 21.4 per cent. (2017).
- Debt-to-EBITDA deteriorated from 1.6 (2016) to 3.5 (2017).

Leadership Succession

- Carl Irwin, Joint Chief Executive Officer to retire on 31 March 2018 for personal reasons.

Tim Pollock, representative for CDC on the Board, to leave CDC and join Zambeef as Group Managing Director on 1 January 2018, and subsequently as Joint Chief Executive Officer, with Francis Grogan from 31 March 2018.

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

*"Despite a record contribution from our Stock Feed business and strong performance from our Retail and CCFP division, a sharp fall in soft commodity prices and lower than expected wheat yields severely impacted our Group performance in FY2017.*

*As we set out in the 2016 Annual Report, Zambeef's vision is to become a leading provider of Cold Chain Food Products in Zambia, and the Southern Africa region, where there is a growing and rapidly urbanising population of circa 450 million people. The consequence of this is that the demand for food is growing rapidly, and the immediate priority for Zambeef is to meet this growing demand whilst driving operational efficiencies and margin improvements across our core business units.*

*In pursuit of this vision, the Group committed to a number of strategic priorities and objectives, including the expansion of our retail network and footprint across Zambia, the expansion of production capacity across our CCFP facilities, the construction of a second Stock Feed plant and the disposal of non-core businesses. It is pleasing to be able to report significant progress has been achieved during the year in delivering all these objectives.*

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

*Management's focus in FY2018 will be largely upon improving operating margins and the return on capital employed from our existing assets."*

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

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**Notes to Editors**

The Zambeef Group is one of the largest fully integrated cold chain food producers and agri-business's in Zambia, involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, eggs, dairy products, fish, flour and stock feed. The Group also has large cereal row cropping operations (principally maize, soya beans and wheat), with approximately 7,787 hectares of row crops under irrigation, which are planted twice a year and a further 8,694 hectares of rain-fed/dry-land crops available for planting each year. The Group is also expanding its West Africa operations in Nigeria and Ghana. The Group employed an average of over 7,000 employees in the period.

Further information can be found on www.zambeefplc.com

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").*

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**CHAIRMAN'S REPORT**

**Operating environment**

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

It is pleasing to see the recent initiative by the Zambia Agricultural Commodities Exchange (ZAMACE) and the Johannesburg Stock Exchange to launch futures contracts for Zambian maize, soya and wheat, which will give the Group and other Zambian growers the opportunity to more easily manage commodity price risk.

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

**Overview of financial performance**

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

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

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

While the financial results for the year are disappointing, it is pleasing to report strong growth in our Zambian Retail sales revenue which has increased by 27.3 per cent. in ZMW from ZMW1,132 million to ZMW1,441 million (44.9 per cent. increase in USD from USD104.5 million to USD151.3 million). Our CCFP division has also performed well with volumes handled up 15.8 per cent., although operational difficulties experienced in our dairy unit in the first half of the year (now resolved) and higher diesel and electricity costs adversely impacted cost of sales. In the second half, the Retail and CCFP gross margins started to recover. Notwithstanding these challenges, EBITDA in this division significantly increased in ZMW by 55.7 per cent. from ZMW82 million to ZMW133 million (in USD by 77.1 per cent. from USD7.9 million to USD13.9 million) .

Our Stock Feed division had a record year with falling raw material prices contributing to a 20 per cent. increase in EBITDA in ZMW, from ZMW97 million to ZMW116 million (36.5 per cent. in USD, from USD9.0 million to USD12.2 million).

