

13 June 2019



Zambeef Products plc

("Zambeef" or the "Group")

Interim results for the Half Year Ended 31 March 2019

Zambeef (AIM: ZAM), the 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 2019.

Key Financial Highlights:

	USD ('000) H1 2019	USD ('000) H1 2018	ZMW ('000) H1 2019	ZMW ('000) H1 2018
Revenue	118,833	123,847	1,416,490	1,226,083
Gross Profit	39,477	46,581	470,570	461,152
Operating Profit	954	6,297	11,377	62,337
(Loss) / Profit before tax	(2,531)	2,758	(30,156)	27,293
(Loss) / Profit after tax	(2,668)	1,180	(31,789)	11,670
EBITDA	6,846	12,581	81,601	124,552
EBITDA Margin	5.76%	10.16%	5.76%	10.16%

Performance Overview

- In a challenging environment, the group has delivered the following financial highlights:
 - Revenue for the Group increased by 15.5% in Kwacha terms (down 4% in USD terms)
 - Executed on the Group's strategic focus on stepping up the roll out of new stores across Zambia
 - Improved margins and continued revenue growth since 31 March 2019
- The Group's Retailing and Cold Chain Food Products business now consists of 216 retail outlets, both own-branded and within Shoprite supermarkets
 - Revenue in the period was supported by an increase of sales in stock feed, edible oil and flour
 - Masterpork Limited has continued to be profitable
 - The Group has reported a return to profitability of Master Meats Nigeria and Master Meats Ghana
- Revenue growth and increased production from the Group's wheat mill

- Strong first half of revenue growth which resulted in EBITDA increasing from ZMW7.6m to ZMW10.4m
- Produced 8,618 tonnes of flour in the period, ahead of budget
- Continued investment in capital projects
 - The new Kitwe Processing Plant in the Copperbelt is now operational
 - USD450,000 investment has been made in the production at Zamleathers' Zamshu brand to double capacity from 500 to 1000 pairs of shoes per day
- Second half of the year expected to see higher Gross Profit margins
 - Consistent revenue growth through the retail network and stock feed operations with a strong focus on customer care
 - Improving cash conversion from strong working capital and tight control on Capex
 - Strategic focus on cost saving measures

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

“Significant fiscal pressures on the Zambian economy during the period have presented challenges for the market and impacted the disposable income of Zambeef’s customers. Exchange rate movements have not favoured the Group in the period and the depreciation of the currency has led to the Group reporting realized exchange losses.

“Despite the tough trading conditions, the management team have continued to deliver on the Group’s key strategic initiatives throughout the period and the second half of the year is expected to see an improvement in both revenue and margin performance.

“The Group’s strategic focus on the continued roll out of new Macro outlets across Zambia contributed to revenue growth in the period and its retail footprint increased to 216 retail outlets.”

For further information, please contact:

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Notes to the editors

Information on Zambeef

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

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

-Ends-

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT

The Economic Environment

During the first six months of the financial year the Group faced a challenging economic environment as a result of significant fiscal pressures on the Zambian economy combined with the broader global economic shocks. This has resulted in less disposable income for Zambef's core customers.

The Kwacha, having depreciated significantly from about 10.15 at the beginning of September 2018, ended the period under review at ZMW12.19/USD and has since depreciated further.

Annual inflation declined to an average of 7.7 per cent. in the first quarter of 2019, from 8 per cent. in the fourth quarter of 2018. This was attributed to improved supply of some food items and a reduction in fuel prices.

Trading Results

Zambef Group reported a Loss After Tax of ZMW31.8 million (USD2.7 million) compared to a Profit After Tax (before discontinued operations) of ZMW23 million (USD2.3 million) in the previous period. Group revenue increased by 15.5 per cent. in Kwacha terms to ZMW1.42 billion in the six months to March 31, 2019, compared with the same period for the previous year. In US Dollar terms revenue fell 4 per cent. to USD118.8 million, largely due to the average rate of exchange rising to ZMW11.92/USD from ZMW9.90/USD in the previous period.

Pressure on retailing, cold chain food production and stockfeed margins dampened gross profit resulting in the Group reporting a gross profit of ZMW470.6 million (USD39.5 million) for the period, an increase of 2 per cent. in Kwacha terms and down 15.3 per cent. in US Dollars.

Operating profit fell by 81.8 per cent. to ZMW 11.4 million (85 per cent. to USD954,000), due in part to lower margins being achieved in Zambef's Retailing and Cold Chain Food Products. The Group's overheads were higher than expected during the period.

Since 31 March 2019 Zambef has seen improving margins and continued revenue growth. In addition, the efficiency measures that were taken in the first half of the year are expected to flow through to an improved operating performance in the second half.

Retailing and Cold Chain Food Products (CCFP)

Zambef's chain of 216 retail outlets - both own-branded and within Shoprite supermarkets - remain at the heart of the business.

Zambef reported a 14.9 per cent. increase in revenue from its core Zambian Retailing operations to ZMW882 million (2018: ZMW768 million), bolstered mainly by increased sales of stockfeed, edible oil and flour.

Gross profit was down by 8 per cent. to ZMW84 million (2018: ZMW91.3 million). This was due to a change in sales mix, where disproportionate sales of lower margin products grew at higher rates than our higher margin products. Zambef margins were also lower due to low day old chick selling prices.

Masterpork Limited has continued to be profitable during the period and the Group is pleased to report a return to profitability of Master Meats Nigeria and Master Meats Ghana.

Stockfeed

Zambef's stockfeed operations continued to grow during the period under review, recording revenue growth of 34.1 per cent. vs the prior period (ZMW412.3 million vs ZMW307.6 million; 98,936 tons vs 95,245 tons). However, the higher revenue was at lower margins than the previous period due to higher input costs and strong competition. The stockfeed division Gross Profit margin reduced from 26.9 per cent. to 18.8 per cent. compared to the prior period. This resulted in a reduction in Gross Profit from ZMW82.8 million to ZMW77.5 million. Since 31 March 2019, the stockfeed division has seen improving margins.

Cropping

The Cropping division finished the first half ahead of the prior period, despite a decrease in soya bean prices from circa USD430/t in the previous period to USD390/t during the period under review. The cropping division Gross Profit increased from ZMW78.8 million to ZMW93.3 million which resulted in EBITDA increasing from ZMW23.9 million to ZMW36.8 million.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CHAIRMAN'S REPORT (CONTINUED)

Other

Zambeef's wheat mill produced revenue growth of 71.1 per cent. resulting in revenue of ZMW83.2 million, up from ZMW48.6 million in the previous period. This resulted in an EBITDA of ZMW10.4 million compared with ZMW7.6 million in the prior period. Volumes produced by the wheat mill increased by 59.5 per cent. from 5,405 tons to 8,618 tons.

The Zamleather division continues to be loss making due to the wet blue market global downturn. The increased capacity in shoe production is expected to come online in the second six months which will improve Zamleather's outlook.

Investment

The Group invested ZMW54.6 million (USD4.6 million) in capital projects during the six months, including the continued roll out of its successful Macro outlets concept countrywide which saw Macro store revenue up by 30.8 per cent. compared with the prior period.

The new Kitwe Processing Plant in the Copperbelt is now operational. This has enabled the Group to decentralise some distribution logistics, improving efficiencies in serving the Northern parts of the country.

USD450,000 of the 2019 Group capital expenditure budget has been allocated to expanding the Zamleather shoe plant.

Leadership succession/Board changes

As previously announced, leadership of the Group will transition to a new management team by 31st December 2019, with the retirement of the Chief Executive Officer, Francis Grogan effective from that date.

Francis, assisted by the Board's Remuneration and Succession Committee, is actively managing this transition process. Deputy Managing Director, Walter Roodt, who was appointed to the Board as an Executive Director in March 2019, will succeed Francis, and is working closely with him to ensure a successful and smooth transition.

Walter joined Zambeef in July, 2008, in the role of Nutritionist for the stockfeed division, trading as Novatek. A year later, he was appointed General Manager of the division, a position he held until he was appointed Deputy Managing Director of the Group. Under his leadership, the stockfeed division grew into the Group's best performing division and has become Zambia's leading stockfeed manufacturer.

Francis is also working closely with Mike Lovett, the Group's Chief Operating Officer, who is taken over his operational responsibilities.

In February 2019, Yusuf Koya, who joined Zambeef in 2005 and was appointed to the Board in 2006, resigned from the Board. Yusuf will continue to remain a senior employee/manager in the Group.

Also, in February 2019, Craig Harris resigned as Chief Financial Officer. Interim measures have been put in place under which senior managers will report to the Board through the CEO until his replacement has been appointed.

Outlook

After a relatively stable first half, the Zambian Kwacha depreciated significantly in April and May 2019, falling by around 15 per cent. to around ZMW14.00 to the US Dollar at one stage, amid concerns over a decline in the Zambia's gross international reserves.

Accordingly, on May 22, the Bank of Zambia increased its Policy Rate by 50 basis points to 10.25 per cent. to stem pressure on the Kwacha. The macro-economic climate is anticipated to remain challenging. However, I am confident that the Group will perform well in the second six months to September 2019, with continued growth in revenue and Gross Profit margins.

Dr Jacob Mwanza
Chairman

12 June 2019

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Zambeef celebrates its Silver Jubilee in June 2019. It marks 25 years of growth, from the small entrepreneurial start-up founded by the former joint CEO, Dr Carl Irwin, and myself, to the established flagship integrated retail agri-business that defines the Group today.

It has been a tumultuous journey, but one that highlights the importance of our long-term strategic approach that has balanced out the peaks and troughs of what can often be a volatile economic environment.

The first six months to March 31, 2019, resulted in the Group producing a loss in very tough trading conditions but also one in which the vast experience of the management team has come to the fore to enable us to innovate and refine operations that will take the Group forward and improve margins in the second half of the financial year

Strategic focus

Zambeef's strategic focus on the roll out of new Macro stores across Zambia has continued to contribute to revenue growth, with Macro stores accounting for 29 per cent. of retail revenue, compared with 25.5 per cent. in the previous year. Novatek Macros have also grown strongly, and now account for 12.8 per cent. of retail revenue compared with 8.2 per cent. last year. Combining the two they now account for 41.9 per cent. of retail revenue compared with 33.7 per cent. last year.

Zambeef continues to pursue the divestment of non-core assets to reduce debt and generate additional cash flow.

Retail and Cold Chain Food Products (CCFP)

It is pleasing to report that the Group continued to grow revenue in its Retailing and Cold Chain Food Production division. However, it is disappointing to report that volumes were similar to the prior period, and margins have come under pressure in difficult market conditions, coupled with higher input costs, which we could not pass on to the consumer in the first six months due to the lack of disposable income.

