Feeding the Nation

ZAMBEEF

Products PLC

# ADMISSION DOCUMENT

Admission to AIM by Strand Hanson Limited and Renaissance Capital Limited

STRAND HANSON

Renaissance Capital

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended immediately to seek your own personal advice from your stockbroker, bank manager, solicitor or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the UK, or, if you are not resident in the UK, from another authorised independent adviser. The whole of this document should be read. Your attention is drawn in particular to the section entitled "Risk Factors", in Part III of this document, that describes certain risks associated with an investment in the Company.**

The Directors of Zambeef Products PLC (the "**Company**"), whose names, business addresses and functions appear on page 14 of this document, and the Company accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies ("**AIM Rules**"), for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document, which comprises an admission document drawn up in accordance with the AIM Rules, has been issued in connection with the proposed admission of the Existing Ordinary Shares, the Rights Issue Shares and the Placing Shares (the "**Enlarged Share Capital**") to trading on AIM, a market operated by the London Stock Exchange PLC ("**AIM**"). This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Services Authority (the "**FSA**") in accordance with the Prospectus Rules or delivered to or approved by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the offices of Strand Hanson Limited ("**Strand Hanson**"), 26 Mount Row, London W1K 3SQ, from the date of this document for a period of one month following the date of Admission.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM ("**Admission**"). It is expected that Admission will take place and that dealings in the Enlarged Share Capital will commence on 23 June 2011. The Existing Ordinary Shares are currently listed on the Lusaka Stock Exchange ("**LuSE**") and, following Admission, the Enlarged Share Capital will also be listed on the LuSE. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.** In particular, it should be remembered that the price of securities and the income from them can go down as well as up.

The AIM Rules are less demanding than those of the Official List. **Each AIM company is required, pursuant to the AIM Rules, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.** It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. **Further, neither the London Stock Exchange nor the FSA has examined or approved the contents of this document.**

# ZAMBEEF PRODUCTS PLC

*(Incorporated and registered in Zambia under the Companies Act, 1994 with registered number 31824)*

## Placing of 53,713,570 Placing Shares at 38.06 pence per Placing Share
## and
## Admission to trading on AIM

| | |
|---|---|
| **Strand Hanson Limited** | **Renaissance Capital Limited** |
| ***Nominated & Financial Adviser*** | ***Sole Bookrunner and Broker*** |

Share capital of the Company immediately following Admission

*Issued and fully paid Ordinary Shares of ZMK1 par value*

| *Amount* | *Number* |
|---|---|
| ZMK247,978,195 | 247,978,195 |

The Placing is conditional, among other things, on Admission taking place on or before 23 June 2011 (or such later date as the Company, Strand Hanson and Renaissance Capital Limited ("**Renaissance Capital**") may agree but in any event no later than 15 July 2011). The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company (except for the interim dividend of ZMK15 per Ordinary Share declared on 3 June 2011 and to be paid on or before 15 August 2011) and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Strand Hanson and Renaissance Capital, which are both authorised and regulated in the United Kingdom by the FSA are advising the Company and no one else (whether or not a recipient of this document) in connection with Admission and the Placing respectively, Strand Hanson is acting exclusively for the Company as nominated adviser for the purpose of the AIM Rules. Renaissance Capital is acting exclusively for the Company as sole bookrunner and broker. Neither Strand Hanson nor Renaissance Capital will be responsible to any person other than the Company for providing the protections afforded to their customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Strand Hanson or Renaissance Capital as to the contents of this document. No liability whatsoever is accepted by Strand Hanson or Renaissance Capital for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or acquire, any Ordinary Shares to any person in any jurisdiction where it is unlawful. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or any US state securities laws and may not be offered or sold within the United States (as defined in Regulation S under the US Securities Act) unless registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. The Ordinary Shares have not been, nor will they be, registered or qualified for sale under the applicable securities laws of Australia, Canada or Japan and may not be offered or sold to any national, resident or citizen of Australia, Canada or Japan. Neither this document, nor any copy of it, may be sent to or taken into Australia, Canada, Japan, or, subject to certain limited exceptions, the United States. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No broker, dealer or other person has been authorised by the Company, the Directors, Strand Hanson or Renaissance Capital to issue any advertisement or to give any information or make any representation in connection with the offering or sale of the Placing Shares other than those contained in this document and if issued, given or made, that advertisement, information or representation must not be relied upon as having been authorised by the Company, the Directors, Renaissance Capital or Strand Hanson.

**United Kingdom**

This document is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity (within the meaning of section 21 of FSMA) and has therefore not been approved by an authorised person within the meaning of FSMA. This document may only be communicated or caused to be communicated in the UK to persons falling within Articles 19 (investment professionals) and 49 (high net worth companies etc.) of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005 (SI. 2005/No. 1529) (as amended) or other persons to whom it may otherwise lawfully be communicated or cause to be communicated ("**Relevant Persons**"). Consequently, this document will not be available in the United Kingdom to anyone other than Relevant Persons and no one falling outside those categories is entitled to rely on, and they must not act on, any information in this document. The communication of this document to any person in the United Kingdom other than Relevant Persons is unauthorised and may contravene FSMA.

**European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of: (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company, Strand Hanson or Renaissance Capital of a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires or subscribes for any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Strand Hanson, Renaissance Capital and the Company that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. Provided further that the Company, Renaissance Capital and Strand Hanson may jointly agree, in their absolute discretion, to waive such a requirement.

For this purpose, the expression "an offer to the public in that Relevant Member State of any Ordinary Shares" means the communication in any form and by any means of sufficient information on the terms of the Placing and any Ordinary Shares, to be offered so as to enable an investor to decide to acquire or subscribe for any Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state and "Prospectus Directive" means the Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, warranted and agreed to and with Strand Hanson, Renaissance Capital and the Company that (i) the Ordinary Shares acquired by it have not been acquired or subscribed for on behalf of, nor have they been acquired or subscribed for with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, or in circumstances in which the prior consent of the Company, Strand Hanson and Renaissance Capital has been obtained to each such proposed offer or resale, or (ii) where Ordinary Shares have been acquired or subscribed for by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons.

**Zambia**

This document has neither been nor will it be registered in Zambia as a prospectus with the Lusaka Stock Exchange under the Zambian Listing Rules nor the Registrar of Companies under Section 123 of the Companies Act Chapter 388 of the laws of Zambia. The contents of this document have not been reviewed by any regulatory authority in Zambia. The Company will not circulate or distribute this document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Ordinary Shares, whether directly or indirectly, to persons in Zambia. Any potential Zambian investors are advised to exercise caution in relation to the Placing.

Please note that (i) Ordinary Shares may not be offered or sold in Zambia by means of this document or any other document, and (ii) no person shall issue or possess for the purposes of the Placing, whether in Zambia or elsewhere, any advertisement, invitation or document relating to Ordinary Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Zambia.

**United States**

**THE PLACING SHARES OFFERED BY THIS DOCUMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY US STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

**THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE US SECURITIES ACT OR THE SECURITIES LAWS OF ANY US STATE AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.**

**South Africa**

The Ordinary Shares may not be offered or sold in South Africa unless the persons to which they are offered fall within the persons described in section 96(1)(a) of the South African Companies Act, 2008 ("Companies Act") or the total acquisition cost, for any single addressee acting as principal, is equal to or greater than the amount prescribed in section 96(2)(a) of the Companies Act, being ZAR 1,000,000.

Any South African placees complying with the provisions of section 96(1)(a) or 96(1)(b) of the Companies Act must also ensure that the requirements of the Financial Surveillance Department of the South African Reserve Bank are complied with.

**Forward looking statements**

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this document, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation or the Zambian Government, changes in its business strategy, political and economic uncertainty and other factors discussed in Part III.

Any forward-looking statements in this document reflect the Company's current view (assuming Admission has occurred) with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations and growth strategy. Investors should specifically consider the factors identified in this document, which could cause results to differ before making an investment decision. Subject to the requirements of the AIM Rules, the Company undertakes no obligation publicly to release the result of any revisions of any forward-looking statements in this document that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this document.

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# EXPECTED TIMETABLE FOR THE PLACING AND ADMISSION

| | |
|---|---|
| Publication of this document | 20 June 2011 |
| Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM | 8.00am on 23 June 2011 |
| Expected date for CREST accounts to be credited (where applicable) | 23 June 2011 |
| Expected date for despatch of definitive share certificates (where applicable) | By 5 July 2011 |
| Completion of the acquisition of the ETC Assets | By 30 June 2011 |

Each of the dates in the above timetable is subject to change without further notice. Temporary documents of title will not be issued.

# RIGHTS ISSUE STATISTICS

| | | |
|---|---|---|
| Number of Existing Ordinary Shares in issue at the Record Date | | 158,706,045 |
| Number of Rights Issue Shares | | 35,558,580 |
| Rights Issue ratio | | 9 for 16 |
| Rights Issue Price | US$ 0.6149 | ZMK 2,975 |
| Ordinary Shares in issue immediately following completion of the Rights Issue | | 194,264,625 |
| Total gross proceeds of the Rights Issue | US$21.87 million | ZMK 105,786 million |

# PLACING STATISTICS

| | | |
|---|---|---|
| Number of Existing Ordinary Shares in issue at the Record Date | | 158,706,045 |
| Number of Placing Shares | | 53,713,570 |
| Placing Price per Placing Share | US$ 0.6163 | 38.06p |
| Gross proceeds raised by the Placing | US$33.10 million | £20.44 million |
| Estimated proceeds of the Rights Issue and the Placing receivable by the Company, net of expenses | US$52.11 million | £32.18 million |
| Enlarged Share Capital (taking into account the Rights Issue Shares and the Placing Shares) | | 247,978,195 |
| Percentage of the Enlarged Share Capital represented by the Placing Shares at Admission | | 21.66 per cent. |
| Percentage of the Enlarged Share Capital held by or on behalf of the Directors on Admission | | 11.52 per cent. |
| Approximate market capitalisation of the Company at the Placing Price on Admission | US$152.8 million | £94.38 million |
| Gross proceeds of the Rights Issue and the Placing | US$54.97 million | £33.95 million |
| TIDM Code/AIM Symbol | | ZAM |
| ISIN | | ZM0000000201 |
| SEDOL | | B4NZFZ9 |

All references to times in this document are to BST unless otherwise stated.

# EXCHANGE RATES

For reference purposes only, the following exchange rates were prevailing on 14 June 2011 (being the latest practicable day prior to the publication of this document):

US$1.6193 per £1

ZMK7,817.58 per £1

ZMK4,837.97 per US$1

All amounts in Part I of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

# DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

| | |
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| "Acquisition" | the proposed acquisition of the ETC Assets by the Group, including the further upgrade of existing infrastructure and expansion of the irrigated area by an additional 2,000 Ha; |
| "Acquisition Agreement" | the conditional agreement dated 28 January 2011 between the Company and ETC relating to the sale and purchase of the ETC Assets (as amended and restated on 26 March 2011 and by an addendum dated 19 April 2011), details of which are set out at paragraph 10.1(f) of Part VI of this document; |
| "Admission" | admission of the Enlarged Share Capital to trading on AIM becoming effective pursuant to rule six of the AIM Rules for Companies; |
| "AIM" | the AIM market operated by the London Stock Exchange; |
| "AIM Rules" | means together the AIM Rules for Companies and AIM Rules for Nominated Advisers; |
| "AIM Rules for Companies" | the provisions of the AIM Rules for Companies and related guidance notes published by the London Stock Exchange (as amended or reissued from time to time); |
| "AIM Rules for Nominated Advisers" | the provisions of the AIM Rules for Nominated Advisers and related guidance notes published by the London Stock Exchange (as amended or reissued from time to time); |
| "Amanita Milling" | Amanita Milling Ltd, a company incorporated in Zambia with registered number 31571; |
| "Articles" | the articles of association of the Company, as further described in paragraph 5.2 of Part VI of this document; |
| "Bosch" | Bosch Projects (Pty) Ltd; |
| "Bosch Report" | the report produced by Bosch, an independent consultancy group, dated 21 January 2011 as commissioned by the Company; |
| "Branch Register" | the Company's branch register maintained by the Branch Registrar; |
| "Branch Registrar" | Computershare Investor Services (Jersey) Ltd; |
| "Branch Registrar Agreement" | the agreement dated • June 2011 between the Company and the Branch Registrar relating to the provision of registration services, details of which are set out at paragraph 16.3 of Part VI of this document; |
| "Broker Agreement" | the agreement dated • June 2011 between the Company and Renaissance Capital relating to broker services, details of which are set out at paragraph 10.1(c) of Part VI of this document; |
| "Business" | the business carried on by the Group as at the date of this document, including (i) the production, processing, distribution and retailing of beef, pork, chicken, eggs, milk, dairy products, edible oils, stock feed, flour and bread; (ii) cropping; (iii) the manufacturing of leather and shoes; and (iv) the development of a palm plantation; |
| "Certificated" or "in certificated form" | an Ordinary Share which is in certificated form (that is not in CREST); |

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|---|---|
| "Chiawa Farm" | the farmland (and related assets) of that name in the Zambezi Valley, Zambia; |
| "City Code" or "Takeover Code" | the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers, as amended and reissued from time to time; |
| "Company" or "Zambeef" | Zambeef Products PLC, a public limited company incorporated in Zambia on 24 June 1994 as a private limited company which was converted into a public limited company on 2 January 2003 and whose company registration number is 31824 and whose registered office is located at Plot 4970, Manda Road, Industrial Area, Lusaka, Zambia; |
| "Companies Act" | the Companies Act, Chapter 388 of the Laws of Zambia; |
| "Concessionary Agreement" | the concessionary agreement dated 7 February 2011 between the Company and Africa Supermarkets Limited summarised in paragraph 10.1(i) of Part VI of this document; |
| "CREST" | the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title to shares in uncertificated form, operated by Euroclear; |
| "CSD" | the Central Shares Depositary of the LuSE; |
| "Custodian" | Computershare Company Nominees Ltd or a third party appointed by the Depositary; |
| "Deed Poll" | the deed poll executed by the Depositary in relation to the Depositary Interests details of which are set out in paragraph 16.1 of Part VI of this document; |
| "DEG" | Deutsche Investitions-und Entwicklungsgesellschaft mbH, a member of the KFW Bankengruppe, a German based development institution which finances investments by private enterprise in developing countries; |
| "Depositary" | Computershare Investor Services PLC; |
| "Depositary Agreement" | the agreement between the Company and the Depositary for the provision of depositary services details of which are set out in paragraph 16.2 of Part VI of this document; |
| "Depositary Interest" or "DI" | dematerialised depositary interests representing Ordinary Shares whereby each Depositary Interest represents one Ordinary Share; |
| "Directors" or "Board" | the directors of the Company for the time being, whose names are set out on page 14 of this document and Director means any one of them; |
| "Disclosure and Transparency Rules" | the Disclosure and Transparency Rules made by the FSA in exercise of its functions as a competent authority pursuant to Part VI of FSMA; |
| "Enlarged Share Capital" | the Existing Ordinary Shares, the Rights Issue Shares and the Placing Shares; |
| "ESAP" | the Environmental and Social Action Plan entered into between the Company and some of its lenders; |
| "ETC" | ETC Bio-Energy Limited, a limited company incorporated in the Republic of Zambia whose company registration number is 65386, with registered address Plot No 8087, Chinika, Mumbwa Road, Lusaka; |

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|---|---|
| "ETC Assets" | the land and buildings of the three Farms and related assets such as plant, equipment, machinery, vehicles, livestock, agricultural and other equipment, spares, parts and contents of the stores at the various locations on the Farms details of which are set out at paragraph 6 of Part I of this document; |
| "EU" | the European Union; |
| "Euroclear" | Euroclear UK and Ireland Limited; |
| "Euros" or "€" | the lawful currency of the 17 members of the European Union which have entered into an economic and monetary union; |
| "Executive Directors" | Carl Irwin, Francis Grogan, Sushmit Maitra and Yusuf Koya; |
| "Existing Ordinary Shares" | the 158,706,045 Ordinary Shares in issue as at the date of this document; |
| "Farms" | Nampamba farm (farm 4451), Chambatata farm (farm 4450) and Kampemba farm (farm 5388); |
| "FSMA" | the Financial Services and Markets Act 2000 (as amended); |
| "FYE" | financial year ended; |
| "GDP" | gross domestic product; |
| "Grant Thornton UK" | Grant Thornton UK LLP, a member of the Institute of Chartered Accountants in England and Wales and reporting accountants to the Group; |
| "Group" or "Zambeef Group" | the Company and the Subsidiary Companies; |
| "Ha" | Hectare or Hectares; |
| "IFC" | the International Finance Corporation (a member of the World Bank Group); |
| "IFRS" | the international financial reporting standards, guidelines, principles, conventions and procedures of accounting practices, as in effect from time to time; |
| "IMF" | International Monetary Fund; |
| "Investment Promotion and Protection Agreements" | the agreements between the Zambian Development Agency and the Zambian Government and each of Zamanita (dated 23 March 2009) and the Company (dated 13 November 2009); |
| "ISIN" | International Securities Identification Number; |
| "K" or "ZMK" or "Kwacha" | the lawful currency of the Republic of Zambia; |
| "LIBOR" | in relation to any period and amount in respect of which an interest rate falls to be determined, the rate at which deposits in the relevant currency of that amount are offered to prime banks in the London inter-bank market for such period; |
| "Lock-in Agreement" | the agreement dated • June 2011 between the Company, Strand Hanson, Renaissance Capital and the Restricted Persons relating to lock-in and orderly market arrangements, details of which are set out at paragraph 10.1(d) of Part VI of this document; |
| "London Stock Exchange" or "LSE" | London Stock Exchange plc; |

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|---|---|
| "LuSE" | Lusaka Stock Exchange Limited; |
| "Master Meats (Ghana)" | Master Meats (Ghana) Limited, whose company registration number is 33344 and whose registered office is at Warehouse A29, Spintex Road, East Airport, Accra, Ghana, a 90 per cent. subsidiary of the Company; |
| "Master Meats (Nigeria)" | Master Meats and Agro Production Company of Nigeria Limited, whose company registration number is 638314 and whose registered office is at Palms Shopping Mall, off British International School Way, Lekki-Epe Expressway, Maroko, Victoria Island, Lagos, a 90 per cent. subsidiary of the Company; |
| "Master Pork" | Master Pork Limited, whose company registration number is 47358 and whose registered office is at Plot 4970, Manda Road, Industrial Area, Lusaka, Zambia, a 100 per cent. wholly owned subsidiary of the Company; |
| "MT" | Metric tonnes; |
| "Nanga Farms" | Nanga Farms PLC, a company incorporated in Zambia, whose principal activity is growing sugar cane; |
| "Nominated Adviser Agreement" | the agreement dated • June 2011 between the Company and Strand Hanson relating to the appointment of Strand Hanson as the Company's nominated adviser pursuant to the AIM Rules, details of which are set out at paragraph 10.1(b) of Part VI of this document; |
| "OECD" | Organisation for Economic Co-operation and Development; |
| "Official List" | the Official List of the UK Listing Authority; |
| "Offer Period" | 26 May 2011 to 10 June 2011, the period during which the Rights Issue remained open; |
| "Ordinary Shares" | the ordinary shares of par value of ZMK 1 in the capital of the Company; |
| "Placees" | those persons subscribing for or purchasing Placing Shares at the Placing Price; |
| "Placing" | the conditional placement on AIM by Renaissance Capital of the Placing Shares at the Placing Price pursuant to the Placing Agreement; |
| "Placing Agreement" | the agreement dated • 2011 between the Company, the Directors, Renaissance Capital and Strand Hanson relating to Admission and the Placing, details of which are set out at paragraph 10.1(a) of Part VI of this document; |
| "Placing Price" | 38.06 pence per Placing Share; |
| "Placing Shares" | the 53,713,570 new Ordinary Shares which are the subject of the Placing; |
| "Prospectus Directive" | Directive 2003/71/EC, including any relevant implementing measures in each member state of the European Union; |
| "Prospectus Rules" | the Prospectus Rules issued by the UK Listing Authority, being the Financial Services Authority acting as the competent authority for the purposes of Part VI of FSMA, as amended from time to time; |

| | |
|---|---|
| "QCA" | the Quoted Companies Alliance, a not-for-profit trade organisation that works for small and mid-cap quoted companies in the UK and Europe; |
| "QCA Guidelines" | the corporate governance guidelines for smaller quoted companies published by the QCA, as amended from time to time; |
| "Record Date" | the close of business on 16 May 2011; |
| "Renaissance Capital" | Renaissance Capital Limited, a company incorporated and registered in England (company number 3059237), sole bookrunner and retained broker to the Company; |
| "Restricted Persons" | each of the Directors, Rhodora Limited, Shaka Holdings Inc, Banata Limited, Madison General Insurance Company Limited, Tajar Limited and Applegum Pty Ltd; |
| "Rights Issue" | the rights issue of 9 new Ordinary Shares for every 16 Existing Ordinary Shares to be undertaken by the Company on the LuSE as detailed in the Rights Issue Circular; |
| "Rights Issue Circular" | the rights issue circular dated 20 May 2011 relating to the Rights Issue; |
| "Rights Issue Price" | ZMK 2,975.00 per Ordinary Share; |
| "Rights Issue Shares" | the 35,558,580 new Ordinary Shares the subject of the Rights Issue; |
| "rwt" | retail weight; |
| "SDRT" | stamp duty reserve tax; |
| "SEC" | Securities and Exchange Commission of Zambia established under the Securities Act No. 38 of 1993; |
| "Sinazongwe Farm" | the farmland (and related assets) of that name in the Southern Province of Zambia; |
| "Shareholders" | the holders of the Ordinary Shares; |
| "Shoprite" | the trading name of Africa Supermarkets Ltd in Zambia, Retail Supermarkets Nigeria Ltd in Nigeria, and Shoprite (Pty) Ltd in Ghana, all being part of the Shoprite Holdings Ltd group of South Africa; |
| "Sterling" or "£" | the lawful currency of the United Kingdom; |
| "Strand Hanson" | Strand Hanson Limited, the Company's nominated and financial adviser; |
| "Subsidiary Companies" | the subsidiary companies of the Company, namely Zambeef Retailing Ltd, Zamleather Ltd, Zampalm Ltd, Master Pork, Zamanita, Novatek Feeds Ltd, Master Meats (Nigeria) and Master Meats (Ghana); |
| "UK" or "United Kingdom" | the United Kingdom of Great Britain and Northern Ireland; |
| "UK Corporate Governance Code" | the UK Corporate Governance Code published by the Financial Reporting Council, as amended from time to time; |

| | |
|---|---|
| "UK Listing Authority" or "UKLA" | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000; |
| "Uncertificated" or "uncertificated form" | an Ordinary Share recorded in the Company's register of members as being held in uncertificated form through a DI arrangement in CREST and title to which, by virtue of the CREST regulations, may be transferred by means of CREST; |
| "US" | the United States of America; |
| "USD", "US Dollars" or "US$" | the lawful currency of the United States of America; |
| "US Securities Act" | the US Securities Act of 1933, as amended; |
| "VAT" | value added tax; |
| "World Bank" | the International Bank for Reconstruction and Development; |
| "Zamanita" | Zamanita Limited, a 100 per cent. wholly owned subsidiary of the Company, incorporated in Zambia with registered number 67949 and whose registered office is located at Plot 4970, Manda Road, Industrial Area, Lusaka, Zambia; |
| "Zambian Development Agency" | the Zambian Development Agency established by section four of the Zambian Development Agency Act No.11 of 2006; |
| "Zambian Development Agency Act" | the Zambian Development Agency Act No.11 of 2006 of the Laws of Zambia; |
| "Zambian Government" | the Government of the Republic of Zambia; |
| "Zambian Register" | the register maintained by the Company in Zambia which contains the particulars of all its registered members or shareholders; |
| "Zambian Securities Act" | the Securities Act, 1993 Act No. 38 of 1993 of the Laws of Zambia, governing the operations of the SEC and the Zambian capital market; and |
| "Zambian Takeover and Merger Rules" | the rules governing the conduct of mergers and takeovers of Zambian public companies administered by the SEC under the Securities Act CAP 354 of the Laws of Zambia. |

# NOTICE TO INVESTORS

**Investors should take independent financial advice and should carefully consider the section of this document headed "Risk Factors" before making any decision to purchase Ordinary Shares.**

Unless otherwise stated, all information contained in this document is information on the Company and/or the Group.

## 1. Responsibility

The Directors and the Company accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company, (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

Prospective investors should not assume that the information in this document is accurate as of any other date than the date of its publication (the "**Publication Date**"). The delivery of this document at any time after the Publication Date will not, under any circumstances, create any implication that there has been no change in the Group's affairs since the Publication Date or that the information set forth in this document is correct as of any time since the Publication Date.

Prospective investors are responsible for making their own examination of the Company and the Group and their own assessment of the merits and risks of investing in the Ordinary Shares. By purchasing the Ordinary Shares, prospective investors acknowledge that:

- they have reviewed this document; and
- no person has been authorised to give any information or to make any representation concerning the Company, the Group or the Ordinary Shares other than as contained in this document. If given or made, any such information or representation should not be relied upon as being authorised by the Company.

The Company is not providing prospective investors with any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

## 2. No incorporation of contents from the Company's website

The contents of the Company's website, including any websites accessible from hyperlinks on the Company's website, do not form part of this document.

## 3. Restrictions on offer and sale

This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or acquire, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful. The Ordinary Shares have not been, nor will they be, registered or qualified for sale under the applicable securities laws of Australia, Canada or Japan and may not be offered or sold to any national, resident or citizen of Australia, Canada or Japan. Neither this document, nor any copy of it, may be sent to or taken into Australia, Canada, Japan, or, subject to certain limited exceptions, the United States. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, Strand Hanson nor Renaissance Capital is responsible for prospective investors' compliance with these legal requirements.

### *United States*

Each of Strand Hanson and Renaissance Capital has acknowledged and agreed that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state of the United States and may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside the United States in "offshore transactions" pursuant to, and in accordance with Regulation S under the US Securities Act or pursuant to transactions exempt from, or not subject to, the registration requirements of the US Securities Act. Terms used in this paragraph without definition have the respective meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the Placing, any offer or sale of Ordinary Shares within the United States by a dealer whether or not participating in the Placing may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the US Securities Act.

Unless such purchaser is a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act and shall have executed a US investor letter in a form satisfactory to the Company and Renaissance Capital, each purchaser of the Ordinary Shares, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged to or with the Company, Strand Hanson and Renaissance Capital that:

- the Ordinary Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state of the United States, and may be subject to significant restrictions on transfer;
- the purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Ordinary Shares, was located outside the United States at the time the buy order for the Ordinary Shares was originated and continues to be located outside the United States, and has not purchased the Ordinary Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Ordinary Shares to any person in the United States;
- the purchaser is aware of the restrictions on the offer and sale of the Ordinary Shares pursuant to Regulation S described in this document;
- the Ordinary Shares have not been offered to the purchaser by means of any "directed selling efforts" as defined in Regulation S under the US Securities Act; and
- the Company shall not recognise any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions.

### 4. Industry and market data

Certain information relating to market share, ranking and other industry data contained in this document is based on independent industry publications, reports by market research firms or other published independent sources. The Company has not independently verified market share, ranking or other industry data from such third party sources. The Company cannot assure prospective investors that any of these statements are accurate or correctly reflected.

# DIRECTORS, SECRETARY, ADVISERS AND OTHER INFORMATION

| | |
|---|---|
| **Directors** | Dr. Jacob Mwanza *(Non-Executive Chairman)*<br>Francis Grogan *(Chief Executive Officer)*<br>Yusuf Koya *(Executive Director)*<br>Carl Irwin *(Director of Strategy & Development)*<br>Sushmit Maitra *(Finance Director)*<br>Lawrence Sikutwa *(Non-Executive Director)*<br>John Rabb *(Non-Executive Director)*<br>Irene Muyenga *(Non-Executive Director)*<br>Stanley Phiri (*Non-Executive Director)*<br>Adam Fleming *(Non-Executive Director)* |
| **Registered Office and Head Office** | Plot 4970<br>Manda Road<br>Industrial Area<br>Lusaka<br>Zambia |
| **Company Secretary** | Danny Museteka |
| **Nominated and Financial Adviser** | Strand Hanson Ltd<br>26 Mount Row<br>London W1K 3SQ |
| | Strand Hanson Ltd<br>Ground Floor<br>Granger Bay Court<br>Beach Road<br>Waterfront<br>Cape Town 8001<br>South Africa |
| **Sole Bookrunner and Broker** | Renaissance Capital Ltd<br>One Angel Court<br>Copthall Avenue<br>London EC2R 7HJ |
| | Renaissance Capital Ltd<br>24 Fricker Road<br>Illovo Corner<br>Illovo<br>South Africa |
| **Solicitors to the Company as to English law** | Norton Rose LLP<br>3 More London Riverside<br>London SE1 2AQ |
| **Legal Advisers to the Company as to Zambian law** | Musa Dudhia & Co<br>3rd Floor, Mpile Park<br>74 Independence Avenue<br>PO Box 31198<br>Lusaka<br>Zambia |

| | |
|---|---|
| **Solicitors to the Nominated Adviser and Broker as to English law** | Chadbourne & Parke (London) LLP<br>Regis House<br>45 King William Street<br>London EC4R 9AN |
| **Reporting Accountants** | Grant Thornton UK LLP<br>Enterprise House<br>115 Edmund Street<br>Birmingham B3 2HJ |
| **Auditors** | Grant Thornton<br>5th Floor<br>Mukuba Pension House<br>Dedan Kimathi Road<br>PO Box 30885<br>Lusaka<br>Zambia |
| **Branch Registrar** | Computershare Investor Services (Jersey) Limited<br>Queensway House<br>Hilgrove Street<br>St. Helier<br>Jersey JE1 1ES |
| **Depositary** | Computershare Investor Services PLC<br>The Pavilions<br>Bridgwater Road<br>Bristol BS99 6ZZ<br>United Kingdom |
| **Financial PR** | Buchanan Communications Limited<br>107 Cheapside<br>London EC2V 6DN |
| **Independent Agricultural Consultant** | Bosch Projects (PTY) Ltd<br>1 Holwood Park<br>5 Canegate Road<br>La Lucia Ridge<br>Durban 4320<br>South Africa |
| **Company's telephone number** | +260 211 369003 |
| **Company's website** | www.zambeefplc.com |
| **ISIN** | ZM0000000201 |
| **SEDOL** | B4NZFZ9 |
| **Company's AIM symbol** | ZAM |

# PART I

# INFORMATION ON THE GROUP

## 1. Introduction

Zambeef 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, flour and bread. The Group also has large row cropping operations (principally maize, soya beans and wheat), with approximately 5,000 Ha of row crops under irrigation and 1,500 Ha of rain-fed/dry-land crops available for planting each year. The Group is also in the process of rolling out its West Africa expansion in Nigeria and Ghana, as well as a palm project within Zambia.