**Strategic progress**

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

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

It is pleasing to be able to report significant progress achieved during the year in delivering these objectives:

***Retail***

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

***Cold Chain Food Products (CCFP)***

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

***Stock Feed***

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

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

***Disposal of non-core assets***

The Group entered into an agreement on 6 September 2017 to sell 90 per cent. of the Group's equity in Zampalm Limited to the Industrial Development Corporation of Zambia ("IDC"). This disposal is expected to complete by February 2018 for a cash consideration of USD16 million, with a further performance amount of up to USD2 million being payable by IDC, dependent on the achievement of certain performance milestones over the three years 2018 to 2020. Following the Group's disposal of its oilseed crushing business Zamanita in 2016, the Board concluded that given the long timescales required to create value from the Zampalm plantation project, with only 2,911 Ha of the 20,238 Ha concession planted out to date, it was in the best interests of Zampalm stakeholders to seek a new majority shareholder. IDC represents the ideal partner given its mandate of working with the private sector to deliver long-term economic transformation. We are pleased that Zambeef has been appointed by IDC to manage the Zampalm plantation on its behalf for an initial term of three years, during which time we will be assisting IDC with the launch of a smallholder out-grower scheme.

**Dividend policy**

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

**Leadership succession**

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

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

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

**Board**

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

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

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

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

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

**Outlook for 2018**

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

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

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

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

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

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

**Dr. Jacob Mwanza**
**Chairman**

**14 November 2017**

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**JOINT CHIEF EXECUTIVES' REVIEW**

**Overview**

The financial year ended 30 September 2017 has been particularly challenging for Zambeef Products PLC. Despite a record contribution from our Stock Feed business and strong growth in revenues from our Retail and Cold Chain Food Products (CCFP) divisions, a sharp fall in commodity prices to seven year lows and lower than expected wheat yields severely impacted gross profits in our Cropping division. The Group is reporting an Adjusted Profit Before Tax from continuing operations (after adjusting for unrealised exchange gains and losses, and losses arising from price adjustments in fair value of biological assets) of ZMW4.5 million (USD0.5 million) compared to an Adjusted Profit Before Tax of ZMW 92.7 million (USD8.6 million) in the previous year.

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

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

It is pleasing to report that our Zambian retail sales have increased by 27.3 per cent. in ZMW from ZMW1,132 million to ZMW1,441 million (44.9 per cent. in USD from USD104.5 million to USD151.3 million), and like for like sales in the Zambeef Macro and retail stores increased by 18.2 per cent. in ZMW (34.4 per cent. in USD). However, a slowdown in consumer spending in the first half of the year as the Bank of Zambia tightened money supply and raised interest rates to stabilise the economy, operational difficulties in our dairy unit (now resolved) and higher transport and electricity costs impacted cost of sales, resulting in the Retail & CCFP margin falling by 6.1 per cent. in the first half, from 29.4 per cent. to 23.3 per cent. The Retail & CCFP margin improved in the second half to 26.8 per cent., to give an average margin for the year of 25.0 per cent. (prior year 29.4 per cent.). Notwithstanding these challenges, EBITDA in this division increased in ZMW by 55.7 per cent. from ZMW82 million to ZMW133 million (77.1 per cent. in USD from USD7.9 million to USD13.9 million).

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

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

The Group has continued to invest in the expansion of processing capacity in its Cold Chain Food Products division, and in the expansion of its Retailing footprint. Group capital expenditure of ZMW209 million (USD22 million) has been incurred during the year (2016: ZMW179 million or USD16.5 million), with Group net debt at year-end increasing from ZMW483.2 million (USD48.3 million) to ZMW620 million (USD64.0 million). However, overall gearing for the Group reduced from 25.7 per cent. (2016) to 21.4 per cent. (2017). Net debt is expected to fall in FY2018 as the proceeds from the disposal of Zampalm are received.