Our milk operations performed well, with strong growth in both revenue and gross profit.

Our West Africa retail business also performed well, with revenue up 41 per cent. and gross profit up 53.7 per cent. in Kwacha terms.

Stockfeed

Zambeef stockfeed division had good revenue growth of 34.1 per cent. but Gross Profit margins came under pressure due to rising input costs and strong competition which resulted in decreased Gross Profit of ZMW77.5 million, down from ZMW82.8 million in the prior period. Zambeef's Mpongwe feed mill produced 31,961 tonnes of stockfeed during the period, a pleasing contribution to overall animal feed production, with a total increase in production of 3.9 per cent. compared with the same period of last year.

Cropping

The Group is one of the largest cereal row cropping operations in Zambia, with approximately 7,971 hectares of row crops under irrigation, and a further 8,623 hectares of rainfed/dry-land crops available for planting each year.

The cropping division Gross Profit increased from ZMW78.8 million to ZMW93.3 million which resulted in EBITDA increasing from ZMW23.9 million to ZMW36.8 million. This was a pleasing result for our soya bean season, and we expect strong results in the upcoming wheat season.

Other

After a fair performance for the first six months Zamhatch is increasing production of its Cobb500 chicks to 500,000 a week from the current level of 345,000.

Close to 50 percent of the chicks are sold on the open market through Zambeef Macro outlets and the remainder feed into the Zam Chick broiler operation. Zambia has recorded some of the fastest growth rates in the regional poultry sector owing in part to our investment.

Zambeef's wheat mill produced 8,618 tonnes of flour in the six month period, ahead of budget.

A USD450,000 capital investment in production at Zamleather's Zamshu brand will double capacity from 500 to 1000 pairs per day, the majority of which will be sold through Zambeef retail stores and Shoprite

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
CHIEF EXECUTIVE OFFICER'S REVIEW (CONTINUED)

Outlook

We anticipate the macro-economic climate to remain challenging in the second half of the financial year.

The depreciation of the Kwacha in May 2019, and continued concerns in some quarters over Zambian government debt repayments, is likely to place renewed pressure on market sentiment, investment and ultimately consumer spending, and we expect this to impact on our retail business in the coming year.

These difficult times place a renewed emphasis on the ability of ZambeeF's management and staff to work strategically, think long-term and develop innovative solutions that address market conditions.

This is one of ZambeeF's strengths that has stood it in good stead as it celebrates its Silver Jubilee in 2019.

Francis Grogan
Chief Executive Officer

12 June 2019

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES FINANCIAL REVIEW

The first six months of the 2019 financial year have seen the Zambef Group continue to grow. Good revenue was achieved through our retail channels, stockfeed division and wheat mill. Revenue for the Group increased by 15.5 per cent. in ZMW and decreased by 4 per cent. in USD, while Gross Profit margins decreased from 37.6 per cent. to 33.2 per cent. resulting in Gross Profits increasing by 2 per cent. in ZMW from ZMW461.1m to ZMW470.6m (decreased by 15.3 per cent. in USD from USD46.6m to USD39.5m). Overheads increased by 15.2 per cent. in ZMW (decreased by 4.3 per cent. in USD) from ZMW347.7m to ZMW400.5m (USD35.1m to USD33.6m). The weakening of the achieved Gross Profit percentage resulted in the Group delivering Operating profits of ZMW11.4m versus ZMW62.3m (USD1m vs USD6.3m) which represents an 81.8 per cent. decrease in ZMW and an 84.8 per cent. decrease in USD.

Interest costs reduced by 10.6 per cent. in ZMW (25.7 per cent. in USD) as a result of lower debt levels. As a result, Zambef reported a loss after tax of ZMW31.8m vs a profit after tax (excluding discontinued operations) of ZMW23m (loss of USD2.7m vs a profit of USD2.3m).

The highlights of this period were the 14.9 per cent. in ZMW increase (USD decrease 5.1 per cent. in revenue in from its core Zambian Retailing operations to ZMW882m from ZMW768m (USD74m from USD78m). Other highlights were the strong revenue growth in both our stockfeed operations and our wheat mill.

The focus for the next six months will be on:

- Maintaining consistent revenue growth through the retail network and stockfeed operations with strong focus on customer care;
- Improving cash conversion from strong working capital control and tight control on Capex;
- Strategic focus on cost saving measures.

Exchange rate movements

This period has seen a 28.6 per cent. depreciation of the ZMW against the US Dollar, starting the period at 9.48 ZMW/USD and closing the period at 12.19 ZMW/USD. The table below shows the comparative exchange rates over the periods:

	ZMW/USD
Closing Rate 31 st March 2018	9.48
Closing Rate 30 th September 2018	12.24
Closing Rate 31 st March 2019	12.19
Average Rate for 6 months to 31 st March 2018	9.90
Average Rate for year ended 30 th September 2018	9.92
Average Rate for 6 months to 31 st March 2019	11.92

The depreciation of the currency has resulted in the Group reporting realized exchange losses of ZMW4.4m (USD0.4m) for the first six months of the financial year.

ADMINISTRATION AND OVERHEAD COSTS

As mentioned above, overheads have increased by 15.2 per cent. (in ZMW). The following are contributing factors:

- Fuel prices increased from ZMW12.01 per litre in October 2018 to ZMW14.65 per litre then dropped slightly to ZMW13.43/l in February 2019. For most of the period under review, fuel prices were up by 22 per cent.
- Inflationary payroll increases across the board resulting in higher payroll costs;
- Levy and slaughter fees have continued to increase during the period;
- Road toll fees, which were introduced in the previous financial period, are increasing as more toll gates are opened; and
- Heavy transport costs were incurred due to the requirement to use third party contractors to keep pace with the rapid expansion in Novatek. Zambef has since secured additional trucks to meet its needs.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**FINANCIAL REVIEW (CONTINUED)****CAPITAL EXPENDITURE**

Total capital expenditure during the period was ZMW54.6m (USD4.6m) against anticipated capital expenditure of ZMW90m (USD9m) for the year.

The main capital expenditure during the period included:

- USD1.4m on rollout of new Zambef Macro outlets and transport fleet
- USD0.4m on stockfeed operations
- USD1.2m on expansion of Zamhatch hatchery and breeder farm
- USD0.2m for Zam Chick
- USD0.7m for farming replacement Capex
- USD0.1m on expansion of Zam Shu

TERM FINANCE

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

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

DIVISIONAL PERFORMANCE

Table 1: Segmental Financial summary in ZMW'000s

Division	Revenue 2019 ZMW'000	Revenue 2018 ZMW'000	Gross Profit 2019 ZMW'000	Gross Profit 2018 ZMW'000	Overheads 2019 ZMW'000	Overheads 2018 ZMW'000	EBITDA 2019 ZMW'000	EBITDA 2018 ZMW'000
Retail & Cold Chain Foods	1,008,866	941,313	282,279	285,105	(210,366)	(186,401)	71,913	98,705
Stock Feed	412,344	307,598	77,544	82,809	(46,905)	(37,867)	30,639	44,942
Cropping	150,529	110,356	93,323	78,791	(56,530)	(54,920)	36,793	23,871
Others	96,129	65,916	17,424	14,447	(12,413)	(8,487)	5,011	5,960
Total	1,667,868	1,425,183	470,570	461,152	(326,214)	(287,675)	144,356	173,478
Less: Intra/Inter Group Sales	(251,378)	(199,100)	-	-	-	-	-	-
less Central Overhead	-	-	-	-	(74,252)	(59,995)	(74,252)	(59,995)
Group Total	1,416,490	1,226,083	470,570	461,152	(400,466)	(347,670)	70,104	113,483

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

FINANCIAL REVIEW

DIVISIONAL PERFORMANCE

Table 2: Segmental Financial summary in USD'000s

Division	Revenue 2019 USD'000	Revenue 2018 USD'000	Gross Profit 2019 USD'000	Gross Profit 2018 USD'000	Overheads 2019 USD'000	Overheads 2018 USD'000	EBITDA 2019 USD'000	EBITDA 2018 USD'000
Retail & Cold Chain Foods	84,636	95,082	23,681	28,799	(17,648)	(18,828)	6,033	9,970
Stock Feed	34,593	31,071	6,505	8,365	(3,935)	(3,825)	2,570	4,540
Crop-Row Crops	12,628	11,147	7,829	7,959	(4,742)	(5,547)	3,087	2,411
Others	8,065	6,658	1,462	1,459	(1,041)	(857)	420	603
Total	139,922	143,958	39,477	46,582	(27,366)	(29,057)	12,110	17,524
Less: Intra/Inter Group Sales	(21,089)	(20,111)	-	-	-	-	-	-
less Central Overhead		-	-	-	(6,229)	(6,060)	(6,229)	(6,060)
Group Total	118,833	123,847	39,477	46,582	(33,595)	(35,117)	5,881	11,464

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
FINANCIAL REVIEW
DIVISIONAL REVIEW

RETAIL AND COLD CHAIN FOOD PRODUCTS (CCFP)

	2019 ZMW'000	2018 ZMW'000	% Change	2019 USD'000	2018 USD'000	% Change
Revenue	1,008,866	941 313	7.2%	84,636	95 082	-11%
Gross Profit	282,279	285 105	-1%	23,681	28 799	-17.8%
Overheads	(210,366)	(186 401)	12.9%	(17,648)	(18 828)	-6.3%
EBITDA	71,913	98 705	-27.1%	6,033	9 971	-39.5%

The first six months of the financial year were challenging for Retail and CCFP with disposable income of our customers coming under severe pressure. We noticed a large shift with customers purchasing more edible oils, stockfeed and flour as opposed to our core cold chain products which attract higher margins for the division.

Revenue in the Retail and Cold Chain Food Products division increased by 7.2 per cent. in ZMW and decreased by 11 per cent. in USD. Gross profit fell by 1 per cent. in ZMW and 17.8 per cent. in USD.

Overhead costs increased by 12.9 per cent. in ZMW and reduced by 6.3 per cent. in USD mainly due to rises in transport, energy and employment costs.

EBITDA in ZMW fell 27.1 per cent. from ZMW98.7m to ZMW71.9m and fell by 39.5 per cent. in USD from USD10m to USD6m.