The Company was incorporated in June 1994 and listed on the LuSE in February 2003. Since its incorporation as a small scale start-up business, the Group has, through both organic growth and acquisitions, become one of Zambia's largest agri-businesses with annual revenues of ZMK770.5 billion (approximately US$162 million) for the latest financial year ended 30 September 2010.

Zambeef has one of the leading distribution and retail footprints in Zambia. The Group currently operates 87 stores under the "Zambeef" banner and 20 in-house butcheries in Shoprite supermarket outlets in Zambia, under the Concessionary Agreement between Zambeef and Africa Supermarkets Limited. In addition, the Group has seven of its own fast food outlets under the brand "Zamchick Inn". The Group also operates two in-house butcheries in Shoprite outlets and three of its own stores in Nigeria and a further two in-house butcheries in Shoprite outlets in Ghana.

On 8 February 2011, the Company announced that it had entered into the Acquisition Agreement to acquire the ETC Assets, subject to shareholder approval. Together, the ETC Assets extend to approximately 46,876 Ha, of which 2,994 Ha is irrigated and 7,667 Ha is dry-land farming (excluding the 2,137 Ha jatropha plantation), and will significantly expand the Group's cropping operations in Zambia. These assets will provide the Group with the agricultural throughput for its processing operations which the Directors believe should generate additional value and higher margins whilst mitigating the impact of the volatility of commodity prices and an erratic supply chain on the Group. Shareholder approval for the Acquisition was duly obtained at an extraordinary general meeting of the Company held on 19 May 2011.

It is intended that the consideration for the ETC Assets of US$46 million in cash will be financed by way of net proceeds of the Rights Issue and the Placing. It is further intended that the net proceeds of the Rights Issue and the Placing will be used in part to provide additional capital for the Group's development programme with respect to both the ETC Assets and the Group's existing assets. Further details of the Company's intended use of the proceeds from the Rights Issue and the Placing are set out in paragraph 13 of this Part of this document.

## 2. Key investment proposition

The Directors believe that an investment in the Company should be attractive to investors for the following reasons:

- the Company has an established and proven management team with the requisite experience and a broad range of technical, operational and financial skills. Management has the expertise and an established track-record in identifying and exploiting commercial agri-businesses in Zambia;
- there are limited opportunities for investors to gain exposure to African agriculture, particularly via the AIM market, as there are currently few AIM listed African agricultural companies with similar operations to the Company;
- in addition to agricultural production, the Group has diversified its operations to ensure margin capture throughout the value chain and to reduce revenue and earnings volatility. Additionally, the

Group's "farm-to-fork" strategy significantly reduces the Group's risk profile by allowing it to supply its own processing divisions with raw materials, and to sell the finished products directly to the end consumer through its extensive retail network thereby reducing its exposure to sudden price fluctuations;

- Sub-Saharan Africa provides a compelling macro-economic backdrop, where the IMF projects economic growth of 5.5 per cent. in 2011 and 6.0 per cent. in 2012;
- urbanisation in many African countries is a driver to growth. The McKinsey Global Institute estimates that 50 per cent. of Africans will be living in cities by 2030, in comparison to 28 per cent. in 1980, and 40 per cent. today. In addition to this, consumer spending across Africa is predicted to increase to US$1.4 trillion by 2020 in comparison with US$860 billion today; and
- the global outlook on demand for food and agricultural produce is predicted to increase, with meat consumption per capita in OECD countries expected to increase from an average of 66.3kg rwt in 2009/2011 to 68.7kg rwt in 2018. Per capita consumption in non-OECD countries is expected to increase from an average of 25.6kg rwt in 2009/2011 to 28.0kg rwt in 2018.

## 3. History and development of the Group

The Company was incorporated in 1994 by Carl Irwin and Francis Grogan, and through organic growth and acquisition has successfully developed into one of Zambia's largest agri-businesses with approximately 4,000 employees as at 31 March 2011 (of which approximately 850 are seasonal non-permanent workers).

Since the Company's incorporation, the Group has reported significant growth in its operations and has diversified its interests to service many separate areas of agriculture through its operating divisions.

The Company listed on the LuSE in February 2003, and since then has raised approximately ZMK100.9 billion (approximately US$26.5 million at the exchange rate prevailing at the relevant time) in equity capital, and issued shares with a value of approximately ZMK158.51 billion (approximately US$45.9 million at the exchange rate prevailing at the relevant time) as consideration for acquisitions, as set out in paragraph 4.2 of Part VI of this document.

The Group has undertaken a series of acquisitions in recent years, including:

### *Master Pork*

Master Pork was acquired in January 2008, operates a piggery, pig abattoir and meat processing plant in Zambia. This acquisition has allowed the Group to progress its goal of becoming one of Zambia's premier food suppliers and to achieve a position as one of Zambia's largest agri-businesses.

### *Zamanita*

Zamanita was acquired in January 2008 and operates an edible oils plant in Zambia. This acquisition was strategically important to Zambeef as edible oils complement the Group's range of food products distributed through its retail network in Zambia. The by-product from the crushing of oil seeds is also a major source of protein for stock feed production in the Group's stock feed division.

### *Chiawa Farm*

The Chiawa Farm assets were also acquired in January 2008 and have allowed the Group to increase its internal source of primary agricultural inputs such as soya and wheat for processing.

### *Nanga Farms*

In July 2008, the Group acquired approximately an 86 per cent. equity stake in Nanga Farms (a sugarcane farm growing operation). In April 2009, the Group received an attractive offer for its interest in Nanga Farms. In light of the onset of the global financial crisis and the reduced availability of debt financing to help to develop the Nanga Farms assets, the Company accepted this offer. Nanga Farms was therefore sold for ZMK151 billion, which resulted in the Group making a profit of ZMK59.7 billion on the disposal.

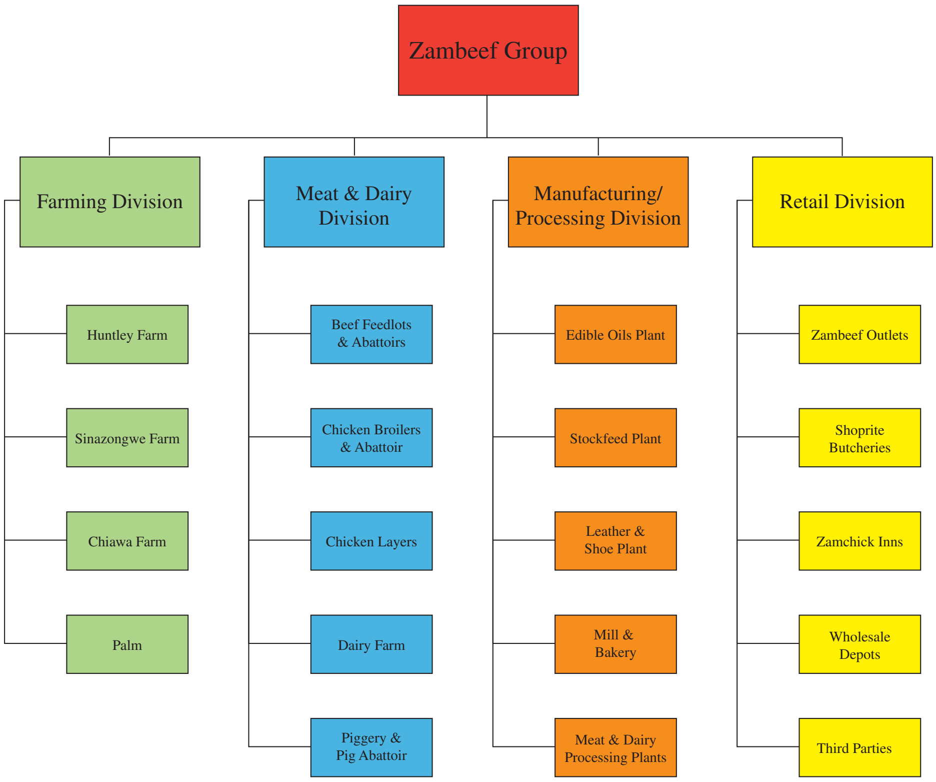
*Amanita Milling*

The Amanita Milling assets were acquired in January 2008 and were further developed in 2009 and 2010 to house the Group's stock feed plant.

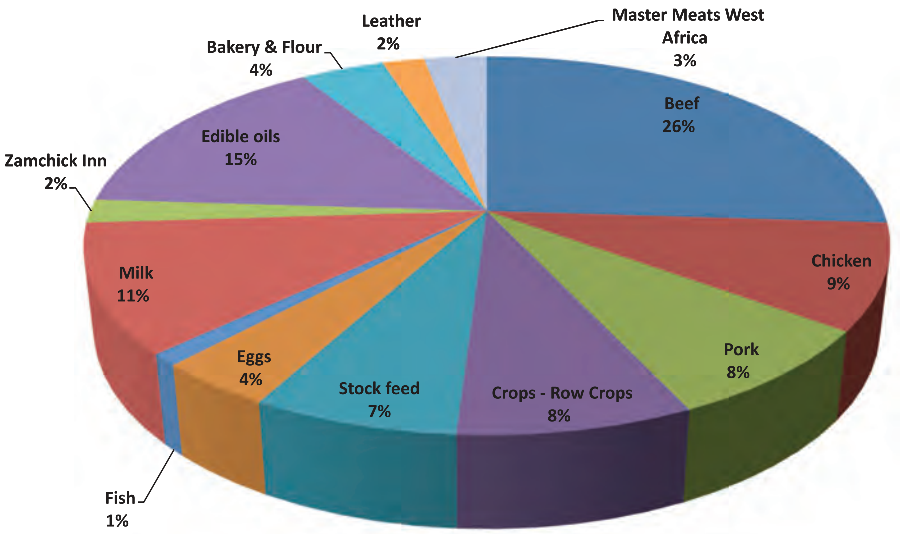
In addition to the equity funding described above, the Group has, since incorporation, obtained debt funding lines from various lending institutions to aid its working capital requirements as well as for its capital expansion projects. A summary of the Group's existing material debt financing arrangements is set out in paragraphs 10.1(j) and (k) of Part VI of this document.

## 4. Overview of the Group's Business

The Group's business consists of four divisions which are further split into separate operations, as set out in the following diagram:




*Segmental distribution of gross profits*



The Group's business model is to grow and produce raw materials that are then processed by the Group with the resulting products being sold with added value through the Group's retail distribution network. Summarised below is a brief description of the principal operations for each of the Group's divisions.

**Farming Division**

| | |
|---|---|
| ***Farming*** | Zambeef has large cropping operations, with 5,000 Ha of irrigated row crops (soya beans, maize and wheat) and a further 1,500 Ha of dry land crops available for planting each year. Silo storage capacity currently stands at 32,000 tonnes. The farming division provides an internal source of raw material inputs (soya beans, maize and wheat) for further value adding processing to Zamanita, the stock feed division and the mill and bakery operations. This division accounted for 8 per cent. of the Group's gross profit (FYE 30 September 2010). |
| ***Palm*** | Zambeef's palm operations commenced in 2008 with the first pilot phase. There is scope to increase the existing plantation size and construct a mill subject to proving viability in the pilot phase. |

**Meat and Dairy Division**

| | |
|---|---|
| ***Beef*** | This is Zambeef's biggest division by gross profit. Zambeef is one of the largest suppliers of beef in Zambia, with 8 abattoirs and 3 feedlots located throughout the country. This division accounted for 26.1 per cent. of the Group's gross profit (FYE 30 September 2010). |
| ***Chicken and Egg*** | Zambeef is also currently one of the largest chicken and egg producers in Zambia. These divisions accounted for 8.7 per cent. and 3.9 per cent. respectively of the Group's gross profit (FYE 30 September 2010). |
| ***Dairy*** | The milk produced from Zambeef's dairy farm is pasteurised and homogenised in a milk processing plant and further value is added through the production of drinking and eating yoghurts, milk based juices, cheese, butter and cream. This division is the highest margin earner for the Group and accounted for 11.4 per cent. of the Group's gross profit (FYE 30 September 2010). |
| ***Pork*** | Master Pork operates one of the largest piggeries, pig abattoir and pork processing plants in Zambia. This division accounted for 8.3 per cent. of the Group's gross profit (FYE 30 September 2010). |

**Manufacturing/Processing Division**

| | |
|---|---|
| ***Mill & Bakery*** | Zambeef commissioned the construction of a wheat mill and bakery in 2007, which has allowed it to add value to the wheat it produces each year from its farms and to sell the commodity in an enhanced form directly to the end consumer through its retail network. This division accounted for 4.5 per cent. of the Group's gross profit (FYE 30 September 2010). |
| ***Edible Oils*** | Zambeef acquired Zamanita in January 2008 as part of a process of vertical integration, enabling it to add value to edible oil seeds such as soya beans produced by Zambeef while obtaining a source of supply of feed cake which is the primary ingredient in stock feed production. Zamanita is one of the largest edible oil and soya cake producers in Zambia and accounted for 14.9 per cent. of the Group's gross profit (FYE 30 September 2010). |

*Stock Feed*

Zambeef commissioned its stock feed plant in February 2010 as part of a plan to increase its stock feed production, initially to cater for its internal livestock divisions and with a long term vision to be one of the leading stock feed suppliers in Zambia. This is one of the largest growth areas in the Group and accounted for 6.8 per cent. of the Group's gross profit (FYE 30 September 2010).

*Leather & Zamshu*

Zamleather operates the Group's tannery and shoe plant, allowing the Group to add further value to the main by-product of its beef abattoir business, being the cattle hides, and sell these in a processed form as wet blue and finished leather and shoes. This division accounted for 1.5 per cent. of the Group's gross profit (FYE 30 September 2010).

**Retail Division**

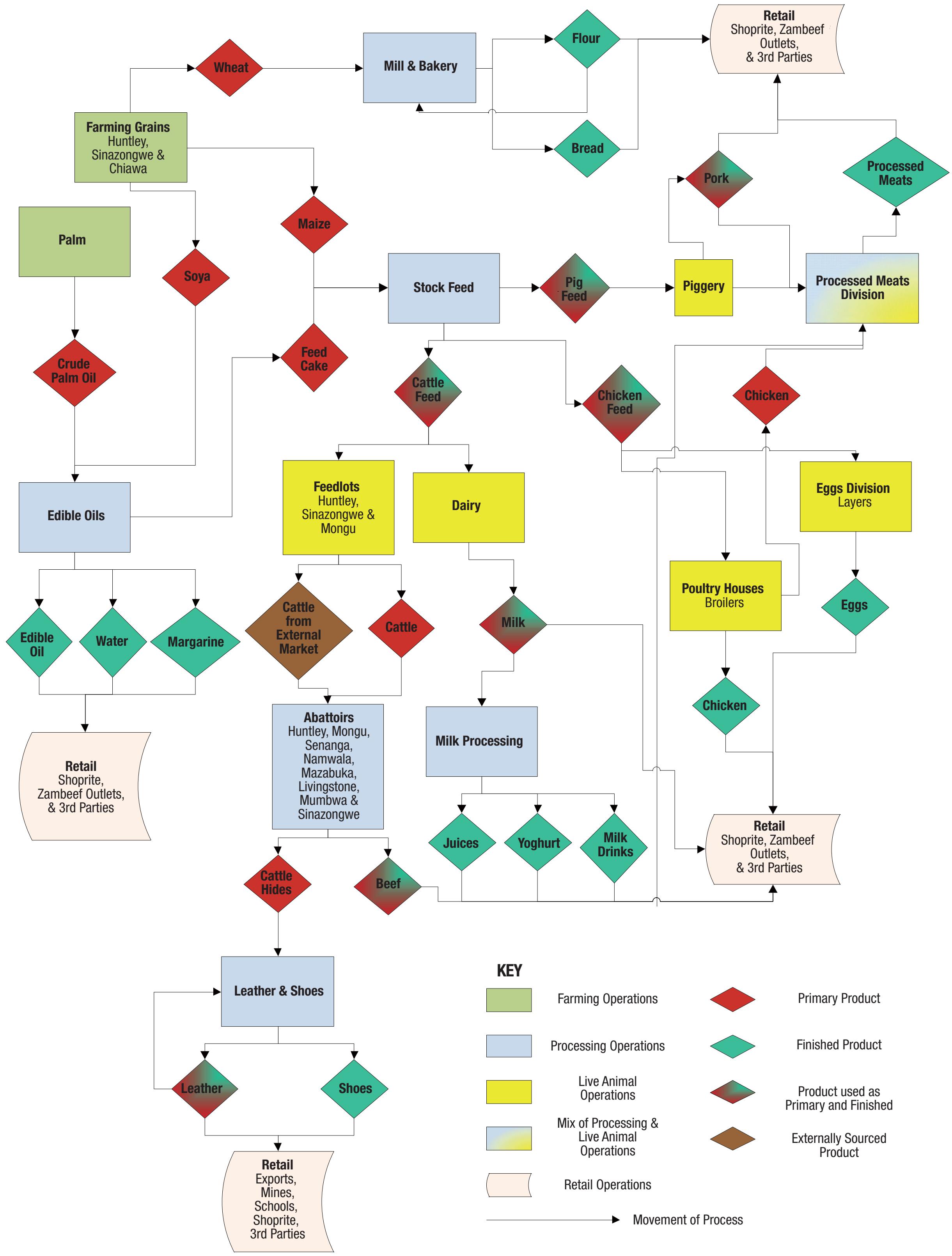
*Zambeef Outlets, Shoprite concessions and Zamchick Inns*

Zambeef has one of the leading distribution and retail footprints in Zambia. The Company currently operates 87 stores under the "Zambeef" banner and 20 in-house butcheries in Shoprite supermarket outlets, under the rolling Concessionary Agreement between Zambeef and Africa Supermarkets Limited. In addition, the Company has seven fast food outlets operating under the brand "Zamchick Inn". Zambeef also operates one of the largest transport and trucking fleets in Zambia and has its own workshop to service and maintain its vehicle fleet.

*West Africa*

The Group also operates within two Shoprite outlets and three of its own outlets in Nigeria and two Shoprite outlets in Ghana. Additionally, the Group has acquired a 25 year lease on a 287 Ha farm in Nigeria (approximately 60km north of Lagos) that will be developed with a feedlot, abattoir, processing plant and cold room facilities becoming the central distribution point for operations to Nigeria. The Group is in the process of investing US$5 million to develop and expand its Nigerian operations thereby accessing a wider retail market and aiming to drive revenue growth through expansion from Shoprite stores and its own retail footprint. The US$5 million Nigerian investment will be funded by a parental inter-company loan from Zambeef of US$2 million (already drawn) and a US$3 million term loan (of which US$1.8 million has been drawn down) from the IFC. The West Africa operations accounted for 3.1 per cent. of the Group's gross profit (FYE 30 September 2010).

The chart below depicts the vertically and horizontally integrated business model adopted by the Zambeef Group:



## 5. Overview of the Zambian agricultural industry

### *Background*

Zambia is a landlocked country, occupying a near central position on the southern African sub-continent and covers an area of 752,620 km², which is approximately 2.5 per cent. of the continent's total area. Zambia shares borders with eight countries: Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia, Angola and the Democratic Republic of Congo. The country has a population of approximately 13 million people with 86 per cent. under 40 years of age.

Although Zambia is tropical, the relatively high altitude of some of the country (between 900 and 1,500 metres above sea level) permits production of temperate crops. The country is able to produce a range of agricultural products across its three main agro-ecological regions (categorised based on climatic characteristics, the principal one being rainfall) including maize and various cereals.

The agricultural industry in Zambia contributed 18 per cent. of GDP in the decade leading up to 2007 and accounted for 70 per cent. of Zambia's employment during this period. Non-traditional agriculture-based export earnings have increased at a high rate since 1999 with the main exports in this field being sugar, cotton, tobacco, cut flowers and coffee. The livestock sub-sector has also contributed significantly to the agricultural industry, providing products such as meat, milk, eggs, hides, manure and draught power. The agricultural sector also generates employment opportunities and income through the rural workforce.

Zambia has the potential to expand agricultural production given its considerable resource endowment in terms of land, labour and water. Of Zambia's total land area, 58 per cent. is classified as having medium to high potential for agricultural production, with rainfall ranging from 800mm to 1,400mm annually, making it suitable for a broad range of crops and livestock.

In 1994, the Zambian Government announced a new national agricultural policy which was intended to promote domestic agriculture. The Zambian Government has the long-term aim of making Zambian agriculture competitive with neighbouring countries and diversifying agricultural produce. The Zambian Government has continued to develop and implement policies to achieve this objective. Such policies include offering tax incentives to farming operations, and those who invest in them.

The World Bank has been a supporter of the Zambian agricultural industry and has played an increasingly active role in boosting productivity in Zambia's agriculture sector.

The Zambian Government and World Bank have been strong drivers for the sector in recent years, however, as only a small percentage of the land is cultivated, it is estimated that the country has the capacity to produce more, giving the sector significant growth potential.

Major challenges facing the industry include low investment, production and productivity, especially among small-holder farmers. Climate change is exacerbating these challenges through unpredictable droughts, water logging, seasonal floods, increased temperatures, shortening of the rainy season (crop growing period) and long dry spells coupled with poor rainfall distribution.

### *Crop production*

National crop production recorded a significant increase across most major types of crops between 2006 and 2010. Cassava and maize production substantially increased from 1,056,000 Mt and 834,980 Mt in the 2004/2005 farming season to 1,179,657 Mt and 2,795,483 Mt in the 2009/2010 farming season, respectively. The increase in production for these crops was due to the increase in area planted and improvement in the yield per hectare.

**Table: Crop Production in Metric Tonnes (2005-2010)**

*(Metric Tonnes)*

| *Year* | *2005* | *2006* | *2007* | *2008* | *2009* | *2010* |
|---|---|---|---|---|---|---|
| Cassava | 1,056,000 | 1,059,887 | 1,146,142 | 1,160,853 | 1,151,700 | 1,179,657 |
| Maize | 834,980 | 1,424,439 | 1,366,158 | 1,211,566 | 1,887,010 | 2,795,483 |
| Wheat | 136,833 | 53,479 | 115,843 | 113,242 | 195,456 | 172,256 |
| Ground Nuts | 74,218 | 84,010 | 55,215 | 70,527 | 120,564 | 163,733 |
| S/Beans | 89,660 | 57,815 | 55,194 | 56,839 | 118,794 | 111,888 |
| M/Beans | 23,098 | 27,697 | 24,164 | 44,463 | 46,729 | 65,265 |
| Sorghum | 18,714 | 21,047 | 12,773 | 9,992 | 21,829 | 27,732 |
| Cotton | 155,213 | 118,426 | 54,886 | 71,818 | 87,018 | 72,482 |
| Virginia Tobacco | 23,211 | 14,685 | 15,562 | 17,065 | 18,487 | 22,074 |
| Burley Tobacco | 13,094 | 7,742 | 24,011 | 4,659 | 8,758 | 9,809 |
| Sugar | 246,490 | 258,549 | 276,078 | 267,524 | 222,024 | 356,692 |

Source: Ministry of Agriculture and Cooperatives

***Livestock development***

Cattle population increased from 2,799,965 herds in 2006 to 3,038,000 herds in 2009. In particular, this was marked by a rapid expansion in small-holder dairy herds. Increases in other livestock species such as pigs and sheep were also recorded while the goat population significantly declined due to increased demand for goat meat. The overall growth in the livestock sector was driven mainly by aggressive control of livestock diseases (disease incidence reduced from 43.1 per cent. in 2007 to 2.8 per cent. in 2009), re-stocking, stocking and an increase in overall production.

**Table: Livestock Production (2006-2009)**

| *Year* | *2006* | *2007* | *2008* | *2009* |
|---|---|---|---|---|
| Cattle | 2,799,965 | 2,457,563 | 2,315,327 | 3,038,000 |
| Sheep | 117,930 | 101,191 | 485,033 | 466,506 |
| Goats | 1,762,461 | 956,304 | 746,143 | 758,501 |
| Pigs | 398,637 | 538,393 | 704,832 | 711,707 |

Source: Ministry of Agriculture and Cooperatives

***Global demand***

Outside Africa, a growing global demand for farming produce has contributed to strengthening the global agricultural sector. Meat consumption has also grown rapidly over the last 20 years leading to an increase in livestock production, which in turn has increased demand for animal feed crops. This is further supported by an increasing calorie intake per capita in emerging markets as a result of a shift to protein based diets.

Demand for biofuels has also increased in conjunction with an increase in global petroleum prices, environmental concerns, Zambian Government targets and those set by overseas authorities such as the EU requiring that ten per cent. of transport fuel by 2020 be derived from biofuels. Biofuel demand is also supporting the agricultural sector; crops in demand include corn, rapeseed and sunflower.

## 6. Description of the ETC Assets

The ETC Assets are situated in the Copperbelt Province of Zambia, approximately 120 km south-west of Ndola and comprise three separate, but adjoining, farming estates totalling 46,876.5 Ha, summarised as follows:

- Farm 4451 – Nampamba farm;
- Farm 4450 – Chambatata farm; and
- Farm 5388 – Kampemba farm.

According to the Bosch Report, the Nampamba and Chambatata estates appear to be the most valuable agricultural assets, with Kampemba, being more remote and having poorer soils, considered less profitable.

***Description of Nampamba Farm***

Described as Farm 4451, Mpongwe, the farm estate covers 22,921.52 Ha and is held under a 99 year lease which commenced on 1 August 1984. The main agricultural operations and irrigation infrastructure are to be found on this property.

***Description of Chambatata Farm***

Described as Farm 4450, Mpongwe, the farm estate covers 12,491.86 Ha and is held under a 99 year lease which commenced on 1 August 1984. This property is currently leased to tenant farmers, who farm dry-land crops.

***Description of Kampemba Farm***

Described as Farm 5388, Mpongwe, the farm estate covers 11,463.15 Ha and is held under a 99 year lease which commenced on 1 August 1991. This was the most recent acquisition to the ETC estate and its infrastructure is generally newer than that on Nampamba farm.

Further details of the leases for the Farms are set out in paragraph 10.1(o) of Part VI of this document.

***Current ETC Agricultural Operations***

At present ETC farms a variety of crops during both the summer and winter growing periods on Nampamba and Kampemba farms. The primary summer crops include soya beans and white maize. The primary winter crop is wheat.

Other crops cultivated include barley, paddy rice and dry beans. There is also a jatropha plantation of 2,137.3 Ha.

In addition, the estate also runs a very small breeding herd (circa. 350 head) of Boran cattle on Kampemba farm.

A summary of the 2010/2011 irrigated and non-irrigated areas is shown in the table below:

| *Land Area* | *Description* | *Area (Ha)* | *Total (Ha)* |
|---|---|---|---|
| Arable | Irrigated | 2,994 | |
| | Rain-fed | 7,666.8 | 10,660.8 |
| Jatropha | Drip Irrigated | 189.6 | |
| | Rain-fed | 1,947.7 | 2,137.3 |
| **Total** | | | **12,798.1** |

Excluding the 2,137.3 Ha under jatropha, the total current developed/cultivated arable area on all three farms is 10,660.8 Ha. Of this, 5,574.1 Ha are operated by ETC under irrigated and rain-fed conditions, whilst tenant farmers operate the remaining 5,086.7 Ha under rain-fed conditions.

ETC's seasonal forecast for 2010/2011 was based on the following average yields:

- Wheat & barley (irrigated) – 7.8 t/Ha;
- Maize (irrigated) – 11.0 t/Ha;
- Maize (rain-fed) – 8.25 t/Ha;
- Soya (irrigated) – 3.7 t/Ha; and
- Soya (rain-fed) – 3.5 t/Ha.

Currently, ETC grows 57 per cent. soya, 31 per cent. white maize, 8 per cent. rice and 4 per cent. green beans for the summer crop. Zambeef's intention is to grow 80 per cent. soya and 20 per cent. maize for the summer crop. For the winter crop, Zambeef will retain ETC's current winter cropping programme of 85 per cent. wheat and 15 per cent. barley.

**Water resources**

***Groundwater***

Both Nampamba and Chambatata farms derive their water resources exclusively from the dolomitic groundwater aquifers underlying the farms. ETC's main source of supply for the Nampamba and Chambatata estates is Lake Nampamba, a 30m wide x 150m long geological sinkhole located some 600m due east of the ETC main gate. The sinkhole is reported to be over 100m deep.

***Surface Water***

The main source of irrigation water supply on the Kampemba farm is the Kafue river, which runs in a south-westerly direction along the northern boundary of the farm. The Kafue river is on average 20–30m wide and is reported to be at least 3m deep at its deepest points.

According to the Bosch Report, there is evidence that the availability of water is not a problem at Kampemba farm. It would appear that the dolomitic acquifers underlying the estate are vast and well connected and should be able to comfortably support the forecast increased irrigation demand.

