



6 June 2018

**Zambeef Products plc**  
 (“Zambeef” or the “Group”)

Interim results for the Half Year Ended 31 March 2018

**RETAIL GROWTH DRIVES IMPROVED VOLUMES AND MARGINS**

Zambeef (AIM: ZAM), the fully integrated cold chain foods and retail business with operations in Zambia, Nigeria and Ghana, today announces its unaudited interim results for the six months ended 31 March 2018.

**Key Financial Highlights:**

	<b>USD ('000)</b> <b>H1 2018</b>	<b>USD ('000)</b> <b>H1 2017</b>
<b>Revenue</b>	123,847	118,381
<b>Gross Profit</b>	46,581	38,494
<b>Operating Profit</b>	6,297	4,502
<b>Profit before tax</b>	2,758	590
<b>Profit after tax</b>	1,180	533
<b>EBITDA</b>	11,112	8,897
<b>EBITDA Margin</b>	8.97%	7.51%
<b>Operating Profit Margin</b>	5.08%	3.80%

**Performance Overview**

- The Group has delivered a solid financial performance, driven by:
  - Strong gross profit and volume growth in the Retail and Cold Chain Food Products division and the Stockfeed division
  - Continued aggressive expansion of the retail network
  - Robust operational performance from the farming operations
- Four Macro outlets opened with a further four expected to open this year
  - Target to open 10 new Macro outlets each year
- Shoprite rollout of new stores continues
  - Zambia – three more store openings expected in the second half
  - Nigeria – one new store opened
  - Ghana – one new store opened and one expected in H2 2018

- Second half of the year expected to see a significant number of key projects
  - Continue to grow the retail network and drive retail revenue to increase demand from the CCFP and stock feed operations
  - Commission new Copperbelt distribution hub which will increase capacity and improve efficiencies in the Copperbelt and North Western Province operations
  - Complete expansion of breeding farm and hatchery to increase day-old chick production from 344,000 to 430,000 birds per week
  - Complete new stock feed plant at Mpongwe to ensure additional stock feed capacity
- Continue to look at ways of strengthening our balance sheet through
  - Disposal of non-core assets
  - Continued focus on debt reduction

**Commenting on these results, Chairman Dr. Jacob Mwanza said:**

“The volatile economic conditions in Zambia over the previous two years, including sharp depreciation of the Kwacha against the US Dollar and relatively high inflation, presented challenges for the business. I am pleased to say that this period of uncertainty appears to be behind us. We are entering a period of relative stability in the economy, supported by tight fiscal and monetary control by Zambia’s Ministry of Finance and the Bank of Zambia.”

“Volume and margin growth in the Retail and Cold Chain Food products division and stockfeed division indicates that the worst of the economic hardship has dissipated.”

“The Group will maintain its focus on expanding the retailing and distribution footprint and on improving margins and increasing profitability. We will continue to expand the Cold Chain Food Production capacity to meet increasing consumer demand; complete the build out of the new stock feed plant at Mpongwe and continue to strengthen our balance sheet, through the disposal of non-core assets.”

For further information, please contact:

**Zambeef Products plc**

Francis Grogan, Chief Executive Officer

Tel: +260 (0) 211 369003

**Strand Hanson Limited**

James Spinney  
Ritchie Balmer  
Frederick Twist

Tel: +44 (0) 20 7409 3494

**finnCap**

Emily Morris  
Chris Gaggett

Tel: +44 (0) 20 7220 0500

**Powerscourt**

Nick Dibden  
Isabelle Saber

Tel: +44 (0)20 7250 1446

**Notes to Editors**

The Zambeef Group is one of the largest integrated cold chain food producers 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 7,971 hectares of row crops under irrigation, which are planted twice a year and a further 8,623 hectares of rain-fed/dry-land crops available for planting each year.

Further information can be found on [www.zambeefplc.com](http://www.zambeefplc.com)

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

### CHAIRMAN'S REPORT

#### THE ENVIRONMENT

The volatile economic conditions in Zambia over the previous two years, including sharp depreciation of the Kwacha against the US Dollar and relatively high inflation, presented challenges for the business. I am pleased to say that this period of uncertainty appears to be behind us and we are entering a period of relative stability in the economy, supported by tight fiscal and monetary control by Zambia's Ministry of Finance and the Bank of Zambia.

Volume and margin growth in the Retail and Cold Chain Food products division and stockfeed division indicates that the worst of the economic hardship has dissipated.

GDP grew by 3.9% in 2017, compared with 3.8% in 2016, attributed to a bumper crop harvest in the previous season, rising copper prices and moderating inflation.

The Kwacha strengthened marginally during the period with the exchange rate ending the period at around ZMW9.48/USD, having started the period under review at ZMW9.67/USD. Meanwhile, annual inflation continued its general downward trend and the Bank of Zambia reduced its Monetary Policy Rate by 50 basis points, from 10.25% to 9.75% in February 2018, enabling the Group to negotiate lower interest rates on both ZMW and USD short-term finance facilities.

An outbreak of cholera during the rainy December and January months caused the temporary closure of a number of Zambeef retail stores. The financial impact on the Group was negligible and Zambeef honoured its commitment to support local communities in partnering with the Ministry of Health to mitigate the disease by donating chlorine, other disinfectants and cleaning materials.

An outbreak of Foot and Mouth Disease was announced by the Ministry of Fisheries and Livestock on the 6<sup>th</sup> of April 2018. The Group's Kalundu Dairy was affected by the disease resulting in the biological value of the dairy cattle reducing by approximately USD 690,000. Also, the cost of processed milk production will increase by approximately USD 200,000 in H2 of 2018 due to the need to replace approximately 10,000 litres of reduced fresh milk production per day with more expensive reconstituted milk. The total financial impact of the disease has been provided for in the March 2018 results.

#### TRADING RESULTS

The Group achieved a Profit After Tax (excluding discontinued operations) of ZMW23 million (USD2.3 million) versus ZMW5.2 million (USD0.5 million) in the prior period. Volumes and gross margins have also increased in our core divisions of Retail and Cold Chain Food Products (CCFP) and Stockfeed.

This performance was particularly encouraging given the significant increase in overheads during the period as a result of the Government's move to eliminate subsidies on fuel and electricity. We have also seen an increase in labour costs and costs from road tolls, licence fees and levies on livestock and crops.

#### Retail and Cold Chain Food Products (CCFP)

Zambeef's chain of 205 retail outlets - both own-brand and within Shoprite supermarkets - remain at the heart of the business, with demand from consumers driving supply throughout the business.

During the period, four new Zambeef Macro retail stores were successfully opened in Zambia, with a further four Macro stores opening in the second half of the year.

The Group closed nine small retail stores as part of its ongoing drive to optimise revenue and efficiencies across the division.

The Retail and Cold Chain Food Products division has delivered a very satisfactory EBITDA of ZMW98.7 million versus ZMW72.8 million in the same period last year (USD9.97 million compared with USD7.4 million), generating an EBITDA margin of 10.5% versus 8.5% last year.

The Group will continue the focus on this division and will continue to drive Cold Chain Food Products volumes through the expanding Retail stores network.

#### Stockfeed

The new Novatek stockfeed plant in Mpongwe has already reached 42.6% capacity, compared with a target of 30%, and is making a significant contribution to the division's profitability and overall Group performance. The Stockfeed division increased Gross Profit margins from 19.4% to 26.9% compared to the prior period, which resulted in an increase in Gross Profit from ZMW62.8 million to ZMW82.8 million (USD6.4 million to USD8.4 million).

#### Cropping

The Group is one of the largest cereal row cropping operations in Zambia, with approximately 7,787 hectares of row crops

under irrigation, which are planted twice a year, and a further 8,694 hectares of rainfed/dry-land crops available for planting each year. The Mpongwe estate has performed well during the first six months and we expect yields for the summer crop to be ahead of budget.

Soya and maize prices have reduced from USD 430 per ton and USD 230 per ton respectively in March 2017 to USD 415 per ton and USD 165 per ton in March 2018. The soya price in particular is still well below the price achieved in March 2016 of USD 530 per ton. The reduced commodity prices in March 2018 have contributed to the gross profit in 2018 being 2.1% behind the gross profit achieved in March 2017.

Overall, the cropping division has delivered a strong EBITDA of ZMW23.9 million versus ZMW19.4 million in the same period last year (USD2.4 million compared with USD2 million). This is due largely to overheads reducing in March 2018 due to a reduction in manpower costs.

## **INVESTMENT**

Zambeef spent USD7.5 million on capital investment for continuing operations in the first half of the year.

USD2.9 million was spent on the continued roll-out of new modern Macro retail outlets across Zambia, with four stores opened in the six months. The Company plans to open a further four Macro retail outlets in the second half of the year. Heroes Macro is the first of these and it opened in May 2018.

Outlets in border towns have also flourished, enabling the Company to capitalise on its long-held strategy of meeting growing regional demand.

These new world-class outlets are proving popular, with like-for-like sales increasing from the prior period. Their success has accelerated our review of legacy stores with a view to phasing out poorer performing outlets to optimise marginal contribution. This approach will also help improve efficiencies in distribution and reduce some of the additional overheads mentioned earlier.

In October 2017, Zambeef welcomed the Zambian President, H.E. Edgar Chagwa Lungu, as he formally commissioned the Company's USD30 million hatchery and stockfeed mill at Mpongwe Farm on the Copperbelt. This was the largest agricultural investment in the province to date.

Zambeef completed the sale of 90% of Zambeef's shareholding in its wholly owned subsidiary Zampalm Limited, to the state-owned Industrial Development Corporation (IDC) for a cash consideration of USD16 million on 6 April 2018, in line with the Group's ongoing strategic focus on reducing Group debt. Zambeef continues to oversee the operation under a management agreement that includes a rollout of an outgrower scheme to develop further the remote rural communities of Muchinga, where the plantation is located.

Group capital expenditure in the full year is budgeted at USD16.0 million, rather than the USD14.5 million originally projected, due to the additional floor space needed at its new Kitwe beef processing plant, which is expected to open in the second half of the 2018 financial year, and several new retail Macro outlets, as set out below.

## **BOARD CHANGES**

Finally, as we enter into a renewed period of growth for Zambeef, I would like to thank Co-founder and former Joint Chief Executive Officer Dr Carl Irwin, who retired from the Group on 31 March 2018 after 23 years of service, during which time he and Francis Grogan grew the Company to the impressive heights it has reached today.

On 24 May 2018, subsequent to the period end, Tim Pollock, Joint Chief Executive Officer announced his resignation from the Board for personal reasons. We wish to thank Tim for his contribution to the Company.

## **OUTLOOK**

Zambia's GDP is expected to grow by 5.5% in 2018. The clearance of government arrears and continued close attention to monetary policy conditions are likely to strengthen the position of the financial sector and spur confidence in consumption and investment lending. Equally, firm international copper prices and improved domestic production from newer and recently refurbished mines are expected to support exports.

We expect this economic strengthening to continue to boost consumer demand across all sectors, with a firm trickle-down to our core target consumers in lower-income markets.

Dr Jacob Mwanza

Chairman

5 June 2018

## CHIEF EXECUTIVES' REVIEW

### OVERVIEW

In 2014, Zambeef set out a strategy of retail growth in order to drive cold chain food and stockfeed production. We have remained steadfast in this vertical integration approach, capitalising on the previous two years of sluggish economic growth to build a firm foundation from which to project the business on to a new level.

With signs of economic recovery now evident, we are pleased to report that this strategy has started to generate improved returns on the capital investment we have made in recent years.

The Group has achieved a Profit After Tax (excluding discontinued operations) of ZMW23 million (USD2.3 million) versus ZMW5.2 million (USD0.5 million) in the prior period. Volumes and gross margins have increased in our core divisions of Retail and Cold Chain Food Products (CCFP) and Stockfeed, and the Cropping division has performed well operationally.

The pleasing Group performance was achieved in spite of a significant increase in overheads during the period as a result of the Government's move to phase out subsidies on fuel and electricity, with overheads increasing by 18.8% in ZMW (17.7% in USD) during the period. We have also seen an increase in manpower costs and costs from road tolls, license fees and levies on livestock and crops.

### STRATEGIC FOCUS

Zambeef remains unwavering in its strategic focus on the core operations in which it is best-in-class: retail and cold chain food products, stockfeed and cropping.

As a result, we continued our divestment of non-core assets to reduce our debt further and generate additional cash, concluding the 90% sale of our shareholding in Zampalm Limited to the Industrial Development Corporation (IDC) for a cash consideration of USD16 million during the period, as previously announced.