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

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
FINANCIAL REVIEW**

STOCK FEED (NOVATEK)

	2019 ZMW'000	2018 ZMW'000	% Change	2019 USD'000	2018 USD'000	% Change
Revenue	412,344	307 598	34.1%	34,593	31 071	11.3%
Gross Profit	77,544	82 809	-6.4%	6,505	8 365	-22.2%
Overheads	(46,905)	(37 867)	23.9%	(3,935)	(3 825)	2.9%
EBITDA	30,639	44 942	-31.8%	2,570	4 540	-43.4%
Volume (Tons)	98,936	95,245	3.9%			

The stockfeed division produced good revenue growth of 34.1 per cent. with volumes increasing by 3.9 per cent. from 95,245 M.T. to 98,936 M.T. When the Kwacha depreciated in September 2018, Novatek's raw material prices increased by about 20 per cent. which Novatek attempted to pass on to the consumer through price increases. This has taken time, due to price sensitivity in the market.

Overheads increased by 23.9 per cent. due mainly to the expanding stockfeed plant in Mpongwe and the use of external transporters while waiting for additional trucks to arrive in the second quarter.

The abovementioned factors have led to a disappointing first half with EBITDA falling by 31.8 per cent. Novatek is now starting to benefit from lower soya bean input prices and margins are recovering which should lead to a stronger performance in the second half of the year.

CROPPING

	2019 ZMW'000	2018 ZMW'000	% Change	2019 USD'000	2018 USD'000	% Change
Revenue	150,529	110 356	36.4%	12,628	11 147	13.3%
Gross Profit	93,323	78 791	18.4%	7,829	7 959	-1.6%
Overheads	(56,530)	(54 920)	2.9%	(4,742)	(5 547)	-14.5%
EBITDA	36,793	23 871	54.1%	3,087	2 412	28%

The Cropping division has delivered pleasing results in the first six months despite below average rains and reduced Soya bean prices. The combined cropping division delivered about 2 per cent. higher yields on the soya bean crop.

Overheads have been managed well. This, together with the strong Gross Profit achieved resulted in EBITDA increasing from ZMW23.9m in 2018 to ZMW36.8m in 2019 (USD2.4m to USD3.1m).

The winter crop, which has recently been planted, comprises 7,160 Ha of wheat, 500 Ha of winter maize. The wheat and maize price are expected to be fairly higher than the previous year and, if maintained, should result in a profitable second half for the division.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

FINANCIAL REVIEW OTHER BUSINESSES

	2019 ZMW'000	2018 ZMW'000	% Change	2019 USD'000	2018 USD'000	% Change
Revenue	96,129	65 916	45.8%	8,065	6 658	21.1%
Gross Profit	17,424	14 447	20.6%	1,462	1 459	0.2%
Overheads	(12,413)	(8 487)	46.3%	(1,041)	(857)	21.5%
EBITDA	5,011	5 960	-15.9%	421	602	-30.2%

The Other divisions delivered an increase in Gross Profit of 20.6 per cent. from ZMW14.4m to ZMW17.4m (USD1.5m to USD1.5m) compared to the prior period.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

Milling:

Our milling division had a very good first half with good revenue growth (71.1 per cent.) which resulted in EBITDA increasing from ZMW7.6m to ZMW10.4m.

Zamleather:

The shoe division performed well. However, the decrease in world-wide hide prices and the market for lower-grade hides is still very challenging.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

In compliance with Section 275 of the Companies Act, the Directors submit their report on the activities of the Group for the six month period ended 31 March 2019.

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 also has operations in West Africa 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 2019		30 Mar 2018	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Authorised				
700,000,000 ordinary shares of ZMW0.01 each	7,000	938	7,000	938
Issued and fully paid				
Ordinary shares				
300,579,630 ordinary shares of ZMW0.01 each	3,006	449	3,006	449
Preference shares – convertible redeemable				
100,057,658 of ZMW0.01 each	1,000	100	1,000	100

4. Results

The Group's results are as follows:

	Unaudited				Audited	
	6 months to 31 March 2019	6 months to 31 March 2019	6 months to 31 March 2018	6 months to 31 March 2018	Year ended 30 September 2018	Year ended 30 September 2018
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
Group Revenue	1,416,490	118,833	1,226,083	123,847	2,780,589	280,301
(Loss)/profit before taxation	(30,156)	(2,531)	27,293	2,758	28,011	2,823
Taxation charge	(1,633)	(137)	(4,333)	(438)	(4,257)	(429)
Loss from discontinued operations	-	-	(11,290)	(1,140)	(13,261)	(1,337)
Group/(loss) profit for the period	(31,789)	(2,668)	11,670	1,180	10,493	1,057
Group (loss)/profit attributable to:						
Equity holders of the parent	(32,379)	(2,717)	12,295	1,243	10,601	1,068
Non-controlling interest	590	49	(625)	(63)	(108)	(11)
	(31,789)	(2,668)	11,670	1,180	10,493	1,057

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

5. Dividends

There was no dividend paid or proposed for the six month period ended 31 March 2019.

6. Management

The Senior Management team comprise the following:

Francis Grogan	Chief Executive Officer
Walter Roodt	Deputy Managing Director
Craig Harris	Chief Financial Officer (Resigned on 12 February 2019)
Yusuf Koya	Executive Director (Resigned as a Director on 4 February 2019)
Mike Lovett	Chief Operating Officer
Danny Museteka	Company Secretary
Felix Lupindula	Corporate Affairs and General Manager – Zambeef Retailing
Pravin Abraham	Chief Internal Auditor
Ebrahim Israel	General Manager – International Retailing
Murray Moore	General Manager – Beef and Dairy
Lewis Potgieter	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
Willem Abraham Voster	General Manager – Dairy
Alun Maskell	General Manager – Masterpork Limited
Christiaan Engelbrecht	General Manager – Stock Feed
Theo de Lange	Group Technical Manager
Bartholomew Mbao	Dairy Processing Manager
Lenard Mwanamumbula	Piggery Manager
Johan Swanepoel	Flour Mill Manager
Charles Milupi	Poultry Manager
Ivor Chilufya	Group Financial Controller
Justin Rust	Commercial Manager
Basil Webber	Commercial Manager
Phillip Diedericks	Commercial Manager
Niyaas Dalal	Finance Manager – Zambeef Products Limited, Zam Chick Limited, Zamhatch Limited
Simon Nkhata	Finance Manager – Zambeef Retailing Limited, Masterpork Limited
Baron Chisola	Finance Manager – Zamleather Limited, Zampalm Limited, Group Inventory
Shadreck Banda	Financial Controller – Group Fixed Assets
Chizola Daka	Financial Controller - Group Creditors
Gbenga Ibitoye	Financial Controller – West Africa
Samantha Dale	Group Head – Debtors and Credit Control
Anthony Seno	Head of IT
Guy Changole	Head of Human Resources
Mathews Mbasela	Head of Payroll Processing

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

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
Hillary Anderson	National Retail Manager - Shoprite
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	
Francis Grogan	Chief Executive Officer
Margaret Mudenda	
Jonathan Kirby	
Frank Braeken	
Yusuf Koya	Executive Director (Resigned on 4 February 2019)
Walter Roodt	Executive Director (Appointed on 1 March 2019)
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 2019		30 September 2018	
	Direct	Indirect	Direct	Indirect
DR. Jacob Mwanza	1,399,629	-	1,100,000	-
Francis Grogan	995,000	3,596,631	995,000	3,596,631
John Rabb	-	14,000,000	-	14,000,000
Frank Braeken	375,000	-	375,000	-
	<u>2,769,629</u>	<u>17,596,631</u>	<u>2,470,000</u>	<u>17,596,631</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
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)
NON-EXECUTIVE							
Jacob Mwanza	888,873	-	-	-	-	-	
Lawrence Sikutwa	350,090	-	-	-	-	-	
John Rabb	349,995	-	-	-	-	-	
Yollard Kachinda	291,662	-	-	-	-	-	-
Enala Mwasa	291,662	-	-	-	-	-	-
Margaret Mudenda	320,781	-	-	-	-	-	-
Jonathan Kirby	320,781	-	-	-	-	-	-
Frank Braeken	291,662	-	-	-	-	-	-
EXECUTIVE							
Francis Grogan	6,228,917	3,990,003	-	Company Car	225,225	Yes	-
Walter Roodt	2,522,665	575,040	-	Company Car	-	Yes	-
Yusuf Koya	3,288,558	-	-	-	285,300	Yes	-
Mike Lovett	3,022,452	575,040	Yes	Company Car	-	Yes	-
Danny Museteka	2,764,361	383,360	-	-	456,480	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 was paid during the period.

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;
- d) **Vesting period:** three years from 2015 to 2018; exercisable from 1 March 2018; and
- 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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS (CONTINUED)

10. Significant Shareholdings

As at 31 March 2019, 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 Investment Management	47,984,602	15.8%
Africa Life	42,338,027	13.94%
National Pension Scheme Authority (Zambia)	24,979,819	8.16%
Sussex Trust	14,000,000	4.7%
Eastspring Investment	11,995,062	4.0%
Artio Global Investors	9,360,000	3.1%
Rhodora	8,639,374	2.9%
JB Management	8,175,000	2.7%

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

11. Employees

The Group employed an average number of employees of 7,215 (30 September 2018 – 7,555; 31 March 2018 – 7,734) and total salaries and wages were ZMW237.6 million (USD19.9 million) for the six month period to 31 March 2019 (30 September 2018 – ZMW420.8 million [USD42.4 million], 31 March 2018 – ZMW198 million [USD20 million]).

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

October 2018	7,088
November 2018	6,957
December 2018	7,010
January 2019	7,292
February 2019	7,588
March 2019	7,352

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**REPORT OF THE DIRECTORS (CONTINUED)****12. Safety, Health and Environmental issues**

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

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

13. Legal matters

There are no significant 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 ZMW1.2 million (USD0.1 million), (30 September 2018 – ZMW2.6 million [USD0.259 million], 31 March 2018 – ZMW1.5 million [USD0.15 million]) to a number of activities.

15. Export sales

The Group made exports of ZMW24 million (USD2 million) during the period (30 September 2018 – ZMW48.5 million [USD4.9 million], 31 March 2018 – ZMW27 million [USD2.8 million]).

16. Property, plant and equipment

Assets totalling ZMW54.6 million (USD4.6 million) were purchased by the Group during the period (30 September 2018 – ZMW150.1 million [USD15.1 million], 31 March 2018 – ZMW80.3 million [USD8.1 million]) which included expenditure on the palm plantation development during the period of ZMWNil (USDNil) (30 September 2018 – ZMW6 million [USD0.6 million], 31 March 2018 – ZMW6 million [USD0.6 million]).