**Soils**

According to the Bosch Report the soils of Nampamba and Chambatata farms are excellent with deep horizons and very high irrigation potential. The predominant soil is a Class 1 Hutton type soil with deep, well-drained, dark reddish brown clay loam to clay over dark red clay. The secondary soil is a Class 2 deep, well drained, dark reddish brown sandy clay loam and clay loam over yellowish red clay loam and clay. The latter soil will have high clay content (30–40 per cent.), but according to the Bosch Report it would appear that this does not impair its drainage characteristics.

The soils at Kampemba farm are notably different. According to the Bosch Report, whilst being suitable for irrigation, they were found to be far sandier and much lighter in colour, suggesting that they are highly leached. Careful management of these soils is critical to ensure a successful crop.

**Roads and drainage**

According to the Bosch Report, the general condition of the roads and road drainage was found to be satisfactory and well maintained. All roads travelled were well formed in most areas and the main access roads are surfaced with gravel and are considered to be suitable for heavy traffic.

The farms are situated on generally very flat topography. The natural gradient range is between 1:400 and 1:800. There is some micro-relief and it appears that adequate land leveling was carried out during initial land preparation operations. Given the deep soils, with high infiltration rates prevalent in the area, agricultural drainage should not be a problem during peak storms infiltrating into the soil profile with little runoff expected. This is evidenced by the fact there are very few natural drainage paths in existence across the eastern and central estates. No sub-surface drainage is required.

In addition, the Farms also contain irrigation infrastructure, housing estates, workshops and storage/implement sheds, 26,000 MT of silo storage space, offices, runways, roads, recreation facilities, plant and machinery and other infrastructure.

In Bosch's opinion, Zambeef will need to embark on a major refurbishment and replacement programme to replace old asbestos cement bulk pipelines, pumps, motors, valves and other ancillaries within the next five years to ensure that acceptable service levels are maintained.

Bosch has estimated the following capex costs over the next five years:

| | |
|---|---|
| Irrigation expansion for an additional 2,000 Ha | US$10,013,000 |
| Existing infrastructure upgrade costs | US$5,717,000 |
| **Total cost for irrigation expansion & upgrades** | US$15,730,000 |

It is anticipated that the total capex cost of US$15,730,000 will be funded as follows:

| | |
|---|---|
| Capital raise from the Placing | US$5,000,000 |
| Term debt | US$10,000,000 |
| Internal cash resources | US$730,000 |
| **Total** | US$15,730,000 |

## 7. Reasons for the Acquisition

The Directors believe that the Farms are some of the largest row cropping farms in Zambia. The Directors further believe that they have been well managed and efficiently run and are considered to be among some of the best farming lands in Zambia.

The well drained soils and abundant water supply in the area has resulted in the Farms achieving high yields historically.

The Directors have discussed and approved the Acquisition of the ETC Assets as they believe that the Acquisition will have a synergistic effect by expanding the Business, improving the Group's profitability and enhancing shareholder value.

The Acquisition is also in line with Zambeef's objective of growing, expanding and diversifying the Business with the aim of becoming the leading food provider in Zambia and the surrounding region and the Group's objective of becoming a key provider of Zambia's food basket as a whole.

The Board believes that Zambeef should continue to expand its cropping operations where quality cropping projects with good irrigation potential are identified. The Board believes that the ETC Assets represent an attractive cropping asset to acquire, due to their good cropping yields, good climate, soils and weather.

The Board further believes that Zambeef should expand the production of soya in order to ensure that Zamanita can secure the supply of sufficient oil seed within Zambia. In addition, Zamanita processes all soya produced internally which maximises the return from the crop grown across the value chain.

Currently, the Group is not self-sufficient in its internal requirements for soya. Current soya production in Zambia and the surrounding region is erratic, leading to a supply deficiency of the crop, which results in Zamanita experiencing major input sourcing problems. Having a large internal production base of soya will provide Zamanita with the majority of its soya input requirements from internal sources.

The Acquisition should enable Zambeef to secure approximately an additional c.25,000 tonnes of soya per annum, which should result in more crushing of soya by Zamanita, with a view to realising higher margins and income for the Group. The increased soya crushing will also increase the throughput of soya cake to Zambeef's stock feed plant.

During the winter cropping season the Company intends to cultivate wheat for use and value-adding processing in its wheat mill and bakery, to produce wheat products such as flour and bread, which are retailed through Zambeef's retail outlets in Zambia.

It is also Zambeef's intention to convert 2,000 Ha of the existing rain-fed/dry-land cropping area to fully irrigated status, thereby increasing the irrigated area to approximately 5,000 Ha. The Company's intention is that this will result in an additional internal supply of approximately 15,000 tonnes per annum of wheat from the Farms, with a view to making Zambeef fully self-sufficient in its internal requirements for wheat. Any surplus wheat from the farms will be sold on the open market to third parties.

The Acquisition Agreement is subject to various conditions. The conditions which have yet to be satisfied (or waived) at the date of this document are (i) the Company delivering written confirmation that it has raised the requisite funding for the purchase of the ETC Assets; (ii) the Company being satisfied that ETC has obtained a right of easement from the water regulatory authority at Lake Nampamba and a concession from the chieftainess who owns the customary land; (iii) ETC obtaining a release for the existing security over the ETC Assets by a mechanism acceptable to the Company; (iv) ETC providing to the Company a registered easement or other document to the Company's satisfaction that the Company will have title to, or at least unconditional access to, and use of the water system at the Farms; and (v) ETC obtaining a right of easement from the water regulatory authorities to the Farms and a concession from the chieftainess in the area.

Further details of the Acquisition Agreement are set out at paragraph 10.1(f) of Part VI of this document.

The Company intends to complete the Acquisition Agreement and acquire the ETC Assets as soon as reasonably practicable after Admission. Subject to ETC complying with the terms of the Acquisition Agreement relating to completion and the Acquisition Agreement not being terminated in accordance with its terms, completion is expected on or before 30 June 2011.

The conditions set out above will be satisfied or waived by the Company before Admission. If conditions (ii), (iv) and (v) are not satisfied by Admission, the Company intends to waive them as it does not consider them material to enable the Company to acquire the ETC Assets.

## 8. Future strategy

The Group regularly seeks new ways of expanding the Business and increasing profitability through diversification of its traditional product range. The Board believes that the Acquisition will further expand the Business and ultimately enhance long term Shareholder value.

Following completion of the Acquisition Agreement, the Company intends to utilise and further develop the ETC Assets to a stage where they will enable the Group to become largely self-sufficient in its internal requirements for wheat and soya. The wheat from the Farms is expected to be fed into the mill and bakery divisions, allowing the Group to be less dependent on external sources and suppliers and to derive cost efficiencies. The soya will be used by Zamanita and the stock feed division to produce crude soya oil and soya cake, which can be used to make edible soya oil and stock-feed respectively. This should also afford the Group greater control over its supply chain and enable it to satisfy retail demand from its own resources.

The Company is currently in the process of rolling out its West African expansion plans, having acquired a 25 year lease on a farm 60 km north of Lagos, in the Ogun State, which will be developed to house a feedlot, abattoir, processing plant and cold room facilities. This in turn will allow the Nigerian operations to satisfy the demands of Shoprite which is increasing its footprint in Nigeria with the planned opening of six new Shoprite stores, totalling 22,600 square metres, during the next two years.

Zambeef's palm operations commenced in 2008 with the first pilot phase. There is scope to increase the plantation size and construct a mill subject to proving viability in the pilot phase.

Zambeef is also placing greater focus on the Group's retailing operations including refurbishment of existing retail outlets, rollout of new retail outlets, rollout of wholesale centres, and expansion of the Zamchick Inn footprint.

The Company regularly seeks new ways of expanding its business activities through diversification and value addition to its traditional product lines and by maximising the utilisation of raw materials and by-products.

## 9. Human resources

Zambeef currently employs over 4,000 employees. There is a recognised labour union in place as well as a Zambian Ministry of Labour and Social Security approved collective bargaining agreement. Relations with its employees and the union are harmonious and there have been no major labour disputes or industrial action in the Group's development to date.

## 10. Financial information, current trading and prospects for the Group

From 1 April 2011 to the date of this document, the Group has continued to trade in line with the Directors' expectations. Based on the Group's current trading, the Directors are confident about the prospects of the Group for its current financial year.

### *Key consolidated financial information*

The following summary of financial information relating to the Group's activities for the three years ended 30 September 2010 and the six months ended 31 March 2011 has been extracted from the historical financial information set out in Part IVa and the unaudited interim financial information for the six months ended 31 March 2011 set out in Part IVc of this document.

Potential investors should read the whole of this document and not rely on the following summary financial information.

| | *Year ended 30 September 2008 USD'000s* | *Year ended 30 September 2009 USD'000s* | *Year ended 30 September 2010 USD'000s* | *Six months ended 31 March 2011 USD'000s* |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 131,744 | 137,713 | 161,910 | 96,727 |
| Gross profit | 49,543 | 40,246 | 50,882 | 30,436 |
| Operating profit | 10,556 | 401 | 7,094 | 5,631 |
| Profit/(loss) before taxation | 10,367 | (12,837) | 3,264 | 5,300 |
| Profit/(loss) for the year/period | 9,002 | (10,298) | 4,165 | 4,951 |
| Profit from discontinued operations | 1,586 | 12,308 | – | – |
| **Group profit for the year/period** | 10,588 | 2,010 | 4,165 | 4,951 |

In the year ended 30 September 2009 the results of the Zambeef Group were adversely affected by the unusual situation of a rapid devaluation of the Zambian Kwacha at the same time as a fall in agricultural commodity prices, against a background of a global economic downturn and recession and a worldwide credit/liquidity crunch. The exchange rate at the beginning of the year was ZMK 3,580:US$1 and peaked at ZMK 5,760:US$1 before ending the financial year at ZMK 4,720:US$1. This resulted in an exchange loss of K67.0 billion for the year (this loss was largely unrealised). During the year the disposal of Nanga Farms plc resulted in a profit on disposal of ZMK 59.7 billion.

In the year ended 30 September 2010 the growth in turnover was in line with the Group's strategy of increasing topline revenue growth by at least inflation plus Zambian GDP growth.

For the six months ended 31 March 2011, the Group recorded an increase in turnover, in ZMK, of 28 per cent. and an increase in profits after tax, in ZMK, of 96 per cent., versus the six months ended 31 March 2010.

## 11. Directors

Brief biographical details of the Directors within the Group on Admission are set out below.

***Directors***

The current composition of the Board is as follows:

***Dr Jacob Mwanza (age 74) Non-Executive Chairman***

*Nationality:* Zambian

*Qualifications:* Phd (Cornell University, USA); MA Economics (W. Germany)

*Experience:* Over 30 years' business management experience, both in the public and private sectors. Previously Governor of the Bank of Zambia; currently Chancellor of the University of Zambia. Has served and is currently serving on several boards, including LuSE and Konkola Resources Ltd.

***Francis Grogan (age 48) Chief Executive Officer***

*Nationality:* Irish

*Qualifications:* BSc Agriculture (Ireland)

*Experience:* Over 22 years' experience in agriculture and meat, both in Ireland and Zambia. Co-founder of Zambeef. Other directorships include Zambezi Ranching & Cropping Ltd and Tractorzam Ltd.

***Carl Irwin (age 45) Director of Strategy and Development***

*Nationality:* Zambian

*Qualifications:* B. Com; ACA (UK); FZICA

*Experience:* Over 20 years' accounting and finance experience with a number of companies, including Coopers & Lybrand UK. Co-founder of Zambeef. Other directorships include Proflight Commuter Services Ltd, Zambezi Ranching & Cropping Ltd, Kanyanja Development Company Ltd, Leopard Investment Company Ltd and Tractorzam Ltd.

***Yusuf Koya (age 46) Executive Director***

*Nationality:* British

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

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

***Sushmit Maitra (age 33) Finance Director***

*Nationality:* Indian

*Qualifications:* BA (Hons) in Accounting & Finance (South Bank University, UK); MSc in International Accounting & Finance (LSE, UK); ACCA.

*Experience:* Over 10 years' experience in auditing, corporate finance, and management consultancy with a number of companies in Zambia including Barclays Bank Zambia PLC and Grant Thornton.

***Lawrence Sikutwa (age 56) Non-executive Director***

*Nationality:* Zambian

*Qualifications:* MBA; FCII; Post Grad Diploma in Insurance (UK)

Experience: Over 30 years' experience in business management. Previously General Manager of Zambia State Insurance Corporation Limited; currently Chairman of Lawrence Sikutwa Associates Ltd Group of Companies.

***John Rabb (age 68) Non-executive Director***

*Nationality:* South African

*Qualifications:* BSc (Agriculture); MBA (RSA)

*Experience:* Over 30 years' business management experience. Formerly Managing Director of the Wooltru Group in South Africa, which was listed on the Johannesburg Stock Exchange. Has served on, and is currently serving on, several boards, including Wellspring Ltd and Foresythe Estates Ltd.

***Irene Muyenga (age 52) Non-executive Director***

*Nationality:* Zambian

*Qualifications:* BA (ed); DIS; LIII

*Experience:* Over 20 years' business management experience. Currently CEO and Group Managing Director of Zambia State Insurance Corporation Limited. Has served and is currently serving on several boards, including Barclays Bank Zambia plc, Organisation of Eastern & Southern Africa Insurers and the National Pension Scheme Authority of Zambia.

***Adam Fleming (age 63) Non-executive Director***

*Nationality:* British

*Experience:* Over 30 years' business management and banking experience. Previously Chairman of Harmony Gold (listed on Johannesburg Stock Exchange and one of the largest gold mining companies in the world); currently Chairman of Witwatersrand Consolidated Gold Resources Ltd. Has served and is currently serving on several boards, including Zambezi Ranching & Cropping Ltd.

***Stanley Phiri (age 51) Non-executive Director***

*Nationality:* Zambian

*Qualifications:* BAcc; FCCA; FZICA

*Experience:* Over 22 years' in business management and finance experience; currently Director General of National Pension Scheme Authority of Zambia. Previously Director of Finance and Investment for Zambia State Insurance Corporation Ltd.

***Equity participation***

As at the date of this document, the Directors own, in aggregate, 22,030,480 Ordinary Shares, representing 13.88 per cent. of the issued Ordinary Share capital of the Company. On Admission (including the Placing Shares and Rights Issue Shares acquired by the Directors) the Directors' will own in aggregate 28,568,013 Ordinary Shares representing 11.52 per cent. of the Enlarged Share Capital. Further details of the interests of the Directors in Ordinary Shares are set out in paragraph 7.1 of Part VI.

## 12. Details of the Rights Issue and the Placing

The Company has undertaken a rights issue of 9 new Ordinary Shares for every 16 Existing Ordinary Shares on the LuSE in accordance with the terms and conditions set out in the Rights Issue Circular. Shareholders have conditionally agreed to subscribe for 35,558,580 new Ordinary Shares at the Rights Issue Price pursuant to the Rights Issue raising in aggregate ZMK105.79 billion (approximately US$21.87 million) before expenses. The Rights Issue is conditional, among other things, upon:

- sufficient net funds of at least US$51.5 million being raised by the Company pursuant to the Rights Issue, the Placing and such debt funding as the Company may obtain, in order to complete the Acquisition by not later than 30 June 2011 (or such later date as may be agreed by the Company but in any event not later than 15 July 2011);
- the Acquisition Agreement having become unconditional in all respects and not having been terminated in accordance with its terms;
- admission of the Rights Issue Shares and the Placing Shares to trading on LuSE becoming effective by not later than 10.00 a.m. on 23 June 2011 (or such later time and/or date as the Company may decide but in any event no later than 15 July 2011); and
- if the Placing is required to raise part of the funds required to finance the Acquisition above, the Admission becoming effective by not later than 8.00 a.m. on 23 June 2011 (or such later time as may be agreed by the Company, Renaissance Capital and Strand Hanson but in any event not later than 15 July 2011).

The Placing comprises the issue of 53,713,570 Placing Shares at the Placing Price of 38.06 pence per Placing Share, raising £20.44 million (US$33.10 million), before expenses.

Accordingly, assuming completion of the Rights Issue and the Placing, by the issue of the Rights Issue Shares and the Placing Shares respectively, the gross proceeds of the Rights Issue and the Placing will be approximately US$54.97 million (US$52.11 million net of expenses) and the Company will not require additional debt funding to acquire the ETC Assets.

On Admission, the Company will have 247,978,195 Ordinary Shares in issue and a market capitalisation of approximately £94.38 million (US$152.83 million) at the Placing Price.

All of the Placing Shares being offered pursuant to the Placing are being placed by Renaissance Capital, on a reasonable endeavours basis, with institutional and other investors.

The Placing Shares being offered pursuant to the Placing will represent 21.66 per cent. of the Enlarged Share Capital. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares (except for the interim dividend of ZMK15 (approximately US$ 0.0031) per Ordinary Share declared on 3 June 2011 and to be paid on or before 15 August 2011).

The Placing which is not being underwritten is conditional upon, among other things, the Placing Agreement becoming effective in accordance with its terms and Admission occurring no later than 8.00 a.m. on 23 June 2011 (or such later date as the Company, Strand Hanson and Renaissance Capital may agree but in any event no later than 8.00 a.m. on 15 July 2011). Further details of the Placing Agreement are set out in paragraph 10.1(a) of Part VI of this document.

### 13. Reasons for Admission and use of proceeds

The Directors' reasons for seeking Admission are as follows:

- to finance the cash offer for the ETC Assets, as described in Paragraph 6 of Part I of this document;
- to provide the Group with a flexible financial structure for further development and growth, both organically and via potential acquisitions or joint ventures;
- to help improve the Group's ability to access further funding from international capital markets to finance the future growth of the business consistent with the Company's stated strategy;
- to help maintain a high level of transparency and corporate governance within the Group;
- to raise the profile of the Group and assist the Group in recruiting, retaining and incentivising skilled employees;
- to enable the Group to access a wider range of potential investors and broaden its investor base; and
- to help to enhance the Group's reputation and financial standing with its key partners, suppliers and potential vendors of additional attractive assets.

The Company intends to use the proceeds of the Rights Issue and Placing to pursue its growth strategy. In particular, the proceeds will be used to purchase the ETC Assets free of debt and liabilities. The Board intends to apply the US$54.97 million proceeds of the Rights Issue and Placing as follows:

| | *US$* |
|---|---|
| • Acquisition price: | 46,000,000 |
| • Property transfer tax payable on the acquisition of the ETC Assets | 1,812,829 |
| • Estimated expenditure to expand irrigated area by extra 2,000 Ha: | 10,013,000 |
| • Estimated expenditure to upgrade & refurbish existing infrastructure: | 5,717,000 |
| • Estimated costs of the Placing and Rights Issue (and related matters): | 2,900,000 |
| • TOTAL: | 66,442,829 |

The shortfall between the aggregate proceeds of the Placing and the Rights Issue is to be funded by a term loan facility of approximately US$10 million for which the Company has received an indicative offer, as well as internal cash flows and, if required, working capital facilities available to the Group.

### 14. Corporate governance

The Company is not technically required to comply with the UK Corporate Governance Code. However, the Company and the Board recognise the value of good governance and intend, following Admission, to voluntarily comply with the provisions of the UK Corporate Governance Code so far as it is practicable for a public company of its size, stage of development and nature quoted on AIM. The Board also intends to comply with the relevant provisions of the QCA Guidelines. There is no mandatory corporate governance regime in Zambia but the Company has adopted its own internal corporate governance code.

The Company has in place an audit committee (currently made up of Lawrence Sikutwa, Irene Muyenga and Stanley Phiri), a remuneration committee (currently made up of Dr Jacob Mwanza, Irene Muyenga and Lawrence Sikutwa) and an executive committee (currently made up of Dr Jacob Mwanza, Lawrence Sikutwa, Irene Muyenga and Stanley Phiri). The Board believes that the Group's current financial controls and reporting procedures are appropriate given the size and structure of the Group. The Board will continue to meet regularly and be responsible for strategy, performance, approval of major capital projects and the internal controls framework.

The Company intends to adopt a share dealing code for dealings in its shares by the Board and senior employees that is appropriate for an AIM company and which complies with the share dealing requirements of the AIM Rules. Conditional on Admission, the Directors intend to comply with this code and Rule 21 of the AIM Rules relating to directors' dealings and to take all reasonable steps to ensure compliance by the Company's relevant employees.

The Group's environmental policy is aimed at providing a safe and healthy workplace, protecting the environment and being a responsible corporate citizen within the communities in which it operates. As part of some of its term loans the Company has signed up to the ESAP which requires the Group to meet not only local Zambian standards but also international standards and requires the Company to report annually on compliance.

## 15. Dividend policy

The Company generally declares and pays dividends in two instalments for each financial year, with an interim dividend paid before the end of the financial year to which it relates and a final dividend for each financial year proposed by the Board to the Shareholders for approval at the annual general meeting.

No dividend was paid to Shareholders in respect of the financial year ended 30 September 2009. No interim dividend was paid in respect of the financial year ended 30 September 2010. A final dividend in respect of the financial year ended 30 September 2010 of ZMK 7,916 million was proposed by the Board. This resulted in a total dividend for the 2010 financial year of ZMK 7,916 million (2009: nil).

Over the last five financial years, the Company has declared a cash dividend with respect to each financial year other than 2009. The following table sets out, for the periods indicated, the cash dividends paid by the Company.

| | *2010* | *2009* | *2008* | *2007* | *2006* |
|---|---|---|---|---|---|
| Dividend per share (ZMK) | 49.88 | – | 85.69 | 82.85 | 74.13 |

In 2009, the Directors took the view that, in the context of the Company's reduced profitability and the uncertain global economic outlook, a dividend should not be declared. The Directors were similarly prudent in not declaring an interim dividend in 2010, as they waited to ensure that the Company's profitability increased and that the financial environment in which it operated was more stable than in the previous financial year.

During the current financial year an interim dividend of ZMK15 (approximately US$ 0.0031) per Ordinary Share was declared on 3 June 2011 to be paid on or before 15 August 2011.

The form, frequency and amount of future dividends will depend on the Company's profitability, cash flows, financial position and other factors and shall be at the discretion of the Board and with respect to final dividends, subject to the approval of Shareholders.

## 16. The Zambian Takeover and Merger Rules

The Company is subject to the Zambian Takeover and Merger Rules which govern the conduct of mergers and takeovers in Zambia and gives the SEC powers to regulate and supervise takeover bids. The Zambian Takeover and Merger Rules include "General Principles" for the good conduct of takeover offers and underline the need for fairness by treating all shareholders equally. Under rule 56 of the Zambian Takeover and Merger Rules, when an acquisition of rights over shares results in a person, together with those acting in concert with him, having an interest in 35 per cent. or more (but not more than 50 per cent.) of voting rights in a company which is subject to the Zambian Takeover and Merger Rules, mandatory takeover provisions will apply. Such person, together with those acting in concert with him, is then required to make a general offer to the holders of each class of equity shares (whether voting or not). The offer is normally required to be made in cash (or with a cash alternative) at not less than the highest price paid by the offeror for shares in the company in the preceding six months. The offer must remain open for at least 14 days after it becomes or is declared unconditional. The SEC would need to be consulted if there is more than one class of voting shares involved or if there have been no relevant purchases in the preceding six months.

The SEC has the power to grant a waiver from the requirement for a mandatory offer but there are no specific criteria for the granting of such a waiver. The sanctions for breach of the Zambian Takeover and Merger Rules include fines and imprisonment.

Investors should note that Zambian takeover regulations differ from those which exist in the UK pursuant to the City Code. As a result, any takeover offer for the Company or consolidation of control in the Company will not be regulated by the City Code.

**17. Compulsory purchase**

Pursuant to section 237 of the Companies Act, and subject to specific conditions in relation to the offer made, if an offeror who has made a takeover offer (who is offering shares in consideration for its offer) has within four months of making the offer, by virtue of acceptances of the relevant offer, acquired or contracted to acquire (when taken together with any shares held by the offeror) 90 per cent. or more of the shares, it may require them to sell such shares, within two months of the conditions in section 237 of the Companies Act being satisfied, by written notice to the holders of shares to which the offer related who have not accepted such offer. The acquisition of such shares will occur three months following the conditions in section 237 of the Companies Act being satisfied or the last day on which shareholders have the right to apply to court to request a variation of the terms of the offer, whichever is the later.

Pursuant to section 238 of the Companies Act, minority shareholders who have been the subject of an offer under the Zambian Takeover and Merger Rules, provided that the offeror, after the transfer of shares, holds not less than 75 per cent. of the shares of the company or of any class of shares, may within three months of that occurring, require the offeror to buy their shares.

**18. Taxation**

The attention of investors is drawn to the information regarding UK taxation, insofar as it may be applicable to UK residents, and to the information regarding Zambia taxation, in relation to the Placing and Admission, set out in paragraphs 14 and 15 of Part VI of this document. All information in this document in relation to taxation is intended only as a general guide to the current tax position for UK investors as at the date of this document and is not intended to constitute personal tax advice for any person. You are strongly advised to consult your own independent professional tax advisers regarding the tax consequences of purchasing and owning Ordinary Shares. No information is being provided as to taxation matters in any other jurisdiction.

**19. Overview of the LuSE**

The LuSE is a member of the African Stock Exchanges association and was established in 1993 with assistance from the IFC and the World Bank, and it officially opened in February 1994. The initial operation of the LuSE was funded by the United Nations Development Program and Government of Zambia for operation as a project for financial and capital market development in Zambia under the multi component private sector development programme.

The LuSE is governed by a robust regulatory framework, designed to protect investors and established under the Zambian Securities Act. This ensures adequate investor protection and provides support to the operation of a free, orderly and properly informed securities market. The Zambian Securities Act creates and defines a central market in which both unlisted and listed securities trade on an exchange as opposed to the dual market system.

As at 10 June 2011 there were 20 companies listed on the LuSE with an aggregate market capitalisation of approximately US$7.7 billion.

## 20. CREST, the Depositary Arrangements and Settlement

### *AIM and CREST*

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 23 June 2011. Application has also been made to admit the Placing Shares and the Rights Issue Shares to trading on the LuSE.

The Ordinary Shares are in registered form. CREST is a computerised paperless share transfer and settlement system, which allows shares and other securities, including depositary receipts, to be held in electronic rather than paper form. Foreign securities cannot be held electronically or traded in the CREST system. To enable investors in Ordinary Shares to settle their transactions in CREST, the Company has entered into depositary arrangements.

Further details of the depositary arrangements, including the Deed Poll, Depositary Agreement and the Branch Registrar Agreement are set out in paragraph 16 of Part VI of this document.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain a share certificate will be entitled to do so. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within 14 days of the date of Admission.

The Company has appointed Computershare Investor Services (Jersey) Limited to be its branch registrar and maintain the Company's Branch Register.

### *LuSE and CSD*

The Ordinary Shares are currently listed on the LuSE and, following Admission, will continue to be listed on the LuSE as well as on AIM with trades settled electronically on the Zambian Register through the CSD system.

Ordinary Shares held on the Zambian Register and traded on the LuSE via the CSD system cannot be traded on AIM and, similarly, Ordinary Shares held on the Branch Register through Depositary Interests cannot be traded on the LuSE. However, Ordinary Shares held through the CSD system on the Zambian Register may be transferred to the Branch Register and Depositary Interests issued through CREST and *vice versa*. Shareholders wishing to undertake such a transfer should contact their broker and allow a reasonable time for the transfer to be effected.

## 21. Lock-in and orderly market agreement

Each of the Directors and certain Shareholders (who as at the date of this document own, in aggregate, 22,030,480 Ordinary Shares and will on Admission (including the Placing Shares and the Rights Issue Shares acquired by them) own in aggregate 28,568,013 Ordinary Shares), have undertaken not to dispose of, or enter into an agreement to dispose of, any Ordinary Shares or interests in Ordinary Shares for six months following Admission, except in limited circumstances, and for a further period of 18 months thereafter only to dispose of their Ordinary Shares through Renaissance Capital, so as to ensure an orderly market in the Ordinary Shares. Further details of the lock-in and orderly market agreement are set out in paragraph 10.1(d) of Part VI of this document.

## 22. Share incentive arrangements

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the executive management team. The Directors also recognise the importance of employees being well motivated and identifying closely with the success of the Group.

Accordingly, as at the date of this document, the Company has approval from its Shareholders to adopt two executive share option schemes. Details of the corporate actions taken to implement these executive share option schemes are set out in paragraph 6 of Part VI of this document. However, as at the date of this document no share option schemes have been entered into and no options have been granted.

The Directors intend to establish further share option arrangements for the benefit of the Group's employees in the future. Any options to be granted under these share option arrangements will be at the discretion of the remuneration committee and will be subject to compliance with the provisions of the Articles, the Companies Act and the LuSE rules.

The Shareholders have approved the issue of a total of 3,000,000 new Ordinary Shares for the purposes of the proposed share option schemes, see paragraph 6 of Part VI for more details. It is the intention of the Board that options granted under the proposed share option schemes will not exceed ten per cent. of the total share capital in issue at the date of grant.