**Retail: *building our network***

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

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

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

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

**Cold Chain Food Products: *building capacity***
In order to meet future growth in consumer demand for affordable proteins, Zambeef continued to invest in its Cold Chain Food Products division. During the year, we invested USD3.1 million in:

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

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

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

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

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

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

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

**Outlook for FY2018**

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

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

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

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

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

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

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

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

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

**Carl Irwin & Francis Grogan**
**Joint CEOs**

**14 November 2017**

## OPERATIONAL AND FINANCIAL REVIEW

### SUMMARY

Turnover for the Group increased by 2.5 per cent. in ZMW to ZMW2,435 million (16.6 per cent. in USD to USD255.8 million), while gross profit margins reduced from 36.9 per cent. to 32.8 per cent., resulting in gross profit reducing by 8.8 per cent. in ZMW from ZMW876 million to ZMW799 million (increasing by 3.7 per cent. in USD from USD80.9 million to USD83.9 million). The Group has tightly controlled its overheads despite the average inflation rate at the start of the year being 18.9 per cent., dropping to finish the year at 6.6 per cent., with overheads increasing by 3.0 per cent. in ZMW (17.3 per cent. in USD). EBITDA margin (after adjusting for fair value adjustments and unrealised exchange gains) reduced from 13.3 per cent. to 7.1 per cent. Operating profit decreased by 53.8 per cent. in ZMW from ZMW188 million to ZMW87 million (47.5 per cent. in USD from USD17.3 million to USD9.1 million).

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

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

The poor result from Cropping was partially offset by:

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

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

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

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

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

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

### MACRO ECONOMIC ENVIRONMENT AND EXCHANGE RATES

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

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

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

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

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

**ADMINISTRATION AND OVERHEAD COSTS**

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

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

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

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

**BALANCE SHEET**

Total capital employed in the Group has increased to ZMW3,246 million (USD336 million) versus a prior year comparative of ZMW2,422 million (USD242 million), reflecting capital investment and an increase of ZMW790 million (USD83 million) in revaluation reserves following the usual four yearly revaluation of the Group's fixed assets.

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

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

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

**FINANCE COSTS**

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

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

Finance expenses are expected to reduce during 2018.

## CAPITAL EXPENDITURE

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

Capital expenditure incurred during the year included:

- USD4.2 million on the rollout of 10 new Zambeef Macro outlets plus the acquisition of seven new sites;
- USD2.3 million on the new Kalundu Dairy rotary milking parlour and upgrades to milk processing plant;
- USD1.0 million on the new Mpongwe stock feed plant;
- USD2.2 million on the expansion of the Zamhatch hatchery and breeder farm;
- USD0.8 million on the expansion of the Zam Chick processing plant;
- USD1.0 million on the expansion of added value foods processing plant at Masterpork;
- USD0.7 million on the new Kitwe Processing Plant;
- USD1.9 million on the Zampalm palm project;
- USD3.2 million for Cropping division replacement capex;
- USD0.4 million in E&S capex;
- USD4.4 million in other replacement capex.

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

## DIVISIONAL PERFORMANCE

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

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

Table 1: Segmental financial summary in ZMW'000s

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

Table 2: Segmental financial summary in USD'000s

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

**RETURN ON CAPITAL EMPLOYED:**

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

| | CAPITAL EMPLOYED ZMW'000 | OPERATING PROFIT ZMW'000 | OPERATING PROFIT % ZMW'000 | CAPITAL EMPLOYED USD'000 | OPERATING PROFIT USD'000 | OPERATING PROFIT % USD'000 |
|---|---|---|---|---|---|---|
| RETAIL & CCFP | 1,053,014 | 86,831 | 4.61% | 108,895 | 9,121 | 4.61% |
| CROPPING | 1,603,704 | (14,303) | (2.83)% | 165,843 | (1,502) | (2.83)% |
| STOCK FEED | 264,109 | 113,613 | 17.16% | 27,312 | 11,934 | 17.16% |
| OTHER | 75,949 | 10,958 | 6.79% | 7,854 | 1,151 | 6.79% |
| GROUP | 2,996,776 | 197,099 | 7.89% | 309,904 | 20,704 | 7.89% |
| DISCONTINUED | 220,099 | (1,133) | (4.76)% | 22,761 | (119) | (4.76)% |

**DIVISIONAL REVIEW**

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

**RETAIL AND COLD CHAIN FOOD PRODUCTS**

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

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

**RETAIL AND COLD CHAIN FOOD PRODUCTS – SUMMARY FINANCIAL PERFORMANCE**

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

EBITDA in ZMW increased 56 per cent., from ZMW85 million to ZMW133 million, whilst in USD, it increased by 77.1 per cent., from USD7.9 million to USD13.9 million. The business has generated a satisfactory EBITDA margin of 7.0 per cent. (2016: 5.6 per cent.), which is broadly in line with EBITDA margins seen across the unbranded cold chain foods sector.