17. Interim report

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

By order of the Board

Company Secretary

Date: 12 June 2019

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 52 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

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

Review of work performed

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

Review conclusion

On basis of our review we are not aware of any material modifications that should be made to the consolidated financial information as presented for the six month period ended 31 March 2019.

Chartered Accountants

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

Lusaka

Date: 12 June 2019

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

		Unaudited		Audited
		31 Mar 2019	31 Mar 2018	30 Sept 2018
Group	Note	ZMW'000s	ZMW'000s	ZMW'000s
Revenue	5(i)	1,416,490	1,226,083	2,780,589
Net loss arising from price changes in fair value of biological assets	8	(15,729)	(4,283)	(15,245)
Cost of sales		(930,191)	(760,648)	(1,806,185)
Gross profit	5(i)	470,570	461,152	959,159
Administrative expenses		(459,899)	(399,546)	(841,319)
Other income		706	731	430
Operating profit		11,377	62,337	118,270
Share of loss equity accounted investment		(1,819)	-	(742)
Exchange (losses)/gains on translating foreign currency transactions and balances		(3,347)	5,619	(19,302)
Finance costs		(36,367)	(40,663)	(70,215)
(Loss)/profit before taxation	5(i)	(30,156)	27,293	28,011
Taxation charge	6(a)	(1,633)	(4,333)	(4,257)
Group (loss)/profit for the period from continued operations		(31,789)	22,960	23,754
Loss from discontinued operations	14	-	(11,290)	(13,261)
Total (loss)/profit for the period		(31,789)	11,670	10,493
Group profit/(loss) attributable to:				
Equity holders of the parent		(32,379)	12,295	10,601
Non-controlling interest		590	(625)	(108)
		(31,789)	11,670	10,493
Other comprehensive income				
Exchange gains/(losses) on translating presentational currency		13,536	(10,437)	206,425
Total comprehensive income for the period		(18,253)	1,233	216,918
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent		(21,759)	4,299	217,297
Non-controlling interest		3,506	(3,066)	(379)
		(18,253)	1,233	216,918
Earnings per share		Ngwee	Restated Ngwee	Ngwee
Basic and diluted earnings per share from continued operations	7	(7.92)	5.72	5.92
Basic and diluted earnings per share from discontinued operations	7	-	(2.81)	(3.31)
Total	7	(7.92)	2.91	2.61

The accompanying notes form part of the financial statements.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

		Unaudited		Audited
		31 Mar 2019	31 Mar 2018	30 Sept 2018
Group	Note	USD'000s	USD'000s	USD'000s
Revenue	5(ii)	118,833	123,847	280,301
Net loss arising from price changes in fair value of biological assets	8	(1,320)	(433)	(1,537)
Cost of sales		(78,036)	(76,833)	(182,075)
Gross profit	5(ii)	39,477	46,581	96,689
Administrative expenses		(38,582)	(40,358)	(84,810)
Other income		59	74	43
Operating profit		954	6,297	11,922
Share of loss equity accounted investment		(153)		(75)
Exchange (losses)/gains on translating foreign currency transactions and balances		(281)	568	(1,946)
Finance costs		(3,051)	(4,107)	(7,078)
(Loss)/profit before taxation	5(ii)	(2,531)	2,758	2,823
Taxation charge	6(f)	(137)	(438)	(429)
Group (loss)/profit for the period from continued operations		(2,668)	2,320	2,394
Loss from discontinued operations	14	-	(1,140)	(1,337)
Total (loss)/profit for the period		(2,668)	1,180	1,057
Group (loss)/profit attributable to:				
Equity holders of the parent		(2,717)	1,243	1,068
Non-controlling interest		49	(63)	(11)
		(2,668)	1,180	1,057
Other comprehensive income				
Exchange gains/(losses) on translating presentational currency		2,208	4,938	(46,089)
Total comprehensive income for the period		(460)	6,118	(45,032)
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent		(745)	6,459	(45,021)
Non-controlling interest		285	(341)	(11)
		(460)	6,118	(45,032)
			Restated	
Earnings per share		Cents	Cents	Cents
Basic and diluted earnings per share from continued operations	7	(0.67)	0.58	0.60
Basic and diluted earnings per share from discontinued operations	7	-	(0.28)	(0.33)
Total	7	(0.67)	0.30	0.27

The accompanying notes form part of the financial statements.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

	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
At 1 October 2017	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	-	-	-
Other comprehensive income									
Exchange losses on translating presentational currency	-	-	-	-	(7,996)	-	(7,996)	(2,441)	(10,437)
Total comprehensive income for the period	-	-	-	(11,700)	(7,996)	23,995	4,299	(3,066)	1,233
At 31 March 2018	3,006	1,125,012	1,000	1,240,442	64,231	469,085	2,902,776	(11,347)	2,891,429
Loss for the period	-	-	-	-	-	(1,694)	(1,694)	516	(1,178)
Transfer of surplus depreciation	-	-	-	(11,718)	-	11,718	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Other comprehensive income:									
Exchange gains on translating presentational currency	-	-	-	-	214,692	-	214,692	2,171	216,863
Total comprehensive income for the period	-	-	-	(11,718)	214,692	10,024	212,998	2,687	215,685
At 30 September 2018	3,006	1,125,012	1,000	1,228,724	278,923	479,109	3,115,774	(8,660)	3,107,114
Loss for the period	-	-	-	-	-	(32,379)	(32,379)	590	(31,789)
Transfer of surplus depreciation	-	-	-	(10,817)	-	10,817	-	-	-
Other comprehensive income									
Exchange gains on translating presentational currency	-	-	-	-	10,620	-	10,620	2,916	13,536
Total comprehensive income for the period	-	-	-	(10,817)	10,620	(21,562)	(21,759)	3,506	(18,253)
At 31 March 2019	3,006	1,125,012	1,000	1,217,907	289,543	457,547	3,094,015	(5,154)	3,088,861

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

	Share capital <i>USD'000s</i>	Share premium <i>USD'000s</i>	Preference share capital <i>USD'000s</i>	Revaluation reserve <i>USD'000s</i>	Foreign exchange translation reserve <i>USD'000s</i>	Retained earnings <i>USD'000s</i>	Total attributable to owners of the parent <i>USD'000s</i>	Non- controlling Interest <i>USD'000s</i>	Total equity <i>USD'000s</i>
At 1 October 2017	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	-	-	-
Other comprehensive income									
Exchange gains on translating presentational currency	-	-	-	-	5,216	-	5,216	(278)	4,938
Total comprehensive income for the period	-	-	-	(1,182)	5,216	2,425	6,459	(341)	6,118
At 31 March 2018	449	185,095	100	176,796	(135,426)	79,185	306,199	(1,197)	305,002
Transactions with owners									
Loss for the period	-	-	-	-	-	(176)	(176)	52	(124)
Transfer of surplus depreciation	-	-	-	(1,179)	-	1,179	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Other comprehensive income:									
Exchange losses on translating presentational currency	-	-	-	-	(51,463)	-	(51,463)	437	(51,026)
Total comprehensive income for the period	-	-	-	(1,179)	(51,463)	1,003	(51,639)	489	(51,150)
At 30 September 2018	449	185,095	100	175,617	(186,889)	80,188	254,560	(708)	253,852
Loss for the period	-	-	-	-	-	(2,717)	(2,717)	49	(2,668)
Transfer of surplus depreciation	-	-	-	(907)	-	907	-	-	-
Other comprehensive income									
Exchange gains on translating presentational currency	-	-	-	-	1,972	-	1,972	236	2,208
Total comprehensive income	-	-	-	(907)	1,972	(1,810)	(745)	285	(460)
At 31 March 2019	449	185,095	100	174,710	(184,917)	78,378	253,815	(423)	253,392

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2019

	Note	Unaudited		Audited
		31 Mar 2019 ZMW'000s	31 Mar 2018 ZMW'000s	30 Sept 2018 ZMW'000s
ASSETS				
Non – current assets				
Goodwill		166,801	166,801	166,801
Property, plant and equipment		2,895,599	2,614,680	2,902,221
Investment in associate		13,592	-	15,412
Deferred tax assets	6(e)	<u>47,619</u>	<u>43,176</u>	<u>47,854</u>
		<u>3,123,611</u>	<u>2,824,657</u>	<u>3,132,288</u>
Current assets				
Biological assets	8	374,728	339,358	181,674
Inventories		594,640	476,843	639,811
Trade and other receivables		68,560	116,269	156,314
Assets held for disposal	14	-	239,937	-
Amounts due from related companies		37,502	18,789	50,272
Income tax recoverable	6(c)	<u>17,517</u>	<u>8,719</u>	<u>3,885</u>
		<u>1,092,947</u>	<u>1,199,915</u>	<u>1,031,956</u>
Total assets		<u>4,216,558</u>	<u>4,024,572</u>	<u>4,164,244</u>
EQUITY AND LIABILITIES				
Capital and reserves				
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		<u>1,964,997</u>	<u>1,773,758</u>	<u>1,986,756</u>
		3,094,015	2,902,776	3,115,774
Non-controlling interest		<u>(5,154)</u>	<u>(11,347)</u>	<u>(8,660)</u>
		<u>3,088,861</u>	<u>2,891,429</u>	<u>3,107,114</u>
Non – current liabilities				
Interest bearing liabilities	10	256,206	284,352	308,312
Obligations under finance leases		19,530	24,382	20,163
Amounts due to related companies		-	-	-
Deferred liability		26,644	17,729	22,611
Deferred taxation	6(e)	<u>6,865</u>	<u>7,318</u>	<u>6,909</u>
		<u>309,245</u>	<u>333,781</u>	<u>357,995</u>
Current liabilities				
Interest bearing liabilities	10	94,913	73,416	95,247
Collateral management agreement	10	176,159	136,774	107,213
Obligations under finance leases		11,111	12,679	18,248
Trade and other payables		173,859	284,165	297,390
Provisions		41,597	-	42,137
Assets held for disposal	14	-	12,092	-
Amounts due to related companies		362	131	232
Taxation payable	6(c)	12,109	8,617	2,925
Cash and cash equivalents	9	<u>308,342</u>	<u>271,488</u>	<u>135,743</u>
		<u>818,452</u>	<u>799,362</u>	<u>699,135</u>
Total equity and liabilities		<u>4,216,558</u>	<u>4,024,572</u>	<u>4,164,244</u>

The accompanying notes form part of the financial statements. The interim financial statements on pages 19 to 52 were approved by the Board of Directors on **12 June 2019** and were signed on its behalf by:

)
) **DIRECTORS**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - 31 MARCH 2019

	Note	Unaudited		Audited
		31 Mar 2019 USD '000s	31 Mar 2018 USD '000s	30 Sept 2018 USD '000s
ASSETS				
Non – current assets				
Goodwill		13,683	17,595	13,628
Property, plant and equipment		237,539	275,810	237,110
Investment in associate		1,115	-	1,259
Deferred tax asset	6(j)	3,906	4,554	3,910
		<u>256,243</u>	<u>297,959</u>	<u>255,907</u>
Current assets				
Biological assets	8	30,741	35,797	14,843
Inventories		48,781	50,300	52,272
Trade and other receivables		5,624	12,265	12,771
Assets held for disposal	14	-	25,309	-
Amounts due from related companies		3,076	1,982	4,107
Income tax recoverable	6(h)	1,437	920	317
		<u>89,659</u>	<u>126,573</u>	<u>84,310</u>
Total assets		<u>345,902</u>	<u>424,532</u>	<u>340,217</u>
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		449	449	449
Preference share capital		100	100	100
Share premium		185,095	185,095	185,095
Reserves		68,171	120,555	68,916
		<u>253,815</u>	<u>306,199</u>	<u>254,560</u>
Non-controlling interest		(423)	(1,197)	(708)
		<u>253,392</u>	<u>305,002</u>	<u>253,852</u>
Non – current liabilities				
Interest bearing liabilities	10	21,018	29,995	25,189
Obligations under finance leases		1,602	2,572	1,647
Deferred liability		2,186	1,870	1,847
Deferred tax liability	6(j)	563	772	565
		<u>25,369</u>	<u>35,209</u>	<u>29,248</u>
Current liabilities				
Interest bearing liabilities	10	7,786	7,744	7,782
Collateral management agreement	10	14,451	14,428	8,759
Obligations under finance leases		911	1,337	1,491
Trade and other payables		14,263	29,975	24,294
Provisions		3,412	-	3,443
Assets held for disposal	14	-	1,276	-
Amounts due to related companies		30	14	19
Taxation payable	6(h)	993	909	239
Cash and cash equivalents	9	25,295	28,638	11,090
		<u>67,141</u>	<u>84,321</u>	<u>57,117</u>
Total equity and liabilities		<u>345,902</u>	<u>424,532</u>	<u>340,217</u>

The accompanying notes form part of the financial statements. The interim financial statements on pages 19 to 52 were approved by the Board of Directors on **12 June 2019** and were signed on its behalf by

)
) **DIRECTORS**

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

	Unaudited		Audited
	6 months to 31 Mar 2019 <i>ZMW'000s</i>	6 months to 31 Mar 2018 <i>ZMW'000s</i>	Year to 30 Sept 2018 <i>ZMW'000s</i>
Cash (outflow)/inflow (on)/from operating activities			
(Loss)/profit before taxation	(30,156)	27,293	28,011
Finance costs	36,367	40,663	70,215
Profit on disposal of property, plant and equipment	126	(1,358)	(220)
Depreciation	58,727	51,474	105,789
Share of loss of equity accounted investment	1,819	-	742
Loss on disposal of investment	-	-	52,265
Loss on discontinued operations	-	(11,290)	-
Fair value price adjustment	15,729	4,283	15,245
Net unrealised foreign exchange (gains)/losses	(1,011)	(1,394)	22,343
Earnings before interest, tax, depreciation and amortisation	81,601	109,671	294,390
Increase in biological assets	(193,054)	(171,501)	(29,062)
Decrease in inventory	45,171	39,575	(123,393)
Decrease / (increase) in trade and other receivables	87,754	(25,477)	(65,522)
Decrease / (increase) in amounts due from related companies	12,770	(7,367)	(38,850)
(Decrease) / increase in trade and other payables	(124,071)	(7,678)	47,684
Increase in amount due to related companies	130	50	151
(Decrease) / increase in deferred liability	(4,334)	973	5,855
Cash outflow from assets held for disposal	-	(7,746)	-
Income tax paid	(5,733)	(5,749)	(11,618)
Net cash (outflow)/inflow (on)/from operating activities	(99,766)	(75,249)	79,635
Investing activities			
Purchase of property, plant and equipment	(54,596)	(74,257)	(144,022)
Proceeds from disposal of investment	-	-	151,680
Proceeds from sale of assets	-	19,949	-
Net cash (outflow)/ inflow (on)/ from investing activities	(54,596)	(54,308)	7,658
Net cash (outflow)/ inflow before financing	(154,362)	(129,557)	87,293
Financing			
Long term loans repaid	(49,876)	(48,550)	(79,873)
Receipt of short term funding	67,849	76,526	25,088
Lease finance repaid	(7,704)	(10,770)	(12,044)
Finance costs including discontinued operations	(36,367)	(40,663)	(70,215)
Net cash outflow from financing	(26,098)	(23,457)	(137,044)
Decrease in cash and cash equivalents	(180,460)	(153,014)	(49,751)
Cash and cash equivalents at beginning of period	(135,743)	(105,148)	(105,148)
Effects of exchange rate changes on the balance of cash held in foreign currencies	7,861	(13,326)	19,156
Cash and cash equivalents at end of period	(308,342)	(271,488)	(135,743)
Represented by:			
Cash in hand and at bank	50,801	61,857	101,123
Bank overdrafts	(359,143)	(333,345)	(236,866)
	(308,342)	(271,488)	(135,743)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2019

	Unaudited		Audited
	6 months to 31 Mar 2019 <i>USD'000s</i>	6 months to 31 Mar 2018 <i>USD'000s</i>	Year to 30 Sept 2018 <i>USD'000s</i>
Cash (outflow)/inflow (on)/from operating activities			
(Loss)/profit before taxation	(2,531)	2,758	2,823
Finance costs	3,051	4,107	7,078
Profit/(loss) on disposal of property, plant and equipment	11	(137)	(22)
Depreciation	4,927	5,199	10,665
Share of loss of equity accounted investment	153	-	75
Loss of disposal of investments	-	-	5,269
Loss on discontinued operations	-	(1,107)	-
Fair value price adjustment	1,320	433	1,537
Net unrealised foreign (gains)/ exchange losses	(85)	(141)	2,252
Earnings before interest, tax, depreciation and amortisation	6,846	11,112	29,677
Increase in biological assets	(16,196)	(18,438)	(2,930)
Decrease /(increase) in inventory	3,790	3,104	(12,439)
Decrease /(increase) in trade and other receivables	7,362	(2,875)	(6,605)
Decrease /(increase) in amounts due from related companies	1,071	(801)	(3,916)
(Decrease)/ increase in trade and other payables	(10,409)	(204)	4,807
Increase in amount due to related companies	11	5	15
(Decrease)/increase in deferred liability	(364)	137	590
Cash outflow from assets held for disposal	-	(1,272)	-
Income tax paid	(481)	(581)	(1,171)
Net cash (outflow)/inflow (on)/from operating activities	(8,370)	(9,813)	8,028
Investing activities			
Purchase of property, plant and equipment	(4,580)	(7,501)	(14,518)
Proceeds from disposal of investment	-	-	16,000
Proceeds from sale of assets	-	2,098	-
Net cash outflow on investing activities	(4,580)	(5,403)	1,482
Net cash outflow before financing	(12,950)	(15,216)	9,510
Financing			
Long term loans repaid	(4,184)	(4,279)	(8,052)
Receipt of short term funding	5,692	8,198	2,529
Lease finance repaid	(646)	(1,038)	(1,214)
Finance costs including discontinued operations	(3,051)	(4,107)	(7,078)
Net cash outflow from financing	(2,189)	(1,226)	(13,815)
Decrease in cash and cash equivalents	(15,139)	(16,442)	(4,305)
Cash and cash equivalents at beginning of period	(11,090)	(10,874)	(10,874)
Effects of exchange rate changes on the balance of cash held in foreign currencies	934	(1,322)	4,089
Cash and cash equivalents at end of period	(25,295)	(28,638)	(11,090)
Represented by:			
Cash in hand and at bank	4,167	6,525	8,262
Bank overdrafts	(29,462)	(35,163)	(19,352)
	(25,295)	(28,638)	(11,090)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019

1. **The Group**

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

2. **Principal accounting policies**

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

(a) **Basis of consolidation**

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. 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 ZMW94.9 million (USD7.8 million) [30 September 2018: ZMW95.2 million (USD7.8 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 month periods ended 31 March 2019 and 31 March 2018 do not constitute statutory accounts. The figures for the year ended 30 September 2018 have been extracted from the 2018 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 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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

2. Principal accounting policies (continued)

(d) New Standards adopted as at 1 January 2018

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

The adoption of IFRS 9 has impacted the following areas:

- The equity investment in Zampalm Limited classified under IAS 39 is measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Group did not elect to irrevocably designate any of the equity investments at fair value with changes presented in other comprehensive income.
- the impairment of financial assets applying the expected credit loss model. This affects the Group's trade receivables and investments in debt-type assets measured at amortised cost. For contract assets arising from IFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

On the date of initial application, 1 October 2018, the financial instruments of the Group were reclassified as follows:

	Measurement category		Carrying amount		Opening balance 1 October 2018 (IFRS 9)
	Original IAS 39 category	New IFRS 9 category	Closing balance 30 September 2018 (IAS 39)	Adoption of IFRS 9	
Non-current financial assets					
Other long-term financial assets					
Investment in Zampalm	FVTPL	FVTPL	47,854	-	47,854
Sub-total			47,854	-	47,854
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	117,415	-	117,415
Amounts due from related companies	Amortised cost	Amortised cost	50,272	-	50,272
Sub-total			167,687	-	167,687
Total financial asset balances			215,541	-	215,541

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

2. Principal accounting policies (continued)

(d) New Standards adopted as at 1 January 2018 (continued)

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 1 October 2018:

	IAS 39 carrying amount 30 September 2018	Reclassification	Remeasurement	IFRS 9 carrying amount 1 October 2018	Retained earnings effect
Fair value through profit and loss					
FVTPL in IAS 39	47,854	-	-	47,854	-
From available for sale	-	-	-	-	-
Total change to fair value through profit or loss	-	-	-	-	-
Amortised cost (including held to maturity in IAS 39)	167,687	-	-	167,687	-
Total financial asset balances, reclassification and remeasurement at 1 October 2018	215,541	-	-	215,541	-

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

(c) **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 2018	9.90	9.48
Year ended 30 September 2018	9.92	12.24
6 months ended 31 March 2019	11.92	12.19

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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

2. Principal accounting policies (continued)

(iii) *Basis of translating transactions and balances*

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

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

(iv) *Basis of translating foreign operations*

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

The following exchange rates have been applied:

	Average exchange rate	Closing exchange rate
ZMW: Nigeria Naira		
6 months ended 31 March 2018	36.09	37.66
Year ended 30 September 2018	36.09	29.44
6 months ended 31 March 2019	30.30	29.39
ZMW: Ghana Cedi		
6 months ended 31 March 2018	0.45	0.47
Year ended 30 September 2018	0.46	0.39
6 months ended 31 March 2019	0.42	0.44

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

The condensed interim consolidated financial statements are for the six months ended 31 March 2019 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 2018.