## 23. Further information

Prospective investors should read the whole of this document, which provides additional information on the Company, the Group, the Acquisition, the Placing and Admission, and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part III which contains a summary of the risk factors relating to an investment in the Company, and to Part VI, which contains further additional information on the Company and the Group.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Feeding the Nation
ZAMBEEF
Products PLC


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Zamchick


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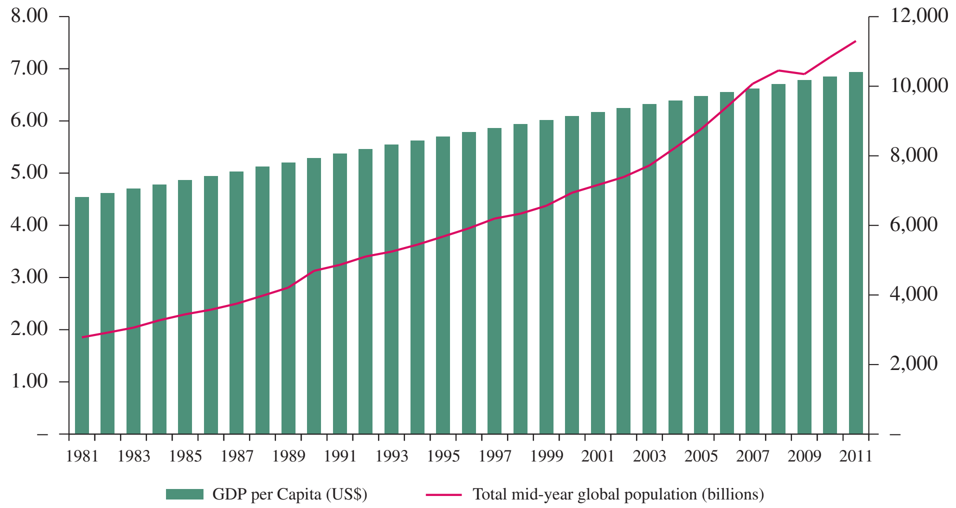
# PART II

# ZAMBIAN AGRICULTURAL INDUSTRY

## 1. Agricultural Demand

***Global demand for farming produce***

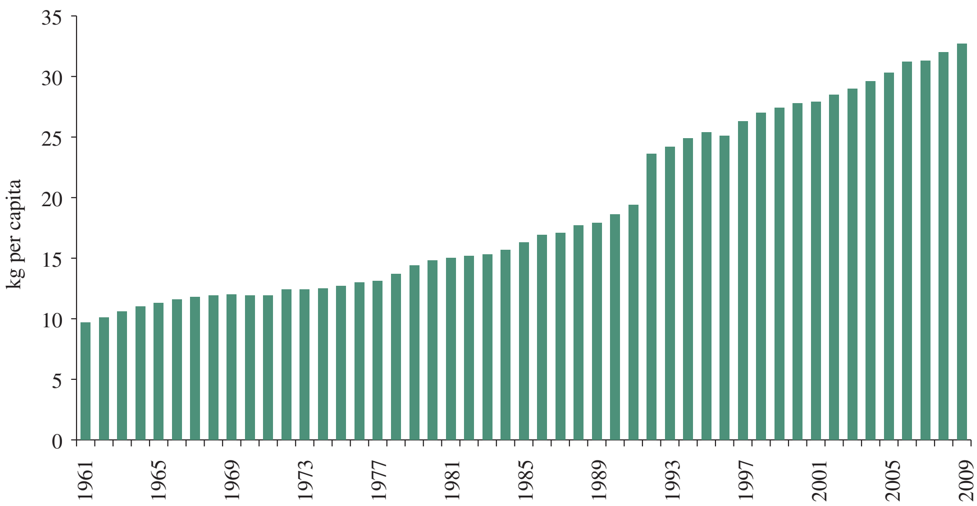
The global agricultural industry is underpinned by a constantly expanding population, as seen below in figure A, and the resultant increase in the demand for food and farming produce to satisfy this growth. Over the past 30 years, the global population has grown on average by approximately 80 million people per annum. In addition to this population growth, global GDP has risen by 77 per cent. over the last ten years as a result of the rapidly growing global economy.




Source: IMF and US Census Bureau.

Figure A: GDP per capita and global population.

Global emerging markets have experienced an increase in income per capita, and a noticeable shift in diet composition, moving to a protein based intake which has resulted in an increased meat production as depicted in figure B below. This shift from a carbohydrate to a protein based intake has prompted the need for a greater quantity of livestock worldwide, and, in order to support the increase in livestock, an amplified demand for animal feed crops. Biofuels, as an alternative energy source, have also experienced enhanced demand in conjunction with rising petroleum prices and an increase in global government production targets.



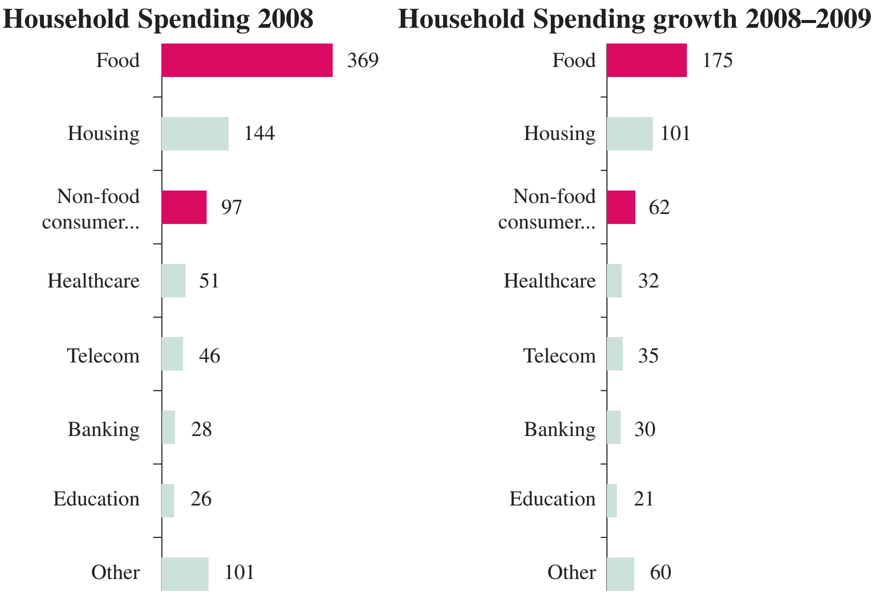

Source: Food and Agriculture Organisation of the United Nations.

Figure B: meat production in kg per capita. Compound annual growth rate has been calculated as 1.6 per cent. between the years of 1960 and 2009.

*African demand for farming produce*

The African agriculture industry is expected to experience an increase in revenue of approximately US$220 billion between the year 2008 and the year 2020, giving it a compound annual growth rate of five per cent. and by 2030 it is predicted that the revenue generated will be as high as US$880 billion. Africa possesses approximately 60 per cent. of the world's available cropland, making it highly competitive as an agricultural opportunity to exploit, particularly as a large proportion of this land is currently un-developed and un-cultivated.

In 2008, household spending in Africa was primarily dominated by food which accounted for over 40 per cent. of overall spending at US$369 billion, followed by housing at US$144 billion, as seen in figure C below. This household spending is predicted to increase by US$174 billion between the years of 2008 and 2020 at a compound annual growth rate of 3.3 per cent., thereby supporting the continental farming requirements in Africa.



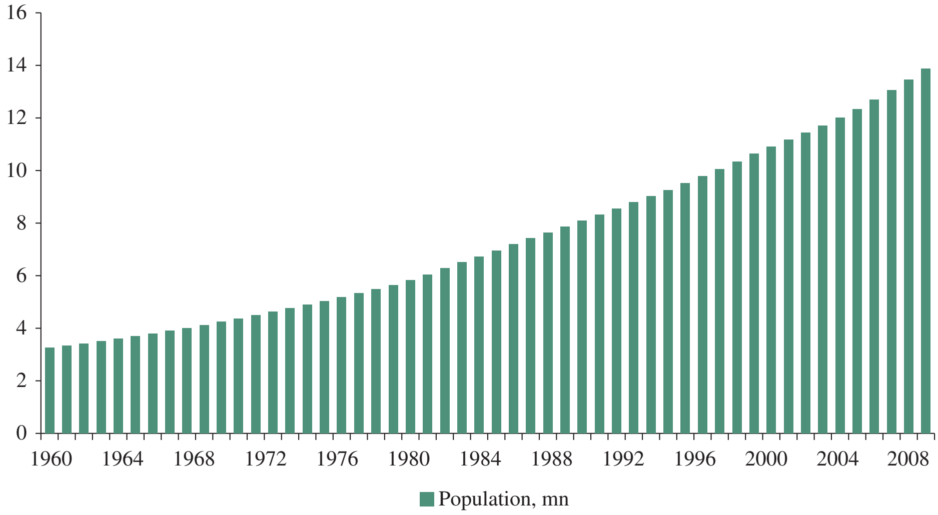

Source: McKinsey Global Institute.

Figure C: graphical representation of household spending

Africa is becoming more highly urbanised as a continent as infrastructure develops and the workforce increases. Robust GDP in all sectors was reported to have increased significantly between 2002 and 2007, with the agriculture industry accounting for 12 per cent. of the total compound annual growth rate at 5.6 per cent. Many countries in Africa remain undeveloped agriculturally, despite having the ideal soil conditions and water supplies needed to support the farming industry and development opportunities exist across many subsectors of the industry including horticulture, cereals, cash crops and livestock.

***Zambian demand for farming produce***

The population of Zambia has grown by nearly ten million since 1960 as seen in figure D and this has resulted in the country's increased demand for food and farming produce. As the country becomes more 'westernised' it is perceived that its inhabitants will continue to shift their diets to include more protein, prompting the need for more livestock, and increased amounts of crop feed to support that livestock.




Source: US Census Bureau.

Figure D: Zambian total population dating back to 1960.

The Zambian Government and the World Bank have invested heavily in the agriculture sector in recent years in order to promote economic diversification and exports. However, as only a small percentage of its land is cultivated, it is estimated that the country has capacity to produce much more, giving the sector significant potential for growth. It is estimated that the annual revenue in the agriculture sector will grow by approximately US$220 billion between 2008 and 2020.

# PART III

# RISK FACTORS

**In addition to the other relevant information set out in this document, the following specific factors which are not set out in any particular order of priority, magnitude or probability, are of particular relevance to the Group's activities and should be considered carefully in evaluating whether to make an investment in the Company. The following risks are those material risks of which the Directors are aware. Additional risks which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an effect on the Business or the results of its operations.**

**Investment in Ordinary Shares will involve significant risks. Ordinary Shares may not be suitable for all recipients or be appropriate for their personal circumstances. You should carefully consider in the light of your financial resources whether investing in the Company is suitable for you. An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise (which may be equal to the whole amount invested).**

**Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK or if they are not resident in the UK from another authorised independent adviser.**

**No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and none of the Company, the Directors, Strand Hanson nor Renaissance Capital will be responsible for any tax consequences for any such investors.**

***General***

A prospective investor should consider with care whether an investment in the Company is suitable for him in light of his personal circumstances and the financial resources available to him. An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from their investment. Prospective investors should therefore consult an independent financial adviser authorised under FSMA before investing or if they are not resident in the UK from another authorised independent adviser.

Investment in the Company should not be regarded as short-term in nature. There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. Consequently, there can be no guarantee that any appreciation in the value of the Company's assets or investments will occur or that the objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

***AIM***

The Ordinary Shares will be admitted to trading on AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. The rules of AIM are less demanding than those of the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

***Volatility in the value of the Ordinary Shares***

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in Ordinary

Shares on AIM may have limited liquidity. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative, regulatory or taxation changes, industry conditions, competition, political and diplomatic events and trends and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

***Ordinary Shares available for future sale***

The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market especially following termination of the Lock-in Agreement, the terms of which are summarised in paragraph 10.1(d) of Part VI of this document. Any sales of substantial amounts of Ordinary Shares in the open market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares.

***Working capital requirements***

Whilst the Directors have no current plans for raising additional capital following Admission, other than as set out in this document, and are satisfied that the working capital available to the Company will be sufficient for at least 12 months following Admission, there may be a requirement for the Company to raise extra capital in the future. This may have a dilutive effect on the holdings of existing Shareholders.

***Market perception***

Market perception of agribusiness companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds through the issue of further shares in the Company.

***Litigation risks***

While the Group currently has no material outstanding litigation or disputes, save as disclosed in paragraph 4.9 and paragraph 12.1 of Part VI of this document, all industries are subject to legal claims, both with and without merit. The Company may become involved in material legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding may have a material effect on the Company's financial position or the results of its operations.

***Emerging markets***

Investors in emerging markets such as Zambia, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as Zambia are subject to rapid change and that the information set out in this document may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisers before making an investment in the Ordinary Shares.

***Competition law risk***

The Group's business model is to grow and produce raw materials that are then processed by the Group with the resulting products being sold with added value through the Group's retail distribution network. This vertical integration may be at risk of regulatory challenge in the future if a regulator decides the Group has a dominant position in Zambian agri business.

In addition, a regulator may examine and void any agreements which the Group has entered into which such regulator rules contravenes competition law or is an abuse of its dominant position.

***The Group's inability to operate effectively if the Group fails to attract and retain key executives***

There are a limited number of persons with the requisite experience and skills to serve in the Company's executive positions should existing management leave the Company. The Group may not be able to locate or employ qualified executives on acceptable terms. In addition, if the Group's competitors offer, for instance, better compensation or working conditions, the Group could potentially lose some of its key executives. If the Group cannot attract, train and retain qualified executives, the Group may be unable to successfully manage its growth or otherwise compete effectively in the African agriculture industry, which could adversely affect its business.

***Legal systems***

Zambia and other jurisdictions in which the Group might operate in the future have less developed legal systems than more established economies which could result in risks such as (i) effective legal redress in the courts of such jurisdictions (whether in respect of a breach of law or regulation, or in an ownership dispute) being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities who may be susceptible to corruption; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licences, leases and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Joint ventures, licences, licence applications, leases, lease applications and other legal arrangements may be adversely affected by the actions of government authorities or others and the effectiveness of, and enforcement of, such arrangements in these jurisdictions cannot be assured.

***Insurance coverage and uninsured risks***

The Group plans to insure the risks it considers appropriate for the Group's needs and circumstances. However, the Group may elect not to have insurance for certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that the risks are remote.

No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains and the proceeds of any insurance will be adequate and available to cover any claims arising. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. Any indemnities the Group may receive from such parties may be difficult to enforce if such parties lack adequate resources. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Group's business and operations, financial results or financial position may be disrupted and adversely affected.

The payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Group for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage may become unavailable or prohibitively expensive.

***Tax related risks***

Any change in the Group's tax status or in taxation legislation in Zambia or the United Kingdom or elsewhere could affect the Company's ability to provide returns to Shareholders or alter the post tax returns to Shareholders. The summary in this document concerning the UK taxation and Zambian taxation of investors in Ordinary Shares is based on current UK and Zambian tax law and practice, which is subject to change. The taxation of an investment in the Company will depend on the individual circumstances of the investor and prospective investors who are in any doubt should consult their tax advisers before making an investment in the Company.

For further information on the tax regime applying in the UK and Zambia, please refer to paragraph 14 of Part VI of this document.

***Dividends***

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and the approval of Shareholders, and will depend on, among other things, the Company's earnings, financial position, cash requirements and availability of profits.

***Persons holding shares in the form of Depositary Interests ("DIs") may not be able to exercise voting rights***

Under the Articles, only those persons who are Shareholders of record are entitled to exercise voting rights. Persons who hold Ordinary Shares in the form of DIs will not be considered to be record holders of Ordinary Shares that are on deposit with the Depositary and, accordingly, will not be able to exercise voting rights. However, the Deed Poll provides that the Depositary shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of DIs must deliver instructions to the Depositary by the specified date. Neither the Company nor the Depositary can guarantee that holders of DIs will receive the notice in time to instruct the Depositary as to the delivery of votes in respect of Ordinary Shares represented by DIs and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such Ordinary Shares.

In addition, persons who beneficially own Ordinary Shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf. Neither the Company nor any nominee can guarantee that holders of DIs will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of DIs and other persons who hold Ordinary Shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

***Forward-looking statements***

This document contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, contained in this document, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words like "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described in this Part III and elsewhere in this document. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this document are based on the relevant Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

**Risks related to the Business and the Industry**

***ETC Acquisition***

The Acquisition Agreement is conditional on a number of factors, not all of which are within the control of the Group. The conditions which have yet to be satisfied at the date of this document are (i) the Company delivering written confirmation that it has raised the requisite funding for the purchase of the ETC Assets; (ii) the Company being satisfied that ETC has obtained a right of easement from the water regulatory authority at Lake Nampamba and a concession from the chieftainess who owns the customary land; (iii) ETC obtaining a release for the existing security over the ETC Assets by a mechanism acceptable to the Company; (iv) ETC providing to the Company a registered easement or other document from the water regulatory authorities to the Company's satisfaction that the Company will have title to or at least an unconditional access to and use of the water system at the Farms; and (v) ETC obtaining a right of easement from the water regulatory authorities to the Farms and a concession from the chieftainess in the area.

Although it is intended that all of the conditions will be satisfied or waived by the Company before Admission, completion of the Acquisition is expected to take place after Admission and on or before 30 June 2011. The Directors have no reason to believe that completion of the Acquisition will not be effected in accordance with the terms of the Acquisition Agreement but there is no guarantee that completion will take place and that the ETC Assets will be sold by ETC and acquired by the Company.

***A major health and safety incident could expose the Group to liabilities and reputational damage***

Operating in the African agricultural industry can pose certain inherent health and safety risks.

A major health and safety incident may result in penalties for non-compliance with relevant statutory requirements and is likely to be costly in the event that liability is incurred. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on the Group's reputation, which, in turn, may materially affect the Group's businesses, results of operations, financial condition or prospects.

Violation of health and safety laws and regulations could result in restrictions on the operations of the Group's sites, damages, potential contamination of land, fines or other sanctions and increased costs of compliance together with potential reputational damage. Any or all of such results could have a material effect on the Group's business, results of operations, financial condition or prospects.

***The Company does not have formal written agreements with certain of its suppliers***

The Company relies on various suppliers to facilitate its business. It does not have formal written agreements with a number of its suppliers and there can be no assurance that such third parties will not terminate their arrangements with the Company at short notice or without notice. Further, where the Company has entered into formal written agreements, many of these agreements are short term contracts, providing the counterparties with a right to terminate at short notice or without notice. Termination of any of the abovementioned agreements and/or arrangements could have a material adverse effect on the Group's business, financial condition or results of operations.

***Taxation status of the Group and ETC Assets***

The Company and Zamanita are currently entitled to certain tax and duty exemptions and incentives under the Zambian Development Agency Act, whereby certain trading income is exempt from corporation tax or taxable on projects undertaken after 2008 at a reduced rate of (i) 0 per cent. up to 31 March 2013, (ii) 50 per cent. of the applicable corporate tax rate up to 31 March 2016 and (iii) 75 per cent. of the applicable corporate tax rate up to 31 March 2018. These tax incentives are contained in the Company's and Zamanita's Investment Promotion and Protection Agreements.

Such exemptions and incentives also include an exemption from withholding tax on dividends paid to shareholders which are declared on or before 31st March 2013, after which date the provisions of any double tax treaty between Zambia and the country of tax residence of the relevant Shareholder would apply.

It is anticipated that the Company will benefit from similar tax incentives relating to its acquisition of and investment in the ETC Assets, although it is not certain that these incentives will be granted.

The Company and Zamanita are not compliant with the reporting requirements under their Investment Promotion and Protection Agreements with the Zambian Development Agency. This omission should not be material as non-compliance of reporting requirements by companies in Zambia is common under Investment Promotion and Protection Agreements but it is possible that the Government may repeal these agreements at any time.

***ETC Assets***

It is intended that the land use of the Farms will be substantially altered following the acquisition of the ETC Assets and therefore the expected yields and costs to operate and extend the Farms (although estimated by Bosch) may be materially different to management's expectations, as there is no comparable historical track record for management to use as a guide when forecasting future performance.

***Integration risk***

The Group's ability to function efficiently following completion of the Acquisition Agreement will be, to a large extent, dependent on the effective integration of the ETC Assets into the Business. The Directors are confident that the systems and personnel in place are adequate to ensure that issues arising post Acquisition can be dealt with on a timely basis. The integration process will, it is expected, be facilitated by the fact that the existing ETC management will continue to manage the assets until 30 September 2011, thereby enabling Zambeef to identify and overcome challenges ahead of assuming the day to day running of the Farms.

***The Group is partly reliant on key customers and trading partners***

The Group has a key strategic relationship with Shoprite supermarkets, both through operating butchery counters within Shoprite stores in Zambia, Nigeria and Ghana under a concessionary arrangement and also through the supply of packaged and dry goods direct to Shoprite. In the year ended 30 September 2010 butchery counter sales at Shoprite and sales of dry goods to the supermarket represented approximately 25 per cent. of the Group's total revenue. A concessionary agreement is currently in place between Africa Supermarkets Limited and the Group with a six month termination clause. Were the contracts to be terminated for any reason, the impact on the Group's revenue would be significant.

***The Company relies on the value of its brands and any failure to maintain or enhance consumer awareness of its brands may have a material adverse effect on the Group's business, financial condition or results of operations***

The Company believes that continued investment in its brands is critical to maintain and expand the Business. The Directors believe that the Group's brands are well respected and recognised in the Zambian market. However, certain aspects of the Business are less developed and may not enjoy the same brand recognition as other, more developed, aspects. The Company has invested in developing and promoting its brands since its inception and expects to continue to spend on maintaining its brand value to enable it to compete against increased spending by competitors, as well as against emerging competitors, and to allow it to expand into new geographies and products where its brands are not well known. There is no assurance that the Company will be able to successfully maintain or enhance consumer awareness of its brands. Even if the Company is successful in its branding efforts, such efforts may not be cost-effective. If the Company is unable to maintain or enhance consumer awareness of its brands and generate demand in a cost-effective manner, it would negatively impact the Group's ability to compete in the agriculture industry and would have a material adverse effect on the Group's business, financial condition or results of operations.

***The Company may not be successful in implementing its growth strategy***

The Company's ability to implement its growth strategy is affected by:

1. its ability to secure sufficient supply of raw materials;

2. its ability to increase its number of customers;

3. its ability to increase its number of stores;

4. its ability to continue to expand its distribution channels, and market and cross-sell its services and products to facilitate the expansion of the Business;

5. its ability to build or acquire the required plant, machinery and/or technology;

6. the general condition of the global economy (particularly in Zambia and markets with close proximity to Zambia) and continued growth in demand for agricultural and food supply services;

7. its ability to compete effectively with existing and new entrants to the African agricultural industry, including food suppliers; and

8. changes in its regulatory environment.

Many of these factors are beyond the Company's control and there can be no assurance that it will succeed in implementing its strategy. Separately, the Company's growth strategy also involves expanding into new geographic markets which will involve additional risks (see further below under "International risks").

***Agricultural production by its nature contains elements of risks and uncertainties***

Agricultural production by its nature contains elements of significant risks and uncertainties which may adversely affect the business and operations of the Group, including but not limited to the following: (i) any future climate change with a potential shift in weather patterns leading to floods or droughts and associated crop losses; (ii) potential insect, fungal and weed infestations resulting in crop failure and reduced yields; (iii) wild and domestic animal conflicts and crop-raiding; and (iv) livestock disease outbreaks. Adverse weather conditions represent a significant operating risk to the Business, affecting the quality and quantity of production and the levels of farm inputs. The Group may also encounter difficulties with the importation of agro-inputs and securing a supply of spares and maintenance items. In the event of a delay in the delivery from suppliers of agro-inputs and machinery, the Group may be unable to achieve its production targets.

***Water rights***

In Zambia, ownership of all water is vested in the President of Zambia and the ownership, control and use of water is governed by statute. In order to obtain water rights an applicant has to apply to the Zambian Water Development Board, which has the discretion to decide whether to grant or to refuse to grant the water right in whole or in part or to impose conditions. Further, the public is given an opportunity to object to the issue of a water right. Water rights are only granted for a limited period (usually five years) and renewal is at the discretion of the Zambian Water Development Board. Water rights do not transfer with ownership of land and a new owner of land is required to apply for its own water right, which although commonly granted, can be refused. Following completion of the Acquisition, the Company will therefore have to apply formally for water rights in respect of the ETC Assets. In the event that the Group fails to obtain or loses the water rights it requires for its operations, the productivity of the Group's farms may fall and the Group's financial position may be adversely affected.

***A significant increase in the price of raw materials that the Group uses in its operations, or the shortage of such raw materials, could adversely affect the results of operations***

The production process requires various raw materials including fertilizer, pesticides and seeds, which the Group acquires from local and international suppliers. The Group does not have long-term supply contracts for most of these raw materials and inputs. A significant increase in the cost of these raw materials and inputs, especially fertilizer and agrochemicals, a shortage of raw materials or the unavailability of these raw materials entirely could reduce the Group's profit margin, reduce production and/or interrupt the production of some of its products, thereby adversely affecting the results of its operations and the Group's financial condition.

***A shift in commodity trends and demands will result in an associated change in prices***

The price for products being produced by the Group will depend on available markets at acceptable prices and distribution costs. Any substantial decline in the price of the products being produced by the Group, or any increase in the agricultural production costs, processing, transportation or distribution costs may have an adverse effect on the Group's financial condition.

***The Group's operations are subject to various political, economic and other risks and uncertainties***

All of the Group's operations are currently conducted in Zambia, Nigeria and Ghana, and as a result, the operations are vulnerable to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. Such risks and uncertainties include, but are not limited to: high rates of inflation; volatility of currency exchange rates; labour unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; and currency controls. Any changes in investment policies or changes in political attitudes in Zambia, Nigeria and Ghana may adversely affect the Group's operations. Operations may also be affected by government regulations relating to, but not limited to, restrictions on production, price controls, import and export controls, currency remittance, income taxes, foreign investment, environmental legislation and land use. The occurrence of any of these risks and uncertainties may have an adverse effect on the Group's operations.

***The Group is subject to extensive environmental regulation***

The activities of the Group are subject to a broad set of laws and regulations relating to the protection of the environment. Such laws include compulsory maintenance of certain preserved areas within the Group's properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use and effluents disposal. In addition, the storage and processing of the Company's products may create hazardous conditions. The Group could be exposed to criminal and administrative penalties in addition to the obligation to remedy the adverse affects of its operations on the environment and to indemnify third parties for damages.

***If the Group's products become contaminated, the Group may be subject to product liability claims, product recalls and restrictions on exports that would adversely affect its business***

The sale of food products for human consumption involves the risk of injury to consumers. These injuries may result from tampering by third parties, bioterrorism, product contamination or spoilage, including the presence of bacteria, pathogens, foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling or transportation phases. The Group cannot guarantee that consumption of its products will not cause a health-related illness in the future or that the Group will not be subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that the Group's products caused illness or injury could adversely affect the Group's reputation with existing and potential customers and the corporate and brand image.

***Reliance on farm employees and appropriate personnel***

The Group relies upon large numbers of employees for its cultivation activities. The Group also employs local villagers on a part-time basis during the harvest season.

Whilst it has not done so to date, should the Group encounter disputes with its employees or face difficulties in recruiting farm employees in future (whether due to the imposition of any legal or regulatory restriction on the recruitment or employment of local villagers or otherwise), the Group's business could be disrupted and its financial performance may be adversely affected.

The Group is, and will continue to be, dependent on certain personnel for its continued success. Although the Company has arrangements in place with its key personnel to secure their services, the retention of their services cannot be guaranteed. The loss of key personnel and the inability to recruit further key personnel could have a material adverse effect on the Group through the impairment of the day-to-day running of the Company and the inability to develop or maintain existing customer relationships.

***The Group is partly reliant on unionised labour***

Around 2,100 of the Group's employees are currently members of the Grain and Meat Workers Union of Zambia, with which the Company has a collective bargaining agreement. In addition, staff at Shoprite Supermarkets, a key trading partner of the Group, are heavily unionised. As a result, the Group may be susceptible to business interruption or loss of profits arising from industrial action by the unions.

***Seasonality***

The Group's turnover is subject to seasonal fluctuation. The Group normally records higher levels of sales during the harvest periods of the Group's crops from March to May and from September to October.

***Adverse weather and natural disasters***

The Business is subject to a higher degree of exposure to the risks associated with natural disasters and adverse weather conditions than many other businesses. In particular, the Group is susceptible to rainfall patterns and fluctuations in temperature patterns which may directly affect crop yields and indirectly affect the prices the Company pays suppliers and the prices it receives from customers. The Group's operations will continue to be subject to a high degree of exposure to such risks. In the event that any such natural disasters occur, in close proximity to any of the Group's farms, plantations or other properties, the Group's business is likely to suffer a material decline in productivity resulting from damage to farming and other equipment. In such event the Group's business, financial condition or results of operations may be adversely affected.

***Competition***

The agricultural industry is open to competition from local and overseas competitors engaged in the cultivation and sale of agricultural produce similar to that grown and sold by the Group. The Group faces considerable competition from a large number of domestic and foreign farmers.

***Existing debt facilities***

A significant proportion of the Company's existing debt facilities are fully repayable on demand. Therefore, whilst considered unlikely based on the Company's experience of borrowing to date, there is a theoretical risk that, were sufficient facilities withdrawn, Zambeef could face a working capital deficit. The Company has good, longstanding relationships with its lenders and is confident that this will continue to be the case in the future.

***Certain debt facilities not yet finalised***

A number of debt facilities which, it is proposed, will be utilised to finance working capital and to develop the existing business assets and the ETC Assets, post Acquisition, remain to be finalised. Whilst the majority of these are agreed in principle, they are not certain to be signed on the same terms as agreed between the Company and its lenders to date and some remain to be negotiated. Whilst Zambeef has not experienced difficulty in obtaining debt finance in the past, there is no guarantee that this will continue to be the case in the future. Should the Company not be able to obtain sufficient debt financing on commercially acceptable terms, it might have to seek further equity finance.

***Fraud/misappropriation***

The nature of the Group's business, particularly its retail operations, where the significant majority of transactions are in cash, leads to the relatively high incidence of low value misappropriation. Whilst the Directors are confident that the Group's existing systems, and the proposed development of these systems, are sufficient to detect and prevent the occurrence of material fraud, it is unlikely that this issue will be completely eradicated.

***Risks associated with the need to maintain an effective system of internal controls***

The Group faces risks frequently encountered by developing companies such as undercapitalisation, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

***Non-Zambian Shareholders***

The ability of a non-Zambian Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in Zambia. The rights of holders of Ordinary Shares are governed by Zambian law and by the Articles. These rights differ from the rights of shareholders in the UK, as well as typical US corporations and some other non-Zambian corporations. A non-Zambian Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. Consequently, it may not be possible for a non-Zambian Shareholder to effect service of process upon the Directors and executive officers within the Shareholder's country of residence or to enforce against the Directors and executive officers within the Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of securities laws. There can be no assurance that a non-Zambian Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than Zambia against the Directors or executive officers who are residents of Zambia or countries other than those in which judgment is made. In addition, Zambian or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in Zambia or other countries.