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

**RETAIL AND DISTRIBUTION**

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

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

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

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

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

**COLD CHAIN FOOD PRODUCTS (CCFP)**

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

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

**a) Beef (Zambeef)**

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

**b) Chicken (Zam Chick and Zamhatch)**

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

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

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

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

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

**c) Pork (Masterpork)**

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

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

**d) Milk and dairy (Zammilk)**

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

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

**e) Fish**

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

**f) Eggs (Zamegg)**

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

**STOCK FEED (NOVATEK)**

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

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

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

per cent. in ZMW from ZMW94 million to ZMW113 million (36.9 per cent. in USD from USD8.7 million to USD11.9 million).

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

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

**CROPPING**

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

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

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

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

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

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

**OTHER BUSINESSES**

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

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

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

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

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

**DISCONTINUED ACTIVITIES**

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

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

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

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| Group | **Notes** | **2017 ZMW'000s** | **2017 USD'000s** | **2016 ZMW'000s** | **2016 USD'000s** |
|---|---|---|---|---|---|
| **Revenue** | 5 | 2,435,182 | 255,796 | 2,376,148 | 219,404 |
| Net gain/(loss) arising from price changes in fair value of biological assets | 16 | (3,491) | (367) | 13,257 | 1,224 |
| Cost of sales | | (1,633,060) | (171,540) | (1,513,459) | (139,747) |
| **Gross profit** | | 798,631 | 83,889 | 875,946 | 80,881 |
| Administrative expenses | | (714,746) | (75,078) | (690,047) | (63,716) |
| Other income | 6 | 2,768 | 291 | 1,694 | 156 |
| **Operating profit** | 7 | 86,653 | 9,102 | 187,593 | 17,321 |
| Exchange gains/(losses) on translating foreign currency transactions and balances | | 6,701 | 704 | 58,345 | 5,387 |
| Finance costs | 9 | (87,904) | (9,234) | (111,346) | (10,281) |
| **Profit before taxation** | | 5,450 | 572 | 134,592 | 12,427 |
| Taxation charge | 10 | (1,049) | (110) | (10,798) | (997) |
| **Group income for the year from continuing operations** | | 4,401 | 462 | 123,794 | 11,430 |
| Profit/(loss) from discontinued operations | 33 | (1,133) | (119) | 33,592 | 3,101 |
| Group income/(loss) for the year | | 3,268 | 343 | 157,386 | 14,531 |

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)**

| | Notes | 2017 | 2017 | 2016 | 2016 |
|---|---|---|---|---|---|
| **Group income/(loss) attributable to:** | | | | | |
| Equity holders of the parent | | 4,037 | 424 | 137,103 | 12,659 |
| Non-controlling interest | | (769) | (81) | 20,283 | 1,872 |
| | | 3,268 | 343 | 157,386 | 14,531 |
| **Other comprehensive income:** | | | | | |
| Exchange (losses)/gains on translating presentational currency | | (31,190) | 4,243 | (86,511) | 16,909 |
| **Total comprehensive (loss)/ income for the year** | | (27,922) | 4,586 | 70,875 | 31,440 |
| **Total comprehensive (loss)/ income for the year attributable to:** | | | | | |
| Equity holders of the parent | | (27,257) | 4,681 | 52,292 | 29,473 |
| Non-controlling interest | | (665) | (95) | 18,583 | 1,967 |
| | | (27,922) | 4,586 | 70,875 | 31,440 |
| | | **Ngwee** | **Cents** | **Ngwee** | **Cents** |
| **Earnings per share** | | | | | |
| Basic earnings per share – continued operations | 12 | 1.72 | 0.18 | 41.38 | 3.82 |
| Basic earnings per share – discontinued operations | 12 | (0.38) | (0.04) | 13.42 | 1.24 |
| Total Basic earnings per share | 12 | 1.34 | 0.14 | 54.80 | 5.06 |
| Diluted earnings per share – continued | 12 | 1.72 | 0.18 | 40.70 | 3.76 |
| Diluted earnings per share – discontinued | 12 | (0.38) | (0.04) | 13.21 | 1.22 |
| Total diluted earnings per share | 12 | 1.34 | 0.14 | 53.91 | 4.98 |