(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 2018.

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.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (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 the economy. Factors contributing to the Group's strong position are:

- (a) Increase in the retail foot print of the Group.
- (b) Increase in production facilities of the Group leading to higher volumes available for retail.
- (c) 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 2018.

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 2019, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

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

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2019

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Retailing – Zambia	882,826	84,017
Master Meats (Nigeria)	70,097	14,496
Master Meats (Ghana)	22,683	7,458
Retailing West Africa	92,780	21,954
Total Retailing	975,606	105,971
Beef	242,892	60,768
Chicken	167,865	53,469
Pork	120,561	19,194
Milk and dairy	106,248	32,714
Fish	18,613	4,361
Eggs	25,619	5,802
Total Cold Chain Food Production	681,798	176,308
Gross Combined Retail and CCFP	1,657,404	282,279
Less: Intra/ Inter Sales	(648,538)	-
Combined Retail and CCFP	1,008,866	282,279
Stock Feed	412,344	77,544
Crops – row crops	150,529	93,323
Mill and bakery	83,198	13,041
Leather and shoe	12,931	4,383
Total Other	96,129	17,424
Total	1,667,868	470,570
Less: intra/inter group Sales	(251,378)	-
Group total	1,416,490	470,570
Central operating costs		(459,193)
Operating profit		11,377
Foreign exchange losses		(3,347)
Finance costs		(36,367)
Share of loss of equity accounted investment		(1,819)
Loss before tax		(30,156)

Operating assets/(liabilities)

	Zambeef ZMW'000s	Retailing ZMW'000s	Master Pork ZMW'000s	Other ZMW'000s	Total ZMW'000s
Property, plant and equipment	2,023,654	204,122	84,283	583,540	2,895,599
Biological assets and inventories	630,330	61,762	21,886	255,390	969,368
Cash, cash equivalents and bank overdrafts	(242,691)	(76,614)	1,378	9,585	(308,342)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2019

(ii) in US Dollars

Segment	Revenue <i>USD '000s</i>	Gross Profit <i>USD '000s</i>			
Retailing – Zambia	74,063	7,048			
Master Meats (Nigeria)	5,881	1,216			
Master Meats (Ghana)	1,903	626			
Retailing West Africa	7,784	1,842			
Total Retailing	81,847	8,890			
Beef	20,377	5,098			
Chicken	14,083	4,486			
Pork	10,114	1,610			
Milk and dairy	8,913	2,744			
Fish	1,561	366			
Eggs	2,149	487			
Total Cold Chain Food Production	57,197	14,791			
Gross Combined Retail and CCFP	139,044	23,681			
Less: Intra/ Inter Sales	(54,408)	-			
Combined Retail and CCFP	84,636	23,681			
Stock Feed	34,593	6,505			
Crops – row crops	12,628	7,829			
Mill and bakery	6,980	1,094			
Leather and shoe	1,085	368			
Total Other	8,065	1,462			
Total	139,922	39,477			
Less: intra/inter group sales	(21,089)	-			
Group total	118,833	39,477			
Central operating costs		(38,523)			
Operating profit		954			
Foreign exchange losses		(281)			
Share of loss of equity accounted investment		(153)			
Finance costs		(3,051)			
Loss before tax		(2,531)			
Operating assets/(liabilities)					
	Zambeef	Retailing	Master Pork	Other	Total
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
Property, plant and equipment	166,009	16,745	6,914	47,871	237,539
Biological assets and inventories	51,709	5,067	1,795	20,951	79,522
Cash, cash equivalents and bank overdrafts	(19,909)	(6,285)	113	786	(25,295)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

5. Segmental reporting (continued)

Period ended 31 March 2018

(i) in Zambian Kwacha

Segment	Revenue ZMW'000s	Gross Profit ZMW'000s
Retailing – Zambia	774,680	91,331
Master Meats (Nigeria)	49,410	9,165
Master Meats (Ghana)	16,289	5,116
Retailing West Africa	65,699	14,281
Total Retailing	840,379	105,612
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
Total Cold Chain Food Production	665,243	179,493
Stock Feed	307,598	82,809
Crops – row crops	110,356	78,791
Mill and bakery	48,635	9,161
Leather and shoe	17,281	5,286
Edible oils	-	-
Total Other	65,916	14,447
Total	1,989,492	461,152
Less: intra/inter group Sales	(763,409)	
Group total	1,226,083	461,152
Central operating costs		(398,815)
Operating profit		62,337
Foreign exchange gains		5,619
Finance costs		(40,663)
Profit before tax		27,293

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	189,482	86,541	445,410	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)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (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>
Retailing – Zambia	78,251	9,225
Master Meats (Nigeria)	4,991	926
Master Meats (Ghana)	1,645	517
Retailing West Africa	6,636	1,443
Total Retailing	84,887	10,668
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
Total Cold Chain Food Production	67,195	18,130
Stock Feed	31,071	8,365
Crops – row crops	11,147	7,959
Mill and bakery	4,913	925
Leather and shoe	1,746	534
Edible oils	-	-
Total Other	6,659	1,459
Total	200,959	46,581
Less: intra/inter group sales	(77,112)	-
Group total	123,847	46,581
Central operating costs		(40,284)
Operating profit		6,297
Foreign exchange gains		568
Finance costs		(4,107)
Profit before tax		2,758

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	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)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

5. Segmental reporting (continued)

Period ended 30 September 2018

(i) in Zambian Kwacha

Segment	Revenue	Gross Profit
	ZMW'000s	ZMW'000s
Retailing – Zambia	1,548,421	166,053
Master Meats (Nigeria)	109,798	22,088
Master Meats (Ghana)	35,015	10,976
Retailing West Africa	144,813	33,064
Total Retailing	1,693,234	199,117
Beef	456,613	125,148
Chicken	243,472	60,124
Zamhatch	103,779	66,792
Pork	223,085	34,610
Milk and dairy	178,684	66,160
Fish	49,354	10,631
Eggs	58,065	16,405
Total Cold Chain Food Production	1,313,052	379,870
Gross Combined Retail and CCFP	3,006,286	578,987
Less: Intra/ Inter Sales	(1,001,575)	-
Combined Retail and CCFP	2,004,711	578,987
Stock Feed	706,008	163,442
Crops – row crops	515,585	189,601
Mill and bakery	110,713	19,810
Leather and shoe	30,739	7,319
Edible oils	-	-
Total Other	141,452	27,129
Total	3,367,756	959,159
Less: intra/inter group Sales	(587,167)	-
Group total	2,780,589	959,159
Central operating costs		(840,889)
Operating profit		118,270
Foreign exchange gains		(19,302)
Finance costs		(70,215)
Share of loss on equity accounted investment		(742)
Profit before tax		28,011

Operating assets/(liabilities)

	Zambeef	Retailing	Master Pork	Other	Total
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Property, plant and equipment	2,154,822	196,004	85,302	466,093	2,902,221
Biological assets and inventories	639,667	61,984	20,408	99,426	821,485
Cash, cash equivalents and bank overdrafts	(76,971)	(66,994)	1,099	7,123	(135,743)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

5. Segmental reporting (continued)

Period ended 30 September 2018

(i) in US Dollars

Segment	Revenue <i>USD'000s</i>	Gross Profit <i>USD'000s</i>
Retailing – Zambia	156,091	16,738
Master Meats (Nigeria)	11,068	2,227
Master Meats (Ghana)	3,530	1,106
Retailing West Africa	14,598	3,333
Total Retailing	170,689	20,071
Beef	46,029	12,615
Chicken	24,543	6,061
Zamhatch	10,462	6,733
Pork	22,488	3,489
Milk and dairy	18,013	6,669
Fish	4,975	1,072
Eggs	5,853	1,654
Total Cold Chain Food Production	132,363	38,293
Gross Combined Retail and CCFP	303,052	
Less: Intra/ Inter Sales	(100,965)	
Combined Retail and CCFP	202,087	58,364
Stock Feed	71,170	16,476
Crops – row crops	51,974	19,113
Mill and bakery	11,161	1,997
Leather and shoe	3,099	739
Edible oils	-	-
Total Other	14,260	2,736
Total	339,491	96,689
Less: intra/inter group Sales	(59,190)	-
Group total	280,301	96,689
Central operating costs		(84,767)
Operating profit		11,922
Foreign exchange gains		(1,946)
Finance costs		(7,078)
Share of loss on equity accounted investment		(75)
Profit before tax		2,823

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	176,048	16,013	6,969	38,080	237,110
Biological assets and inventories	52,260	5,064	1,667	8,124	67,115
Cash, cash equivalents and bank overdrafts	(6,288)	(5,473)	90	581	(11,090)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (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 2019		31 Mar 2018		30 Sept 2018	
	Revenues ZMW'000s	Non-current assets ZMW'000s	Revenues ZMW'000s	Non-current assets ZMW'000s	Revenues ZMW'000s	Non-current assets ZMW'000s
Zambia	1,299,747	3,100,818	1,133,060	2,811,187	2,587,262	3,110,257
West Africa	92,780	22,793	65,699	13,470	144,813	22,031
Rest of world	23,963	-	27,324	-	48,514	-
	<u>1,416,490</u>	<u>3,123,611</u>	<u>1,226,083</u>	<u>2,824,657</u>	<u>2,780,589</u>	<u>3,132,288</u>

	31 Mar 2019		31 Mar 2018		30 Sept 2018	
	Revenues USD'000s	Non-current assets USD'000s	Revenues USD'000s	Non-current assets USD'000s	Revenues USD'000s	Non-current assets USD'000s
Zambia	109,039	254,373	114,451	296,538	260,814	254,107
West Africa	7,784	1,870	6,636	1,421	14,598	1,800
Rest of world	2,010	-	2,760	-	4,889	-
	<u>118,833</u>	<u>256,243</u>	<u>123,847</u>	<u>297,959</u>	<u>280,301</u>	<u>255,907</u>