#### Retail and Cold Chain Food Products

It is the retail demand that continues to drive Zambeef's production along the value chain, reinforcing our position linking the country's farmers with consumers.

Zambeef's retail operations are growing from strength-to-strength, with four new Macro retail stores and one Shoprite store opening in Zambia and in Nigeria in the first half of the financial year.

This growth emphasises the Group's market-driven approach, through which retail demand drives production along our value chain.

The Macro stores, which sell our full range of cold chain food products, along with Novatek stockfeed, and in some instances Zamleather's Zamshu brand footwear, are bringing world-class standards of hygiene, service, security and affordability to our traditional markets in low- and medium-density urban and peri-urban areas.

Revenue from Macro outlets grew 66% in Kwacha terms (65% in USD) compared with the previous year.

The new outlet in Nakonde is in line with our approach of also targeting border towns to tap into the growing regional demand for our products.

Our Zambeef branded outlets account for 82% of retail sales, while our operation of in store butcheries at all Shoprite supermarkets across Zambia accounts for 18% of retail turnover. This balance has remained relatively unchanged in recent years and ensures a diversification of exposure across retail segments.

The Group closed nine small retail stores during the period in its ongoing drive to optimise its real estate.

The growth in market demand, and associated development of Zambeef's retail chain, continues to drive cold chain food production as we add value and provide linkages between small-scale, emerging and commercial farmers and end consumers.

**Cold chain food product** volume increased by **6.7%**, driven by strong performance in the chicken and beef sectors.

Beef volumes increased by 10.6% from 8.5 million kgs to 9.4 million kgs.

Chicken volumes rose by 14.3% from 5.6 million kgs to 6.4 million kgs, with some 70% of chickens supplied by outgrower farmers. Demand outstrips supply as Zambeef continues to formalise a market that remains largely driven by the informal sector, presenting significant opportunities for growth.

Dairy volumes increased by 9.3% from 9.3 million litres to 10.2 million litres.

Pork volumes declined from 5.5 million kgs to 5.3 million kgs during the period under review.

## **Stockfeed**

Zambeef's stockfeed operation trades under the brand name Novatek. Its second stockfeed plant was commissioned at Mpongwe Farm on the Copperbelt in October 2017. It has already produced 25,584 tons (42.6% of capacity) of the total of 94,203 tons produced during the six months.

Zambeef is one of the largest buyers of soya beans and maize from local farmers. The Company bought 75,000 tons last year as inputs into the stockfeed operations. We predict that 110,000 tons will be required this year.

20% of the stockfeed production is sold through Zambeef outlets, versus 11% in 2017. The strategy of expanding the Retail infrastructure to increase demand for stockfeed is clearly working. A further 30% of the stockfeed production is consumed in the Company's Zamhatch and Zamchick divisions. The other 50% is sold to third-party distributors. Chicken feed accounts for three quarters of stockfeed production, creating an opportunity for growth linked to the chicken segment.

## **Cropping**

Zambeef's Mpongwe Farm is the heart of the Group's farming operations, and continues to live up to its reputation as one of the best farms in the region.

The Group harvested 44,730 tons of soya beans during the period, versus 43,000 in 2017, with EBITDA increasing by 22.8%.

## **Zamhatch**

Demand for day-old chicks from Zambeef's Zamhatch subsidiary is exceeding supply. This reinforces the fact that Zambeef is an integral part of the nation's agricultural supply chain, with more than half of our chicks sold to small-scale farmers and entrepreneurs who then serve the traditional live-bird market, which still accounts for 75 percent of poultry market share.

Zamhatch incubates 400,000 eggs a week, with an industry-standard 86 percent success rate, producing 344,000 day-old chicks. We are working on increasing capacity to 500,000 eggs per week in 2019 and then 600,000 eggs per week in 2020 in order to meet demand. The cost of this expansion will be approximately USD 2 million per year.

## **Outlook**

Zambeef's clear long-term strategy is translating into improved results. We will remain steadfast in our plans going forward, which include:

- Consistent revenue growth through expansion of our retail network, driving our cold chain food product and stockfeed operations;
- Margin improvements leveraged from continued capital investment in high margin areas of the business coupled with stringent control of administration costs;
- Cash generation through improved margins, cost control, inventory management and prudent capital expenditure;
- De-risking the business by maintaining prudent gearing levels; and
- Divestment of non-core assets.
- The continued execution of the above strategy, together with capital expenditure being more focused on higher returning segments of the Group, should result in operating free cash flow being generated from 2018, and the Group returning to a policy of paying dividends.

As the macro-economic environment improves, we expect volumes to continue their upward trend. The continued rollout of Macro retail stores should also continue to grow revenue and margins.

Four additional Macro stores are scheduled to open in the second half of the year, including the flagship Heroes Macro in Lusaka, which opened in May 2018. Some 14 sites have been bought and await development, keeping us on target to open 10 new Macro outlets every year.

In addition, Shoprite continues to roll-out new stores, with three expected in Zambia in the second half of 2018. One new store opened in both Nigeria and Ghana, and a further store is planned in Ghana for the second half of the year.

The Mpongwe stockfeed mill continues to perform ahead of expectation. The stockfeed division will undoubtedly continue to increase volumes and contribute materially to the Group.

The Cropping division continues to perform well operationally and is an integral part of the business.

On 6 April 2018, the Zambian Ministry of Fisheries & Livestock announced an outbreak of foot and mouth disease (FMD) on farms in the Chisamba and Chibombo districts and imposed movement restrictions upon livestock in these districts. FMD was confirmed on the Group's Kalundu dairy farm in Chisamba district and daily milk output fell sharply. We do not expect this to materially affect the business in the medium to long-term and projected losses have been provided for in the March 2018 financial results.

We have entered the second half of the financial year with a renewed sense of optimism that the difficult times of recent years are behind us. We have used that time productively to establish a solid base from which to move forward now that market conditions have started to improve.

The continued dedication of our management and staff, supported by a strong Board, remain key to this as we progress into an exciting new phase of growth.

**Chief Executive Officer**

5 June 2018

## FINANCIAL REVIEW

The first six months of the 2018 financial year have seen the Zambef Group continue to grow. Good revenue and strong margin growth have been the main contributors. Revenue for the Group increased by 5.6% in ZMW and 4.6% in USD, while Gross Profit margins increased from 32.5% to 37.6%, resulting in Gross Profits increasing by 22.1% in ZMW from ZMW378m to ZMW461m (21% in USD from USD38m to USD47m). Overheads increased by 18.8% in ZMW (17.7% in USD) from ZMW293m to ZMW348m (USD30m to USD35m). The strong Gross Profit performance enabled the Group to achieve Operating profits of ZMW62m versus ZMW44m (USD6.3m vs USD4.5m) which represents a 41.1% increase in ZMW and a 39.9% increase in USD.

Interest costs reduced by 9.9% in ZMW (10.7% in USD) as a result of lower interest rates, largely due to the reduction in the Bank of Zambia Policy Rate, which decreased our ZMW interest rates significantly compared with the prior period. As a result, Zambef's PAT excluding discontinued operations increased from ZMW5.2m to ZMW23.0m (USD0.5m to USD2.3m).

The highlights of this period were the 9.9% (in ZMW) revenue growth in the Retail and Cold Chain Food Products (CCFP) division with a strong increase of 28.3% (in ZMW) in gross profits. Gross margins increased from 25.9% in 2017 to 30.3% in 2018. Zambef continues to establish itself as best-in-class in terms of its production, distribution and retailing of the Cold Chain Food Products delivering a very satisfactory EBITDA margin of 10.5% compared to 8.5% in 2017. In addition the Stockfeed division delivered an excellent gross profit of ZMW82.8m versus ZMW62.8m in the prior period, representing a 31.8% increase.

The focus for the next six months will be on:

- Consistent revenue growth through expanding the retail network and addressing supply constraints in the CCFP and stockfeed operations;
- De-risking the business through reducing gearing and dollar debt and E&S/Food Safety strategies; and
- Improving cash conversion from strong working capital control and tight control on Capex with effective managerial responsibility.

### Exchange rate movements

This period has seen a 2% appreciation of the ZMW with the exchange rate, starting the period at 9.67 ZMW/USD and closing the period at 9.48 ZMW/USD. The table below shows the comparative exchange rates over the periods:

	ZMW/USD
Closing Rate 31st March 2017	9.66
Closing Rate 30th September 2017	9.67
Closing Rate 31st March 2018	9.48
Average Rate for 6 months to 31st March 2017	9.81
Average Rate for year ended 30th September 2017	9.52
Average Rate for 6 months to 31st March 2018	9.90

The appreciating currency has resulted in the Group reporting realized exchange gains of ZMW4.2m (USD0.4m) for the first 6 months.

### ADMINISTRATION AND OVERHEAD COSTS

As mentioned above, overheads have increased by 18.8% (in ZMW). The following are contributing factors:

- Fuel prices increased from ZMW10.72/l in September 2017 to ZMW11.09/l and again to ZMW12.01/l in January 2018 representing a total increase of 12%;
- Electricity tariffs were increased by 50% in May 2017 and a further 15% in September 2017;
- With inflation at approximately 7%, an average increase of approximately 10% was agreed for all union workers resulting in higher payroll costs;
- Levy and slaughter fees have continued to increase during the year;
- Road toll fees, which were introduced in the previous financial period, are increasing as more toll gates are opened; and
- Repairs and Maintenance costs were incurred in Zambef Outlets as a result of the outbreak of Cholera in January 2018.

## CAPITAL EXPENDITURE

Total capital expenditure on continuing operations during the period was ZMW74.3 million (USD7.5 million) against a anticipated capital expenditure of ZMW157.3 (USD16m) for the year.

The main capital expenditure during the period included:

- USD2.9m on rollout of new Zambeef Macro outlets
- USD1.1m on new Mpongwe stockfeed plant
- USD1.1m on expansion of Zamhatch hatchery and breeder farm
- USD0.9m for expansion of Zam Chick processing plant
- USD0.3m for farming replacement Capex
- USD0.5m on the new processing and distribution hub in Kitwe

The capex to be incurred in the second half of 2018 is being focused towards:

- The expansion of the retail network (four Zambeef Macros and three Shoprite stores to open before the end of 2018);
- The commissioning of the new Copperbelt processing and distribution hub which will increase capacity and improve efficiencies in the Copperbelt and North Western Province operations;
- Completing the expansion of the breeding farm and hatchery to increase day-old chick production from 344,000 to 430,000 birds per week; and
- Completing the new stock feed plant at Mpongwe to ensure additional stock feed capacity.

## TERM FINANCE

No additional term finance was sourced during the period under review.

## DIVISIONAL PERFORMANCE

Table 1: Segmental Financial summary in ZMW'000s

Division	Revenue 2018 ZMW'000	Revenue 2017 ZMW'000	Gross Profit 2018 ZMW'000	Gross Profit 2017 ZMW'000	Overheads 2018 ZMW'000	Overheads 2017 ZMW'000	EBITDA 2018 ZMW'000	EBITDA 2017 ZMW'000
Retail & Cold Chain Foods	941,313	856,793	285,105	222,181	(186,401)	(149,393)	98,705	72,788
Stock Feed	307,598	324,701	82,809	62,830	(37,867)	(20,141)	44,942	42,689
Cropping	110,356	201,901	78,791	79,745	(54,920)	(60,309)	23,871	19,436
Others	65,916	79,009	14,447	12,868	(8,487)	(10,611)	5,960	2,257
<b>Total</b>	<b>1,425,183</b>	<b>1,462,404</b>	<b>461,152</b>	<b>377,624</b>	<b>(287,675)</b>	<b>(240,454)</b>	<b>173,478</b>	<b>137,170</b>
Less: Intra/Inter Group Sales	(199,100)	(301,086)	-	-	-	-	-	-
less Central Overhead	-	-	-	-	(59,995)	(52,199)	(59,995)	(52,199)
<b>Group Total</b>	<b>1,226,083</b>	<b>1,161,318</b>	<b>461,152</b>	<b>377,624</b>	<b>(347,670)</b>	<b>(292,653)</b>	<b>113,483</b>	<b>84,971</b>

## DIVISIONAL PERFORMANCE

Table 2: Segmental Financial summary in USD'000s

<b>Division</b>	<b>Revenue 2018 USD'000</b>	<b>Revenue 2017 USD'000</b>	<b>Gross Profit 2018 USD'000</b>	<b>Gross Profit 2017 USD'000</b>	<b>Overheads 2018 USD'000</b>	<b>Overheads 2017 USD'000</b>	<b>EBITDA 2018 USD'000</b>	<b>EBITDA 2017 USD'000</b>
<b>Retail &amp; Cold Chain Foods</b>	95,082	87,339	28,799	22,648	(18,828)	(15,229)	9,970	7,420
<b>Stock Feed</b>	31,071	33,099	8,365	6,405	(3,825)	(2,053)	4,540	4,352
<b>Crop-Row Crops</b>	11,147	20,581	7,959	8,129	(5,547)	(6,148)	2,411	1,981
<b>Others</b>	6,658	8,054	1,459	1,312	(857)	(1,081)	603	230
<b>Total</b>	<b>143,958</b>	<b>149,073</b>	<b>46,582</b>	<b>38,494</b>	<b>(29,057)</b>	<b>(24,511)</b>	<b>17,524</b>	<b>13,983</b>
<i>Less: Intra/Inter Group Sales less Central Overhead</i>	<i>(20,111)</i>	<i>(30,692)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(6,060)</i>	<i>(5,321)</i>
<b>Group Total</b>	<b>123,847</b>	<b>118,381</b>	<b>46,582</b>	<b>38,494</b>	<b>(35,117)</b>	<b>(29,832)</b>	<b>11,464</b>	<b>8,662</b>

## RETAIL AND COLD CHAIN FOOD PRODUCTS

	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
Revenue	941 313	856 793	9.9%	95 082	87 339	8.9%
Gross Profit	285 105	222 181	28.3%	28 799	22 648	27.2%
Overheads	(186 401)	(149 393)	24.8%	(18 828)	(15 229)	23.6%
EBITDA	98 705	72 788	35.6%	9 970	7 420	34.4%

Revenue in the Retail and Cold Chain Food Products division increased by 9.9% in ZMW and 8.9% in USD. Gross profit grew by 28.3% in ZMW and 27.2% in USD.