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2017

| (i) In Zambian Kwacha | Issued share capital<br>**ZMW'000s** | Share premium<br>**ZMW'000s** | Preference share capital<br>**ZMW'000s** | Foreign exchange reserve<br>**ZMW'000s** | Revaluation reserve<br>**ZMW'000s** | Retained earnings<br>**ZMW'000s** | Total attributable to owners of the parent<br>**ZMW'000s** | Non-controlling interest<br>**ZMW'000s** | Total equity<br>**ZMW'000s** |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 October 2015** | **2,480** | **506,277** | **-** | **188,332** | **504,671** | **239,449** | **1,441,209** | **34,083** | **1,475,292** |
| Profit for the year | - | - | - | - | - | 137,103 | 137,103 | 20,283 | 157,386 |
| Transfer of surplus depreciation | - | - | - | - | (18,906) | 18,906 | - | - | - |
| **Other comprehensive income:** | | | | | | | | | |
| Exchange losses on translating presentational currency | - | - | - | (84,811) | | | (84,811) | (1,700) | (86,511) |
| **Total comprehensive income** | - | - | - | (84,811) | (18,906) | 156,009 | 52,292 | 18,583 | 70,875 |
| **Transactions with owners** | | | | | | | | | |
| Non-controlling interest shares acquired | - | - | - | - | - | 22,177 | 22,177 | (60,282) | (38,105) |
| Shares issued | 526 | 618,735 | 1,000 | | | | 620,261 | - | 620,261 |
| **Total Transactions with owners** | 526 | 618,735 | 1,000 | - | - | 22,177 | 642,438 | (60,282) | 582,156 |
| **At 30 September 2016** | **3,006** | **1,125,012** | **1,000** | **103,521** | **485,765** | **417,635** | **2,135,939** | **(7,616)** | **2,128,323** |
| Profit for the year | - | - | -- | - | - | 4,037 | 4,037 | (769) | 3,268 |
| Transfer of surplus depreciation | - | - | - | - | (23,418) | 23,418 | - | - | - |
| **Other comprehensive income:** | | | | | | | | | |
| Exchange (loss)/gain on translating presentational currency | - | - | - | (31,294) | - | - | (31,294) | 104 | (31,190) |
| Revaluation | - | - | - | - | 789,795 | - | 789,795 | - | 789795 |
| **Total comprehensive income** | - | - | - | (31,294) | 766,377 | 27,455 | 762,538 | (665) | 761,873 |
| **At 30 September 2017** | **3,006** | **1,125,012** | **1,000** | **72,227** | **1,252,142** | **445,090** | **2,898,477** | **(8,281)** | **2,890,196** |

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

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

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

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

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)**

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

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2017

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

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2017 (CONTINUED)

| | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 23 | 328,238 | 33,944 | 261,734 | 26,147 |
| Obligations under finance leases | 24 | 27,915 | 2,887 | 31,485 | 3,145 |
| Deferred liability | 25 | 16,756 | 1,733 | 10,442 | 1,043 |
| Deferred tax liability | 10(e) | 7,212 | 746 | 4,039 | 403 |
| | | **380,121** | **39,310** | **307,700** | **30,738** |
| **Current liabilities** | | | | | |
| Interest bearing liabilities | 23 | 78,080 | 8,074 | 116,223 | 11,611 |
| Collateral management agreement | 23 | 60,248 | 6,230 | 118,849 | 11,873 |
| Obligations under finance leases | 24 | 19,916 | 2,060 | 19,697 | 1,968 |
| Trade and other payables | 26 | 291,843 | 30,307 | 322,133 | 32,179 |
| Assets held for disposal | 33 | 1,079 | 111 | - | - |
| Amounts due to related companies | 27 | 81 | 9 | 313 | 31 |
| Taxation payable | 10(c) | 2,988 | 309 | 7,822 | 781 |
| Cash and cash equivalents | 20 | 105,148 | 10,874 | - | - |
| | | **559,384** | **57,846** | **585,037** | **58,443** |
| **Total equity and liabilities** | | **3,829,701** | **396,040** | **3,021,060** | **301,804** |

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2017**

| ASSETS | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 1,915,760 | 198,114 | 1,161,485 | 116,032 |
| Investment in subsidiaries | 15 | 245,807 | 25,420 | 293,763 | 29,347 |
| Deferred tax asset | 10(e) | 26,566 | 2,747 | 28,366 | 2,834 |
| | | **2,188,133** | **226,281** | **1,483,614** | **148,213** |
| **Current assets** | | | | | |
| Biological assets | 16 | 150,087 | 15,521 | 170,511 | 17,034 |
| Inventories | 17 | 411,841 | 42,590 | 413,670 | 41,326 |
| Cash and cash equivalents | 20 | - | - | 37,193 | 3,716 |
| Asset held for disposal | | 56,835 | 5,877 | - | - |
| Trade and other receivables | 18 | 37,169 | 3,844 | 45,866 | 4,582 |
| Amounts due from related companies | 19 | 655,060 | 67,741 | 463,114 | 46,265 |
| Income tax recoverable | 10(c) | - | - | - | - |
| | | **1,310,992** | **135,573** | **1,130,354** | **112,924** |
| **Total assets** | | **3,499,125** | **361,854** | **2,613,968** | **261,137** |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 21 | 3,006 | 449 | 3,006 | 449 |
| Preference share capital | 21 | 1,000 | 100 | 1,000 | 100 |
| Share premium | 22 | 1,125,012 | 185,095 | 1,125,012 | 185,095 |
| Other reserves | | 1,429,504 | 78,940 | 785,662 | 5,660 |
| | | **2,558,522** | **264,584** | **1,914,680** | **191,304** |

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF FINANCIAL POSITION - 30 SEPTEMBER 2017 (CONTINUED)**

| | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Interest bearing liabilities | 23 | 328,238 | 33,945 | 261,734 | 26,147 |
| Obligations under finance leases | 24 | 17,195 | 1,778 | 19,685 | 1,967 |
| Deferred liability | 25 | 3,659 | 378 | 2,266 | 227 |
| Deferred tax liability | 10(e) | 4,169 | 431 | 3,382 | 338 |
| | | **353,261** | **36,532** | **287,067** | **28,679** |
| **Current liabilities** | | | | | |
| Interest bearing liabilities | 23 | 138,328 | 14,305 | 229,394 | 22,916 |
| Obligations under finance leases | 24 | 13,272 | 1,373 | 14,108 | 1,409 |
| Trade and other payables | 26 | 164,843 | 17,046 | 164,467 | 16,404 |
| Amounts due to related companies | 27 | 243,876 | 25,220 | 325 | 33 |
| Taxation payable | 10(c) | 1,588 | 164 | 3,927 | 392 |
| Cash and cash equivalents | 20 | 25,435 | 2,630 | - | - |
| | | **587,342** | **60,738** | **412,221** | **41,154** |
| **Total equity and liabilities** | | **3,499,125** | **361,854** | **2,613,968** | **261,137** |