6. Taxation

	31 Mar 2019 ZMW'000s	31 Mar 2018 ZMW'000s	30 Sept 2018 ZMW'000s
Income tax expense			
(a) Tax charge			
Current tax:			
Tax charge	1,442	4,035	9,046
Deferred tax:			
Deferred taxation (note 6(e))	191	298	(4,789)
Tax charge/(credit) for the period	<u>1,633</u>	<u>4,333</u>	<u>4,257</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

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

6. Taxation (continued)

	31 Mar 2019	31 Mar 2018	30 Sept 2018
	ZMW'000s	ZMW'000s	ZMW'000s
(b) Reconciliation of tax charge			
(Loss)/profit before taxation	(30,156)	27,293	28,011
Taxation on accounting profit	(16,925)	(2,998)	(15,231)
Effects of:			
Permanent differences:			
Disallowable expenses	2,103	1,283	3,398
Timing differences:			
Capital allowances and depreciation	(2,945)	(10,405)	(8,591)
Livestock and crop valuations adjustment	(1,336)	(2,123)	(2,264)
Other income	-	1,045	59
Unrealised exchange gains/(losses)	646	69	(997)
Unrealised tax loss	19,899	17,164	32,672
Tax charge for the period	<u>1,442</u>	<u>4,035</u>	<u>9,046</u>
(c) Movement in taxation account			
Taxation payable at 1 October	(960)	1,612	1,612
Charge for the period	1,442	4,035	9,046
Taxation paid	(5,890)	(5,749)	(11,618)
Taxation payable/(recoverable) at the end of the period	<u>(5,408)</u>	<u>(102)</u>	<u>(960)</u>
Taxation payable	12,109	8,617	2,925
Taxation recoverable	(17,517)	(8,719)	(3,885)
Taxation payable as at 30 September	<u>(5,408)</u>	<u>(102)</u>	<u>(960)</u>
(d) Income tax returns have been filed with the ZRA for the tax year ended 31 December 2018. Quarterly tax returns for the period were made on the due dates.			
(e) Deferred taxation			
	31 Mar 2019	31 Mar 2018	30 Sept 2018
	ZMW'000s	ZMW'000s	ZMW'000s
Represented by:			
Biological valuation	17,223	12,099	13,444
Accelerated tax allowances	46,259	41,974	38,384
Provisions	(6,409)	(4,140)	(6,019)
Tax loss	(97,827)	(85,791)	(86,754)
	<u>(40,754)</u>	<u>(35,858)</u>	<u>(40,945)</u>
Analysis of movement:			
Asset as at 1 October	(40,945)	(36,156)	(36,156)
Charge to profit and loss account (note 6(a))	191	298	(4,789)
(Asset)/liability as at the end of the period	<u>(40,754)</u>	<u>(35,858)</u>	<u>(40,945)</u>
Deferred tax asset	(47,619)	(43,176)	(47,854)
Deferred tax liability	6,865	7,318	6,909
	<u>(40,754)</u>	<u>(35,858)</u>	<u>(40,945)</u>

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

6. Taxation (continued)

	31 Mar 2019	31 Mar 2018	30 Sept 2018
	<i>USD'000s</i>	<i>USD'000s</i>	<i>USD'000s</i>
Income tax expense			
(f) Tax charge			
Current tax:			
Tax charge	121	408	912
Deferred tax:			
Deferred taxation (note 6(j))	16	30	(483)
Tax (credit)/charge for the period	<u>137</u>	<u>438</u>	<u>429</u>
(g) Reconciliation of tax charge			
Profit/(loss) before taxation	(2,531)	2,758	2,823
Taxation on accounting profit	(1,420)	(303)	(1,535)
Effects of:			
Permanent differences:			
Disallowable expenses	176	130	344
Timing differences:			
Capital allowances and depreciation	(247)	(1,051)	(866)
Livestock and crop valuations adjustment	(112)	(215)	(228)
Other income	-	106	6
Unrealised exchange (gains)/losses	54	7	(100)
Unrealised tax loss	1,670	1,734	3,291
Tax charge for the period	<u>121</u>	<u>408</u>	<u>912</u>
(h) Movement in taxation account			
Taxation payable at 1 October	(78)	167	167
Charge for the year	121	408	912
Taxation paid	(494)	(581)	(1,171)
Foreign exchange	7	(5)	14
Taxation payable as at the end of the period	<u>(444)</u>	<u>(11)</u>	<u>(78)</u>
Taxation payable	993	909	239
Taxation recoverable	(1,437)	(920)	(317)
Taxation payable as at 30 September	<u>(444)</u>	<u>(11)</u>	<u>(78)</u>

- (i) Income tax returns have been filed with the ZRA for the year 31 December 2018. Quarterly tax returns for the period were made on the due dates.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

6. Taxation (continued)

	31 Mar 2019	31 Mar 2018	30 Sept 2018
	USD'000s	USD'000s	USD'000s
(j) Deferred taxation			
Represented by:			
Biological valuation	1,413	1,276	1,098
Accelerated tax allowances	3,795	4,429	3,136
Provisions	(526)	(437)	(492)
Tax loss	(8,025)	(9,050)	(7,087)
	<u>(3,343)</u>	<u>(3,782)</u>	<u>(3,345)</u>
Analysis of movement:			
Liability as at 1 October	(3,345)	(3,739)	(3,739)
Charge to profit and loss account (note 6(f))	16	30	(483)
Foreign exchange	(14)	(73)	877
(Asset)/liability as at the end of period	<u>(3,343)</u>	<u>(3,782)</u>	<u>(3,345)</u>
Deferred tax asset	(3,906)	(4,554)	(3,910)
Deferred tax liability	563	772	565
	<u>(3,343)</u>	<u>(3,782)</u>	<u>(3,345)</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 2019		31 Mar 2018		30 Sept 2018	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
<u>Basic earnings per share</u>						
Profit/(loss) for the period	(32,379)	(2,717)	12,295	1,243	10,601	1,068
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>300,580</u>	<u>300,580</u>	<u>300,580</u>	<u>300,580</u>	<u>300,580</u>	<u>300,580</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>401,187</u>	<u>401,187</u>	<u>401,187</u>	<u>401,187</u>	<u>401,187</u>	<u>401,187</u>
Basic earnings per share (ZMW ngwee and US cents) – Continued operations	(10.58)	(0.89)	7.64	0.77	7.90	0.80
Basic earnings per share (ZMW ngwee and US cents) – Discontinued operations	-	-	(3.76)	(0.38)	(4.41)	(0.44)
Total Basic earnings per share (ZMW ngwee and US cents)	(10.58)	(0.89)	3.88	0.39	3.49	0.36
Diluted earnings per share						
Basic earnings per share – continued operations	(7.92)	(0.67)	5.72	0.58	5.92	0.60
Basic earnings per share – discontinued operations	-	-	(2.81)	(0.28)	(3.31)	(0.33)
Total Basic earnings per share	(7.92)	(0.67)	2.91	0.30	2.61	0.27

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

8. Biological assets

(a) 31 March 2019

Biological assets comprise standing crops, feedlot cattle, dairy cattle, pigs and chickens. At 31 March 2019 there were 12,800 cattle (10,057 feedlot cattle and 2,743 dairy cattle), 880,335 chickens (576,988 layers and 303,347 broilers), and 5,026 pigs. A total of 18,372 feedlot cattle, 64 dairy cattle, 4,256 pigs and 3,627,322 chickens were culled during the period.

(i) in Zambian Kwacha

	As at 1 Oct 2018 ZMW'000s	Increase due to purchases ZMW'000s	Gains arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/ transferred to inventory ZMW'000s	As at 31 Mar 2019 ZMW'000s
Standing Crops	42,419	184,328	182,500	(15,824)	(150,529)	242,894
Feedlot cattle	56,750	163,937	64,877	-	(239,309)	46,255
Dairy Cattle	48,336	30,741	75,414	-	(108,248)	46,243
Pigs	4,431	2,497	1,070	95	(3,712)	4,381
Chickens	29,738	111,069	85,446	-	(191,298)	34,955
Total	181,674	492,572	409,307	(15,729)	(693,096)	374,728

(ii) in US Dollars

	As at 1 Oct 2018 USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains arising From fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to harvest/ transferred to inventory USD'000s	As at 31 Mar 2019 USD'000s
Standing Crops	3,466	(359)	15,464	15,310	(1,327)	(12,628)	19,926
Feedlot cattle	4,636	39	13,753	5,443	-	(20,076)	3,795
Dairy Cattle	3,949	20	2,579	6,327	-	(9,081)	3,794
Pigs	362	2	209	90	7	(311)	359
Chickens	2,430	-	9,318	7,168	-	(16,049)	2,867
Total	14,843	(298)	41,323	34,338	(1,320)	(58,145)	30,741

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

8. Biological assets (continued)

(b) 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

	As at 1 Oct 2017 ZMW'000s	Increase due to purchases ZMW'000s	Gains arising from fair value attributable to physical changes ZMW'000s	Gains arising from fair value attributable to price changes ZMW'000s	Decrease due to harvest/ transferred to inventory ZMW'000s	As at 31 Mar 2018 ZMW'000s
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
Palm plantation	62,739	8,057	149	-	(89)	70,856
Total	230,596	399,725	217,879	(4,283)	(433,703)	410,214
Less: Non current biological assets	(62,739)	(8,057)	(149)	-	89	(70,856)
Total	167,857	391,668	217,730	(4,283)	(433,614)	339,358

(ii) in US Dollars

	As at 1 Oct 2017 USD'000s	Foreign exchange USD'000s	Increase due to purchases USD'000s	Gains arising From fair value attributable to physical changes USD'000s	Gains arising from fair value attributable to price changes USD'000s	Decrease due to to harvest/ transferred to inventory USD'000s	As at 31 Mar 2018 USD'000s
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
Total	23,847	1,283	40,375	22,007	(433)	43,808	43,271
Less: non-current biological assets	(6,488)	(167)	(813)	(15)	-	9	(7,474)
Total	17,359	1,116	39,562	21,992	(433)	(43,799)	35,797

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

8. Biological assets (continued)

(c) 30 September 2018

Biological assets comprise standing crops, feedlot and standing cattle, dairy cattle, pigs and chickens. At 30 September 2018 there were 15,315 cattle (12,757 feedlot cattle and 2,558 dairy cattle) and 736,192 chickens (544,311 layers and 191,881 broilers), and 4,936 pigs. A total of 30,906 feedlot cattle, 905 dairy cattle, 8,263 pigs and 7,743,542 chickens were culled during the year.