Overhead costs increased by 24.8% in ZMW and 23.6 per cent in USD mainly due to rises in transport, energy and employment costs.

EBITDA in ZMW rose 35.6% from ZMW72.8m to ZMW98.7m, whilst in USD it increased by 34.4% from USD7.4m to USD10.0m. The business has generated a pleasing EBITDA margin of 10.5 per cent. (compared to prior year period 8.5%).

The Retail and Cold Chain Food Products division includes the beef, chicken, pork, dairy, egg and fish production and processing activities which primarily supply the Zambeef and Shoprite retail chains.

The division delivered strong volume growth of 6.7% while increasing gross profits.

### Highlights:

- Good volume Growth
- Strong GP Growth
- Strong EBITDA growth

Challenges: An outbreak of Cholera in January 2018 led to a number of outlets being closed for a period due to their proximity to the epidemic. The epidemic had a negative effect on the sale of beef heads, bones and offal fat, but overall the financial impact on the Group was immaterial.

## RETAIL EXPANSION

During the period four Zambeef Macro outlets were opened with a further four expected to open this year. Fourteen further sites have been purchased and will be developed. Zambeef plans to open 10 new Macro outlets every year.

## STOCK FEED (NOVATEK)

	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
<b>Revenue</b>	307 598	324 701	-5.3%	31 071	33 099	-6.1%
<b>Gross Profit</b>	82 809	62 830	31.8%	8 365	6 405	30.6%
<b>Overheads</b>	(37 867)	(20 141)	88.0%	(3 825)	(2 053)	86.3%
<b>EBITDA</b>	44 942	42 689	5.3%	4 540	4 352	4.3%
<b>Volume (Tons)</b>	94 203	73 679	27.9%			

The Stockfeed division has increased its market share and market leadership with volumes increasing by 27.9% from 73,679 M.T. to 94,203 M.T. Gross profit margins have increased from 19.4% to 26.9% due mainly to low raw material prices from the 2017 crop. We expect the margins to reduce slightly in the second half as a result of the new season raw material prices increasing. However, with the Mpongwe plant continuing to perform ahead of expectation, the stockfeed division is expected to exceed its budget in H2 of 2018.

Overheads increased by 88% due mainly to the new stockfeed plant in Mpongwe.

However, the Mpongwe plant is operating well ahead of expectation and the division has delivered improved EBITDA of ZMW44.9m compared with ZMW42.7m in the prior period.

The Mpongwe plant produced 25,584 tons of 94,203 tons during the period. This represents approximately 42.6% of the capacity of the plant.

## CROPPING

	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
<b>Revenue</b>	110 356	201 901	-45.3%	11 147	20 581	-45.8%
<b>Gross Profit</b>	78 791	79 745	-1.2%	7 959	8 129	-2.1%
<b>Overheads</b>	(54 920)	(60 309)	-8.9%	(5 547)	(6 148)	-9.8%
<b>EBITDA</b>	23 871	19 436	22.8%	2 411	1 981	21.7%

The Cropping division has delivered pleasing results in the first six months. Soya and maize prices have reduced from USD430/M.T. and USD230/M.T. respectively in March 2017 to USD415/M.T. and USD165/M.T. in March 2018. However, yields are predicted to be ahead of budget with over 44,500 M.T. of Soya Beans and 18,000 M.T. of Maize expected to be harvested. This has resulted in gross profit being ahead of budget and slightly behind 2017.

Overheads decreased by 8.9%, mainly as a result of reduced manpower costs. This resulted in EBITDA increasing from ZMW19.4 in 2017 to ZMW23.9 in 2018 (USD2m to USD2.4m).

The winter crop, which has recently been planted, comprises 7,296 Ha of wheat, 451 Ha of winter maize and 50 Ha of Lucerne. The wheat price has increased from USD410/M.T. in September 2017 to approximately USD430/M.T. and the maize price has increased from USD115/M.T. in September 2017 to approximately USD150/M.T.

**FINANCIAL REVIEW OTHER BUSINESSES (continued operations current and prior year)**

	2018 ZMW'000	2017 ZMW'000	% Change	2018 USD'000	2017 USD'000	% Change
<b>Revenue</b>	65 916	72 933	-9.6%	6 658	7 435	-10.4%
<b>Gross Profit</b>	14 447	14 019	3.1%	1 459	1 429	2.1%
<b>Overheads</b>	(8 487)	(11 062)	23.3%	(857)	(1 128)	24.0%
<b>EBITDA</b>	5 960	2 957	101.6%	602	301	100.0%

The Other divisions delivered an increase in EBITDA of 101.6% from ZMW3m to ZMW6m (USD0.3m to USD0.6m) compared to the prior period.

**Flour Milling:**

The mill performance was satisfactory with sale volumes stable as Zambeef continues to retail flour through its retail network.

**Zamleather:**

The shoe division performed well. However, there was a decrease in world-wide hide prices and the market for lower-grade hides is sluggish.

## REPORT OF THE DIRECTORS

In compliance with Division 8.3 of the Companies Act, the Directors submit their report on the activities of the Group for the six month period ended 31 March 2018.

### 1. Principal activities

Zambeef Products PLC and its subsidiaries (“Group”) is one of the largest agri-businesses in Zambia. The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, edible oils, stock feed and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 7,971 Ha of irrigated row crops and 8,623 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana.

### 2. The Company

The Company is incorporated and domiciled in Zambia.

#### Business address

Plot 4970, Manda Road  
Industrial Area

Lusaka

ZAMBIA

#### Postal address

Private Bag 17  
Woodlands

Lusaka

ZAMBIA

### 3. Share capital

Details of the Company’s authorised and issued share capital are as follows:

	31 Mar 2018		30 2017	
	ZMW’000s	USD’000s	ZMW’000s	USD’000s
<b>Authorised</b>				
700,000,000 ordinary shares of ZMW0.01 each	7,000	938	7,000	938
<b>Issued and fully paid</b>				
Ordinary shares				
300,579,590 ordinary shares of ZMW0.01 each	3,006	449	3,006	449
Preference shares – convertible redeemable				
100,057,658 of ZMW0.01 each	1,000	100	1,000	100

### 4. Results

The Group’s results are as follows:

	Unaudited				Audited	
	6 months to 31 March 2018 ZMW’000s	6 months to 31 March 2018 USD’000s	6 months to 31 March 2017 ZMW’000s	6 months to 31 March 2017 USD’000s	Year ended 30 September 2017 ZMW’000s	Year ended 30 September 2017 USD’000s
<b>Group Revenue</b>	1,226,083	123,847	1,161,318	118,381	2,435,182	255,796
<b>Profit before taxation</b>	27,293	2,758	5,780	590	5,450	572
Taxation charge	(4,333)	(438)	(556)	(57)	(1,049)	(110)
Profit from discontinued operations	(11,290)	(1,140)	-	-	(1,133)	(119)
<b>Group profit for the period</b>	11,670	1,180	5,224	533	3,268	343
<b>Group profit attributable to:</b>						
Equity holders of the parent	12,295	1,243	5,519	563	4,037	424
Non-controlling interest	(625)	(63)	(295)	(30)	(769)	(81)
	11,670	1,180	5,224	533	3,268	343

## REPORT OF THE DIRECTORS (CONTINUED)

### 5. Dividends

There was no dividend paid or proposed for the six month period ended 31 March 2018.

### 6. Management

The Senior Management team comprise the following:

Francis Grogan	Joint Chief Executive Officer
Carl Irwin	Joint Chief Executive Officer (Retired on March 31, 2018)
Timothy Pollock	Group Managing Director (Joint Chief Executive Officer as of April 1, 2018. Resigned on 31 May 2018)
Walter Roodt	Deputy Managing Director
Craig Harris	Chief Financial Officer
Yusuf Koya	Executive Director
Danny Museteka	Company Secretary
Mike Lovett	General Manager Farming Division
Felix Lupindula	Corporate Affairs Manager
Pravin Abraham	Chief Internal Auditor
Ebrahim Israel	General Manager – International Retailing
Murray Moore	General Manager – Beef and Dairy
David Mynhardt	General Manager – Sinazongwe Farm
Robert Hoskins Davies	General Manager – Chiawa Farm
Francis Mondomona	General Manager – Huntley Farm
Richard Franklin	General Manager – Zamleather Limited
Harry Hayden-Payne	General Manager – Zampalm Limited
Webster Mapulanga	General Manager – Master Pork Limited
Theo de Lange	Group Technical Manager
Bartholomew Mbao	Dairy Processing Manager
Andries Van Rensburg	Piggery Manager
Johan Swanepoel	Flour Mill Manager
Charles Milupi	Poultry Manager
Ivor Chilufya	Group Financial Controller
Justin Rust	Commercial Manager
Basil Webber	Commercial Manager
Christiaan Engelbrecht	Commercial Manager
Niyaas Dalal	Finance Manager – Zambeef Products Limited, Zam Chick Limited
Rory Park	Finance Manager – Master Pork Limited, Zampalm Limited, Zamhatch Limited
Simon Nkhata	Finance Manager – Zambeef Retailing Limited
Baron Chisola	Financial Controller – Group Inventory
Shadreck Banda	Financial Controller – Group Suppliers
Samantha Dale	Group Head – Debtors and Credit Control
Anthony Seno	Head of IT
Guy Changole	Head of Human Resources
Mathews Mbasela	Head of Payroll Processing

## REPORT OF THE DIRECTORS (CONTINUED)

### 6. Management (continued)

Eddie Tembo	Chief Security Manager
Jones Kayawe	Head of Environment, Health and Safety
Field Musongole	Maintenance Manager
Justo Kopulande	CSR/PR Manager
Ernest Gondwe	Regional Manager – Shoprite & Excellent Meats
Francis Mulenga	Regional Manager – Shoprite
Noel Chola	Regional Manager – Shoprite
Rodgers Chinkuli	Regional Manager – Zambeef Outlets
Deon Conradie	Managing Director – Master Meats Nigeria
Hillary Anderson	National Retail Manager - Nigeria
Lufeyo Nkhoma	General Manager – Master Meats Ghana
Clement Mulenga	General Manager – Master Meats Nigeria

### 7. Directors and Secretary

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

Dr. Jacob Mwanza	Chairman
Dr. Lawrence S. Sikutwa	
John Rabb	
Yollard Kachinda	
Prof. Enala Mwase	
David Osborne	
Tim Pollock	Group Managing Director/Joint Chief Executive Officer (appointed April 1, 2018 and resigned on 31 May 2018)
Francis Grogan	Joint Chief Executive Officer
Dr. Carl Irwin	Joint Chief Executive Officer (Retired on March 31, 2018)
Margaret Mudenda	
Yusuf Koya	
Danny Museteka	Company Secretary