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 SEPTEMBER 2017

| | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Cash inflow from operating activities** | | | | | |
| Profit before taxation | | 5,450 | 572 | 134,592 | 12,427 |
| Finance costs | 9 | 87,904 | 9,234 | 111,346 | 10,281 |
| (Profit)/ loss on disposal of property, plant and equipment | | (974) | (102) | 1,124 | 104 |
| Depreciation | 14 | 83,301 | 8,750 | 77,784 | 7,182 |
| (Loss)/ profit on discontinued operations | | (1,133) | (119) | 33,592 | 3,101 |
| Fair value price adjustment | 16 | 3,491 | 367 | (13,257) | (1,224) |
| Net unrealised foreign exchange losses | | (4,410) | (463) | (28,626) | (2,643) |
| **Earnings before interest, tax, depreciation and amortisation, fair value adjustments and net unrealised foreign exchange losses** | | **173,629** | **18,239** | **316,555** | **29,228** |
| Decrease/ (increase) in biological assets | | 19,169 | 2,014 | (46,308) | (4,276) |
| Decrease/ (increase)/ in inventory | | 28,321 | 2,975 | (132,500) | (12,235) |
| Decrease in trade and other receivables | | 22,503 | 2,363 | 97,078 | 8,949 |
| Increase in amounts due from related companies | | (1,158) | (122) | (1,650) | (137) |
| Decrease in trade and other payables | | (33,308) | (3,499) | (50,200) | (4,636) |
| Increase/ (decrease)/ in amounts due to related companies | | 4,113 | 432 | (44,165) | (4,078) |
| Increase in deferred liability | | 6,314 | 663 | 1,188 | 110 |
| Cash outflow from assets held for disposal | | (14,226) | (1,494) | - | - |
| Income tax paid | 10(c) | (17,329) | (1,820) | (8,850) | (817) |
| **Net cash inflow from operating activities** | | **188,028** | **19,751** | **131,148** | **12,109** |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 14 | (195,610) | (20,547) | (166,513) | (15,376) |
| Expenditure on plantation development | 14 | (13,805) | (1,450) | (12,259) | (1,132) |
| Movement in investments | | (8,879) | (933) | - | - |
| Proceeds from the issue of shares | | - | - | 620,262 | 57,273 |
| Purchase of shares | | - | - | (175,075) | (16,166) |
| **Net cash (outflow)/ inflow (on)/ from investing activities** | | **(218,294)** | **(22,931)** | **266,415** | **24,599** |

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)

| | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| Net cash (outflow)/inflow before financing activities | | (30,266) | (3,179) | 397,563 | 36,708 |
| **Financing activities** | | | | | |
| Long term loans repaid | | (104,768) | (11,005) | (110,289) | (10,184) |
| Receipt of long term loans | | 140,100 | 15,000 | - | - |
| Receipt/(repayment) of short term funding | | (55,292) | (5,808) | 26,997 | 2,493 |
| Lease finance (repayment)/ obtained | | (3,551) | (373) | 16,249 | 1,500 |
| Finance costs including discontinued operations | 9 | (87,904) | (9,234) | (111,346) | (10,281) |
| **Net cash outflow on financing activities** | | **(111,415)** | **(11,420)** | **(178,389)** | **(16,472)** |
| **(Decrease)/ increase in cash and cash equivalents** | | **(141,681)** | **(14,599)** | **219,177** | **20,236** |
| Cash and cash equivalents at beginning of the year | | 64,806 | 6,474 | (190,648) | (15,861) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (28,273) | (2,749) | 36,280 | 2,099 |
| **Cash and cash equivalents at end of the year** | 20 | **(105,148)** | **(10,874)** | **64,806** | **6,474** |
| **Represented by:** | | | | | |
| Cash in hand and at bank | 20 | 62,518 | 6,465 | 95,747 | 9,565 |
| Bank overdrafts | 20 | (167,729) | (17,339) | (30,941) | (3,091) |
| | | **(105,148** | **(10,874** | **64,806** | **6,474** |