**Risks related to Zambia and West Africa**

***Regulatory, economic, social and political risks***

A very substantial portion of the Business and the Company's employees are located in Zambia, and the Company intends to continue to develop and expand its business in Zambia. Consequently, the Group's financial performance and the market price of the Ordinary Shares will be affected by changes in exchange rates and controls, interest rates, changes in Zambian Government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting Zambia.

The regulatory framework in Zambia is still developing. The Group's financial performance may be affected by interest rates, changes in Zambian Government policy, social and civil unrest and other political, economic and other developments in or affecting Zambia. There is a higher degree of Zambian Government involvement in and control over the economy and the risk of arbitrary Zambian Government decisions resulting from a lower level of democratic accountability than is typical of developed nations. Accordingly, Zambian Government actions and corruption could have a significant effect on the economy and could adversely affect the market conditions in which the Group operates.

Whilst the Zambian Government has a relatively good track record in espousing and implementing liberal pro-business policies, the quality of the bureaucracy is uneven. Zambian politics is largely based on patronage, the result of which is overstaffing, inefficiency and the use of public funds for private ends. Corruption is prevalent throughout society and is a major problem for businesses. Political tension is expected to rise ahead of the legislative and presidential elections due in October 2011. Such political uncertainty could also adversely affect the market conditions in which the Group operates.

The Group's activities are dependent upon the grant of appropriate licences, concessions, leases, permits, and regulatory consents that may be withdrawn or made subject to limitations. There can be no assurance that they will be granted or renewed or if so, on what terms. There is also the possibility that the terms of any licence may be changed or other than as represented or expected.

***Financing risks***

The cost and availability of debt finance, especially long term foreign currency denominated debt finance, is a major constraint to businesses in Zambia, with many firms subject to high annual interest rates.

A lack of access to debt finance or the high cost of borrowing may affect the Company's ability to maintain or grow the Business and may have a material adverse effect on the Group's Business, financial condition or operating results.

***Infrastructure risks***

Much of Zambia's infrastructure such as roads, power and telecommunications requires further upgrading and investment. Zambia's landlocked position makes transport costs relatively high, and leaves the country reliant on the ports of neighbouring countries. The Zambian Government is hoping that the private sector will play a central role in rehabilitating the country's infrastructure. However, new initiatives will have only a limited impact on improving service in the short term and this may have a material adverse effect on the Group's business, financial condition or results of operations.

***Zambian leasehold property***

In Zambia all land is vested in the President of Zambia (the "President") to be held by him "in perpetuity for and on behalf of the people of Zambia." The President grants a leasehold interest for 99 years if the land is surveyed or a 14 year lease if the land is unsurveyed. The President acts as the headlessor and the person who acquires the land is the lessee. The lessee's interest in the land can be transferred by way of an assignment with the prior consent of the President. The current law requires the President to renew these statutory leases where the President is satisfied that the lessee has complied with or observed the terms, conditions or covenants of the lease and the lease is liable to forfeiture in the event of a breach of the lease. There is however a risk of statutory change in relation to the renewal of statutory leases. In addition, if the Group fails to comply with the terms and conditions applicable to the leases it holds then there is a risk that such leases will not be renewed by the President. The annual rent payable under the leases shall, at the option of the President, be subject to revision during the subsistence of the lease and at such times and in such amounts as the President may in his discretion decide.

***Macroeconomic risk***

Since mid-2009 the Zambian economy has grown robustly, largely as a result of the steady recovery in international copper prices, but also because of greater donor assistance and prudent macroeconomic policies. Higher copper prices have boosted exports and foreign direct investment in mining, resulting in a stronger currency and a rise in foreign exchange reserves. However, there is the risk that the recovery of the copper sector might take away the impetus from the Zambian Government's diversification programme and that overall economic policy execution might slow owing to political disruption, which may have a material adverse effect on the Group's business, financial condition or expected results of operations.

***Credit rating risks***

Any adverse revision to Zambia's prevailing credit rating for domestic and international debt by international rating agencies may adversely impact the Group's ability to raise future project financing and the interest rates and other commercial terms at which such additional financing may be available. This could have an adverse effect on the Group's financial performance and its ability to obtain financing to fund its growth on favourable terms or at all.

***Currency risks***

The Kwacha fell sharply in late 2008 and early 2009 as international copper prices plummeted, reducing the value of Zambia's most important export. Since then it has recovered in line with the strong recovery in copper prices which has boosted exports and foreign direct investment. The Zambian Government remains committed to a market-determined exchange rate. The Kwacha remains vulnerable to external shocks, particularly a fall in copper prices. Any fall in the value of the Kwacha may have a material adverse effect on the Group's business, financial condition or results of operations.

***Disease risks***

Tropical diseases such as malaria and cholera, together with sexually transmitted diseases such as HIV/AIDS are prevalent in central and southern Africa. Employees of the Group may have or could contract these potentially deadly diseases. The prevalence of tropical and sexually transmitted diseases could cause a reduction in employee man hours and the loss of trained and experienced employees.

***International risks***

The Company has operations in Nigeria, Ghana and Zambia. The Company will need to continue to tailor its services and business model to the unique circumstances of such markets to succeed, including building new supplier relationships and customer preferences. The Group also intends to expand its business in other markets. Adapting the Group's practices and models effectively to the supplier and customer preferences of new markets may be difficult and costly and may divert management and personnel resources. The Group may also face additional regulatory requirements in new markets which could be onerous. The Company cannot guarantee that it will be able to efficiently or effectively manage the growth of its operations in any new markets.

By expanding into international markets, the Group will be subject to the effects of exchange rate fluctuations and the value of the Group's assets and the amount of income available for distribution will be affected by movements in currencies. The Group will report its results of operations and its financial condition in US Dollars, and, following Admission, the price of the Ordinary Shares will be quoted in Sterling. Shareholders may experience fluctuations in the market price of Ordinary Shares as a result of movements in the exchange rate between Sterling, US Dollars and the Kwacha. Such movements in the exchange rate may adversely affect the amount of the reported value of the Business and therefore the market price of the Ordinary Shares.

Economic and political conditions in other emerging market countries may from time to time affect the securities markets in Zambia. There can be no assurance that economic and political conditions in other emerging market countries will not have a material adverse effect on the capital markets in Zambia generally, the business, results of operations and financial condition of the Group.

**It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Group.**

**If any of the risks referred to in this Part III crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.**


Milk


6 eggs
mixed sizes
Zamchick


Feeding the Nation
ZAMBEEF

# PART IVa

# FINANCIAL INFORMATION ON THE GROUP

**ZAMBEEF PRODUCTS PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 SEPTEMBER 2008-10**

| **Continuing operations** | *Notes* | *2010 USD'000s* | *2009 USD'000s* | *2008 USD'000s* |
|---|---|---|---|---|
| **Revenue** | 5 | 161,910 | 137,713 | 131,744 |
| Net gain arising from changes in fair value of biological assets | 15 | 11,484 | 6,860 | 13,167 |
| Cost of sales | | (122,512) | (104,327) | (95,368) |
| **Gross profit** | | 50,882 | 40,246 | 49,543 |
| Administrative expenses | | (43,849) | (40,098) | (39,105) |
| Other income | | 61 | 253 | 118 |
| **Operating profit** | 6 | 7,094 | 401 | 10,556 |
| Exchange (losses)/gains on translating foreign currency transactions and balances | | (1,679) | (10,732) | 1,716 |
| Finance costs | 8 | (2,151) | (2,506) | (1,905) |
| **Profit/(loss) before taxation** | | 3,264 | (12,837) | 10,367 |
| Taxation credit/(charge) | 9 | 901 | 2,539 | (1,365) |
| **Profit/(loss) for the year from continuing operations** | | 4,165 | (10,298) | 9,002 |
| **Discontinued operations** | | | | |
| Profit for the year from discontinued operations | 24 | – | 12,308 | 1,586 |
| **Group profit for the year** | | 4,165 | 2,010 | 10,588 |
| Group profit attributable to: | | | | |
| Equity holders of the parent | | 4,158 | 1,939 | 10,337 |
| Non-controlling interest | | 7 | 71 | 251 |
| | | 4,165 | 2,010 | 10,588 |
| **Other comprehensive income:** | | | | |
| Exchange (losses)/gains on translating presentational currency | | (1,755) | (30,431) | 3,807 |
| **Total comprehensive income/(loss) for the year** | | 2,410 | (28,421) | 14,395 |
| Total comprehensive income/(loss) for the year attributable to: | | | | |
| Equity holders of the parent | | 2,426 | (27,374) | 14,144 |
| Non-controlling interest | | (16) | (1,047) | 251 |
| | | 2,410 | (28,421) | 14,395 |
| **Earnings per share** | | *Cents* | *Cents* | *Cents* |
| Basic earnings per share | | | | |
| Earnings/(loss) from continuing operations | 11 | 2.62 | (6.51) | 6.51 |
| Earnings from discontinued operations | 11 | – | 7.73 | 0.98 |
| Total | | 2.62 | 1.22 | 7.49 |
| Diluted earnings per share | | | | |
| Earnings/(loss) from continuing operations | 11 | 2.62 | (6.51) | 6.51 |
| Earnings from discontinued operations | 11 | – | 7.73 | 0.98 |
| Total | | 2.62 | 1.22 | 7.49 |

**ZAMBEEF PRODUCTS PLC**

## CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2008-2010

| | *Issued share capital USD'000s* | *Share premium USD'000s* | *Revaluation reserve USD'000s* | *Foreign exchange reserve USD'000s* | *Retained earnings USD'000s* | *Total attributable to owners of the parent USD'000s* | *Non-controlling interest USD'000s* | *Total equity USD'000s* |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2007** | 30 | 807 | 19,463 | (12) | 19,902 | 40,190 | 891 | 41,081 |
| Dividends paid | – | – | – | – | (581) | (581) | – | (581) |
| Dividends declared | – | – | – | – | (3,212) | (3,212) | – | (3,212) |
| Issue of shares | 12 | 71,750 | – | – | – | 71,762 | – | 71,762 |
| Cost of issue of shares written off | – | (696) | – | – | – | (696) | – | (696) |
| **Transactions with owners** | 12 | 71,054 | – | – | (3,793) | 67,273 | – | 67,273 |
| Profit for the year | – | – | – | – | 10,337 | 10,337 | 251 | 10,588 |
| ***Other comprehensive income:*** | | | | | | | | |
| Exchange gains on translating presentational currency | – | – | – | 3,807 | – | 3,807 | – | 3,807 |
| Transfer of surplus depreciation | – | – | (709) | – | 709 | – | – | – |
| **Total comprehensive income for the year** | – | – | (709) | 3,807 | 11,046 | 14,144 | 251 | 14,395 |
| **At 30 September 2008** | 42 | 71,861 | 18,754 | 3,795 | 27,155 | 121,607 | 1,142 | 122,749 |
| Profit for the year | – | – | – | – | 1,939 | 1,939 | 71 | 2,010 |
| ***Other comprehensive income:*** | | | | | | | | |
| Exchange losses on translating presentational currency | – | – | – | (29,313) | – | (29,313) | (1,118) | (30,431) |
| Transfer of surplus depreciation | – | – | (539) | – | 539 | – | – | – |
| **Total comprehensive income for the year** | – | – | (539) | (29,313) | 2,478 | (27,374) | (1,047) | (28,421) |
| **At 30 September 2009** | 42 | 71,861 | 18,215 | (25,518) | 29,633 | 94,233 | 95 | 94,328 |
| Dividends declared | – | – | – | – | (1,649) | (1,649) | – | (1,649) |
| **Transactions with owners** | – | – | – | – | (1,649) | (1,649) | – | (1,649) |
| Profit for the year | – | – | – | – | 4,158 | 4,158 | 7 | 4,165 |
| ***Other comprehensive income:*** | | | | | | | | |
| Exchange losses on translating presentational currency | – | – | – | (1,732) | – | (1,732) | (23) | (1,755) |
| Transfer of surplus depreciation | – | – | (530) | – | 530 | – | – | – |
| **Total comprehensive income for the year** | – | – | (530) | (1,732) | 4,688 | 2,426 | (16) | 2,410 |
| **At 30 September 2010** | 42 | 71,861 | 17,685 | (27,250) | 32,672 | 95,010 | 79 | 95,089 |

**ZAMBEEF PRODUCTS PLC**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION – 30 SEPTEMBER 2008-2010**

| **ASSETS** | *Notes* | *2010 USD'000s* | *2009 USD'000s* | *2008 USD'000s* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Goodwill | 12 | 3,270 | 3,326 | 22,782 |
| Property, plant and equipment | 13 | 105,923 | 94,994 | 104,306 |
| Biological assets (immature palms) | 15 | 764 | 793 | – |
| Deferred tax asset | 9 | 535 | 962 | 144 |
| | | 110,492 | 100,075 | 127,232 |
| **Current assets** | | | | |
| Biological assets | 15 | 12,457 | 9,278 | 19,375 |
| Inventories | 16 | 27,644 | 30,052 | 39,426 |
| Trade and other receivables | 17 | 11,499 | 10,398 | 13,654 |
| Amounts due from related companies | 18 | 205 | 451 | 661 |
| Income tax recoverable | 9 | 51 | 502 | 473 |
| | | 51,856 | 50,681 | 73,589 |
| **Total assets** | | 162,348 | 150,756 | 200,821 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 20 | 42 | 42 | 42 |
| Share premium | 21 | 71,861 | 71,861 | 71,861 |
| Reserves | | 23,107 | 22,330 | 49,704 |
| | | 95,010 | 94,233 | 121,607 |
| Non-controlling interest | | 79 | 95 | 1,142 |
| | | 95,089 | 94,328 | 122,749 |
| **Non-current liabilities** | | | | |
| Interest bearing liabilities | 22 | 28,522 | 9,407 | 13,022 |
| Obligations under finance leases | 25 | 270 | 116 | 180 |
| Deferred liability | 26 | 1,077 | 1,007 | 1,257 |
| Deferred tax liability | 9 | 296 | 1,462 | 6,413 |
| | | 30,165 | 11,992 | 20,872 |
| **Current liabilities** | | | | |
| Interest bearing liabilities | 22 | 6,095 | 3,084 | 4,557 |
| Obligations under finance leases | 25 | 226 | 212 | 680 |
| Trade and other payables | 27 | 18,031 | 14,775 | 24,864 |
| Amounts due to related companies | 28 | 159 | 366 | 13 |
| Taxation payable | 9 | 127 | 324 | 77 |
| Dividends payable | 10 | 1,649 | – | 3,212 |
| Cash, cash equivalents and bank overdrafts | 19 | 10,807 | 25,675 | 23,797 |
| | | 37,094 | 44,436 | 57,200 |
| **Total equity and liabilities** | | 162,348 | 150,756 | 200,821 |

## ZAMBEEF PRODUCTS PLC

## CONSOLIDATED CASH FLOW STATEMENT
## FOR THE YEARS ENDED 30 SEPTEMBER 2008-2010

| | Notes | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|---|
| **Cash inflow from operating activities** | | | | |
| Profit/(loss) before taxation | | 3,264 | (12,837) | 10,367 |
| Interest paid | | 2,151 | 2,506 | 1,905 |
| Depreciation | | 6,028 | 4,621 | 5,080 |
| Impairment of biological assets | | 380 | – | – |
| Fair value price adjustment | | – | 3,166 | 310 |
| Foreign exchange gains/(losses) | | 1,633 | 8,466 | (1,481) |
| **Earnings before interest, tax, depreciation and amortisation** | | 13,456 | 5,922 | 16,181 |
| (Increase)/decrease in biological assets | | (3,149) | 8,979 | (8,016) |
| Decrease/(increase) in inventory | | 2,408 | 8,994 | (31,319) |
| (Increase)/decrease in trade and other receivables | | (1,100) | 3,712 | (7,819) |
| Decrease/(increase) in amount due from related companies | | 246 | 195 | (629) |
| Increase/(decrease) in trade and other payables | | 3,256 | (10,587) | 20,218 |
| (Decrease)/increase in amount due to related companies | | (207) | 427 | (348) |
| (Decrease)/increase in deferred liability | | (70) | 250 | (229) |
| Income tax recovered/(paid) | | 401 | (371) | (1,027) |
| **Net cash inflow/(outflow) from continuing operations** | | 15,241 | 17,521 | (12,988) |
| Net cash from discontinued operations | | – | (287) | 197 |
| **Net cash inflow/(outflow) from operating activities** | | 15,241 | 17,234 | (12,791) |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | (16,233) | (27,468) | (56,907) |
| Expenditure on plantation development | | (2,592) | (2,802) | (1,234) |
| Acquisition of subsidiaries, net of cash | | – | – | (22,871) |
| Proceeds from sale of property, plant and equipment | | 214 | 659 | 118 |
| **Net cash outflow from continuing operations** | | (18,611) | (29,611) | (80,894) |
| Net cash from discontinued operations | | – | 32,378 | (991) |
| **Net cash (outflow)/inflow from investing activities** | | (18,611) | 2,767 | (81,885) |
| **Net cash (outflow)/inflow before financing** | | (3,370) | 20,001 | (94,676) |
| **Financing activities** | | | | |
| Proceeds from issue of shares | | – | – | 71,066 |
| Long term loans repaid | | (2,873) | (12,416) | (2,083) |
| Receipt from long term loans | | 25,000 | 5,902 | 8,007 |
| Interest paid | | (2,151) | (2,506) | (1,905) |
| Dividends paid | | – | (3,212) | (2,659) |
| Lease finance received/(paid) | | 168 | (534) | (129) |
| **Net cash from continuing operations** | | 20,144 | (12,766) | 72,297 |
| Net cash from discontinued operations | | – | 1,192 | 333 |
| **Net cash inflow/(outflow) from financing** | | 20,144 | (11,574) | 72,630 |
| **Increase/(decrease) in cash and cash equivalents** | | 16,774 | 8,427 | (22,046) |
| **Cash and cash equivalents at beginning of year** | | (25,675) | (23,797) | (4,333) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | | (1,906) | (10,305) | 2,582 |
| **Cash and cash equivalents at end of year** | 19 | (10,807) | (25,675) | (23,797) |
| **Analysed into:** | | | | |
| Continuing operations | | (10,807) | (25,675) | (22,834) |
| Discontinued operations | | – | – | (963) |
| | | (10,807) | (25,675) | (23,797) |
| **Represented by:** | | | | |
| Cash in hand and at bank | | 7,073 | 4,913 | 3,989 |
| Bank overdrafts | | (13,454) | (30,588) | (27,786) |
| Structured Agricultural Finance | | (4,426) | – | – |
| | 19 | (10,807) | (25,675) | (23,797) |

**ZAMBEEF PRODUCTS PLC**
**NOTES TO THE HISTORICAL FINANCIAL INFORMATION 30 SEPTEMBER 2008-2010**

## 1. The Group

The Zambeef Group is one of the largest agri-businesses in Zambia and the region. The Group's activities are cropping operations as well as the production, processing and retailing of beef, chicken, pork, eggs, milk, dairy products, stock feed, wheat products, leather products and edible oils throughout Zambia and West Africa.

## 2. Principal accounting policies

The principal accounting policies applied by the Group in the preparation of the historical financial information 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) ***Basis of preparation***

The historical financial information is prepared in accordance with the provisions of the Zambian Companies Act 1994 and International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Preparation of financial statements" (Revised 2007). The Group has elected to present the "Statement of Comprehensive Income" in one statement namely the "Statement of Comprehensive Income". The historical financial information has been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment and biological assets recorded at fair value.

The preparation of the historical financial information, 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.

(c) ***Foreign currencies***

(i) *Basis of translating presentational currency*

The Company's functional currency is Zambian Kwacha (ZMK), which has historically been the Group's presentational currency. The historical financial information is presented in United States Dollars (USD) for the purposes of the Admission Document. The Group has long-term borrowings denominated in USD and also incurs certain other expenses in USD, therefore in order to assist the understanding of the readers the directors have concluded that it is the most appropriate currency in which to present the historical financial information.

The historical financial information has been derived by translating the Group's consolidated financial statements for the three years ended 30 September 2010. The basis of the translation of the consolidated financial statements for the purposes of the historical financial information is set out below.

Income Statement items have been translated using the average exchange rate for the year as an approximation to the actual exchange rate. Assets and liabilities have been translated using the closing exchange rate.

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

The following exchange rates have been applied in the preparation of the historical financial information:

| *ZMK:USD* | *Average exchange rate* | *Closing exchange rate* |
|---|---|---|
| Year ended 30 September 2007 | 4,062 | 3,850 |
| Year ended 30 September 2008 | 3,615 | 3,580 |
| Year ended 30 September 2009 | 4,960 | 4,720 |
| Year ended 30 September 2010 | 4,759 | 4,800 |

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

(ii) *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 recognised in profit or loss.

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 significance of these variances, these gains and losses have been presented below operating profit in the statement of comprehensive income.

(iii) *Basis of translating foreign operations*

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

For the purposes of the historical financial information the Group's consolidated financial statements for the three years ended 30 September 2010 have been translated into United States Dollars using the basis described in (i) above.

(d) ***New standards and interpretations***

At the balance sheet date of the Group's historical financial information for the year ended 30 September 2010, the following Standards and Interpretations which have not been applied in the historical financial information were in issue but not yet effective:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will not affect the financial position or profits of the Group, but will give rise to additional disclosures.

(e) ***Business combinations***

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

Contingent and deferred consideration arising as a result of acquisitions is stated at fair value. Contingent and deferred consideration is based on management's best estimate of the likely outcome and best estimate of fair value, which is usually, but not always, a contracted formula based on a multiple of net profit after tax. Prior to 1 October 2009 business combinations were accounted for under the provisions of the previous version of IFRS 3 such that acquisition costs were not expensed.

(f) ***Discontinued operations***

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

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

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

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

(g) ***Goodwill***

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 12 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 12 for a description of impairment testing procedures.

(h) ***Revenue recognition***

Revenue comprises revenue from the sale of goods and revenue from major products as shown in note 5. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyers and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

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

(i) ***Property, plant and equipment***

All classes of property, plant and equipment are stated at valuation except for plantation development expenditure and capital work in progress which are stated at historical cost. Capital work in progress relates to internally produced building parts and plant and machinery and are categorised as such on completion. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus directly in equity; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of any related deferred income tax, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost or valuation of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

| | |
|---|---|
| Leasehold land and buildings | 2% |
| Motor vehicles | 20% |
| Furniture and equipment | 10% |
| Plant and machinery | 10% |

Capital work in progress is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income within other operating income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

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

*Plantation development expenditure*

Plantation development expenditure comprises assets held for plantation development activities. All costs relating directly to plantation development are capitalised until such time as the oil palms reach maturity and meet the criteria for commercial production, at which point capitalised items are reclassified as mature plantations and all further costs are expensed and depreciation commences. Such capitalised costs include:

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

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

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

| | |
|---|---|
| Bridges and roads | 5% |
| Mature plantations | 4% |

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

(j) ***Leased assets***

Where fixed assets are financed by leasing agreements (finance leases) the assets are treated as if they had been purchased and the capital element of the leasing commitments is shown as obligations under finance lease. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the statement of comprehensive income over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability under the lease agreement for each accounting period.

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

(k) ***Financial assets***

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

(i) *Loans and receivables*

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

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

(l) ***Impairment of assets***

(i) *Financial assets carried at amortised cost*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on debtors and receivables or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) *Impairment of goodwill and land*

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(m) ***Financial liabilities***

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

(n) ***Biological assets***

*Current assets*

Biological assets are valued at their fair values less estimated point of sale costs as determined by the directors. The fair value of livestock is determined based on market prices of animals of similar age, breed and genetic merit. Standing crops are revalued to fair value at each reporting date based on the estimated market value of fully grown standing crops adjusted for the age and condition of the crops at the reporting date. Dairy cattle have been classified as current biological assets based on Management's expectation of their useful economic life.

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

*Non-current assets*

Oil palms are revalued to fair value at each reporting date on a discounted cash flow basis by reference to the fresh fruit bunches ("FFB") expected to be harvested over the full remaining productive life of the trees up to 25 years. Oil palms which are not yet mature at the accounting date, and hence are not producing FFB, are valued at cost as an approximation of fair value.

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

(o) ***Inventory***

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all expenditure incurred in the normal course of business in bringing the goods to their present location and condition, including production overheads based on normal level of activity. Net realisable value takes into account all further costs directly related to marketing, selling and distribution.

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

(p) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, bank overdrafts, deposits held at call with banks, structured agricultural finance, other short-term highly liquid investments and balances held with banks.

Bank overdrafts are defined as facilities which are repayable on demand and classified as current liabilities.

(q) ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised within 'finance costs' in the statement of comprehensive income in the period in which they are incurred.

(r) ***Interest bearing liabilities***

Short term interest bearing liabilities include all amounts expected to be repayable within twelve months from the reporting date, including instalments due on loans of longer duration. Long term interest bearing liabilities represent all amounts repayable more than twelve months from the reporting date.

(s) ***Other income***

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

(t) ***Taxation***

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

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

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

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

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

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

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

(u) ***Employee benefits***

(i) *Pension obligations*

The Group has a plan with National Pension Scheme Authority (NAPSA) where the group pays an amount equal to the employee's contributions. Employees contribute 5 per cent. of their gross earnings up to the statutory cap.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) ***Dividend distributions***

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

(w) ***Equity and reserves***

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

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

The revaluation reserve within equity comprises gains and losses due to the revaluation of property, plant and equipment.

Foreign currency translation differences arising from translating to presentational currency and translating foreign operations are included in the foreign exchange reserve.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

Dividend distributions payable to equity shareholders are included in 'Dividends payable' when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

(x) ***Segmental reporting***

For the purposes of the historical financial information the Group has adopted IFRS 8 Operating segments for the three years ended 30 September 2010. IFRS 8 requires segments to be identified on the basis of the internal reports about operating units of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources and to assess their performance. The Group operates 15 main reportable divisions which match the main external revenues earned by the Group:

- Beef
- Chicken
- Pork
- Crops
- Stock feed
- Eggs

- Milk
- Zamchick Inn
- Edible oils
- Bakery and flour
- Leather/shoe
- Master Meats (Nigeria)
- Master Meats (Ghana)
- Other

The 'Other' segment comprises all sundry sales which cannot be allocated to the segments above.

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

- Zambeef
- Retailing
- Zamanita
- Master Pork
- Zampalm
- Other

The 'Other' segment includes the foreign subsidiaries and Zamleather. Foreign subsidiaries includes the Group's two majority-owned subsidiaries in Nigeria and Ghana.

## 3. Critical accounting estimates and judgements

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

***Significant accounting judgements***

(i) *Plantation development expenditure*

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

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

(ii) *Discontinued operations*

A discontinued operation is a component of the Group that is a reportable segment and has been disposed of. Management exercises judgement in assessing whether a component of the Group can be distinguished operationally and for financial reporting purposes. See note 24 for discontinued operations.

(iii) *Deferred tax*

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

***Significant accounting estimates***

(iv) *Translating presentational currency*

Management have applied the average exchange rate as an approximation to the actual exchange rate for the purposes of translating the Group's consolidated financial statements into USD. Whilst the ZMK:USD exchange rate fluctuated significantly between 2008 and 2009, management has conducted an exercise to evaluate the impact of these fluctuations on the presentation of the Group's results and has concluded that the application of the average exchange rate is a reasonable approximation to the actual rate. The Group has long-term borrowings denominated in USD and management has conducted sensitivity analysis on the Group's reported profits and equity for the three periods reported (see note 29).

(v) *Impairment of goodwill*

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

(vi) *Valuation of biological assets and inventory*

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

The most significant estimate relates to management's assessment of anticipated yield per hectare for establishing the fair value of standing crops. This assessment takes into account historic yields, climate conditions and certain other key factors. Realisation of the carrying amounts of biological assets of USD 13.2 million (2009: USD 10.1 million; 2008: USD 19.4 million) is affected by price changes in different market segments.

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. Future realisation of the carrying amounts of inventory assets of USD 27.6 million (2009: USD 30.1 million; 2008: USD 39.4 million) is affected by price changes in different market segments.

## 4. Management of financial risk

### 4.1 *Financial risk*

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are interest rate risk and credit risk. These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

The group manages these positions with a framework that has been developed to monitor its customers and return on its investments.

### 4.2 *Credit risk*

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The area where the group is exposed to credit risk is amounts due from customers.

The group structures the levels of credit risk it accepts by placing limits on its exposure to the level of credits given to a single customer. Such risk is subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

4.3 ***Capital management***

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issues new shares, or sell assets to reduce debt.

**Capital structure**

| | *As at 30 September* | | |
|---|---|---|---|
| | *2010* | *2009* | *2008* |
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Cash and cash equivalents | (10,807) | (25,675) | (23,797) |
| Interest bearing liabilities | (34,617) | (12,491) | (17,579) |
| Equity | 95,010 | 94,232 | 121,607 |
| | 49,586 | 56,066 | 80,231 |

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

4.4 ***Foreign exchange risk***

The Group is exposed to foreign exchange risk arising from exchange rate fluctuations. Foreign currency denominated purchases and sales, together with foreign currency denominated borrowings, comprise the currency risk of the Group. These risks are minimised by matching the foreign currency receipts to the foreign currency payments as well as holding foreign currency bank accounts and export sales.

## 5. Segmental reporting

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

There are no significant differences between the segmental reporting analysis presented below and that which would have been included in the historical financial information if the Group's management accounts were prepared in accordance with IFRS.