### 8. Directors' interests

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

	31 March 2018		30 September 2017	
	Direct	Indirect	Direct	Indirect
DR. Jacob Mwanza	1,100,000	-	1,100,100	-
Dr. Carl Irwin	3,763	5,406,445	3,763	5,406,445
Francis Grogan	995,000	3,591,631	995,000	3,591,631
John Rabb	-	14,000,000	-	14,000,000
Tim Pollock	100,000	-	-	-
Yusuf Koya	245,482	-	245,482	-
	<u>2,444,245</u>	<u>23,003,076</u>	<u>2,344,245</u>	<u>23,003,076</u>

## REPORT OF THE DIRECTORS (CONTINUED)

### 9. Directors' fees and remuneration

ZMW'000	Salary	Bonus	Housing Allowance	Car Allowance	Air Fares Allowance	Medicals	Long Term Incentive Plan 2 (Shares)
<b>NON-EXECUTIVE</b>							
Jacob Mwanza	825,108	-	-	-	-	-	
Lawrence Sikutwa	360,922	-	-	-	-	-	
John Rabb	309,360	-	-	-	-	-	
Yollard Kachinda	129,781	-	-	-	-	-	-
Enala Mwasa	129,309	-	-	-	-	-	-
Margaret Mudenda	129,309	-	-	-	-	-	-
Jonathan Kirby	52,389	-	-	-	-	-	-
<b>EXECUTIVE</b>							
Francis Grogan	3,849,403	5,000	Company House	Company Car	460,800	Yes	6,250,000
Timothy Pollock	2,320,080	-	-	Company Car	289,600	Yes	-
Carl Irwin	1,618,442	5,000	-	Company Car	460,800	Yes	6,250,000
Yusuf Koya	3,461,651	5,000	-	-	384,000	Yes	275,000
Danny Museteka	2,434,854	318,600	-	-	384,000	Yes	275,000

In October 2016, the Board approved a retirement package for the Chairman, Dr. Jacob Mwanza of USD330,000. An advance of USD110,000 was paid about the same time, and the full payment will be paid towards the end of 2018.

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

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

- a) **Structure:** market value option shares ("Options");
- b) **Exercise price:** 15 pence;
- c) **Maximum shares:** The annual award base value (number of shares multiplied by the share price on the date of grant plus number of Options multiplied by the exercise price) may not exceed three times the Executive's base salary; and
- d) **Vesting period:** three years from 2015 to 2018; exercisable from 1 March 2018:
- e) The Options can only be exercised if Zambeef achieves the following targets:
  - I. If the share price reaches 40 pence, then 25 per cent. of the Options become exercisable.
  - II. If the share price reaches 48 pence, a further 25 per cent. of the Options become exercisable.
  - III. If the share price reaches 56 pence, a further 25 per cent. of the Options become exercisable.
  - IV. If the share price reaches 65 pence, the final 25 per cent. of the Options become exercisable.
  - V. Zambeef achieving a debt-to-equity (gearing) ratio of less than 35 per cent. in the audited accounts immediately prior to exercising the options.
  - VI. Zambeef achieving a current ratio (current assets divided by current liabilities) of 1.5 in the audited annual accounts immediately prior to the exercising of the options.
  - VII. Zambeef generating free cash flow.
  - VIII. The Zambeef share price triggers set above will be considered achieved if in the 14 days immediately prior to exercising the Options, the shares have traded continuously at not less than these prices for 14 days.
  - IX. The Options will be exercisable at any time for 2 years after the 3-year period from the issue of the Options have lapsed.
  - X. The Options can only be exercised if the relevant executives are still employed by the Company.

## REPORT OF THE DIRECTORS (CONTINUED)

### 10. Significant Shareholdings

As at 31 March 2018, the Company has been advised of the following notifiable interests in its ordinary share capital:

Investor Name	Current Position	% of Shareholding
CDC Group Plc	52,601,435	17.5%
M & G Recovery Fund	46,304,408	12.16%
Africa Life	29,596,678	7.78%
National Pension Scheme Authority (Zambia)	24,979,819	6.56%
Sussex Trust	14,000,000	3.68%

CDC Group Plc. holds 100,057,658 convertible redeemable preference shares.

### 11. Employees

The Group employed an average number of employees of 7,734 (30 September 2017 – 7,068; 31 March 2017 – 6,854) and total salaries and wages were ZMW197,954 million (USD20 million) for the six month period to 31 March 2018 (30 September 2017 – ZMW357 million [USD28.3 million], 31 March 2017 – ZMW173 million [USD17.7 million]).

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

October 2017	7,481
November 2017	7,491
December 2017	7,823
January 2018	7,559
February 2018	7,863
March 2018	8,186

## REPORT OF THE DIRECTORS (CONTINUED)

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

As part of some of the Group's term loans, the Group signed up to an Environmental and Social Action Plan ("ESAP"), which requires the Group to meet both local Zambian standards as well as international standards relating to the environment.

The Group provides healthcare services to its employees. The Group also supports various community activities in the areas that it operates from.

13. **Legal matters**

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

14. **Gifts and donations**

The Group made donations of ZMW1.5 million (USD0.15 million), (30 September 2017 – ZMW2 million [USD0.2 million], 31 March 2017 – ZMW1.23 million [USD0.13 million]) to a number of activities.

15. **Export sales**

The Group made exports of ZMW27 million (USD2.8 million) during the period (30 September 2017 – ZMW24.5 million [USD2.6 million], 31 March 2017 – ZMW14 million [USD1.4 million]).

16. **Property, plant and equipment**

Assets totalling ZMW80.3 million (USD8.1 million) were purchased by the Group during the period (30 September 2017 – ZMW209.4 million [USD22 million], 31 March 2017 – ZMW126.5 million [USD12.9 million]) which included expenditure on the palm plantation development during the period of ZMW6 million (USD0.6 million) (30 September 2017 – ZMW13.8 million [USD1.5 million], 31 March 2017 – ZMW8.8 million [USD0.9 million]).

17. **Interim report**

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

**By order of the Board**

**Company Secretary**

**Date: 5 June 2018**

6 June 2018

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

Dear Sirs

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

### **Introduction**

We have been instructed by the Directors of the Company to review the financial information set out on pages 19 to 50 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

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

### **Review of work performed**

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

### **Review conclusion**

On basis of our review we are not aware of any material modifications that should be made to the consolidated financial information as presented for the six month period ended 31 March 2018.

### **Chartered Accountants**

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

**Lusaka**

**Date: 5 June 2018**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

		Unaudited		Audited
		31 Mar 2018	31 Mar 2017	30 Sept 2017
Group	Notes	ZMW'000s	ZMW'000s	ZMW'000s
<b>Revenue</b>	5(i)	1,226,083	1,161,318	2,435,182
Net gain/ (loss) arising from price changes in fair value of biological assets	8	(4,283)	(91)	(3,491)
Cost of sales		(760,648)	(783,603)	(1,633,060)
<b>Gross profit</b>	5(i)	461,152	377,624	798,631
Administrative expenses		(399,546)	(334,707)	(714,746)
Other income		731	1,243	2,768
<b>Operating profit</b>		62,337	44,160	86,653
Exchange losses on translating foreign currency transactions and balances		5,619	6,748	6,701
Finance costs		(40,663)	(45,128)	(87,904)
<b>Profit before taxation</b>	5(i)	27,293	5,780	5,450
Taxation charge	6(a)	(4,333)	(556)	(1,049)
<b>Group profit for the period from continued operations</b>		22,960	5,224	4,401
Loss from discontinued operations	14	(11,290)	-	(1,133)
Total profit/(loss) for the period		11,670	5,224	3,268
<b>Group profit/(loss) attributable to:</b>				
Equity holders of the parent		12,295	5,519	4,037
Non-controlling interest		(625)	(295)	(769)
		11,670	5,224	3,268
<b>Other comprehensive income</b>				
Exchange gains on translating presentational currency		(10,437)	(10,547)	(31,190)
<b>Total comprehensive income for the period</b>		1,233	(5,323)	(27,922)
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Equity holders of the parent		4,299	(4,308)	(27,257)
Non-controlling interest		(3,066)	(1,015)	(665)
		1,233	(5,323)	(27,922)
<b>Earnings per share</b>		Ngwee	Ngwee	Ngwee
Basic and diluted earnings per share from continued operations	7	7.85	1.84	1.72
Basic and diluted earnings per share from discontinued operations	7	(3.76)	-	(0.38)
<b>Total</b>	7	<b>4.09</b>	<b>1.84</b>	<b>1.34</b>

The accompanying notes form part of the financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

		Unaudited		Audited
		31 Mar 2018	31 Mar 2017	30 Sept 2017
Group	Notes	USD'000s	USD'000s	USD'000s
<b>Revenue</b>	5(ii)	123,847	118,381	255,796
Net gain /(loss) arising from price changes in fair value of biological assets	8	(433)	(9)	(367)
Cost of sales		(76,833)	(79,878)	(171,540)
<b>Gross profit</b>	5(ii)	46,581	38,494	83,889
Administrative expenses		(40,358)	(34,119)	(75,078)
Other income		74	127	291
<b>Operating profit</b>		6,297	4,502	9,102
Exchange losses on translating foreign currency transactions and balances		568	688	704
Finance costs		(4,107)	(4,600)	(9,234)
<b>Profit before taxation</b>	5(ii)	2,758	590	572
Taxation charge	6(f)	(438)	(57)	(110)
<b>Group profit for the period from continued operations</b>		2,320	533	462
Loss from discontinued operations	14	(1,140)	-	(119)
<b>Total profit/(loss) for the period</b>		1,180	533	343
<b>Group profit/(loss) attributable to:</b>				
Equity holders of the parent		1,243	563	424
Non-controlling interest		(63)	(30)	(81)
		1,180	533	343
<b>Other comprehensive income</b>				
Exchange losses on translating presentational currency		4,938	6,617	4,243
<b>Total comprehensive income for the period</b>		6,118	7,150	4,586
<b>Total comprehensive income/(loss) for the period attributable to:</b>				
Equity holders of the parent		6,459	7,282	4,681
Non-controlling interest		(341)	(132)	(95)
		6,118	7,150	4,586
<b>Earnings per share</b>		Cents	Cents	Cents
Basic and diluted earnings per share from continued operations	7	0.79	0.19	0.18
Basic and diluted earnings per share from discontinued operations	7	(0.38)	-	(0.04)
<b>Total</b>	7	<b>0.41</b>	<b>0.19</b>	<b>0.14</b>

The accompanying notes form part of the financial statements.

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

	Share capital	Share premium	Preference share capital	Revaluation reserve	Foreign exchange translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total equity
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
<b>At 1 October 2016</b>	3,006	1,125,012	1,000	485,765	103,521	417,635	2,135,939	(7,616)	2,128,323
Profit for the period	-	-	-	-	-	5,519	5,519	(295)	5,224
Transfer of surplus depreciation	-	-	-	(9,318)	-	9,318	-	-	-
<b>Other comprehensive income</b>									
Exchange gains on translating presentational currency	-	-	-	-	(9,827)	-	(9,827)	(720)	(10,547)
<b>Total comprehensive income for the period</b>	-	-	-	(9,318)	(9,827)	14,837	(4,308)	(1,015)	(5,323)
<b>At 31 March 2017</b>	3,006	1,125,012	1,000	476,447	93,694	432,472	2,131,631	(8,631)	2,123,000
Profit for the period	-	-	-	-	-	(1,482)	(1,482)	(474)	(1,956)
Transfer of surplus depreciation	-	-	-	(14,100)	-	14,100	-	-	-
Revaluation	-	-	-	789,795	-	-	789,795	-	789,795
<b>Other comprehensive income:</b>									
Exchange gains/(losses) on translating presentational currency	-	-	-	-	(21,467)	-	(21,467)	824	(20,643)
<b>Total comprehensive income for the period</b>	-	-	-	775,695	(21,467)	12,618	766,846	350	767,196
<b>At 30 September 2017</b>	3,006	1,125,012	1,000	1,252,142	72,227	445,090	2,898,477	(8,281)	2,890,196
Profit for the period	-	-	-	-	-	12,295	12,295	(625)	11,670
Transfer of surplus depreciation	-	-	-	(11,700)	-	11,700	-	-	-
<b>Other comprehensive income</b>									
Exchange gains on translating presentational currency	-	-	-	-	(7,996)	-	(7,996)	(2,441)	(10,437)
<b>Total comprehensive income for the period</b>	-	-	-	(11,700)	(7,996)	23,995	4,299	(3,066)	1,233
<b>At 31 March 2018</b>	3,006	1,125,012	1,000	1,240,442	64,231	469,085	2,902,776	(11,347)	2,891,429

**CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

	Share capital	Share premium	Preference share capital	Revaluation reserve	Foreign exchange translation reserve	Retained earnings	Total attributable to owners of the parent	Non- controlling Interest	Total equity
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
<b>At 1 October 2016</b>	449	185,095	100	98,763	(144,899)	73,876	213,384	(761)	212,623
Profit for the period	-	-	-	-	-	563	563	(30)	533
Transfer of surplus depreciation	-	-	-	(950)	-	950	-	-	-
<b>Other comprehensive income</b>									
Exchange losses on translating presentational currency	-	-	-	-	6,719	-	6,719	(102)	6,617
<b>Total comprehensive income for the period</b>	-	-	-	(950)	6,719	1,513	7,282	(132)	7,150
<b>At 31 March 2017</b>	449	185,095	100	97,813	(138,180)	75,389	220,666	(893)	219,773
<b>Transactions with owners</b>									
Profit for the period	-	-	-	-	-	(139)	(139)	(51)	(190)
Transfer of surplus depreciation	-	-	-	(1,510)	-	1,510	-	-	-
Revaluation	-	-	-	81,675	-	-	81,675	-	81,675
<b>Other comprehensive income:</b>									
Exchange losses on translating presentational currency	-	-	-	-	(2,462)	-	(2,462)	88	(2,374)
<b>Total comprehensive income for the period</b>	-	-	-	80,165	(2,462)	1,371	79,074	37	79,111
<b>At 30 September 2017</b>	449	185,095	100	177,978	(140,642)	76,760	299,740	(856)	298,884
Profit for the period	-	-	-	-	-	1,243	1,243	(63)	1,180
Transfer of surplus depreciation	-	-	-	(1,182)	-	1,182	-	-	-
<b>Other comprehensive income</b>									
Exchange losses on translating presentational currency	-	-	-	-	5,216	-	5,216	(278)	4,938
<b>Total comprehensive income</b>	-	-	-	(1,182)	5,216	2,425	6,459	(341)	6,118
<b>At 31 March 2018</b>	449	185,095	100	176,796	(135,426)	79,185	306,199	(1,197)	305,002

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2018**

	Notes	Unaudited		Audited
		31 Mar 2018 ZMW'000s	31 Mar 2017 ZMW'000s	30 Sept 2017 ZMW'000s
<b>ASSETS</b>				
<b>Non – current assets</b>				
Goodwill		166,801	166,801	166,801
Property, plant and equipment		2,614,680	1,837,941	2,610,488
Plantation development expenditure		-	100,277	-
Biological assets	8	-	51,541	-
Deferred tax assets	6(e)	43,176	41,013	43,368
		<u>2,824,657</u>	<u>2,197,573</u>	<u>2,820,657</u>
<b>Current assets</b>				
Biological assets	8	339,358	373,280	167,857
Inventories		476,843	372,975	516,418
Trade and other receivables		116,269	131,497	90,792
Assets held for disposal	14	239,937	-	221,178
Amounts due from related companies		18,789	2,727	11,422
Income tax recoverable	6(c)	8,719	1,569	1,376
		<u>1,199,915</u>	<u>882,048</u>	<u>1,009,043</u>
<b>Total assets</b>		<b><u>4,024,572</u></b>	<b><u>3,079,621</u></b>	<b><u>3,829,700</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital		3,006	3,006	3,006
Preference share capital		1,000	1,000	1,000
Share premium		1,125,012	1,125,012	1,125,012
Reserves		1,773,758	1,002,613	1,769,459
		<u>2,902,776</u>	<u>2,131,631</u>	<u>2,898,477</u>
Non-controlling interest		(11,347)	(8,631)	(8,281)
		<u>2,891,429</u>	<u>2,123,000</u>	<u>2,890,196</u>
<b>Non – current liabilities</b>				
Interest bearing liabilities	10	284,352	233,589	328,238
Obligations under finance leases		24,382	33,433	27,915
Amounts due to related companies		-	-	-
Deferred liability		17,729	11,037	16,756
Deferred taxation	6(e)	7,318	8,630	7,212
		<u>333,781</u>	<u>286,689</u>	<u>380,121</u>
<b>Current liabilities</b>				
Interest bearing liabilities	10	73,416	77,306	78,080
Collateral management agreement	10	136,774	68,008	60,248
Obligations under finance leases		12,679	22,422	19,916
Trade and other payables		284,165	238,757	291,843
Assets held for disposal	14	12,092	-	1,079
Amounts due to related companies		131	-	81
Taxation payable	6(c)	8,617	12,046	2,988
Cash and cash equivalents	9	271,488	251,393	105,148
		<u>799,362</u>	<u>669,932</u>	<u>559,383</u>
<b>Total equity and liabilities</b>		<b><u>4,024,572</u></b>	<b><u>3,079,621</u></b>	<b><u>3,829,700</u></b>

The accompanying notes form part of the financial statements. The interim financial statements on pages 19 to 50 were approved by the Board of Directors on **6 June 2018** and were signed on its behalf by

) )  
**) DIRECTORS**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2018**

	Notes	Unaudited		Audited
		31 Mar 2018 USD '000s	31 Mar 2017 USD '000s	30 Sept 2017 USD '000s
<b>ASSETS</b>				
<b>Non – current assets</b>				
Goodwill		17,595	17,267	17,249
Property, plant and equipment		275,810	190,263	269,958
Plantation development expenditure		-	10,381	-
Biological assets	8	-	5,336	-
Deferred tax asset	6(j)	4,554	4,246	4,485
		<u>297,959</u>	<u>227,493</u>	<u>291,692</u>
<b>Current assets</b>				
Biological assets	8	35,797	38,642	17,359
Inventories		50,300	38,610	53,404
Trade and other receivables		12,265	13,613	9,390
Assets held for disposal		25,309		22872
Amounts due from related companies		1,982	282	1,181
Income tax recoverable	6(h)	920	162	142
		<u>126,573</u>	<u>91,309</u>	<u>104,348</u>
<b>Total assets</b>		<b><u>424,532</u></b>	<b><u>318,802</u></b>	<b><u>396,040</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital		449	449	449
Preference share capital		100	100	100
Share premium		185,095	185,095	185,095
Reserves		120,555	35,022	114,096
		<u>306,199</u>	<u>220,666</u>	<u>299,740</u>
Non-controlling interest		(1,197)	(893)	(856)
		<u>305,002</u>	<u>219,773</u>	<u>298,884</u>
<b>Non – current liabilities</b>				
Interest bearing liabilities	10	29,995	24,181	33,944
Obligations under finance leases		2,572	3,461	2,887
Deferred liability		1,870	1,143	1,733
Deferred tax liability	6(j)	772	893	746
		<u>35,209</u>	<u>29,678</u>	<u>39,310</u>
<b>Current liabilities</b>				
Interest bearing liabilities	10	7,744	8,003	8,074
Collateral management agreement	10	14,428	7,040	6,230
Obligations under finance leases		1,337	2,321	2,060
Trade and other payables		29,975	24,716	30,179
Assets held for disposal	14	1,276		111
Amounts due to related companies		14	-	9
Taxation payable	6(h)	909	1,247	309
Cash and cash equivalents	9	28,638	26,024	10,874
		<u>84,321</u>	<u>69,351</u>	<u>57,846</u>
<b>Total equity and liabilities</b>		<b><u>424,532</u></b>	<b><u>318,802</u></b>	<b><u>396,040</u></b>

The accompanying notes form part of the financial statements. The interim financial statements on pages 19 to 50 were approved by the Board of Directors on **6 June 2018** and were signed on its behalf by

)  
) **DIRECTORS**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

	<u>Unaudited</u>		<u>Audited</u>
	<b>6 months to 31 Mar 2018</b>	<b>6 months to 31 Mar 2017</b>	<b>Year to 30 Sept 2017</b>
	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>
<b>Cash (outflow)/inflow (on)/from operating activities</b>			
Profit before taxation	27,293	5,780	5,450
Finance costs	40,663	45,128	87,904
Profit on disposal of property, plant and equipment	(1,358)	-	(974)
Depreciation	51,474	40,810	83,301
Profit/(loss) on discontinued operations	(11,290)	-	(1,133)
Fair value price adjustment	4,283	91	3,491
Net unrealised foreign exchange (gains)/losses	(1,394)	(4,525)	(4,410)
	<hr/>	<hr/>	<hr/>
<b>Earnings before interest, tax, depreciation and amortisation</b>	109,671	87,284	173,629
Increase in biological assets	(171,501)	(189,315)	19,169
Decrease in inventory	39,575	171,764	28,321
Decrease /(increase) in trade and other receivables	(25,477)	(18,346)	22,503
Decrease in amount due from related companies	(7,367)	7,816	(1,158)
(Decrease)/increase in trade and other payables	(7,678)	(83,378)	(33,308)
Increase in amount due to related companies	50	(313)	4,113
Increase in deferred liability	973	595	6,314
Cash outflow from assets held for disposal	(7,746)	-	(14,226)
Income tax paid	(5,749)	(4,368)	(17,329)
<b>Net cash (outflow)/inflow (on)/from operating activities</b>	<hr/> <b>(75,249)</b>	<hr/> <b>(28,261)</b>	<hr/> <b>188,028</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(74,257)	(117,613)	(195,610)
Expenditure on plantation development	-	(8,848)	(13,805)
Movement in investments	-	(8,879)	(8,879)
Proceeds from sale of assets	19,949	-	-
<b>Net cash (outflow)/ inflow (on)/ from investing activities</b>	<hr/> <b>(54,308)</b>	<hr/> <b>(135,340)</b>	<hr/> <b>(218,294)</b>
<b>Net cash (outflow)/ inflow before financing</b>	<hr/> <b>(129,557)</b>	<hr/> <b>(163,601)</b>	<hr/> <b>(30,266)</b>
<b>Financing</b>			
Long term loans repaid	(48,550)	(57,096)	(104,768)
Receipt of long term loans	-	-	140,100
(Repayment)/ receipt of short term funding	76,526	(47,410)	(55,292)
Lease finance (repaid)/ obtained	(10,770)	4,965	(3,551)
Finance costs including discontinued operations	(40,663)	(45,128)	(87,904)
<b>Net cash outflow from financing</b>	<hr/> <b>(23,457)</b>	<hr/> <b>(144,669)</b>	<hr/> <b>(111,415)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(153,014)</b>	<b>(308,270)</b>	<b>(141,681)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(105,148)</b>	<b>64,806</b>	<b>64,806</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	(13,326)	(7,929)	(28,273)
<b>Cash and cash equivalents at end of year</b>	<hr/> <b>(271,488)</b>	<hr/> <b>(251,393)</b>	<hr/> <b>(105,148)</b>
<b>Represented by:</b>			
Cash in hand and at bank	(61,857)	56,416	62,518
Bank overdrafts	(333,345)	(307,809)	(167,666)
	<hr/> <b>(271,488)</b>	<hr/> <b>(251,393)</b>	<hr/> <b>(105,148)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2018**

	Unaudited		Audited
	6 months to 31 Mar 2018 <i>USD'000s</i>	6 months to 31 Mar 2017 <i>USD'000s</i>	Year to 30 Sept 2017 <i>USD'000s</i>
<b>Cash (outflow)/inflow (on)/from operating activities</b>			
Loss before taxation	2,758	590	572
Finance costs	4,107	4,600	9,234
Profit on disposal of property, plant and equipment	(137)	-	(102)
Depreciation	5,199	4,160	8,750
Profit/(loss) on discontinued operations	(1,107)	-	(119)
Fair value price adjustment	433	9	367
Net unrealised foreign (gains)/ exchange losses	(141)	(461)	(463)
<b>Earnings before interest, tax, depreciation and amortisation</b>	11,112	8,898	18,239
Increase in biological assets	(18,438)	(19,298)	2,014
Decrease in inventory	3,104	17,509	2,975
Decrease /(increase) in trade and other receivables	(2,875)	(1,870)	2,363
Decrease in amount due from related companies	(801)	797	(122)
(Decrease)/ increase in trade and other payables	(204)	(8,499)	(3,499)
Increase in amount due to related companies	5	(32)	432
Increase in deferred liability	137	61	663
Cash outflow from assets held for disposal	(1,272)	-	(1,494)
Income tax paid	(581)	(445)	(1,820)
<b>Net cash (outflow)/inflow (on)/from operating activities</b>	(9,813)	(2,879)	19,751
<b>Investing activities</b>			
Purchase of property, plant and equipment	(7,501)	(11,989)	(20,547)
Expenditure on plantation development	-	(902)	(1,450)
Movement in investments	-	(905)	(933)
Proceeds from sale of assets	2,098	-	-
<b>Net cash outflow on investing activities</b>	(5,403)	(13,796)	(22,930)
<b>Net cash outflow before financing</b>	(15,216)	(16,675)	(3,179)
<b>Financing</b>			
Long term loans repaid	(4,279)	(5,820)	(11,005)
Receipt of long term loans	-	-	15,000
(Repayment)/ receipt of short term funding	8,198	(4,833)	(5,808)
Lease finance	(1,038)	506	(373)
Finance costs including discontinued operations	(4,107)	(4,600)	(9,234)
<b>Net cash outflow from financing</b>	(1,226)	(14,747)	(11,420)
<b>Decrease in cash and cash equivalents</b>	(16,442)	(31,422)	(14,599)
<b>Cash and cash equivalents at beginning of year</b>	(10,874)	6,474	6,474
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,322)	(1,076)	(2,749)
<b>Cash and cash equivalents at end of year</b>	(28,638)	(26,024)	(10,874)
<b>Represented by:</b>			
Cash in hand and at bank	6,525	5,840	6,465
Bank overdrafts	(35,163)	(31,864)	(17,339)
	(28,638)	(26,024)	(10,874)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018

### 1. **The Group**

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

### 2. **Principal accounting policies**

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

#### (a) **Basis of consolidation**

The consolidated financial statements include the financial statements of the parent Company and its subsidiary companies made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of their acquisition or up to the date of their disposal. Intercompany transactions and profits are eliminated on consolidation and all income and profit figures relate to external transactions only.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses incurred are allocated to the non-controlling interest in equity until this value is nil, at which point any subsequent losses are allocated against the interests of the parent.