(i) in Zambian Kwacha

	As at 1 Oct 2017	Increase due to purchases	Gains/(losses) arising from fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest/ transferred to inventory	As at 30 Sept 2018
	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s	ZMW'000s
Standing Crops	45,796	307,076	212,510	(4,377)	(518,586)	42,419
Feedlot Cattle	46,507	309,342	155,215	(4,030)	(450,284)	56,750
Dairy Cattle	45,074	59,527	129,311	(6,892)	(178,684)	48,336
Pigs	3,688	7,745	3,881	54	(10,937)	4,431
Chickens	26,792	263,669	133,934	-	(394,657)	29,738
Palm oil plantation	62,741	-	-	-	(62,741)	-
Total	230,598	947,359	634,851	(15,245)	(1,615,889)	181,674
Less: Non-current biological assets	(62,741)	-	-	-	62,741	-
Total	167,857	947,359	634,851	(15,245)	(1,553,148)	181,674

(ii) in US Dollars

	As at 1 Oct 2017	Foreign exchange	Increase due to purchases	Gains/ (losses) arising from fair value attributable to physical changes	Gains arising from fair value attributable to price changes	Decrease due to harvest / transferred to inventory	As at 30 Sept 2018
	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s	USD'000s
Standing Crops	4,736	(929)	30,955	21,422	(441)	(52,277)	3,466
Feedlot Cattle	4,811	(1,208)	31,184	15,647	(406)	(45,392)	4,636
Dairy Cattle	4,660	(1,039)	6,001	13,035	(695)	(18,013)	3,949
Pigs	381	(93)	781	391	5	(1,103)	362
Chickens	2,771	(638)	26,580	13,501	-	(39,784)	2,430
Palm oil plantation	6,488	(163)	-	-	-	(6,325)	-
Total	23,847	(4,070)	95,501	63,996	(1,537)	(162,894)	14,843
Less: Non-current biological assets	(6,488)	163	-	-	-	6,325	-
Total	17,359	(3,907)	95,501	63,996	(1,537)	(156,569)	14,843

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)
9. Cash and cash equivalents

	31 Mar 2019		31 Mar 2018		30 Sept 2018	
	<i>ZMW'000s</i>	<i>USD'000s</i>	<i>ZMW'000s</i>	<i>USD'000s</i>	<i>ZMW'000s</i>	<i>USD'000s</i>
Cash in hand and at bank	50,801	4,167	61,857	6,525	101,123	8,262
Bank overdrafts	(359,143)	(29,462)	(333,345)	(35,163)	(236,866)	(19,352)
	(308,342)	(25,295)	(271,488)	(28,638)	(135,743)	(11,090)

(a) Banking facilities

The Group has overdraft facilities totalling ZMW74.6 million (2018: ZMW74.6 million) and USD5 million (2018: USD5 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of Bank of Zambia Policy rate plus 4.5 per cent. for the Kwacha facility and 6-month USD LIBOR rate plus 4 per cent. for the USD facility.

The Group has overdraft facilities totalling ZMW30 million (2018: ZMW30 million) and USD2 million (2018: USD2 million) with Standard Chartered Bank Zambia Plc. The Standard Chartered Bank overdrafts bear interest rates of Bank of Zambia Policy rate plus 4.5 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 (2018: ZMW98.3 million) with Zanaco Bank Plc. The Zanaco Bank overdraft bears an interest rate of Bank of Zambia Policy rate plus 4.5 per cent. on the Kwacha facility.

The Group has overdraft facilities totalling ZMW57.5 million (2018: ZMW57.5 million) and USD2 million (2018: USD2 million) with Stanbic Bank Zambia Limited. The Stanbic Bank overdrafts bear interest rate of Bank of Zambia Policy rate plus 4.5 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 2019		31 Mar 2018		30 Sept 2018	
	<i>ZMW'000s</i>	<i>USD'000s</i>	<i>ZMW'000s</i>	<i>USD'000s</i>	<i>ZMW'000s</i>	<i>USD'000s</i>
Bank overdrafts represented by:						
Zanaco Bank PLC	(96,826)	(7,943)	(97,189)	(10,252)	(95,709)	(7,819)
Citibank Zambia Limited	(132,800)	(10,894)	(119,293)	(12,583)	(57,022)	(4,659)
Stanbic Bank Zambia Limited	(79,961)	(6,560)	(74,236)	(7,831)	(56,935)	(4,652)
Standard Chartered Bank Zambia PLC	(49,556)	(4,065)	(42,627)	(4,497)	(27,200)	(2,222)
	(359,143)	(29,462)	(333,345)	(35,163)	(236,866)	(19,352)

- (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 ZMW8 million), Zanaco Bank Plc (ZMW98.3 million), and Stanbic Bank Zambia Limited (ZMW78.5 million).

All overdrafts are annual revolving facilities.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

10. Interest bearing liabilities

	31 Mar 2019		31 Mar 2018		30 Sept 2018	
	ZMW'000s	USD'000s	ZMW'000s	USD'000s	ZMW'000s	USD'000s
DEG – Deutsche Investitions und Entwicklungsgesellschaft MBH (note (a))	206,376	16,930	197,658	20,850	231,413	18,907
Zanaco Bank Plc (note (b))	13,286	1,090	19,929	2,102	19,929	1,628
International Finance Corporation (note (d))	131,457	10,784	140,181	14,787	152,217	12,436
Standard Chartered Bank Zambia PLC (note (c))	176,159	14,451	136,774	14,428	107,213	8,759
	<u>527,278</u>	<u>43,255</u>	<u>494,542</u>	<u>52,167</u>	<u>510,772</u>	<u>41,730</u>
Less: short-term portion (repayable within next 12 months)	<u>(271,072)</u>	<u>(22,237)</u>	<u>(210,190)</u>	<u>(22,172)</u>	<u>(202,460)</u>	<u>(16,541)</u>
Long-term portion (repayable after 12 months)	<u>256,206</u>	<u>21,018</u>	<u>284,352</u>	<u>29,995</u>	<u>308,312</u>	<u>25,189</u>

(a) (i) **DEG Term Loan 3**

The Group has a loan facility of USD5.68 million (2018: USD:7.1 million and original amount of USD10 million) from DEG. Interest on the loan is 4.25 per cent. above the 6-month USD LIBOR rate per annum payable 6 monthly in arrears. The capital is repayable in 14 biannual instalments of USD710,000 commencing May 2016 and expiring in November 2022.

The DEG term loan 3 is secured by:

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

(ii) **DEG Term Loan 4**

The Group has a loan facility of USD11.25 million (2018: USD:13.75 million and original amount of USD15 million) from DEG. Interest on the loan is 5.75 per cent. above the 6-month USD LIBOR rate per annum payable quarterly in arrears. The capital is repayable in 12 quarterly instalments of USD1,250,000 commencing March 2018 and expiring in March 2023.

The DEG term loan 4 is secured by:

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

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

10. **Interest bearing liabilities (continued)**

(b) **Zanaco Bank Plc**

The Group has a loan facility of ZMW13.3 million (2018: ZMW19.9 million) with Zanaco Bank Plc. Interest on the loan is 4.5 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 (2018: USD20 million) with Standard Chartered Bank Zambia Plc. The purpose of the facility is the financing of wheat, soya beans, and maize under collateral management agreements and is for 270 days. The balance on the facilities at period end was USD14.5 million (2018: USD14.4 million). Interest on the facility 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 2**

The company has a loan facility of USD8.96 million and ZMW22.2 million (2018: USD11.7 million and ZMW29.1 million and original amount of USD20 million and ZMW49.6 million). Interest on the loan is 4.75 per cent. above the 6-month USD LIBOR rate per annum for the USD facility and 4.45 per cent. above the 91-day Treasury Bill rate plus a variable swap margin for the Kwacha facility payable quarterly in arrears. The principal is repayable in 29 equal quarterly instalments of USD689,655 and ZMW1,710,345 commencing June 2015 and expiring in June 2022.

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

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (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 2019 and 30 September 2018.

31 March 2019	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Financial Assets				
Trade receivables	-	-	54,865	54,865
Total Assets	-	-	54,865	54,865
Financial Liabilities				
US-dollar loans	-	(315,599)	-	(315,599)
Total Liabilities	-	(315,599)	-	(315,599)
Net fair value	-	(315,599)	54,865	(260,734)

30 September 2018	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Financial Assets				
Trade receivables	-	-	117,415	117,415
Total Assets	-	-	117,415	117,415
Financial Liabilities				
US-dollar loans	-	(465,188)	-	(465,188)
Total Liabilities	-	(465,188)	-	(465,188)
Net fair value	-	(465,188)	117,415	(347,773)

31 March 2019	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial Assets				
Trade receivables	-	-	4,501	4,501
Total Assets	-	-	4,501	4,501
Financial Liabilities				
US-dollar loans	-	(25,890)	-	(25,890)
Total Liabilities	-	(25,890)	-	(25,890)
Net fair value	-	(25,890)	4,501	(21,389)

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

13. Fair value measurement (continued)

30 September 2018	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Financial Assets				
Trade receivables	-	-	9,593	9,593
Total Assets	-	-	9,593	9,593
Financial Liabilities				
US-dollar loans	-	(38,006)	-	(38,006)
Total Liabilities	-	(38,006)	-	(38,006)
Net fair value	-	(38,006)	9,593	(28,413)

There were no transfers between Level 1 and Level 2 in 2019 or 2018.

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 acting 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% (2018: 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 2019 and 30 September 2018:

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (CONTINUED)

13. Fair value measurement (Continued)

31 March 2019	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Property, plant and equipment:				
Land held for production in Zambia	-	1,165,863	-	1,165,863
Office building in Zambia	-	48,259	-	48,259
30 September 2018	Level 1 ZMW'000	Level 2 ZMW'000	Level 3 ZMW'000	Total ZMW'000
Property, plant and equipment:				
Land held for production in Zambia	-	1,182,870	-	1,182,870
Office building in Zambia	-	40,225	-	40,225
31 March 2019	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Property, plant and equipment:				
Land held for production in Zambia	-	95,641	-	95,941
Office building in Zambia	-	3,959	-	3,959
30 September 2018	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Property, plant and equipment:				
Land held for production in Zambia	-	96,640	-	96,640
Office building in Zambia	-	3,286	-	3,286

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 2018: ZMW nil; 31 March 2018: ZMW nil) therefore no reconciliation of balances is required.

ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2019 (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:

	March 2018 ZMW'000	March 2018 USD'000
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:

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

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

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

15. **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.