**Year ended 30 September 2010**
**Continuing operations**

| *Segment* | *Revenue USD'000s* | *Gross profit USD'000s* |
|---|---|---|
| Beef | 42,319 | 13,305 |
| Chicken | 17,416 | 4,408 |
| Pork | 12,879 | 4,220 |
| Cropping | 11,976 | 4,239 |
| Stock feed | 16,250 | 3,449 |
| Eggs | 3,982 | 1,968 |
| Fish | 1,889 | 483 |
| Milk | 8,946 | 5,813 |
| Zamchick Inn | 1,796 | 790 |
| Edible oils | 50,419 | 7,575 |
| Bakery and flour | 9,934 | 2,273 |
| Leather/shoe | 2,259 | 786 |
| Master Meats (Nigeria) | 3,971 | 801 |
| Master Meats (Ghana) | 2,498 | 771 |
| Other | 1,050 | 1 |
| **Total** | 187,584 | 50,882 |
| Less: intra group sales | (25,674) | – |
| **Total** | 161,910 | 50,882 |
| Central operating costs | | (43,788) |
| Operating profit | | 7,094 |
| Foreign exchange losses | | (1,679) |
| Finance costs | | (2,151) |
| Profit before tax | | 3,264 |

**Operating assets/(liabilities)**

| | *Zambeef USD'000s* | *Retailing USD'000s* | *Zamanita USD'000s* | *Master Pork USD'000s* | *Zampalm USD'000s* | *Other USD'000s* | ***Total USD'000s*** |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 62,409 | 14,892 | 15,638 | 3,228 | 6,554 | 3,202 | **105,923** |
| Biological assets and inventories | 22,730 | 4,548 | 10,671 | 1,028 | 764 | 1,124 | **40,865** |
| Cash, cash equivalents and bank overdrafts | (7,303) | (1,824) | (2,344) | 17 | 50 | 597 | **(10,807)** |

**Year ended 30 September 2009**

| *Segment* | *Continuing operations* *Revenue USD'000s* | *Continuing operations* *Gross profit USD'000s* | *Discontinued operations* *Revenue USD'000s* | *Discontinued operations* *Gross profit USD'000s* | *Total* *Revenue USD'000s* | *Total* *Gross profit USD'000s* |
|---|---|---|---|---|---|---|
| Beef | 45,308 | 12,142 | – | – | 45,308 | 12,142 |
| Chicken | 11,997 | 1,045 | – | – | 11,997 | 1,045 |
| Pork | 9,504 | 2,095 | – | – | 9,504 | 2,095 |
| Crops – row crops | 12,765 | 1,826 | – | – | 12,765 | 1,826 |
| Crops – sugarcane | – | – | 2,875 | 3,944 | 2,875 | 3,944 |
| Stock feed | 10,301 | 2,240 | – | – | 10,301 | 2,240 |
| Eggs | 2,510 | 1,411 | – | – | 2,510 | 1,411 |
| Fish | 1,599 | 408 | – | – | 1,599 | 408 |
| Milk | 8,224 | 3,669 | – | – | 8,224 | 3,669 |
| Zamchick Inn | 1,673 | 643 | – | – | 1,673 | 643 |
| Edible oils | 48,846 | 11,871 | – | – | 48,846 | 11,871 |
| Bakery and flour | 9,507 | 1,006 | – | – | 9,507 | 1,006 |
| Leather/shoe | 1,722 | 473 | – | – | 1,722 | 473 |
| Master Meats (Nigeria) | 4,415 | 833 | – | – | 4,415 | 833 |
| Master Meats (Ghana) | 2,081 | 583 | – | – | 2,081 | 583 |
| **Total** | 170,452 | 40,246 | 2,875 | 3,944 | 173,327 | 44,189 |
| Less: intra group sales | (32,739) | – | – | – | (32,739) | – |
| **Total** | 137,713 | 40,246 | 2,875 | 3,944 | 140,588 | 44,189 |
| Central operating costs | | (39,845) | | (679) | | (40,524) |
| Operating profit | | 401 | | 3,265 | | 3,665 |
| Foreign exchange | | (10,731) | | (2,680) | | (13,411) |
| Finance costs | | (2,506) | | (234) | | (2,740) |
| (Loss)/profit before tax | | (12,837) | | 351 | | (12,486) |
| Gain on disposal (note 24) | | – | | 12,044 | | 12,044 |
| Tax credit/(charge) | | 2,539 | | (87) | | 2,452 |
| (Loss)/profit after tax | | (10,298) | | 12,308 | | 2,010 |

**Operating assets/(liabilities)**

| | *Zambeef USD'000s* | *Retailing USD'000s* | *Zamanita USD'000s* | *Master Pork USD'000s* | *Zampalm USD'000s* | *Other USD'000s* | ***Total USD'000s*** |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 56,304 | 13,185 | 16,278 | 2,913 | 3,897 | 2,417 | **94,994** |
| Biological assets and inventories | 19,316 | 4,473 | 13,487 | 1,068 | 793 | 986 | **40,123** |
| Cash, cash equivalents and bank overdrafts | (6,174) | (3,838) | (16,739) | 169 | 26 | 881 | **25,675** |

**Year ended 30 September 2008**

| Segment | Continuing operations Revenue USD'000s | Continuing operations Gross profit USD'000s | Discontinued operations Revenue USD'000s | Discontinued operations Gross profit USD'000s | Total Revenue USD'000s | Total Gross profit USD'000s |
|---|---|---|---|---|---|---|
| Beef | 47,053 | 17,165 | – | – | 47,053 | 17,165 |
| Chicken | 14,225 | 3,127 | – | – | 14,225 | 3,127 |
| Pork | 7,768 | 3,355 | – | – | 7,768 | 3,355 |
| Crops – row crops | 17,269 | 8,679 | – | – | 17,269 | 8,679 |
| Crops – sugarcane | – | – | 4,548 | 3,259 | 4,548 | 3,259 |
| Stock feed | 9,880 | 1,221 | – | – | 9,880 | 1,221 |
| Eggs | 2,215 | 881 | – | – | 2,215 | 881 |
| Fish | 693 | 215 | – | – | 693 | 215 |
| Milk | 8,908 | 5,300 | – | – | 8,908 | 5,300 |
| Zamchick Inn | 2,007 | 570 | – | – | 2,007 | 570 |
| Edible oils | 33,187 | 6,162 | – | – | 33,187 | 6,162 |
| Bakery and flour | 8,593 | 1,538 | – | – | 8,593 | 1,538 |
| Leather/shoe | 2,447 | 572 | – | – | 2,447 | 572 |
| Master Meats (Nigeria) | 4,495 | 552 | – | – | 4,495 | 552 |
| Master Meats (Ghana) | 1,632 | 206 | – | – | 1,632 | 206 |
| **Total** | 160,372 | 49,543 | 4,548 | 3,259 | 164,920 | 52,802 |
| Less: intra group sales | (28,628) | – | – | – | (28,628) | – |
| **Total** | 131,744 | 49,543 | 4,548 | 3,259 | 136,292 | 52,802 |
| Central operating costs | | (38,987) | | (349) | | (39,336) |
| Operating profit | | 10,556 | | 2,910 | | 13,466 |
| Foreign exchange | | 1,716 | | (739) | | 977 |
| Finance costs | | (1,905) | | (313) | | (2,218) |
| Profit before tax | | 10,367 | | 1,858 | | 12,225 |
| Tax | | (1,365) | | (272) | | (1,637) |
| Profit after tax | | 9,002 | | 1,586 | | 10,588 |

**Operating assets/(liabilities) – continuing operations**

| | *Zambeef USD'000s* | *Retailing USD'000s* | *Zamanita USD'000s* | *Master Pork USD'000s* | *Zampalm USD'000s* | *Other USD'000s* | ***Total USD'000s*** |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 49,663 | 16,441 | 20,692 | 3,781 | 1,234 | 2,529 | **94,340** |
| Biological assets and inventories | 26,599 | 4,951 | 18,526 | 791 | – | 1,037 | **51,904** |
| Cash, cash equivalents and bank overdrafts | (5,866) | (594) | (16,806) | 175 | (8) | 264 | **(22,835)** |

**Discontinued operations**

At 30 September 2008 the discontinued operations had property, plant and equipment totalling USD 9,966,000, biological assets and inventories totalling USD 6,897,000 and bank overdrafts totalling USD 962,000.

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

**Continuing operations**

| | *30 September 2010* | | *30 September 2009* | | *30 September 2008* | |
|---|---|---|---|---|---|---|
| | *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 | 151,036 | 108,592 | 129,617 | 99,256 | 123,260 | 116,782 |
| West Africa | 6,469 | 1,900 | 6,496 | 819 | 6,081 | 484 |
| Rest of world | 4,405 | – | 1,600 | – | 2,403 | – |
| | 161,910 | 110,492 | 137,713 | 100,075 | 131,744 | 117,266 |

**Customer concentration**

The Group has one customer within the Zambeef Retailing and Other segments whom individually accounts for greater than 10 per cent of the Group's total external revenue. This customer accounted for 10.2 per cent of external revenue in the current year (2009: 11.6 per cent, 2008: 13.6 per cent).

## 6. Operating profit – continuing operations

Operating profit is stated after charging/(crediting):

| | *2010 USD'000s* | *2009 USD'000s* | *2008 USD'000s* |
|---|---|---|---|
| Depreciation | | | |
| – owned assets | 5,928 | 4,859 | 5,236 |
| – leased assets | 100 | 80 | 90 |
| Staff costs (see note 7) | 17,730 | 15,821 | 12,789 |
| Auditors' remuneration | | | |
| – Audit service | 162 | 97 | 61 |
| – Non-audit service | – | – | – |
| | 162 | 97 | 61 |
| Impairment of trade receivables (see note 17) | 331 | 143 | 181 |
| Impairment of biological assets | 380 | – | – |
| Profit on disposal of property, plant and equipment | (9) | – | (18) |
| Rentals under operating leases | 1,385 | 760 | 1,028 |

## 7. Staff Costs

The group employed an average of 3,875 employees during the year ended 30 September 2010 (2009: 4,378; 2008: 3,492).

| | *2010 Number* | *2009 Number* | *2008 Number* |
|---|---|---|---|
| Zambeef Retailing | 1,649 | 1,547 | 1,280 |
| Zambeef | 1,298 | 1,276 | 850 |
| Zamanita | 272 | 308 | 338 |
| Zampalm Limited | 284 | 231 | – |
| Zamleather Limited | 119 | 100 | 97 |
| Master Pork | 166 | 152 | 93 |
| Nanga Farms | – | 700 | 788 |
| Foreign Subsidiaries | 87 | 64 | 46 |
| | 3,875 | 4,378 | 3,492 |

Employee costs (including executive directors) were:

| | 2010<br>USD'000s | 2009<br>USD'000s | 2008<br>USD'000s |
|---|---|---|---|
| Wages and salaries | 16,691 | 15,041 | 12,243 |
| Social security costs | 269 | 170 | 122 |
| Pension costs | 770 | 610 | 424 |
| **Total** | 17,730 | 15,821 | 12,789 |

Key management of the Company are members of the Board of Directors. Key management personnel remuneration is, therefore, as detailed below:

| *2010* | *Carl Irwin*<br>*USD'000s* | *Francis Grogan*<br>*USD'000s* | *Yusuf Koya*<br>*USD'000s* | *Nick Wilkinson*<br>*USD'000s* | *Total*<br>*USD'000s* |
|---|---|---|---|---|---|
| Salary and fees | 113 | 217 | 173 | 20 | 523 |
| Pension contributions | – | – | – | 225 | 225 |
| Employment taxes | 58 | 115 | 95 | 13 | 281 |
| Benefits in kind | – | – | 6 | 5 | 11 |
| Total | 171 | 332 | 274 | 263 | 1,040 |

| *2009* | *Carl Irwin*<br>*USD'000s* | *Francis Grogan*<br>*USD'000s* | *Yusuf Koya*<br>*USD'000s* | *Nick Wilkinson*<br>*USD'000s* | *Philip Diedericks*<br>*USD'000s* | *Diego Casilli*<br>*USD'000s* | *Total*<br>*USD'000s* |
|---|---|---|---|---|---|---|---|
| Salary and fees | 174 | 232 | 186 | 229 | 99 | 160 | 1,080 |
| Pension contributions | 530 | 442 | – | – | – | – | 972 |
| Employment taxes | 92 | 123 | 106 | 140 | 65 | 86 | 612 |
| Benefits in kind | – | – | 14 | 32 | 23 | – | 69 |
| Total | 796 | 797 | 306 | 401 | 187 | 246 | 2,733 |

## 8. Finance costs – continuing operations

| | 2010<br>USD'000s | 2009<br>USD'000s | 2008<br>USD'000s |
|---|---|---|---|
| Interest on bank loans and overdrafts | 1,945 | 1,819 | 1,338 |
| Finance lease cost | 206 | 687 | 567 |
| **Total** | 2,151 | 2,506 | 1,905 |

## 9. Taxation – continuing operations

### (a) Tax charge

| | 2010<br>USD'000s | 2009<br>USD'000s | 2008<br>USD'000s |
|---|---|---|---|
| **Current tax:** | | | |
| Tax charge | 253 | 489 | 217 |
| Overprovision in prior years | (420) | (30) | (33) |
| | (167) | 459 | 184 |
| **Deferred tax:** | | | |
| Deferred tax | (734) | (2,998) | 1,181 |
| Tax (credit)/charge for the year | (901) | (2,539) | 1,365 |

(b) **Reconciliation of tax (credit)/charge**

The (credit)/charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Profit/(loss) before tax | 3,264 | (12,837) | 10,367 |
| Taxation on accounting profit (at 21%/9%/15%) | 698 | (1,260) | 1,216 |
| Effects of: | | | |
| **Permanent differences** | | | |
| Disallowable expenses | 1,608 | 702 | 167 |
| **Timing differences** | | | |
| Capital allowances and depreciation | (1,814) | (630) | (1,221) |
| Crops and cattle valuation adjustment | (473) | (361) | (316) |
| Unrealised exchange (gain)/loss | (335) | (61) | 6 |
| Other income | (2) | (613) | – |
| Unrealised tax loss | 571 | 2,712 | 365 |
| Tax (credit)/charge for the year | 253 | 489 | 217 |

(c) **Movement in taxation accounts:**

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Taxation (recoverable)/payable as at 1 October | (178) | (396) | 396 |
| Charges for the year | 253 | 489 | 217 |
| Overprovision in prior year | (420) | (30) | (33) |
| Taxation (repaid)/paid | 401 | (371) | (1,027) |
| Arising on acquisition/disposal | – | 39 | 104 |
| Arising on consolidation | 14 | (18) | (72) |
| Foreign exchange | 6 | 109 | 19 |
| Net taxation payable/(recoverable) as at 30 September | 76 | (178) | (396) |
| Taxation payable | 127 | 324 | 77 |
| Taxation recoverable | (51) | (502) | (473) |
| Taxation payable/(recoverable) | 76 | (178) | (396) |

(d) Income tax assessments have been agreed with the Zambia Revenue Authority (ZRA) up to and including the year ended 30 September 2008. Income tax returns have been filed with the ZRA for the year ended 30 September 2009. Quarterly tax returns for the year ended 30 September 2010 were made on the due dates during the year.

(e) **Deferred taxation**

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| **Liability as at 1 October** | 501 | 6,269 | 3,084 |
| Charges to income statement | (731) | (3,161) | 1,195 |
| Arising on acquisition/disposal | – | (1,094) | 1,411 |
| Foreign exchange | (9) | (1,514) | 579 |
| **(Asset)/liability as at 30 September** | (239) | 500 | 6,269 |
| **Represented by:** | | | |
| Biological valuation | 513 | 428 | 2,583 |
| Accelerated tax allowances | 2,973 | 2,608 | 4,976 |
| Amortisation of deferred tax | – | 384 | – |
| Tax loss | (3,725) | (2,920) | (1,290) |
| | (239) | 500 | 6,269 |
| Deferred tax asset | (535) | (962) | (144) |
| Deferred tax liability | 296 | 1,462 | 6,413 |
| | (239) | 500 | 6,269 |

## 10. Equity dividends

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| **Declared and paid during the year** | | | |
| Interim dividend for 2008 (0.45 cents per share) | – | – | 581 |
| **Declared during the year** | | | |
| Final dividend for 2008 (2.25 cents per share) | – | – | 3,212 |
| Final dividend for 2010 (1.04 cents per share) | 1,649 | – | – |
| **Total dividends** | 1,649 | – | 3,793 |

## 11. 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 per share is shown below:

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Profit/(loss) for the year | | | |
| – Continuing operations | 4,158 | (10,332) | 8,977 |
| – Discontinued operations | – | 12,271 | 1,360 |
| | 4,158 | 1,939 | 10,337 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 158,706,045 | 158,706,045 | 137,928,965 |
| Basic and diluted earnings/(loss) per share (cents) | | | |
| – Continuing operations | 2.62 | (6.51) | 6.51 |
| – Discontinued operations | – | 7.73 | 0.98 |
| | 2.62 | 1.22 | 7.49 |

## 12. Goodwill

| | *USD'000s* |
|---|---|
| **Cost and net book value** | |
| At 1 October 2007 | – |
| Master Pork | 4,390 |
| Nanga Farms | 18,392 |
| **At 30 September 2008** | 22,782 |
| Foreign exchange | (7,530) |
| Nanga Farms | (11,926) |
| **At 30 September 2009** | 3,326 |
| Foreign exchange | (56) |
| **At 30 September 2010** | 3,270 |

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

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Master Pork | 3,270 | 3,326 | 4,390 |
| Nanga Farms | – | – | 18,392 |
| **Total** | 3,270 | 3,326 | 22,782 |

The Group disposed of its 85.7 per cent. interest in Nanga Farms PLC on 1 April 2009 (see note 24).

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

Management's key assumptions are based on their past experience and future expectations of the market over the longer term.

Management estimate a discount rate of 15 per cent. derived from the Group's cost of external borrowing and dividend payment history, adjusted to reflect currency risk and price risk, in accordance with IAS 36 'Impairment of Assets'.

Due to the significant headroom within historical impairment calculations, assumptions including growth rates of cashflows and changes to selling prices and direct costs have not been sensitised.

For the year ended 30 September 2010 Master Pork reported a profit after tax of USD 1.9 million.

Management are not aware of any other changes that would necessitate changes to its calculations.

## 13. Property, plant and equipment

| | *Plantation development expenditure USD'000s* | *Leasehold land and buildings USD'000s* | *Plant and machinery USD'000s* | *Motor vehicles USD'000s* | *Furniture and equipment USD'000s* | *Capital work in progress USD'000s* | *Total USD'000s* |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| As at 1 October 2007 | – | 26,164 | 14,167 | 2,851 | 774 | 1,212 | 45,168 |
| Foreign translation | – | 3,782 | 2,122 | 410 | 112 | 207 | 6,633 |
| Additions | – | 22,337 | 18,659 | 2,582 | 713 | 13,630 | 57,921 |
| Transfers | – | 4,318 | 3,195 | 141 | 60 | (7,714) | – |
| Disposals | – | – | (21) | (78) | – | – | (99) |
| Reclassification(d) | 1,234 | (151) | 151 | (15) | – | (1,222) | (3) |
| **As at 30 September 2008** | 1,234 | 56,450 | 38,273 | 5,891 | 1,659 | 6,113 | 109,620 |
| Foreign translation | (157) | (13,750) | (9,039) | (1,367) | (374) | (725) | (25,412) |
| Additions | 2,820 | 3,558 | 4,367 | 801 | 532 | 18,771 | 30,849 |
| Transfers | – | 197 | 362 | 474 | 3 | (1,036) | – |
| Disposals | – | (608) | (31) | (119) | (2) | – | (760) |
| Disposal of subsidiary | – | (5,423) | (1,797) | (67) | – | (31) | (7,318) |
| Reclassification (d) | – | – | – | – | – | (2,935) | (2,935) |
| **As at 30 September 2009** | 3,897 | 40,424 | 32,135 | 5,613 | 1,818 | 20,157 | 104,044 |
| Foreign translation | (87) | (791) | (662) | (104) | (50) | (188) | (1,882) |
| Additions | 2,608 | 1,096 | 1,691 | 1,534 | 1,543 | 10,368 | 18,840 |
| Transfers | – | 12,622 | 14,301 | – | 725 | (27,648) | – |
| Disposals | – | – | (1) | (327) | – | – | (328) |
| **As at 30 September 2010** | 6,418 | 53,351 | 47,464 | 6,716 | 4,037 | 2,688 | 120,674 |
| **Depreciation** | | | | | | | |
| As at 1 October 2007 | – | – | 4 | 6 | 6 | – | 16 |
| Charge for the year | – | 989 | 3,228 | 931 | 177 | – | 5,325 |
| Disposals | – | – | (21) | (59) | – | – | (80) |
| Foreign translation | – | 9 | 32 | 10 | 2 | – | 53 |
| **As at 30 September 2008** | – | 998 | 3,243 | 888 | 185 | – | 5,314 |
| Charge for the year | – | 834 | 3,005 | 926 | 174 | – | 4,939 |
| Disposals | – | (4) | 1 | (33) | (2) | – | (38) |
| Disposal of subsidiary | – | (53) | (101) | 29 | – | – | (125) |
| Foreign translation | – | (201) | (635) | (168) | (36) | – | (1,040) |
| **As at 30 September 2009** | – | 1,574 | 5,513 | 1,642 | 321 | – | 9,050 |
| Charge for the year | – | 942 | 3,331 | 1,453 | 302 | – | 6,028 |
| Disposals | – | – | – | (124) | – | – | (124) |
| Foreign translation | – | (34) | (121) | (38) | (9) | – | (203) |
| **As at 30 September 2010** | – | 2,481 | 8,723 | 2,933 | 614 | – | 14,751 |
| **Net book value** | | | | | | | |
| **At 30 September 2010** | 6,418 | 50,870 | 38,741 | 3,783 | 3,423 | 2,688 | 105,923 |
| At 30 September 2009 | 3,897 | 38,850 | 26,622 | 3,971 | 1,497 | 20,157 | 94,994 |
| At 30 September 2008 | 1,234 | 55,452 | 35,030 | 5,003 | 1,474 | 6,113 | 104,306 |
| At 30 September 2007 | – | 26,164 | 14,163 | 2,845 | 768 | 1,212 | 45,152 |

(a) The Group's property, plant and equipment situated in Zambia were last revalued in 2007 by Messrs Knight Frank, Registered Valuation Surveyors, on the basis of market value. Surplus on valuation and depreciation no longer required totalling USD 10.3 million was transferred to a revaluation reserve. In the opinion of the directors, the carrying value of those revalued assets does not materially differ to their fair value at each balance sheet date reported.

(b) The depreciation charge for the period relates to the surplus over the original cost of property, plant and equipment shown at a valuation. As this amount should not be taken to reduce the Group's distributable reserve, an equivalent amount has been transferred to distributable reserve from revaluation reserve.

(c) Included in land, buildings and equipment are borrowing costs that have been capitalised in accordance with IAS 23 "Borrowing costs – (revised)" 2010 USD0.6 million, (2009: USD0.7 million, 2008: USD0.2 million).

(d) The plantation development expenditure relates to costs incurred in developing the palm plantation at Zampalm.

(e) The carrying value of the Group's property, plant and equipment includes an amount of USD1.3 million (2009: USD1 million, 2008: USD1.4 million) in respect of assets held under finance leases. The depreciation charged to the income statement in respect of such assets amounted to USD0.1 million (2009: USD0.08 million, 2008: USD0.09 million)

## 14. Subsidiaries

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

| *Directly owned* | *Country of incorporation* | *Proportion of all classes of issued share capital owned by the Company 2010* | *Proportion of all classes of issued share capital owned by the Company 2009* | *Proportion of all classes of issued share capital owned by the Company 2008* | *Principal activity* |
|---|---|---|---|---|---|
| Zambeef Retailing Limited | Zambia | 100 | 100 | 100 | Retailing of Zambeef products |
| Zamleather Limited | Zambia | 100 | 100 | 100 | Processing of leather and shoes |
| Master Meats (Nigeria) | Nigeria | 90 | 90 | 90(**) | Processing and sale of meat products |
| Master Meat (Ghana) Limited | Ghana | 90 | 90 | 90 | Processing and sale of meat products |
| Nanga Farms | Zambia | – | – | 86 | Growing of sugar cane |
| Master Pork | Zambia | 100 | 100 | 100 | Processing and sale of pork products |
| Zamanita | Zambia | 100 | 100 | 100 | Processing and sale of edible oils and feed cake |
| Zampalm Limited | Zambia | 100 | 100 | 100 | Palm tree plantation |
| Novatek Feeds Limited(*) | Zambia | 100 | 100 | 100 | Dormant |

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

(*) Novatek Feeds Limited is a dormant company whose operations were merged into Zambeef's stock feed division.

(**) The Board has resolved, conditional upon the financial and business performance of Master Meats (Nigeria), to transfer shares in Master Meats (Nigeria) up to a maximum aggregate of 23 per cent. of the total issued Share Capital to three employees.

## 15. Biological assets

Biological assets comprise standing crops, feedlot cattle, dairy cattle, pigs, chickens and palm oil plantations. At 30 September 2010 there were 4,256 cattle (2,447 feedlot cattle and 1,809 dairy cattle), 3,691 pigs and 287,109 chickens (145,167 layers and 141,942 broilers). A total of 16,487 feedlot cattle, 795 dairy cattle, 41,805 pigs and 968,773 chickens were culled in the year.

| | *As at 1 October USD'000s* | *Foreign exchange USD'000s* | *Increase due to purchases USD'000s* | *Gains arising from Fair Value USD'000s* | *Decrease due to harvest/ transferred to inventory USD'000s* | *As at 30 September 2010 USD'000s* |
|---|---|---|---|---|---|---|
| Standing crops | 2,650 | (64) | 10,387 | 1,568 | (8,091) | 6,450 |
| Feedlot cattle | 2,532 | (18) | 8,740 | 2,125 | (11,564) | 1,815 |
| Dairy cattle | 2,466 | (16) | 575 | 3,086 | (3,565) | 2,546 |
| Pigs | 461 | 2 | 77 | 1,119 | (1,247) | 412 |
| Chickens | 1,169 | 11 | 10,487 | 3,586 | (14,019) | 1,234 |
| Palm plantation | 793 | (15) | 366 | (380) | – | 764 |
| Total | 10,071 | (100) | 30,632 | 11,104 | (38,486) | 13,221 |
| Less: non-current biological assets | (793) | 15 | (366) | 380 | – | (764) |
| Total | 9,278 | (85) | 30,266 | 11,484 | (38,486) | 12,457 |

At 30 September 2009 there were 5,245 cattle (4,153 feedlot cattle and 1,092 dairy cattle), 3,691 pigs and 279,916 chickens (103,744 layers and 176,172 broilers). A total of 13,593 feedlot cattle, 797 dairy cattle, 26,442 pigs and 1,385,895 chickens were culled in the year.

| | *As at 1 October USD'000s* | *Foreign exchange USD'000s* | *Increase due to purchases USD'000s* | *Gains arising from Fair Value USD'000s* | *Decrease due to harvest/ transferred to inventory USD'000s* | *As at 30 September 2009 USD'000s* |
|---|---|---|---|---|---|---|
| Standing crops | 3,321 | (734) | 8,926 | (1,297) | (7,566) | 2,650 |
| Feedlot cattle | 6,171 | (1,661) | 7,466 | 1,362 | (10,806) | 2,532 |
| Dairy cattle | 3,541 | (977) | 863 | 2,306 | (3,267) | 2,466 |
| Pigs | 344 | (129) | 34 | 1,150 | (938) | 461 |
| Chickens | 1,275 | (459) | 6,759 | 3,339 | (9,745) | 1,169 |
| Palm plantation | – | 38 | 755 | – | – | 793 |
| Cane root (Nanga) | 1,508 | (423) | – | 52 | (1,137) | – |
| Standing cane (Nanga) | 3,215 | (1,045) | – | 3,109 | (5,279) | – |
| Total | 19,375 | (5,390) | 24,803 | 10,021 | (38,738) | 10,071 |
| Less: non-current biological assets | – | (38) | (755) | – | – | (793) |
| Total | 19,375 | (5,428) | 24,048 | 10,021 | (38,738) | 9,278 |

At 30 September 2008 there were 7,318 cattle (5,245 feedlot cattle and 2,073 dairy cattle), 3,353 pigs and 279,916 chickens. A total of 9,245 feedlot cattle, 927 dairy cattle, 23,741 pigs and 1,169,962 chickens were culled in the year.

| | *As at 1 October USD'000s* | *Foreign exchange USD'000s* | *Increase due to purchases USD'000s* | *Gains arising from Fair Value USD'000s* | *Decrease due to harvest/ transferred to inventory USD'000s* | *As at 30 September 2008 USD'000s* |
|---|---|---|---|---|---|---|
| Standing crops | 3,395 | 235 | 4,710 | 1,886 | (6,905) | 3,321 |
| Feedlot cattle | 2,280 | 164 | 10,420 | 4,572 | (11,265) | 6,171 |
| Dairy cattle | 3,619 | 262 | – | 821 | (1,161) | 3,541 |
| Pigs | – | (5) | 312 | 865 | (828) | 344 |
| Chickens | 728 | 11 | 7,389 | 5,024 | (11,877) | 1,275 |
| Cane root (Nanga) | – | 13 | 1,303 | 192 | – | 1,508 |
| Standing cane (Nanga) | – | 20 | 2,094 | 1,101 | – | 3,215 |
| Total | 10,022 | 700 | 26,228 | 14,461 | (32,036) | 19,375 |
| Less: non-current biological assets | – | – | – | – | – | – |
| Total | 10,022 | 700 | 26,228 | 14,461 | (32,036) | 19,375 |

## 16. Inventories

| | *2010 USD'000s* | *2009 USD'000s* | *2008 USD'000s* |
|---|---|---|---|
| Trading stocks | 10,294 | 11,963 | 16,922 |
| Abattoir stocks | 60 | 124 | 245 |
| Raw materials | 8,987 | 11,724 | 15,887 |
| Stock feeds | 2,532 | 1,050 | 1,020 |
| Consumables | 5,374 | 4,705 | 4,885 |
| Raw hides and chemicals | 153 | 310 | 334 |
| Stores | 244 | 176 | 133 |
| | 27,644 | 30,052 | 39,426 |

A total of USD111.0 million (2009: USD96.4 million, 2008: USD83.5 million) was included in profit and loss as an expense within cost of sales.