#### (b) **Going Concern**

At the reporting date the current portion of long term loan amounts repayable amount to ZMW222.9 million (USD23.5million) [30 September 2017: ZMW158.2 million (USD16.4 million)]. After reviewing the available information including the Group’s strategic plans and continuing support from the Group’s working capital funders, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. All current liabilities will be settled from the continued liquidation of stock and expected increase in income from the capital expenditure carried out.

#### (c) **Basis of presentation**

The information for the 6 months period ended 31 March 2018 and 31 March 2017 do not constitute statutory accounts. The figures for the year ended 30 September 2017 have been extracted from the 2017 statutory financial statements. The auditors’ report on those financial statements was unqualified.

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

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

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

### 2. Principal accounting policies (continued)

#### (d) Foreign currencies

##### (i) Presentational and functional currency

Zambeef Products PLC as a company has ten operating branches of which nine have a historical functional currency of Zambian Kwacha (ZMW) and one (the Mpongwe Farm Branch) has a functional currency of United States Dollars (USD) being an operational branch set up during the financial year ended 30 September 2012. Management have chosen a variant on the functional currency of Mpongwe due to the following factors:

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

In light of this, Mpongwe's assets and liabilities are translated to ZMW and consolidated with other branches of the Company for reporting and tax purposes in Zambia, with any differences arising out of translation posted as a capital reserve item and a non-distributable reserve.

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

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

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

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

The following exchange rates have been applied:

ZMW:USD	Average exchange rate	Closing exchange rate
6 months ended 31 March 2017	9.81	9.66
Year ended 30 September 2017	9.52	9.67
6 months ended 31 March 2018	9.90	9.48

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

### 2. Principal accounting policies (continued)

#### (iii) *Basis of translating transactions and balances*

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

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

#### (iv) *Basis of translating foreign operations*

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

The following exchange rates have been applied:

	Average exchange rate	Closing exchange rate
<b>ZMW: Nigeria Naira</b>		
6 months ended 31 March 2017	31.74	32.32
Year ended 30 September 2017	36.55	36.79
6 months ended 31 March 2018	36.09	37.66
	Average exchange rate	Closing exchange rate
<b>ZMW: Ghana Cedi</b>		
6 months ended 31 March 2017	0.44	0.44
Year ended 30 September 2017	0.36	0.40
6 months ended 31 March 2018	0.45	0.47

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

The condensed interim consolidated financial statements are for the six months ended 31 March 2018 and are presented in Zambian Kwacha and United States Dollars. They have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017.

#### (f) **Significant accounting policies**

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 September 2017.

### 3. Critical accounting estimates and judgements

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

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

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

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

### 4. **Significant events and transactions**

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

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

Overall, the Group is in a strong position and has sufficient capital and liquidity to service its operating activities and debt. The Group's objectives and policies for managing capital credit risk and liquidity risk should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2017.

### 5. **Segmental reporting**

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

During the six month period to 31 March 2018, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2018

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
<b>Retailing – Zambia</b>	<b>774,680</b>	<b>91,331</b>
Master Meats (Nigeria)	49,410	9,165
Master Meats (Ghana)	16,289	5,116
<b>Retailing West Africa</b>	<b>65,699</b>	<b>14,281</b>
<b>Total Retailing</b>	<b>840,379</b>	<b>105,612</b>
Beef	233,937	63,402
Chicken	167,865	57,377
Pork	115,236	16,234
Milk and dairy	90,659	28,784
Fish	26,505	5,714
Eggs	31,041	7,982
<b>Total Cold Chain Food Production</b>	<b>665,243</b>	<b>179,493</b>
<b>Stock Feed</b>	<b>307,598</b>	<b>82,809</b>
<b>Crops – row crops</b>	<b>110,356</b>	<b>78,791</b>
Mill and bakery	48,635	9,161
Leather and shoe	17,281	5,286
Edible oils	-	-
<b>Total Other</b>	<b>65,916</b>	<b>14,447</b>
<b>Total</b>	<b>1,989,492</b>	<b>461,152</b>
Less: intra/inter group Sales	(763,409)	
<b>Group total</b>	<b>1,226,083</b>	<b>461,152</b>
Central operating costs		(398,815)
<b>Operating profit</b>		<b>62,337</b>
Foreign exchange gains		5,619
Finance costs		(40,663)
<b>Profit before tax</b>		<b>27,293</b>

Operating assets/(liabilities)

	Zambeef ZMW'000s	Retailing ZMW'000s	Master Pork ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property, plant and equipment	1,893,247	189,483	86,541	445,412	2,614,680
Biological assets and inventories	581,047	56,883	25,114	153,157	816,201
Cash, cash equivalents and bank overdrafts	(181,614)	(103,769)	(696)	14,591	(271,488)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2018

(ii) in US Dollars

Segment	Revenue <i>USD '000s</i>	Gross Profit <i>USD '000s</i>
<b>Retailing – Zambia</b>	<b>78,251</b>	<b>9,225</b>
Master Meats (Nigeria)	4,991	926
Master Meats (Ghana)	1,645	517
<b>Retailing West Africa</b>	<b>6,636</b>	<b>1,443</b>
<b>Total Retailing</b>	<b>84,887</b>	<b>10,668</b>
Beef	23,630	6,404
Chicken	16,956	5,796
Pork	11,640	1,640
Milk and dairy	9,157	2,907
Fish	2,677	577
Eggs	3,135	806
<b>Total Cold Chain Food Production</b>	<b>67,195</b>	<b>18,130</b>
<b>Stock Feed</b>	<b>31,071</b>	<b>8,365</b>
<b>Crops – row crops</b>	<b>11,147</b>	<b>7,959</b>
Mill and bakery	4,913	925
Leather and shoe	1,746	534
Edible oils	-	-
Total Other	<b>6,659</b>	<b>1,459</b>
<b>Total</b>	<b>200,959</b>	<b>46,581</b>
Less: intra/inter group sales	(77,112)	
<b>Group total</b>	<b>123,847</b>	<b>46,581</b>
Central operating costs		(40,284)
<b>Operating profit</b>		<b>6,297</b>
Foreign exchange gains		568
Finance costs		(4,107)
<b>Profit before tax</b>		<b>2,758</b>

**Operating assets/(liabilities)**

	<b>Zambeef</b> <i>USD'000s</i>	<b>Retailing</b> <i>USD'000s</i>	<b>Master Pork</b> <i>USD'000s</i>	<b>Other</b> <i>USD'000s</i>	<b>Total</b> <i>USD'000s</i>
Property, plant and equipment	188,422	19,987	9,129	58,272	275,810
Biological assets and inventories	61,292	6,000	2,649	16,156	86,097
Cash, cash equivalents and bank overdrafts	(19,158)	(10,946)	(73)	1,539	(28,638)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2017

(i) in Zambian Kwacha

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

**Operating assets/(liabilities)**

	Zambeef ZMW'000s	Retailing ZMW'000s	Master Pork ZMW'000s	Zampalm ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property plant and equipment and plantation development expenditure	1,105,237	212,287	65,705	149,980	405,009	1,837,941
Biological assets and inventories	565,505	45,835	21,651	51,541	113,264	797,796
Cash, cash equivalents and bank overdrafts	(207,229)	(82,828)	4,195	432	34,037	(251,393)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2017

(ii) in US Dollars

Segment	Revenue <i>USD '000s</i>	Gross Profit <i>USD '000s</i>
<b>Retailing – Zambia</b>	<b>74,523</b>	<b>6,262</b>
Master Meats (Nigeria)	7,529	1,331
Master Meats (Ghana)	1,431	378
<b>Retailing West Africa</b>	<b>8,960</b>	<b>1,709</b>
<b>Total Retailing</b>	<b>83,483</b>	<b>7,971</b>
Beef	23,693	6,786
Chicken	15,237	3,319
Pork	12,887	1,894
Milk and dairy	8,805	1,719
Fish	3,107	585
Eggs	2,918	375
<b>Total Cold Chain Food Production</b>	<b>66,647</b>	<b>14,678</b>
<b>Stock Feed</b>	<b>33,099</b>	<b>6,395</b>
<b>Crops – row crops</b>	<b>20,581</b>	<b>8,139</b>
Mill and bakery	6,073	1,062
Leather and shoe	1,361	366
Edible oils	619	(117)
Total Other	<u>8,053</u>	<u>1,311</u>
<b>Total</b>	<b>211,863</b>	<b>38,494</b>
Less: intra/inter group sales	(93,482)	-
<b>Group total</b>	<b>118,381</b>	<b>38,494</b>
Central operating costs		<u>(33,992)</u>
<b>Operating profit</b>		4,502
Foreign exchange gains		688
Finance costs		<u>(4,600)</u>
<b>Profit before tax</b>		<u>590</u>

**Operating assets/(liabilities)**

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 30 September 2017

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
<b>Retailing – Zambia</b>	<b>1,440,784</b>	<b>164,450</b>
Master Meats (Nigeria)	137,759	25,139
Master Meats (Ghana)	26,415	7,459
<b>Retailing West Africa</b>	<b>164,174</b>	<b>32,598</b>
<b>Total Retailing</b>	<b>1,604,958</b>	<b>197,048</b>
Beef	415,963	103,725
Chicken	297,340	65,686
Pork	243,491	36,980
Milk and dairy	172,516	49,338
Fish	55,438	10,591
Eggs	57,729	7,049
<b>Total Cold Chain Food Production</b>	<b>1,242,477</b>	<b>273,369</b>
<b>Stock Feed</b>	<b>662,068</b>	<b>166,884</b>
<b>Crops – row crops</b>	<b>505,738</b>	<b>134,556</b>
Mill and bakery	117,504	19,827
Leather and shoe	31,571	7,260
Edible oils	12,312	(313)
Total Other	<b>161,387</b>	<b>26,774</b>
<b>Total</b>	<b>4,176,628</b>	<b>798,631</b>
Less: intra/inter group Sales	(1,741,446)	-
<b>Group total</b>	<b>2,435,182</b>	<b>798,631</b>
Central operating costs		(711,978)
<b>Operating profit</b>		86,653
Foreign exchange gains		6,701
Finance costs		(87,904)
<b>Profit before tax</b>		<b>5,450</b>

Operating assets/(liabilities)

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

Period ended 30 September 2017

(i) in US Dollars

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

Operating assets/(liabilities)

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

5. Segmental reporting (continued)

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

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	Revenues	Non-current assets	Revenues	Non-current assets	Revenues	Non-current assets
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Zambia	1,133,060	2,811,187	1,059,419	2,178,848	2,246,553	2,795,711
West Africa	65,699	13,470	87,893	18,725	164,174	24,946
Rest of world	27,324	-	14,006	-	24,455	-
	<u>1,226,083</u>	<u>2,824,657</u>	<u>1,161,318</u>	<u>2,197,573</u>	<u>2,435,182</u>	<u>2,820,657</u>