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017**

| | Notes | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Cash inflow from operating activities** | | | | | |
| Profit before taxation | | 37,735 | 3,964 | 101,173 | 9,342 |
| Finance costs | | 67,744 | 7,116 | 87,815 | 8,109 |
| Depreciation | 14 | 41,706 | 4,381 | 43,728 | 4,037 |
| Fair value price adjustment | 16 | 3,452 | 363 | (12,587) | (1,162) |
| (Profit)/ loss on disposal of property, plant and equipment | | (825) | (87) | 824 | 76 |
| Net unrealised foreign exchange differences | | 3,871 | 407 | (17,010) | (1,571) |
| **Earnings before interest, tax, depreciation and amortisation** | | **153,683** | **16,144** | **203,943** | **18,831** |
| Decrease/ (increase) in biological assets | | 20,424 | 2,144 | (21,601) | (1,995) |
| Decrease/ (increase) in inventory | | 1,829 | 192 | (102,428) | (9,458) |
| Decrease in trade and other receivables | | 6,727 | 707 | 103,853 | 9,574 |
| Assets held for disposal movements | | (56,835) | (5,970) | - | - |
| Increase in amounts due from related companies | | (189,976) | (19,955) | (178,682) | (16,484) |
| Increase/ (decrease) in trade and other payables | | 376 | 39 | (87,379) | (8,068) |
| Increase in amounts due to related companies | | 243,551 | 25,583 | 289 | 27 |
| Increase in deferred liability | | 1,393 | 146 | 596 | 55 |
| Income tax paid | 10(c) | (13,484) | (1,416) | (4,438) | (410) |
| **Net cash inflow/(outflow) from/ (on) operating activities** | | **167,688** | **17,615** | **(85,847)** | **(7,928)** |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 14 | ((154,880) | (2016,269) | (49,743) | (4,593) |
| Proceeds from the issue of shares | | - | - | 620,261 | 57,273 |
| Movements in investments | 15 | 47,956 | 5,037 | (175,075) | (16,166) |
| Proceeds from disposal of investment | | - | - | - | - |
| Proceeds from sale of assets | | 1,239 | 130 | 65 | 6 |
| **Net cash inflow from investing activities** | | **(105,685)** | **(11,102)** | **395,509** | **36,520** |

**ZAMBEEF PRODUCTS PLC**

**COMPANY STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2017 (CONTINUED)**

| | Note | 2017 ZMW'000s | 2017 USD'000s | 2016 ZMW'000s | 2016 USD'000s |
|---|---|---|---|---|---|
| **Net cash inflow before financing activities** | | **62,003** | **6,513** | **309,662** | **28,592** |
| **Financing activities** | | | | | |
| Long term loans repaid | | (99,663) | (10,468) | (101,811) | (9,401) |
| Receipt from term loans | | 140,100 | 14,716 | - | - |
| Movement in short term funding | | (55,292) | (5,808) | 39,938 | 3,688 |
| Lease finance (repayment)/ obtained | | (3,551) | (374) | 11,823 | 1,092 |
| Interest paid | | (67,744) | (7,116) | (87,815) | (8,109) |
| **Net cash outflow on financing activities** | | **(86,150)** | **(9,050)** | **(137,865)** | **(12,730)** |
| **(Decrease)/ increase in cash and cash equivalents** | | **(24,147)** | **(2,537)** | **171,797** | **15,862** |
| Cash and cash equivalents at beginning of the year | | 37,193 | 3,716 | (140,855) | (11,718) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (38,481) | (3,810) | 6,251 | (428) |
| **Cash and cash equivalents at end of the year** | 20 | **(25,435)** | **(2,631)** | **37,193** | **3,716** |
| Represented by: | | | | | |
| Cash in hand and at bank | 20 | 16,509 | 1,707 | 52,239 | 5,219 |
| Bank overdrafts | 20 | (41,944) | (4,338) | (15,046) | (1,503) |
| | | **(25,435)** | **(2,631)** | **37,193** | **3,716** |

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

## Notes can be read via the following link to the full Financial Statements:

**[POWERSCOURT TO PROVIDE]**