Biological assets totalling USD38.5 million (2009: USD38.7 million, 2008: USD32 million) were transferred to inventories during the year.

### 17. Trade and other receivables

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Gross trade receivables | 11,563 | 10,150 | 11,454 |
| Less: provision for impairment of trade receivables | (547) | (295) | (214) |
| Trade receivables | 11,016 | 9,855 | 11,240 |
| Prepayments | 338 | 340 | 2,245 |
| Other receivables | 145 | 203 | 169 |
| | 11,499 | 10,398 | 13,654 |

The directors have made a provision on some of the trade receivables that are long standing. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

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

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

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| At 1 October | 295 | 214 | 157 |
| Foreign exchange | (5) | (52) | – |
| Utilised | (74) | (10) | (124) |
| Charge for the year | 331 | 143 | 181 |
| At 30 September | 547 | 295 | 214 |

Trade receivables have a 15 or 30 day credit period.

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

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Not more than 3 months | – | – | – |
| More than 3 months but not more than 6 months | 406 | 173 | 759 |
| More than 6 months but not more than a year | 22 | 81 | 679 |
| More than one year | – | – | – |
| Total | 428 | 254 | 1,438 |

The average credit period given in 2010 was 26 days; (2009: 25 days), (2008: 30 days).

## 18. Amounts due from related companies

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Leopard Investments Limited | 113 | 119 | 71 |
| Tractorzam | 45 | 64 | 13 |
| Kanyanga Development Company Limited | 15 | – | 29 |
| Zambezi Ranching and Cropping Limited | 32 | 224 | 236 |
| Amagrain | – | 44 | 22 |
| Inbond Zambia Limited | – | – | 290 |
| | 205 | 451 | 661 |

The above balances relate to arm's length transactions between the transacting parties.

## 19. Cash and cash equivalents

| | *2010* *USD'000s* | *2009* *USD'000s* | *2008* *USD'000s* |
|---|---|---|---|
| Cash in hand and at bank | 7,073 | 4,913 | 3,989 |
| Bank overdrafts | (13,454) | (30,588) | (27,786) |
| Structured Agriculture Finance | (4,426) | – | – |
| | (10,807) | (25,675) | (23,797) |

The Group has a right to set off cash balances with overdraft facilities with balances held with financial institutions provided all debt is serviced and covenants are met.

(a) ***Banking facilities***

The Group has overdraft facilities totalling ZMK8.137 billion (2009 & 2008 – ZMK8.137 billion) and US$7.1 million (2009 & 2008 – US$7.1 million) with Citibank Zambia Limited. The Citibank overdrafts bear interest rates of 91 days Treasury Bill weighted average rate plus 4 per cent. for the Kwacha facility and 3 month LIBOR + 4 per cent. for the United States Dollar facility.

The Group has overdraft facilities of US$3 million (2009 – US$3 million, 2008 – US$1.7 million, in addition US$1.5 million Letter of Credit line limit) and ZMK4.5 billion (2009 – ZMK4.5 billion, 2008 – Nil) with Standard Chartered Bank Zambia PLC. Interest on the Standard Chartered Bank USD overdraft is charged at 1 month LIBOR + 4.25 per cent. per annum and at base minus 3 per cent. for the Kwacha facility

The Group has overdraft facilities of US$1.3 million (2009 – US$1.3 million, 2008 – US$0.5 million) and ZMK6 billion (2009 – ZMK6 billion, 2008 – ZMK1 billion) with Zanaco Bank PLC. The Zanaco USD overdraft interest is calculated at 3 months LIBOR plus 4.25 per cent. per annum and the Kwacha overdraft facility at base rate per annum.

The Group had overdraft facilities totalling US$21.125 million in 2009 and 2008 with Barclays Bank Zambia PLC for Zamanita. The Barclays Bank overdraft facility bore interest rate of 12 month LIBOR +2 per cent.

The Group has overdraft facilities of US$2 million (2009 & 2008 – US$Nil) with First National Bank Zambia Ltd for Zamanita. Interest is calculated at base minus 2.5 per cent. per annum. The facility is secured by a fixed legal mortgage over stands 5960 and 5001 Mumbwa Road, Lusaka for US$5,000,000 and a Letter of suretyship by Zambeef for US$2,000,000.

(b) ***Bank overdrafts***

| | 2010 USD'000s | 2009 USD'000s | 2008 USD'000s |
|---|---|---|---|
| Bank Overdraft represented by: | | | |
| Citibank Zambia Limited | (7,477) | (3,754) | (3,322) |
| Barclays Bank Zambia PLC | – | (19,475) | (22,706) |
| Zanaco Bank PLC | (1,973) | (4,939) | (134) |
| Standard Chartered Bank Zambia PLC | (3,812) | (2,420) | (1,624) |
| First Rand Bank Limited | (192) | – | – |
| | (13,454) | (30,588) | (27,786) |

(i) The bank overdrafts are secured by a first floating charge over all the assets of the company excluding Zamanita. The floating charge ranks *pari passu* between Standard Chartered Bank Zambia PLC (US$5 million), Citibank Zambia Limited (US$9.5 million), Zanaco Bank PLC (US$1.5 million and K6 billion) and DEG (US$5 million).

(c) ***Structured Agriculture Finance***

| | 2010 USD'000s | 2009 USD'000s | 2008 USD'000s |
|---|---|---|---|
| Structured Agriculture Finance represented by: | | | |
| Standard Chartered Bank Zambia PLC | (1,070) | – | – |
| First Rand Bank Limited | (3,356) | – | – |
| | (4,426) | – | – |

*Standard Chartered Bank Zambia PLC*

The group has Structured Agriculture facilities totalling US$5 million (2009 – US$5 million, 2008 – Nil) with Standard Chartered Bank Zambia PLC. The purpose of the facility is the financing of Wheat, Soya beans, and Maize under collateral management agreements and is for 180 – 270 days. Interest on this facility is 3 month LIBOR + 4.25 per cent. per annum calculated on the daily overdrawn balances.

*First Rand Bank Limited*

The group has Structured Agriculture facilities totalling US$10,000,000 (2009 & 2008 – nil) with First Rand Bank (acting through its Rand Merchant Division) for Zamanita. The purpose of the facility is the financing of Soya beans under collateral management agreements and is for 180 – 270 days. Interest on this facility is 1 month LIBOR plus 4.5 per cent. per annum calculated on the daily overdrawn balances. The facility is secured through a fixed charge on the stock financed and a US$10 million Guarantee from Zambeef.

## 20. Share capital

| | 2010 USD'000s | 2009 USD'000s | 2008 USD'000s |
|---|---|---|---|
| **Authorised** | | | |
| 400,000,000 ordinary shares of ZMK1 each | 83 | 42 | 56 |
| **Issued and fully paid** | | | |
| At 1 October | 42 | 42 | 30 |
| Issued during the year | – | – | 12 |
| At 30 September | | | |
| 158,706,045 ordinary shares of ZMK1 each | 42 | 42 | 42 |

(a) At a duly convened meeting of the Directors held on 10 February 2010 the company's authorised share capital was increased from ZMK200,000,000 to ZMK400,000,000 by the creation of ZMK200,000,000 ordinary shares of ZMK1 each; these shares rank *pari passu* with the existing shares of the company.

(b) The company has 488 shareholders holding 158,706,450 ordinary shares. Of these shares, 24,557,015 are held by nine shareholders who, in accordance with Lusaka Stock Exchange rule 4.22 are regarded as non public shareholders representing 15 per cent.

## 21. Share premium

| | 2010 USD'000s | 2009 USD'000s | 2008 USD'000s |
|---|---|---|---|
| **Share Premium** | | | |
| At 1 October | 71,861 | 71,861 | 807 |
| Arising during the year | – | – | 71,750 |
| Cost of issue of shares written off | – | – | (696) |
| At 30 September | 71,861 | 71,861 | 71,861 |

## 22. Interest bearing liabilities

| | 2010 USD'000s | 2009 USD'000s | 2008 USD'000s |
|---|---|---|---|
| Barclays Bank Zambia PLC | – | 532 | 5,746 |
| DEG - Deutsde Investitious GUD Entwicklungsgesellschift MBH | 28,752 | 4,584 | 5,000 |
| Standard Chartered Bank Zambia PLC | 3,900 | 4,875 | 6,833 |
| Zanaco Bank PLC | 1,965 | 2,500 | – |
| | 34,617 | 12,491 | 17,579 |
| Short term portion | (6,095) | (3,084) | (4,557) |
| | 28,522 | 9,407 | 13,022 |

(a) ***Barclays Bank Zambia PLC***

Zamanita, a subsidiary of the group, had a loan facility of US$Nil (2009: US$532,632, 2008: US$1,017,563 and original limit of US$1,206,000) from Barclays Bank Zambia PLC. Interest on the loan was 2 per cent. above 12 month LIBOR rate per annum, payable monthly in arrears and was secured by a floating debenture over all assets of the company and a fixed legal mortgage relating to stands 5960 and 5001 Mumbwa Road, Lusaka. The loan was fully repaid during 2010.

In 2008 the Group had the following facilities:

(i) US$750,000 in 2008 from Barclays Bank Zambia PLC, underwritten by Barclays Bank Mauritus Offshore. Interest on the loan was 2.5 per cent. above the six-month LIBOR rate per annum, payable six-monthly in arrears. The principle was repayable in 14 equal bi-annual instalments commenced in July 2006.

(ii) US$2,275,000 from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan was 7 per cent. fixed per annum, payable monthly in arrears. The principal was repayable in 20 quarterly instalments commenced in January 2007.

(iii) US$684,000 Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan was 7.5 per cent. fixed per annum, payable monthly in arrears. The principal was repayable in 20 quarterly instalments commenced in March 2006.

(iv) EUR387,375 from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan was 7 per cent. fixed per annum, payable monthly in arrears. The principal was repayable in 12 equal bi-annual instalments commenced in September 2006.

(v) EUR185,672 from Barclays Bank Zambia PLC under the European Investment Bank line of credit. Interest on the loan was 7 per cent. fixed per annum, payable monthly in arrears. The principal was repayable in 10 equal bi-annual instalments commenced in October 2007.

The above loans from Barclays Bank Zambia PLC were secured by:

(i) Legal mortgage over Farm No 4906, Sinazongwe, Choma registered to cover US$6,200,000, now discharged and secured to DEG in November 2009; and

(ii) Floating debentures over all other assets of the Group, for US$5,500,000 ranking *pari passu* with Citibank, Zanaco PLC and DEG, now discharged.

There were no loan facilities in 2010 and 2009. All the above facilities were fully paid for in 2009.

(b) ***DEG Term loan***

The group has a loan facility of US$3,752,000 (2009 – US$4,583,333, 2008 – US$5,000,000 and original amount US$5,000,000) from DEG. Interest on the loan is 2.75 per cent. above the six-month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 12 equal bi-annual instalments commencing April 2009.

The DEG loan is secured by a floating charge/debenture of US$5m ranking *pari passu* with Citibank Zambia Limited (US$9.5 million), Standard Chartered Bank Zambia PLC (US$5 million) and Zanaco Bank PLC (US$1.5 million and ZMK6 billion).

(c) ***DEG Term Loan 2***

The Group received a loan facility of US$25,000,000 during 2010 from DEG. Interest on the loan is 4.55 per cent. above the six month USD LIBOR rate per annum payable six-monthly in arrears. The principle is repayable in 14 equal bi-annual instalments commencing November 2010.

50 per cent. of the DEG US$25 million loan was provided by the European Investment Bank acting on behalf of the European Community from the investment facility resources made available by the European Community under the partnership agreement between the members of the African, Caribbean and Pacific Group of states, of the one part, and the European Community and its member states. The loan has been obtained for the following:

- Rehabilitation and expansion of the irrigated area in Chiawa farm at cost of US$13,688,000.

- The purchase of machinery and equipment for the set up of the new stock feed plant at a cost of US$5,155,000.

- Clearing of land and preparation of road infrastructure, planting of palm oil trees in Mpika under Zampalm Limited at a cost of US$5,874,000.
- The balance of the funds for other capital purchases within the group.

The US$25 million DEG term loan is secured by:

- First legal mortgage over Farm No. 4906, Lot No. 18835/M and Lot No. 18836/M (Sinazongwe farm); and
- First legal mortgage over Farm No. 10097, Farm No. 5063 and Lot No. 8409/M (Chiawa farm).
- The total security is registered to cover US$40 million.

(d) ***Zanaco Bank PLC***

The Group has a loan facility of ZMK9.44 billion (received in 2009 with original amount ZMK11.8 billion) with Zanaco Bank PLC. Interest on the medium term loan is calculated at 2 per cent. per annum below the Bank's ZMK base rate. The principal is repayment in 20 equal quarterly repayments commencing November 2009. The purpose of the loan was for the acquisition of Plot No. 4970, Manda Road, Lusaka. The loan is secured by a 1st mortgage over Stand No. 4970, Manda Road, Lusaka.

(e) ***Standard Chartered Bank Zambia PLC***

The Group has a medium term loan facility of US$3.9 million (2009 – US$4.875 million and original amount US$5.2 million received in 2009) with Standard Chartered Bank Zambia PLC. Interest on the loan is 3 month LIBOR plus 5.5 per cent. margin per annum payable monthly in arrears. The principle is repayable in 16 equal quarterly instalments commencing September 2009. The purpose of the loan is to partly refinance the early repayment of the Barclays/EIB Loans and to finance expansion of Chiawa Farm operations. The loan is secured by a first legal mortgage over Stand NO. 9070, Stand No. 9071 and Stand No. 9074, Lusaka.

The Group through its subsidiary Nanga Farms had term loan facility of USD4,375,000 and USD1,628,000 in 2008. The obligation for these facilities transferred to the purchaser of Nanga Farms during the disposal made in 2009.

(f) ***International Finance Corporation***

The group has at 30 September 2010 committed itself to an additional US$10 million term loan from International Finance Corporation (IFC). The loan has been obtained for the following operations:

- Expansion of Nigeria operations at a cost of US$3,000,000.
- Expansion of Retail Operations in Zambia and other capital projects at a cost of US$7,000,000.

## 23. Acquisitions

Acquisitions have been accounted for by the purchase method of accounting. The goodwill arising on these acquisitions will be subject to an annual impairment review. There were no acquisitions during the year to 30 September 2010 or 2009. The following tables set out the book values of the identifiable assets and liabilities acquired during the year ended 30 September 2008 and their fair value to the Group:

***Zamanita***

On 1st January 2008 the Group acquired 100 per cent. of the shares in Zamanita. The acquisition was an important strategic decision as the edible oils from Zamanita would compliment the Group's range of basic foods retailed through its retailing network and the by-product of feedcake would supply the Group's stockfeed division.

| *Zamanita Limited* | *Book value on acquisition USD'000s* | *Fair value adjustment USD'000s* | *Fair value to the Group USD'000s* |
|---|---|---|---|
| **Non-current assets:** | | | |
| Property, plant and equipment | 18,652 | – | 18,652 |
| **Current assets:** | | | |
| Trade and other receivables | 6,904 | – | 6,904 |
| **Total assets** | 25,556 | – | 25,556 |
| **Non-current liabilities:** | | | |
| Long term loans | 2,652 | – | 2,652 |
| **Current liabilities:** | | | |
| Trade and other payables | 6,904 | – | 6,904 |
| **Total liabilities** | 9,556 | – | 9,556 |
| **Net assets acquired** | 16,000 | – | 16,000 |
| Goodwill arising on acquisition | | | – |
| **Total consideration as at 30 September 2008** | | | 16,000 |

The consideration was in form of cash settlement of USD7 million and issue of shares of USD6 million. Share warranties of USD3 million were also issued.

Following a review of the business no other material, identifiable intangible assets were identified on acquisition.

Zamanita reported a net profit of USD1,836,000 for the nine months from 1 January 2008 to 30 September 2008. Total revenue of USD35,408,000 was attributable to Zamanita for the period 1 January 2008 to 30 September 2008.

***Master Pork***

On 1st January 2008 the Group acquired 100 per cent. of the shares in Master Pork. The acquisition of Master Pork was to increase the Group's product lines and to integrate it into the extensive Zambeef retailing network.

| *Master Pork* | *Book value on acquisition USD'000s* | *Fair value adjustment USD'000s* | *Fair value to the Group USD'000s* |
|---|---|---|---|
| **Non-current assets:** | | | |
| Property, plant and equipment | 3,167 | – | 3,167 |
| **Current assets:** | | | |
| Trade and other receivables | 1,669 | – | 1,669 |
| **Total assets** | 4,836 | – | 4,836 |
| **Current liabilities:** | | | |
| Trade and other payables | 1,800 | – | 1,800 |
| **Total liabilities** | 1,800 | – | 1,800 |
| **Net assets acquired** | 3,036 | – | 3,036 |
| Goodwill arising on acquisition | | | 4,390 |
| **Total consideration as at 30 September 2008** | | | 7,426 |

The consideration for the acquisition of Master Pork was in the form of new ordinary shares which were issued to the vendors.

Following a review of the business no other material, identifiable intangible assets were identified on acquisition.

Master Pork reported a net profit of USD275,000 for the nine months from 1 January 2008 to the reporting date. Total revenue of USD9,569,000 was attributable to Master Pork for post-acquisition trading.

***Nanga Farms***

On 1st June 2008, the Group acquired 85.7 per cent. of the shares in Nanga Farms. The principal activities of the company are sugar cane growing and livestock rearing. The reason for the acquisition was to get involved in sugar manufacturing by adding value to the sugar cane produced by the farm and to also integrate the livestock side of the business to the Zambeef meat processing division.

The company was acquired through a share issue to the previous owners of the business.

| *Nanga Farms* | *Book value on acquisition USD'000s* | *Fair value adjustment USD'000s* | *Fair value to the Group USD'000s* |
|---|---|---|---|
| **Non-current assets:** | | | |
| Property, plant and equipment | 7,576 | – | 7,576 |
| **Current assets:** | | | |
| Trade and other receivables | 3,457 | – | 3,457 |
| Cash | – | – | – |
| **Total assets** | 11,033 | – | 11,033 |
| **Current liabilities:** | | | |
| Trade and other payables | 5,537 | – | 5,537 |
| **Total liabilities** | 5,537 | – | 5,537 |
| **Net assets acquired** | 5,496 | – | 5,496 |
| Goodwill arising on acquisition | | | 18,392 |
| **Total consideration as at 30 September 2008** | | | 23,888 |

The Group disposed of Nanga Farms on 1st April, 2009 (see note 24).

The goodwill arising on the acquisition is largely attributable to the anticipated synergistic opportunities created by the highly complementary business activities.

Following a review of the business no other material, identifiable intangible assets were identified on acquisition.

Nanga Farms reported a profit of USD1.6 million for the four months from 1 June 2008 to the reporting date. Total revenue of USD4.5 million was attributable to Nanga Farms for post-acquisition trading.

## 24. Sale of a business (discontinued operations)

On 1 April 2009 the Group disposed of its 85.7 per cent. interest in Nanga Farms. The business was considered to be a discontinued operation because its operating assets and liabilities can be directly attributed to it, its income can be directly attributed to it and its operating expenses can be directly attributed to it.

The results for Nanga Farms are presented below:

| | *2009* | *2008* |
|---|---|---|
| | *USD'000s* | *USD'000s* |
| **Revenue** | 2,875 | 4,548 |
| Net gain arising from changes in fair value of biological assets | 3,161 | 1,293 |
| Cost of sales | (2,092) | (2,582) |
| Gross profit | 3,944 | 3,259 |
| Expenses | (3,359) | (1,088) |
| **Operating profit** | 585 | 2,171 |
| Finance cost | (234) | (313) |
| **Profit before tax from discontinued operations** | 351 | 1,858 |
| Tax charge | (87) | (272) |
| **Profit for the year** | 264 | 1,586 |
| Gain arising on disposal (see below) | 12,044 | – |
| **Profit for the year from discontinued operations** | 12,308 | 1,586 |

The profit arising on disposal of the Group's interest in Nanga Farms is calculated as follows:

| *Profit on disposal* | *USD'000s* | *USD'000s* |
|---|---|---|
| Sales proceeds | | 30,503 |
| Share of net assets disposed of | 5,449 | |
| Foreign exchange difference | 1,084 | |
| Goodwill at date of disposal (note 12) | 11,926 | |
| | | (18,459) |
| Gain on disposal | | 12,044 |

Cash flows generated by Nanga Farms for the reporting periods under review until the disposal are summarised as follows:

| | *2009* | *2008* |
|---|---|---|
| | *USD'000s* | *USD'000s* |
| Operating activities | (287) | 197 |
| Investing activities | 32,378 | (991) |
| Financing activities | 1,192 | 333 |
| Cash flows from discontinued operations | 33,283 | (461) |

## 25. Obligations under finance leases

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| ALS Capital (see note (a)) | 28 | 328 | 593 |
| Freddy Hirsh (see note (b)) | 270 | – | 267 |
| Stanbic (see note (c)) | 198 | – | – |
| | 496 | 328 | 860 |
| Less: Payable within 12 months | (226) | (212) | (680) |
| Repayable After 12 months | 270 | 116 | 180 |

The ageing for the finance leases is as detailed below:

| | *Within 1 year* | *1 to 5 years* | *After 5 years* | *Total* |
|---|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* | *USD'000s* |
| **2008** | | | | |
| Lease payments | 728 | 193 | – | 921 |
| Finance charges | (48) | (13) | – | (61) |
| Net present values | 680 | 180 | – | 860 |
| **2009** | | | | |
| Lease payments | 222 | 120 | – | 342 |
| Finance charges | (10) | (4) | – | (14) |
| Net present values | 212 | 116 | – | 328 |
| **2010** | | | | |
| Lease payments | 234 | 280 | – | 514 |
| Finance charges | (8) | (10) | – | (18) |
| Net present values | 226 | 270 | – | 496 |

(a) The ALS Capital Limited finance lease relates to the abattoir in Livingstone of a subsidiary company with lease terms three years. The subsidiary has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The subsidiary's obligations under finance leases are secured by the lessors' title to the leased assets.

(b) Master Pork has hire purchase facilities of ZAR1,015,195 (USD 147,000) and ZMK754 million (USD 157,000) with Freddy Hirsh Zambia Limited (total capital outstanding at 30 September 2010 was USD 270,000). The interest on the hire purchase is 6 per cent. for the ZAR facility and 0 per cent. for the ZMK facility fixed per annum. The interest and principle on the ZAR hire purchase facility is repayable in 24 equal monthly instalments commencing August 2010. The principal on the ZMK hire purchase facility is repayable in 26 equal monthly instalments commencing August 2010.

(c) The Stanbic Bank Zambia Limited finance lease relates to the purchase of motor vehicles and agricultural machinery with a term of 48 months. The interest on the finance lease is charged at 3 month LIBOR plus 7.7 per cent. The obligations under finance leases are secured by the lessor's absolute ownership over the leased assets comprehensively insured with the bank's interest noted as first loss payee.

### 26. Deferred liability

Under the terms of employment, employees are entitled to certain terminal benefits. Provision has been made during the year towards these benefits. This statutory entitlement, which is lost if the employee is summarily dismissed, becomes payable only when the employee retires after attaining the age of 55 years and that employee has been employed for more than ten years. Uncertainty exists over the amount of future outflows due to staff turnover levels.

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| At 1 October | 1,007 | 1,257 | 1,029 |
| Provisions made during the period | 240 | 85 | 151 |
| Translation difference | (17) | (304) | 77 |
| Payments made during the period | (153) | (31) | – |
| At 30 September | 1,077 | 1,007 | 1,257 |

### 27. Trade and other payables

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Trade Payables | 12,360 | 11,180 | 14,601 |
| Provisions and Accruals | 5,671 | 3,595 | 10,263 |
| | 18,031 | 14,775 | 24,864 |

The average credit period given in 2010 was 41 days;(2009: 42 days)(2008: 64 days).

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

### 28. Amounts due to related companies

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Zambezi Ranching and Cropping Limited | 79 | 303 | – |
| Wellspring Limited | 76 | 40 | – |
| Amagrain | – | – | 12 |
| Inbond Zambia | – | 4 | 1 |
| Kanyanga Development Company Limited | – | 3 | – |
| Proflight Commuter Services Limited | 4 | – | – |
| Leopard Investments Limited | – | 16 | – |
| | 159 | 366 | 13 |

The above balances relate to arm's length transactions with the related parties.

## 29. Financial instruments

***Financial assets***

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

***Financial liabilities***

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

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

| | *US Dollar* | *SA Rand* | *Other* | *Total* |
|---|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* | *USD'000s* |
| **2008** | | | | |
| Financial assets | 5,251 | 246 | 383 | 5,880 |
| Financial liabilities | (30,847) | (360) | (720) | (31,927) |
| **Total exposure** | (25,596) | (114) | (337) | (26,047) |
| **2009** | | | | |
| Financial assets | 3,636 | 94 | 410 | 4,140 |
| Financial liabilities | (35,601) | (419) | (2,023) | (38,043) |
| **Total exposure** | (31,965) | (325) | (1,613) | (33,903) |
| **2010** | | | | |
| Financial assets | 4,466 | 55 | 404 | 4,925 |
| Financial liabilities | (20,733) | (230) | (1,040) | (22,003) |
| **Total exposure** | (16,267) | (175) | (636) | (17,078) |

'Other' relates to financial assets and liabilities that are held in the local currencies of the West African operations.

Exposures to currency exchange rates arise from the Group's sales and purchases which are primarily denominated in US Dollar and South African Rand. It also arises from the retranslation of its foreign subsidiaries in West Africa.

The Group activities expose it to a variety of financial risks. The main risks faced by the Group relate to foreign exchange rates, the risk of default by counter-parties to financial transactions and the availability of funds to meet business needs.

These risks are managed as described below.

(a) ***Price risk***

(i) *Currency risk*

The interest bearing borrowings are denominated in foreign currencies and therefore lead to a risk of fluctuation of value due to changes in the foreign exchange rate. This risk is partially hedged by holding United States Dollar bank balances and Dollar denominated exports.

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

| | *2010* | | *2009* | | *2008* | |
|---|---|---|---|---|---|---|
| | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* |
| Barclays Bank Zambia PLC | – | – | 2,514 | 532 | 20,572 | 5,746 |
| DEG | 138,010 | 28,752 | 21,636 | 4,584 | 17,900 | 5,000 |
| Zanaco Bank PLC | 9,440 | 1,965 | 11,800 | 2,500 | – | – |
| Standard Chartered Bank Zambia PLC | 18,720 | 3,900 | 23,010 | 4,875 | 24,462 | 6,833 |
| | 166,170 | 34,617 | 58,960 | 12,491 | 62,934 | 17,579 |

***Foreign currency risk sensitivity analysis***

*Zambian Kwacha/United States Dollar exchange risk*

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Group’s foreign currency borrowings. It assumes a +/- 10 per cent.,15 per cent. movement in the United States Dollar/Zambian Kwacha exchange rate for the three years ended 30 September 2010.

These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

If the Zambian Kwacha had weakened against the United States dollar by (2010: 15 per cent.) (2009: 15 per cent.) (2008: 15 per cent.) then this would have had the following impact:

| | *2010* | | *2009* | | *2008* | |
|---|---|---|---|---|---|---|
| | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* |
| Net profit | (24,925) | (4,554) | (8,844) | (1,551) | (9,440) | (2,271) |
| Equity | (24,925) | (4,515) | (8,844) | (1,629) | (9,440) | (2,293) |

The USD amounts presented in the table above reflect the translation of the ZMK impact of a weakening in exchange rate. The historical financial information has been prepared in USD and therefore a weakening of the Zambian Kwacha against the United States Dollar would have no impact on the profits, equity and cash flows reported in the historical financial information.

If Zambian Kwacha had strengthened against the United States Dollar by (2010 10 per cent.) (2009: 10 per cent.) (2008: 10 per cent.) then this would have had the following impact:

| | *2010* | | *2009* | | *2008* | |
|---|---|---|---|---|---|---|
| | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* | *ZMK millions* | *USD ’000s* |
| Net profit | 16,617 | 3,880 | 5,896 | 1,321 | 6,293 | 1,934 |
| Equity | 16,617 | 3,847 | 5,896 | 1,388 | 6,293 | 1,953 |

(ii) *Interest rate risk*

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

The Group's interest rate risk arises from overdraft facilities and long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. The interest rates to which the Group is exposed are set out in notes 19 and 22. The risk of interest rate movements is managed through on-going monitoring of the Group's overdrafts and long-term borrowings, the spreading of debt between a number of financial institutions and the denomination of debt in both Zambian Kwacha and USD.

(iii) *Market risk*

The Group is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

(b) ***Credit risk***

(i) *Trade receivables*

The directors believe the credit risk of trade receivables is low. The credit risk is managed by the selective granting of credit and credit limits.

(c) ***Liquidity risk***

Liquidity risk is the risk that the Group might be unable to meet its obligations associated with its financial liabilities. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on any undrawn borrowing facilities so that the Group does not breach limits or covenants (where applicable) on any of its borrowing facilities. The maturity of the Group's financial liabilities are set out in notes 19, 22, 25 and 27.

## 30. Contingent liability

Certain legal cases are pending against the Group in the Court of Law. In the opinion of the directors, and the Group's lawyers, none of these cases will result in any material loss to the Group for which a provision is required.