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	Revenues	Non-current assets	Revenues	Non-current assets	Revenues	Non-current assets
	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Zambia	114,451	296,538	107,993	225,555	235,983	289,112
West Africa	6,636	1,421	8,960	1,938	17,245	2,580
Rest of world	2,760	-	1,428	-	2,568	-
	<u>123,847</u>	<u>297,959</u>	<u>118,381</u>	<u>227,493</u>	<u>255,796</u>	<u>291,692</u>

6. Taxation

	31 Mar 2018	31 Mar 2017	30 Sept 2017
	ZMW'000s	ZMW'000s	ZMW'000s
Income tax expense			
(a) <b>Tax charge</b>			
<b>Current tax:</b>			
Tax charge	4,035	8,612	12,878
<b>Deferred tax:</b>			
Deferred taxation (note 6(e))	298	(8,056)	(11,829)
Tax charge/(credit) for the period	<u>4,333</u>	<u>556</u>	<u>1,049</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

6. **Taxation (continued)**

	31 Mar 2018 ZMW'000s	31 Mar 2017 ZMW'000s	30 Sept 2017 ZMW'000s
(b) <b>Reconciliation of tax charge</b>			
Profit/(loss) before taxation	27,293	5,780	5,450
Taxation on accounting profit	(2,998)	2,243	(6,872)
Effects of:			
<b>Permanent differences:</b>			
Disallowable expenses	1,283	2,372	1,191
<b>Timing differences:</b>			
Capital allowances and depreciation	(10,405)	(3,643)	1,763
Livestock and crop valuations adjustment	(2,123)	2,166	3,283
Other income	1,045	(4)	(5)
Unrealised exchange gains/(losses)	69	527	1,581
Unrealised tax loss	17,164	4,951	11,937
Tax charge for the period	<u>4,035</u>	<u>8,612</u>	<u>12,878</u>
(c) <b>Movement in taxation account</b>			
Taxation payable at 1 October	1,612	6,063	6,063
Charge for the period	4,035	8,612	12,878
Under provision in prior period	-	170	-
Taxation paid	(5,749)	(4,368)	(17,329)
Taxation payable/(recoverable) at the end of the period	<u>(102)</u>	<u>10,477</u>	<u>1,612</u>
Taxation payable	8,617	12,046	2,988
Taxation recoverable	(8,719)	(1,569)	(1,376)
Taxation payable as at 30 September	<u>(102)</u>	<u>10,477</u>	<u>1,612</u>
(d) Income tax returns have been filed with the ZRA for the tax year ended 31 December 2016. Quarterly tax returns for the period were made on the due dates.			
(e) <b>Deferred taxation</b>			
	31 Mar 2018 ZMW'000s	31 Mar 2017 ZMW'000s	30 Sept 2017 ZMW'000s
<b>Represented by:</b>			
Biological valuation	12,099	14,423	11,005
Accelerated tax allowances	41,974	39,827	39,213
Provisions	(4,140)	(4,624)	(6,974)
Tax loss	(85,791)	(82,009)	(79,400)
	<u>(35,858)</u>	<u>(32,383)</u>	<u>(36,156)</u>
<b>Analysis of movement:</b>			
Asset as at 1 October	(36,156)	(24,327)	(24,327)
Charge to profit and loss account (note 6(a))	298	(8,056)	(11,829)
(Asset)/liability as at the end of the period	<u>(35,858)</u>	<u>(32,383)</u>	<u>(36,156)</u>
Deferred tax asset	(43,176)	(41,013)	(43,368)
Deferred tax liability	7,318	8,630	7,212
	<u>(35,858)</u>	<u>(32,383)</u>	<u>(36,156)</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

6. Taxation (continued)

Income tax expense	31 Mar 2018	31 Mar 2017	30 Sept 2017
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
(f) <b>Tax charge</b>			
<b>Current tax:</b>			
Tax charge	408	878	1,353
<b>Deferred tax:</b>			
Deferred taxation (note 6(j))	30	(821)	(1,243)
Tax (credit)/charge for the period	<u>438</u>	<u>57</u>	<u>110</u>
(g) <b>Reconciliation of tax charge</b>			
Profit/(loss) before taxation	2,758	590	572
Taxation on accounting profit	(303)	229	(722)
Effects of:			
<b>Permanent differences:</b>			
Disallowable expenses	130	242	126
<b>Timing differences:</b>			
Capital allowances and depreciation	(1,051)	(371)	185
Livestock and crop valuations adjustment	(215)	219	345
Other income	106	-	(1)
Unrealised exchange (gains)/losses	7	54	166
Unrealised tax loss	<u>1,734</u>	<u>505</u>	<u>1,254</u>
Tax charge for the period	<u>408</u>	<u>878</u>	<u>1,353</u>
(h) <b>Movement in taxation account</b>			
Taxation payable at 1 October	167	605	605
Charge for the year	408	878	1,353
Taxation paid	(581)	(445)	(1,820)
Foreign exchange	(5)	47	29
Taxation payable as at the end of the period	<u>(11)</u>	<u>1,085</u>	<u>167</u>
Taxation payable	909	1,247	309
Taxation recoverable	<u>(920)</u>	<u>(162)</u>	<u>(142)</u>
Taxation payable as at 30 September	<u>(11)</u>	<u>1,085</u>	<u>167</u>

(i) Income tax returns have been filed with the ZRA for the year 31 December 2016. Quarterly tax returns for the period were made on the due dates.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

6. Taxation (continued)

	31 Mar 2018	31 Mar 2017	30 Sept 2017
	USD'000s	USD'000s	USD'000s
(j) <b>Deferred taxation</b>			
<b>Represented by:</b>			
Biological valuation	1,276	1,493	1,138
Accelerated tax allowances	4,429	4,123	4,055
Provisions	(437)	(479)	(721)
Tax loss	(9,050)	(8,490)	(8,211)
	<u>(3,782)</u>	<u>(3,353)</u>	<u>(3,739)</u>
<b>Analysis of movement:</b>			
Liability as at 1 October	(3,739)	(2,431)	(2,431)
Charge to profit and loss account (note 6(f))	30	(821)	(1,243)
Foreign exchange	(73)	(101)	(65)
(Asset)/liability as at the end of period	<u>(3,782)</u>	<u>(3,353)</u>	<u>(3,739)</u>
Deferred tax asset	(4,554)	(4,246)	(4,485)
Deferred tax liability	772	893	746
	<u>(3,782)</u>	<u>(3,353)</u>	<u>(3,739)</u>

7. Earnings per share

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

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

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

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
<u>Basic earnings per share</u>						
Profit for the period	12,295	1,243	5,519	563	4,037	424
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>300,579</u>	<u>300,579</u>	<u>300,579</u>	<u>300,579</u>	<u>300,579</u>	<u>300,579</u>
<b>Basic and diluted earnings per share (Ngwee &amp; US Cents)</b>	<b>4.09</b>	<b>0.41</b>	<b>1.84</b>	<b>0.19</b>	<b>1.34</b>	<b>0.14</b>
From continued operations	7.85	0.79	1.84	0.19	1.72	0.18
From discontinued operations	(3.76)	(0.38)	-	-	(0.38)	(0.04)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

8. **Biological assets**

(a) **31 March 2018**

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs, chickens and palm oil plantation. At 31 March 2018 there were 14,178 cattle (10,615 feedlot cattle, nil standing cattle and 3,563 dairy cattle) and 518,518 chickens (314,498 layers and 204,020 broilers), and 4,553 pigs. A total of 16,445 feedlot cattle, 586 dairy cattle, 4,083 pigs and 3,687,624 chickens were culled during the period.

(i) in **Zambian Kwacha**

	<b>As at 1 Oct 2017</b>	<b>Increase due to purchases</b>	<b>Gains arising from fair value attributable to physical changes</b>	<b>Gains arising from fair value attributable to price changes</b>	<b>Decrease due to harvest/ transferred to inventory</b>	<b>As at 31 Mar 2018</b>
	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>
Standing Crops	45,796	146,682	138,126	(4,377)	(112,384)	213,843
Feedlot cattle	46,507	94,975	41,436	-	(127,372)	55,546
Dairy Cattle	45,074	14,363	2,593	-	(21,402)	40,628
Pigs	3,688	3,723	1,755	94	(5,231)	4,029
Chickens	26,792	131,925	33,820	-	(167,225)	25,312
<b>Total</b>	<b>167,857</b>	<b>391,668</b>	<b>217,730</b>	<b>(4,283)</b>	<b>(433,614)</b>	<b>339,358</b>

(ii) in **US Dollars**

	<b>As at 1 Oct 2017</b>	<b>Foreign exchange</b>	<b>Increase due to purchases</b>	<b>Gains arising From fair value attributable to physical changes</b>	<b>Gains arising from fair value attributable to price changes</b>	<b>Decrease due to harvest/ transferred to inventory</b>	<b>As at 31 Mar 2018</b>
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
Standing Crops	4,736	847	14,816	13,952	(442)	(11,352)	22,557
Feedlot cattle	4,811	135	9,593	4,185	-	(12,866)	5,858
Dairy Cattle	4,660	75	1,451	262	-	(2,162)	4,286
Pigs	381	10	376	177	9	(528)	425
Chickens	2,771	49	13,326	3,416	-	(16,891)	2,671
Palm Plantation	6,488	167	813	15	-	(9)	7,474
<b>Total</b>	<b>17,359</b>	<b>1,116</b>	<b>39,562</b>	<b>21,992</b>	<b>(433)</b>	<b>(43,799)</b>	<b>35,797</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

8. **Biological assets (continued)**

(b) **31 March 2017**

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

(i) in **Zambian Kwacha**

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

(ii) in **US Dollars**

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

8. **Biological assets (continued)**

(c) **30 September 2017**

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

(i) in **Zambian Kwacha**

	<b>As at 1 Oct 2016</b>	<b>Increase due to purchases</b>	<b>Gains/(losses) arising from fair value attributable to physical changes</b>	<b>Gains arising from fair value attributable to price changes</b>	<b>Decrease due to harvest/ transferred to inventory</b>	<b>As at 30 Sept 2017</b>
	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>	<i>ZMW'000s</i>
Standing Crops	60,377	297,156	197,453	(3,452)	(505,738)	45,796
Feedlot Cattle	52,871	257,178	141,884	-	(405,426)	46,507
Dairy Cattle	46,103	60,922	110,529	-	(172,480)	45,074
Pigs	4,034	9,588	2,221	(39)	(12,116)	3,688
Chickens	23,641	280,441	16,011	-	(293,301)	26,792
<b>Total</b>	<b>187,026</b>	<b>905,285</b>	<b>468,098</b>	<b>(3,491)</b>	<b>(1,389,061)</b>	<b>167,857</b>

(ii) in **US Dollars**

	<b>As at 1 Oct 2016</b>	<b>Foreign exchange</b>	<b>Increase due to purchases</b>	<b>Gains/ (losses) arising from fair value attributable to physical changes</b>	<b>Gains arising from fair value attributable to price changes</b>	<b>Decrease due to harvest / transferred to inventory</b>	<b>As at 30 Sept 2017</b>
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
Standing Crops	6,031	237	31,214	20,741	(363)	(53,124)	4,736
Feedlot Cattle	5,282	197	27,015	14,904	-	(42,587)	4,811
Dairy Cattle	4,606	163	6,399	11,610	-	(18,118)	4,660
Pigs	403	15	1,007	233	(4)	(1,273)	381
Chickens	2,362	78	29,458	1,682	-	(30,809)	2,771
<b>Total</b>	<b>18,684</b>	<b>690</b>	<b>95,093</b>	<b>49,170</b>	<b>(367)</b>	<b>(145,911)</b>	<b>17,359</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

9. Cash and cash equivalents

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Cash in hand and at bank	61,857	6,525	56,416	5,840	62,518	6,465
Bank overdrafts	(333,345)	(35,163)	(307,809)	(31,864)	(167,666)	(17,339)
	<b>(271,488)</b>	<b>(28,638)</b>	<b>(251,393)</b>	<b>(26,024)</b>	<b>(105,148)</b>	<b>(10,874)</b>

(a) Banking facilities

The Group has overdraft facilities totalling ZMW74.6 million (2017: ZMW35.137 million) and USD5 million (2017: USD5.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of Bank of Zambia Policy rate plus 5 per cent. for the Kwacha facility and 6 month USD LIBOR rate plus 4.25 per cent. for the USD facility.

The Group has overdraft facilities totalling ZMW30 million (2017: ZMW30 million) and USD2 million (2017: USD2 million) with Standard Chartered Bank Zambia Plc. The Standard Chartered Bank overdrafts bear interest rates of Bank of Zambia Policy rate plus 5 per cent. on the Kwacha facilities and 1 month USD LIBOR rate plus 4 per cent on the USD facilities.

The Group has overdraft facilities totalling ZMW98.3 million (2017: ZMW98.3 million) with Zanaco Bank Plc. The Zanaco Bank overdraft bears an interest rate of Bank of Zambia Policy rate plus 5 per cent. on the Kwacha facility.

The Group has overdraft facilities totalling ZMW57.5 million (2017: ZMW54.7 million) and USD2 million (2017: USD6.3 million) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 5 per cent. on the Kwacha facility and 3 month USD LIBOR rate plus 4 per cent. on the USD facility.

(b) Bank overdrafts

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Bank overdrafts represented by:						
Zanaco Bank PLC	(97,189)	(10,252)	(85,398)	(8,840)	(96,245)	(9,953)
Citibank Zambia Limited	(119,293)	(12,583)	(71,690)	(7,422)	(56,930)	(5,887)
Stanbic Bank Zambia Limited	(74,236)	(7,831)	(100,942)	(10,449)	(10,201)	(1,055)
Standard Chartered Bank Zambia PLC	(42,627)	(4,497)	(49,779)	(5,153)	(4,290)	(444)
	<b>(333,345)</b>	<b>(35,163)</b>	<b>(307,809)</b>	<b>(31,864)</b>	<b>(167,666)</b>	<b>(17,339)</b>

- (i) The Zambef Products Plc Company bank overdrafts are secured by a first floating charge/ debenture over all the assets of the Company. The floating charge/ debenture ranks pari passu between Standard Chartered Bank Zambia Plc (USD5 million), Citibank Zambia Limited (USD14 million and ZMW 8 million), Zanaco Bank Plc (USD4 million and ZMW98.3 million), and Stanbic Bank Zambia Limited (ZMW78.5 million).

All overdrafts are annual revolving facilities.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

10. Interest bearing liabilities

	31 Mar 2018		31 Mar 2017		30 Sept 2017	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
DEG – Deutsche Investitions und Entwicklungsgesellschaft MBH (note (a))	197,658	20,850	99,643	10,315	220,573	22,810
Zanaco Bank Plc (note (b))	19,929	2,102	26,571	2,751	26,571	2,748
International Finance Corporation (note (d))	140,181	14,787	184,681	19,118	159,174	6,230
Standard Chartered Bank Zambia PLC (note (c))	136,774	14,428	68,008	7,040	60,248	16,460
	<u>494,542</u>	<u>52,167</u>	<u>378,903</u>	<u>39,224</u>	<u>466,566</u>	<u>48,248</u>
Less: short term portion of long term funding (repayable within next 12 months)	<u>(210,190)</u>	<u>(22,172)</u>	<u>(145,314)</u>	<u>(15,043)</u>	<u>(138,328)</u>	<u>(14,304)</u>
	<u>284,352</u>	<u>29,995</u>	<u>233,589</u>	<u>24,181</u>	<u>328,238</u>	<u>33,944</u>

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

The Group had a loan facility of USDnil (2017: USD1.795 million and original amount of USD25 million) from DEG. Interest on the loan was 4.55 per cent. above the 6 month USD LIBOR rate per annum payable six-monthly in arrears. The principal was repayable in 14 bi-annual instalments of USD1,785,000 commencing November 2010 and expired in May 2017.

The USD25 million DEG term loan was secured by:

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

(ii) **DEG Term Loan 3**

The group has a loan facility of USD7.1 million (2017: USD:8.25 million and original amount of USD10 million). Interest on the loan is 4.25 per cent. above the 6 month USD LIBOR rate per annum payable 6 monthly in arrears. The capital is repayable in 14 biannual instalments of USD710,000 commencing May 2016 and expiring in November 2022.

The USD10 million DEG term loan is secured by:

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

(iii) **DEG Term Loan 4**

The group has a loan facility of USD13.75 million (2017: USD:nil million and original amount of USD15 million). Interest on the loan is 5.75 per cent. above the 6 month USD LIBOR rate per annum payable quarterly in arrears. The capital is repayable in 12 quarterly instalments of USD1,250,000 commencing March 2018 and expiring in March 2023.

The USD15 million DEG term loan is secured by:

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

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

### 10. Interest bearing liabilities (continued)

#### (b) Zanaco Bank Plc

The Group has a loan facility of ZMW19.929 million (2017: ZMW33.2 million) with Zanaco Bank Plc. Interest on the loan is 5 per cent. above the Bank of Zambia policy rate per annum payable monthly in arrears. The principal is repayable in 7 annual instalments of ZMW6,642,857 commencing December 2014 and expiring in December 2020.

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

#### (c) Standard Chartered Bank Zambia Plc

The Group has structured agricultural facilities with an annual revolving limit totalling USD20 million (2017: USD20 million) with Standard Chartered Bank Zambia Plc. The purpose of the facilities is the financing of wheat, soya beans, and maize under collateral management agreements and is for 180 days. The balance on the facilities at period end was USD14.4 million (2017: USD7.04 million). Interest on the facilities is 3 month USD LIBOR rate plus 3.25 per cent. per annum calculated on the daily overdrawn balances.

#### (d) International Finance Corporation Loan

##### (i) International Finance Corporation Loan 1

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

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

##### (ii) International Finance Corporation Loan 2

The company has a loan facility of USD11.724 million and ZMW29.076 (2017: USD14.483 million in USD and ZMW35.917 million). Interest on the loan is 4.75 per cent. above the 6 month USD LIBOR rate per annum for the USD facility and 4.45 per cent. above the 91 day Treasury Bill rate plus a variable swap margin for the Kwacha facility payable quarterly in arrears. The principal is repayable in 29 equal quarterly instalments of USD689,655 and ZMW1,710,345 commencing June 2015 and expiring in June 2022.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)**

**12. Contingent liabilities**

Certain legal cases are pending against the Company in the Courts of Law. In the opinion of the Directors, and the Company lawyers, none of these cases will result in any material loss to the Company for which a provision is required.

**13. Fair value measurement**

**Fair value measurement of financial instruments**

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

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

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 March 2018 and 30 September 2017.

<b>31 March 2018</b>	<b>Level 1 ZMW'000</b>	<b>Level 2 ZMW'000</b>	<b>Level 3 ZMW'000</b>	<b>Total ZMW'000</b>
<b>Financial Assets</b>				
Other forwards exchange contracts inventory (CMA)		136,774		136,774
<b>Total Assets</b>		<b>136,774</b>		<b>136,774</b>
<b>Financial Liabilities</b>				
US-dollar loans		(308,803)		(308,803)
<b>Total Liabilities</b>		<b>(308,803)</b>		<b>(308,803)</b>
<b>Net fair value</b>		<b>(172,029)</b>		<b>(172,029)</b>

<b>30 September 2017</b>	<b>Level 1 ZMW'000</b>	<b>Level 2 ZMW'000</b>	<b>Level 3 ZMW'000</b>	<b>Total ZMW'000</b>
<b>Financial Assets</b>				
Other forwards exchange contracts inventory (CMA)	-	60,248	-	60,248
<b>Total Assets</b>	<b>-</b>	<b>60,248</b>	<b>-</b>	<b>60,248</b>
<b>Financial Liabilities</b>				
US-dollar loans	-	(347,279)	-	(347,279)
<b>Total Liabilities</b>	<b>-</b>	<b>(347,279)</b>	<b>-</b>	<b>(347,279)</b>
<b>Net fair value</b>	<b>-</b>	<b>(287,031)</b>	<b>-</b>	<b>(287,031)</b>

<b>31 March 2018</b>	<b>Level 1 USD'000</b>	<b>Level 2 USD'000</b>	<b>Level 3 USD'000</b>	<b>Total USD'000</b>
<b>Financial Assets</b>				
Other forwards exchange contracts inventory (CMA)	-	14,428	-	14,428
<b>Total Assets</b>	<b>-</b>	<b>14,428</b>	<b>-</b>	<b>14,428</b>
<b>Financial Liabilities</b>				
US-dollar loans	-	(32,574)	-	(32,574)
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net fair value</b>	<b>-</b>	<b>(18,146)</b>	<b>-</b>	<b>(18,146)</b>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

12. Fair value measurement (continued)

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

There were no transfers between Level 1 and Level 2 in 2018 or 2017.

**Measurement of fair value of financial instruments**

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

Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's reporting dates. The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

**Foreign currency forward contracts (Level 2)**

The Group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

**US-dollar loans (Level 2)**

The fair values of the US-dollar loans are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. The interest rate used for this calculation is 4.81% (2017: 4.81%).

**Contingent consideration (Level 3)**

The group did not have any contingent consideration during the year.

**Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2018 and 30 September 2017:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)

13. Fair value measurement (Continued)

<b>31 March 2018</b>	<b>Level 1 ZMW'000</b>	<b>Level 2 ZMW'000</b>	<b>Level 3 ZMW'000</b>	<b>Total ZMW'000</b>
Property, plant and equipment:				
Land held for production in Zambia	-	1,185,976	-	1,185,976
Office building in Zambia	-	39,407	-	39,407
<b>30 September 2017</b>	<b>Level 1 ZMW'000</b>	<b>Level 2 ZMW'000</b>	<b>Level 3 ZMW'000</b>	<b>Total ZMW'000</b>
Property, plant and equipment:				
Land held for production in Zambia	-	1,178,526	-	1,178,526
Office building in Zambia	-	39,407	-	39,407
<b>31 March 2018</b>	<b>Level 1 USD'000</b>	<b>Level 2 USD'000</b>	<b>Level 3 USD'000</b>	<b>Total USD'000</b>
Property, plant and equipment:				
Land held for production in Zambia	-	125,103	-	125,103
Office building in Zambia	-	4,157	-	4,157
<b>30 September 2017</b>	<b>Level 1 USD'000</b>	<b>Level 2 USD'000</b>	<b>Level 3 USD'000</b>	<b>Total USD'000</b>
Property, plant and equipment:				
Land held for production in Zambia	-	121,874	-	121,874
Office building in Zambia	-	4,075	-	4,075

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

Further information is set out below.

**Land held for production in Zambia (Level 2)**

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

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

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

**Level 3 fair value measurement**

The Group did not have any financial instruments classified within level 3 (30 September 2017: ZMW nil; 31 March 2017: ZMW nil) therefore no reconciliation of balances is required.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018 (CONTINUED)**

**14. Assets held for sale**

During the previous period management decided to sell 90% of a 100% owned subsidiary, Zampalm Limited (Zampalm). The sale was concluded on 6 April 2018. As such the assets and liabilities of Zampalm are disclosed in accordance with IFRS 5.

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

	<b>March 2018 ZMW'000</b>	<b>March 2018 USD'000</b>
Revenue	86	9
Cost of sales	(6,244)	(631)
Administration costs	(4,804)	(485)
Operating loss	(10,962)	(1,107)
Depreciation	(328)	(33)
Loss from discontinued operations before tax	(11,290)	(1,140)
Tax (expense)/credit	-	-
Loss for the period	(11,290)	(1,140)

The assets and liabilities of the unit held for sale are as follows:

	<b>March 2018 ZMW'000</b>	<b>March 2018 USD'000</b>
Property, plant and equipment	48,317	5,097
Plantation development expenditure	115,443	12,177
Biological assets	70,856	7,474
<b>Total non-current assets</b>	<b>234,616</b>	<b>24,748</b>
Inventories	4,136	436
Trade and other receivables	558	59
Cash and cash equivalents	627	66
<b>Total current assets</b>	<b>5,321</b>	<b>561</b>
<b>Assets classified as held for sale</b>	<b>239,937</b>	<b>25,309</b>
Interest bearing liabilities	-	-
Deferred liability	-	-
Deferred income tax	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
Trade and other payables	12,092	1,276
<b>Total current liabilities</b>	<b>12,092</b>	<b>1,276</b>
<b>Liabilities classified as held for sale</b>	<b>12,092</b>	<b>1,276</b>

The cash flow effects of the unit held for sale are as follows:

	<b>March 2018 ZMW'000</b>	<b>March 2018 USD'000</b>
Cash inflow from operating activities	(11,290)	(1,140)

**11. Events subsequent to reporting date**

There has not arisen since the end of the 6 months period any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in the subsequent financial years.

On 6 April 2018, Zambeef completed the sale of 90% of Zambeef's shareholding in its wholly owned subsidiary Zampalm Limited, to the state-owned Industrial Development Corporation (IDC) for a cash consideration of USD16 million.