## 31. Capital commitments

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Capital commitments entered into at the balance sheet date | 718 | 2,445 | 976 |

## 32. Operating leases

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

| | *2010* | *2009* | *2008* |
|---|---|---|---|
| | *USD'000s* | *USD'000s* | *USD'000s* |
| Within one period | 110 | 83 | 39 |
| One to five periods | – | 8 | 30 |

The company's subsidiary company, Zambeef Retailing Limited, has operating leases for its butcheries that are for 12 month periods and renewable at the request of either party. There are no purchase options, contingent rent payments or restrictions arising on these leases.

## 33. Related party transactions

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of the significant transactions between the Group and other related parties during the three years ended 30 September 2010 are as follows:

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

| ***Sales to related parties*** | | *2010* | *2009* | *2008* |
|---|---|---|---|---|
| | *Sale of* | *USD'000s* | *USD'000s* | *USD'000s* |
| Zambezi Ranching and Cropping Limited | Animal feeds/bran | 2,256 | 1,386 | 558 |
| Wellspring Limited | Animal feeds/bran | 28 | 146 | – |
| Amagrain | Cotton seed/cake | – | 143 | 243 |
| Kanyanga Development Company Limited | Animal feeds/bran | 84 | 91 | 100 |
| Proflight Commuter Services Limited | Meat products | – | – | 1 |
| Leopard Investments Limited | Animal feeds/bran | 12 | 80 | 84 |
| Tractorzam | Meat products | – | – | 1 |
| Amanita Africa Limited | Miscellaneous products | – | 2 | – |
| Squares Ranch | Animal feeds/bran | 8 | 12 | – |
| Bric Brac Limited | Animal feeds/bran | 82 | 187 | 25 |
| Foresythe Estates Limited | Animal feeds/bran | 17 | 37 | 27 |
| | | 2,487 | 2,084 | 1,039 |

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

| | | *2010* | *2009* | *2008* |
|---|---|---|---|---|
| | *Purchase of* | *USD'000s* | *USD'000s* | *USD'000s* |
| Zambezi Ranching and Cropping Limited | Cattle beef | 4,428 | 2,993 | 1,923 |
| Wellspring Limited | Cattle beef | 806 | 759 | 1,063 |
| Amagrain | Soya beans | – | 5,391 | 4,589 |
| Inbond Zambia | Vehicles/spares | – | 673 | 366 |
| Kanyanga Development Company Limited | Cattle beef | 166 | 294 | 140 |
| Proflight Commuter Services Limited | Air travel tickets | 15 | 20 | 2 |
| Leopard Investments Limited | Cattle beef/pigs | 666 | 732 | 743 |
| Tractorzam | Tractors/spares | 167 | 477 | 890 |
| Squares Ranch | Cattle beef | 117 | 106 | 166 |
| Bric Brac Limited | Cattle beef | 1,270 | 1,931 | 1,706 |
| Foresythe Estates Limited | Cattle beef | 548 | 699 | 876 |
| Fraca Meat Company Limited | Property leases | 2 | 2 | 3 |
| | | 8,185 | 14,077 | 12,467 |

(c) Sales of goods to related parties were made at the Group's usual list prices.

(d) Purchases were made at market price.

(e) The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

(f) No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

(g) The parties are related by virtue of certain directors of the Group having a shareholding in the respective companies.

### 34. Events subsequent to reporting date

There has not arisen since 30 September 2010 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 except, that the Company issued a commercial paper amounting to ZMK40 billion (USD8.3 million) at an interest rate of 12% fixed per annum or 3% + 182 day treasury bill rate. Proposed security for the bond is first ranking mortgage over stand No. 4970, Industrial Area, Lusaka in favour of the note holders. The purpose of the bond is to restructure the term loans with Standard Chartered Bank Zambia PLC and Zanaco PLC as well as provide improved security structure and reduce foreign currency borrowings.

# PART IVb

# ACCOUNTANTS' REPORT ON FINANCIAL INFORMATION

The Directors
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20 June 2011

Dear Sirs

**Zambeef Products PLC**

We report on the financial information set out in Part IVa. This financial information has been prepared for inclusion in the AIM Admission Document dated 20 June 2011 of Zambeef Products PLC.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

## Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

The Directors of Zambeef Products PLC are responsible for preparing the financial information in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

## Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 20 June 2011, a true and fair view of the state of affairs of Zambeef Products PLC as at the dates stated and of its profits, cash flows and movements in equity for the periods then ended in accordance with International Financial Reporting Standards.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

# PART IVc

# UNAUDITED FINANCIAL INFORMATION ON THE GROUP FOR THE SIX MONTHS ENDED 31 MARCH 2011

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

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

| | Notes | *2011* *USD'000s* | *2010* *USD'000s* |
|---|---|---|---|
| **Revenue** | 4 | 96,727 | 76,681 |
| Net gain arising from changes in fair value of biological assets | 7 | 4,486 | 6,328 |
| Cost of sales | | (70,777) | (58,615) |
| **Gross profit** | | 30,436 | 24,394 |
| Administrative expenses | | (24,877) | (22,253) |
| Other income | | 72 | 75 |
| **Operating profit** | | 5,631 | 2,216 |
| Exchange gains on translating foreign currency transactions and balances | | 1,176 | 191 |
| Finance costs | | (1,507) | (735) |
| **Profit before taxation** | 4 | 5,300 | 1,672 |
| Taxation (charge)/credit | | (349) | 894 |
| **Group profit for the period** | | 4,951 | 2,566 |
| Group profit attributable to: | | | |
| Equity holders of the parent | | 4,931 | 2,555 |
| Non-controlling interest | | 20 | 11 |
| | | 4,951 | 2,566 |
| **Other comprehensive income:** | | | |
| Exchange gains on translating presentational currency | | 2,162 | 408 |
| **Total comprehensive income for the period** | | 7,113 | 2,974 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the parent | | 7,091 | 2,963 |
| Non-controlling interest | | 22 | 11 |
| | | 7,113 | 2,974 |
| **Earnings per share** | | Cents | Cents |
| Basic and diluted earnings per share | 6 | 3.11 | 1.61 |

## ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES

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

| | *Issued share capital USD'000s* | *Share premium USD'000s* | *Revaluation reserve USD'000s* | *Foreign exchange reserve USD'000s* | *Retained earnings USD'000s* | *Total attributable to owners of the parent USD'000s* | *Non-controlling interest USD'000s* | *Total equity USD'000s* |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2009** | 42 | 71,861 | 18,215 | (25,517) | 29,632 | 94,233 | 95 | 94,328 |
| Profit for the period | – | – | – | – | 2,555 | 2,555 | 11 | 2,566 |
| **Other comprehensive income** | | | | | | | | |
| Exchange gains on translating presentational currency | – | – | – | 408 | – | 408 | – | 408 |
| Transfer of surplus depreciation | – | – | (188) | – | 188 | – | – | – |
| **Total comprehensive income for the period** | – | – | (188) | 408 | 2,744 | 2,963 | 11 | 2,974 |
| **At 31 March 2010** | 42 | 71,861 | 18,027 | (25,109) | 32,376 | 97,196 | 106 | 97,302 |
| **At 1 October 2010** | 42 | 71,861 | 17,686 | (27,250) | 32,671 | 95,010 | 79 | 95,089 |
| Dividends declared | | | | | (507) | (507) | – | (507) |
| **Transactions with owners** | – | – | – | – | (507) | (507) | – | (507) |
| Profit for the period | – | – | – | – | 4,931 | 4,931 | 20 | 4,951 |
| **Other comprehensive income** | | | | | | | | |
| Exchange gains on translating presentational currency | – | – | – | 2,160 | – | 2,160 | 2 | 2,162 |
| Transfer of surplus depreciation | – | – | (216) | – | 216 | – | – | – |
| **Total comprehensive income for the period** | – | – | (216) | 2,160 | 5,147 | 7,091 | 22 | 7,113 |
| **At 31 March 2011** | 42 | 71,861 | 17,470 | (25,090) | 37,311 | 101,594 | 101 | 101,695 |

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| | *Notes* | *31 Mar 2011 USD'000s* | *30 Sept 2010 USD'000s* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | | 3,347 | 3,270 |
| Property, plant and equipment | | 112,362 | 105,923 |
| Biological assets (immature palms) | 7 | 782 | 764 |
| Deferred tax asset | | 323 | 535 |
| | | 116,814 | 110,492 |
| **Current assets** | | | |
| Biological assets | 7 | 13,281 | 12,457 |
| Inventories | | 28,125 | 27,644 |
| Trade and other receivables | | 13,811 | 11,499 |
| Amounts due from related companies | | 1,061 | 205 |
| Income tax recoverable | | 47 | 51 |
| | | 56,325 | 51,856 |
| **Total assets** | | 173,139 | 162,348 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | | 42 | 42 |
| Share premium | | 71,861 | 71,861 |
| Reserves | | 29,691 | 23,107 |
| | | 101,594 | 95,010 |
| Non-controlling interest | | 101 | 79 |
| | | 101,695 | 95,089 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 8 | 28,963 | 28,522 |
| Obligations under finance leases | | 1,289 | 270 |
| Deferred liability | | 1,104 | 1,077 |
| Deferred tax liability | | 336 | 296 |
| | | 31,692 | 30,165 |
| **Current liabilities** | | | |
| Interest bearing liabilities | 8 | 6,127 | 6,095 |
| Obligations under finance leases | | 134 | 226 |
| Trade and other payables | | 18,016 | 18,031 |
| Amounts due to related companies | | 2 | 159 |
| Taxation payable | | 172 | 127 |
| Dividends payable | | 774 | 1,649 |
| Cash, cash equivalents and bank overdrafts | | 14,527 | 10,807 |
| | | 39,752 | 37,094 |
| **Total equity and liabilities** | | 173,139 | 162,348 |

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

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

| | *2011* *USD'000s* | *2010* *USD'000s* |
|---|---|---|
| **Cash inflow from operating activities** | | |
| Profit before taxation | 5,300 | 1,672 |
| Interest paid | 1,507 | 735 |
| Depreciation | 3,073 | 2,946 |
| Profit/(loss) on disposal of property, plant and equipment | (18) | 2 |
| Foreign exchange gains | (1,128) | (180) |
| **Earnings before interest, tax, depreciation and amortisation** | 8,734 | 5,175 |
| Increase in biological assets | (842) | (1,864) |
| (Increase)/decrease in inventory | (481) | 4,582 |
| (Increase)/decrease in trade and other receivables | (2,312) | 1,048 |
| (Increase)/decrease in amount due from related companies | (856) | 55 |
| Increase in trade and other payables | (15) | (929) |
| (Decrease)/increase in amount due to related companies | (157) | 1,702 |
| Increase/(decrease) in deferred liability | 27 | (72) |
| Income tax (paid)/recovered | (50) | 466 |
| **Net cash inflow from operating activities** | 4,048 | 10,163 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (6,155) | (9,004) |
| Expenditure on plantation development | (884) | (1,326) |
| Proceeds from sale of assets | 52 | 14 |
| **Net cash outflow from investing activities** | (6,987) | (10,316) |
| **Net cash outflow before financing** | (2,939) | (153) |
| **Financing activities** | | |
| Long term loans repaid | (6,290) | (1,206) |
| Receipt from long term loans | 6,763 | 25,000 |
| Lease finance received/(repaid) | 927 | (148) |
| Interest paid | (1,507) | (735) |
| Dividends paid | (1,382) | – |
| **Net cash (outflow)/inflow from financing** | (1,489) | 22,911 |
| **(Decrease)/increase in cash and cash equivalents** | (4,428) | 22,758 |
| **Cash and cash equivalents at beginning of period** | (10,807) | (25,675) |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 708 | 220 |
| **Cash and cash equivalents at end of period** | (14,527) | (2,697) |
| **Represented by:** | | |
| Cash in hand and at bank | 4,411 | 8,619 |
| Bank overdrafts | (14,089) | (11,316) |
| Structured agricultural finance | (4,849) | – |
| | (14,527) | (2,697) |

**ZAMBEEF PRODUCTS PLC AND ITS SUBSIDIARIES**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS – 31 MARCH 2011**

**1. Basis of preparation**

The unaudited interim financial information included in this Part IVc has been prepared on the same basis of preparation as the historical financial information set out in Part IVa of this document as described within note 2(b) of Part IVa.

The following exchange rates have been applied in the preparation of the unaudited interim financial information:

| | *ZMK:USD* | |
|---|---|---|
| | *Average exchange rate* | *Closing exchange rate* |
| Period ended 31 March 2010 | 4,650 | 4,695 |
| Period ended 31 March 2011 | 4,720 | 4,690 |

All financial information, except where specifically stated, is presented in United States dollars rounded to the nearest USD'000.

**2. Principal accounting policies**

The principal accounting policies applied by the Group in the preparation of these unaudited interim financial statements are as set out in the historical financial information presented in Part IVa. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**3. Basis of consolidation**

The consolidated unaudited interim financial information includes the financial statements of the parent company and its subsidiary companies made up to the end of the financial period. The results of subsidiaries acquired or disposed of during the period 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.

**4. Segmental reporting**

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

There are no significant differences between the segmental reporting analysis presented below and that which would have been included in the historical financial information if the Group's management accounts were prepared in accordance with International Financial Reporting Standards.

**Period ended 31 March 2011**

| **Segment** | *Revenue USD'000s* | *Gross profit USD'000s* |
|---|---|---|
| Beef | 27,473 | 7,214 |
| Chicken | 9,913 | 2,697 |
| Pork | 8,322 | 2,879 |
| Crops – row crops | 8,036 | 741 |
| Stock feed | 11,287 | 2,733 |
| Eggs | 2,175 | 1,105 |
| Fish | 1,266 | 398 |
| Milk | 6,633 | 4,440 |
| Zamchick Inn | 883 | 393 |
| Edible oils | 31,113 | 6,019 |
| Bakery & flour | 5,695 | 228 |
| Leather/shoe | 1,105 | 438 |
| Master Meats (Nigeria) | 2,320 | 692 |
| Master Meats (Ghana) | 1,450 | 459 |
| Others | 251 | – |
| **Total** | 117,922 | 30,436 |
| Less: intra/inter group sales | (21,195) | |
| **Total** | 96,727 | 30,436 |
| Central operating costs | | (24,805) |
| Operating profit | | 5,631 |
| Foreign exchange gains | | 1,176 |
| Finance costs | | (1,507) |
| Profit before tax | | 5,300 |

**Operating assets/(liabilities)**

| | *Zambeef USD'000s* | *Retailing USD'000s* | *Zamanita USD'000s* | *Master Pork USD'000s* | *Zampalm USD'000s* | *Other USD'000s* | *Total USD'000s* |
|---|---|---|---|---|---|---|---|
| Property plant and equipment | 64,961 | 16,688 | 16,332 | 3,562 | 7,598 | 3,220 | 112,362 |
| Biological assets and inventories | 29,262 | 4,322 | 4,979 | 1,015 | 782 | 1,828 | 42,188 |
| Cash, cash equivalents and bank overdrafts | (12,659) | (1,870) | (973) | 49 | 13 | 913 | (14,527) |

**Period ended 31 March 2010**

| **Segment** | *Revenue USD'000s* | *Gross profit USD'000s* |
|---|---|---|
| Beef | 21,116 | 6,285 |
| Chicken | 7,791 | 2,194 |
| Pork | 5,538 | 1,647 |
| Crops – row crops | 4,314 | 2,208 |
| Stock feed | 3,918 | 1,427 |
| Eggs | 1,854 | 817 |
| Fish | 976 | 362 |
| Milk | 4,556 | 2,897 |
| Zamchick Inn | 884 | 394 |
| Edible oils | 24,369 | 3,467 |
| Bakery & flour | 4,631 | 1,702 |
| Leather/shoe | 793 | 145 |
| Master Meats (Nigeria) | 1,872 | 498 |
| Master Meats (Ghana) | 1,184 | 351 |
| Others | 801 | – |
| **Total** | 84,597 | 24,394 |
| Less: intra/inter group sales | (7,916) | |
| **Total** | 76,681 | 24,394 |
| Central operating costs | | (22,178) |
| Operating profit | | 2,216 |
| Foreign exchange gains | | 191 |
| Finance costs | | (735) |
| Profit before tax | | 1,672 |

**Operating assets/(liabilities)**

| | *Zambeef USD'000s* | *Retailing USD'000s* | *Zamanita USD'000s* | *Master Pork USD'000s* | *Zampalm USD'000s* | *Other USD'000s* | *Total USD'000s* |
|---|---|---|---|---|---|---|---|
| Property plant and equipment | 61,417 | 14,357 | 16,157 | 2,991 | 5,605 | 2,272 | 102,799 |
| Biological assets and inventories | 20,281 | 5,070 | 8,969 | 1,150 | 798 | 1,136 | 37,404 |
| Cash, cash equivalents and bank overdrafts | (5,081) | (3,880) | 4,556 | (16) | 50 | 1,674 | (2,697) |

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

| | *31 Mar 2011* | | *31 Mar 2010* | |
|---|---|---|---|---|
| | *Revenues USD'000s* | *Non-current assets USD'000s* | *Revenues USD'000s* | *Non-current assets USD'000s* |
| Zambia | 89,778 | 114,858 | 73,366 | 106,234 |
| West Africa | 3,770 | 1,956 | 3,056 | 1,712 |
| Rest of world | 3,179 | – | 259 | – |
| | 96,727 | 116,814 | 76,681 | 107,946 |

## 5. Equity dividends

| | *Mar 2011 USD'000s* | *Mar 2010 USD'000s* |
|---|---|---|
| Declared during the year | | |
| Interim dividend for 2011 (0.32 cents per share) | 507 | – |
| Total dividends | 507 | – |

## 6. 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 per share is show below:

| | *Mar 2011 USD'000s* | *Mar 2010 USD'000s* |
|---|---|---|
| *Basic earnings per share* | | |
| Profit for the period | 4,931 | 2,555 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | 158,706,045 | 158,706,045 |
| Basic and diluted earnings per share (cents) | 3.11 | 1.61 |

## 7. Biological assets

Biological assets comprise standing crops, feedlot cattle, dairy cattle, pigs, chickens and palm oil plantations. At 31 March 2011 there were 3,742 feedlot cattle, 1,859 dairy cattle, 4,041 pigs and 328,897 chickens. A total of 6,876 feedlot cattle, 253 dairy cattle, 22,061 pigs and 642,930 chickens were culled in the period.

| | *As at 1 October USD'000s* | *Foreign exchange USD'000s* | *Increase due to purchases USD'000s* | *Gains arising from fair value USD'000s* | *Decrease due to harvest/ transferred to inventory USD'000s* | *As at 31 March 2011 USD'000s* |
|---|---|---|---|---|---|---|
| Standing crops | 6,450 | 140 | 6,065 | (527) | (7,747) | 4,381 |
| Feedlot cattle | 1,815 | 51 | 5,300 | 417 | (4,012) | 3,571 |
| Dairy cattle | 2,546 | 60 | – | 525 | (7) | 3,124 |
| Pigs | 413 | 6 | 4 | 637 | (587) | 473 |
| Chickens | 1,233 | 10 | 4,897 | 3,434 | (7,842) | 1,732 |
| Palm plantation | 764 | 18 | – | – | – | 782 |
| Total | 13,221 | 285 | 16,266 | 4,486 | (20,195) | 14,063 |
| Less: non-current biological assets | (764) | (18) | – | – | – | (782) |
| **Total** | 12,457 | 267 | 16,266 | 4,486 | (20,195) | 13,281 |

## 8. Interest bearing liabilities

| | *31 Mar 2011* *USD'000s* | *30 Sep 2010* *USD'000s* |
|---|---|---|
| DEG – Deutsde Investitious | | |
| GUD Entwicklungsgesellschift MBH | 26,551 | 28,752 |
| Commercial Paper | 6,778 | – |
| Zanaco Plc | 1,761 | 1,965 |
| Standard Chartered Bank Zambia PLC | – | 3,900 |
| | 35,090 | 34,617 |
| Short term portion | (6,127) | (6,095) |
| | 28,963 | 28,522 |

(a) **DEG Term loan**

The Group had a loan facility of US$3,336,000 (30 September 2010: US$3,752,000 and original amount US$5,000,000) from DEG. Interest on the loan was 2.75 per cent. above the six-month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 12 equal bi-annual installments commencing April 2009.

The DEG loan is secured by a floating charge/debenture of US$5 million ranking *pari passu* with Citibank Zambia Limited (US$9.5 million), Standard Chartered Bank Zambia PLC (US$5 million) and Zanaco Bank PLC (US$1.5 million and ZMK6 billion).

The Group had a loan facility of US$23,215,000 (received in 2010 with original limit of US$25,000,000) from DEG. Interest on the loan was 4.55 per cent. above the six month USD LIBOR rate per annum payable six-monthly in arrears. The principal is repayable in 14 equal bi-annual installments commencing November 2010.

50 per cent. of the DEG US$25 million loan was provided by the European Investment Bank acting on behalf of the European Community from the investment facility resources made available by the European Community under the partnership agreement between the members of the African, Caribbean and Pacific Group of states, of the one part, and the European Community and its member states.

(b) **Zanaco Bank PLC**

The Group had a loan facility of ZMK8.26 billion (2010: ZMK9.44 billion with original amount ZMK11.8 billion) with Zanaco Bank PLC. Interest on the medium term loan was calculated at 2 per cent. per annum below the Bank's ZMK base rate. The principal was scheduled for repayment in 20 equal quarterly repayments commencing November 2009. The loan was secured by a first legal mortgage over Stand No. 4970, Manda Road, Lusaka. This facility was repaid in April 2011.

(c) **Standard Chartered Bank Zambia PLC**

The Group had a medium term loan facility of US$nil (2010: US$3.9 million and original amount US$5.2 million) with Standard Chartered Bank Zambia PLC. Interest on the loan was 3 month LIBOR plus 5.5 per cent. margin per annum payable monthly in arrears. The loan was secured by a first legal mortgage over Stand No. 9070, Stand No. 9071 and Stand No. 9074, Lusaka. The facility was repaid during the period.

(d) **International Finance Corporation**

The Group had as at 31 March 2011 committed itself to an additional US$10 million term loan from International Finance Corporation (IFC). The loan has been obtained for the following operations:

- Expansion of Nigeria operations at a cost of US$3,000,000.
- Expansion of Retail Operations in Zambia and other capital projects at a cost of US$7,000,000.

The Group completed the drawdown of US$7 million relating to the Zambian operations in April 2011.

(e) **Commercial paper**

The Company issued a commercial paper (CP) amounting to ZMK31.8 billion at an interest rate of 12 per cent. fixed per annum which is to be restructured into a five year bond upon expiry of the CP. The CP is due to expire 23 December 2011. Proposed security for the CP bond is first ranking mortgage over Stand No. 4970, Industrial Area, Lusaka in favour of the note holders. The purpose of the CP bond was to restructure the term loans with Standard Chartered Bank Zambia PLC and Zanaco Bank PLC as well as providing improved security structure and reducing foreign currency borrowings.

# PART V

# UNAUDITED PRO FORMA INFORMATION

## PROFORMA STATEMENT OF FINANCIAL POSITION

| *(USD'000s)* | *Zambeef Group[(1)] At 30 September 2010* | *Adjustment[(2)]* | *Adjustment[(3)]* | *ETC Bio Energy Limited[(4)] At 31 October 2010* | *Adjustment[(5)]* | *Adjustment[(6)]* | *Proforma financial position[(7)]* |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Goodwill | 3,270 | – | – | – | – | 5,907 | 9,177 |
| Property, plant and equipment | 105,923 | – | – | 39,801 | – | – | 145,724 |
| Biological assets | 764 | – | – | 2,105 | – | – | 2,869 |
| Deferred tax asset | 535 | – | – | – | – | – | 535 |
| | 110,492 | – | – | 41,906 | – | 5,907 | 158,305 |
| **Current assets** | | | | | | | |
| Biological assets | 12,457 | – | – | 1,869 | (1,869) | – | 12,457 |
| Inventories | 27,644 | – | – | 10,261 | (10,261) | – | 27,644 |
| Trade and other receivables | 11,499 | – | – | 7,722 | (7,722) | – | 11,499 |
| Amounts due from related companies | 205 | – | – | 1,050 | (1,050) | – | 205 |
| Cash and bank balances | – | 52,100 | (47,813) | 50 | (50) | – | 4,287 |
| Income tax recoverable | 51 | – | – | – | – | – | 51 |
| | 51,856 | 52,100 | (47,813) | 20,952 | (20,952) | – | 56,143 |
| **Total assets** | 162,348 | 52,100 | (47,813) | 62,858 | (20,952) | 5,907 | 214,448 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Capital and reserves** | | | | | | | |
| Share capital | 42 | 52,100 | – | 1 | (1) | – | 52,142 |
| Share premium | 71,861 | – | – | 37,551 | (37,551) | – | 71,861 |
| Reserves | 23,107 | – | – | 7,706 | (7,706) | – | 23,107 |
| | 95,010 | 52,100 | – | 45,258 | (45,258) | – | 147,110 |
| Non-controlling interest | 79 | – | – | – | – | – | 79 |
| | 95,089 | 52,100 | – | 45,258 | (45,258) | – | 147,189 |
| **Non-current liabilities** | | | | | | | |
| Interest bearing liabilities | 28,522 | – | – | – | – | – | 28,522 |
| Obligations under finance leases | 270 | – | – | – | – | – | 270 |
| Deferred liability | 1,077 | – | – | – | – | – | 1,077 |
| Deferred tax liability | 296 | – | – | – | – | – | 296 |
| | 30,165 | – | – | – | – | – | 30,165 |
| **Current liabilities** | | | | | | | |
| Interest bearing liabilities | 6,095 | – | – | 10,647 | (10,647) | – | 6,095 |
| Obligations under finance leases | 226 | – | – | – | – | – | 226 |
| Trade and other payables | 18,031 | – | – | 1,850 | (1,850) | – | 18,031 |
| Amounts due to related companies | 159 | – | – | 1,124 | (1,124) | – | 159 |
| Taxation payable | 127 | – | – | – | – | – | 127 |
| Dividends payable | 1,649 | – | – | – | – | – | 1,649 |
| Cash, cash equivalents and bank overdrafts | 10,807 | – | – | 3,979 | (3,979) | – | 10,807 |
| | 37,094 | – | – | 17,600 | (17,600) | – | 37,094 |
| **Total equity and liabilities** | 162,348 | 52,100 | – | 62,858 | (62,858) | – | 214,448 |

**Notes:**

1 Source: Historical financial information on Zambeef and its Group

2 Estimated proceeds of the Rights Issue and Placing of $55 million less Admission costs of $2.9 million (Split between share capital and share premium to be determined)

3 Consideration for acquisition of assets from ETC Bio Energy Limited ($46.0m) and property transfer tax payable ($1.813m)

4 Source: Audited accounts of ETC Bio Energy Limited for the year ended 31 October 2010

5 ETC Bio Energy Limited statement of financial position items not being acquired

6 Goodwill based on ETC Bio Energy balance sheet at 31 October 2010

7 The proforma statement of financial position is prepared for illustrative purposes only. Because of its nature, the proforma financial information addresses a hypothetical situation and therefore does not represent the actual financial position or results of Zambeef and its Group

# PART VI

# ADDITIONAL INFORMATION

**1. Responsibility statement**

The Company and the Directors, whose names and functions appear on page 14 of this document, accept responsibility, individually and collectively, for compliance with the AIM Rules, and for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document, for which they are responsible, is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2. Incorporation and status of the Company**

2.1 The Company was incorporated and registered in Zambia under the Companies Act on 24 June 1994 with registered number 31824 as a private company limited by shares under the name Zambeef Products Limited.

2.2 On 2 January 2003, the Company changed its name to Zambeef Products PLC and was re-registered as a public company.

2.3 The Company's principal activity is primary agricultural production. The principal legislation under which the Company operates and under which the Ordinary Shares are issued is the Companies Act and the regulations made thereunder.

2.4 The liability of the members of the Company is limited.

2.5 The registered office and head office of the Company is at Plot 4970, Manda Road, Industrial Area, Lusaka, Zambia, telephone number +260 211 369003.

2.6 On 14 February 2003 the Ordinary Shares were admitted to trading on the LuSE.

2.7 The ISIN of the Company is ZM0000000201.

2.8 The website address of the Company is www.zambeefplc.com.

2.9 The current Articles were adopted by the Company on 19 May 2011.

2.10 The company secretary of the Company is Danny Museteka of Plot 100/26, Ibex Hill, Lusaka, Zambia.

**3. The Subsidiaries**

3.1 The Company acts as the holding company of the Group and has the following subsidiary undertakings, all of which are directly or indirectly held by the Company, as set out below:

| *Name* | *Date and country of incorporation or residence* | *Proportion of ownership interest (per cent.)* | *Activity* |
|---|---|---|---|
| Zambeef Retailing Limited | 19 March 1996, Zambia | 100 | Operating Company |
| Zamleather Ltd | 12 December 1997, Zambia | 100 | Operating Company |
| Zampalm Ltd | 15 February 2006, Zambia | 100 | Operating Company |
| Zamanita | 9 August 2007, Zambia | 100 | Operating Company |
| Master Pork | 29 May 2001, Zambia | 100 | Operating Company |
| Novatek Feeds Ltd | 17 April 2008, Zambia | 100 | Dormant Company |
| Master Meats (Nigeria) | 1 November 2005, Nigeria | 90[(1)] | Operating Company |
| Master Meats (Ghana) | 11 April 2007, Ghana | 90 | Operating Company |

1 The Board has resolved, conditional upon the financial and business performance of Master Meats (Nigeria), to transfer shares the Company owns in Master Meats (Nigeria) up to a maximum aggregate of 23 per cent. of the total issued share capital, to Pieter Swanepoel (managing director of Master Meats (Nigeria)), Ebrahim Israel (the Group's international retailing manager) and John Stephenson (the operations manager of Master Meats (Nigeria)).

3.2 The minority interests in Master Meats (Nigeria) and Master Meats (Ghana) are as follows:

**Master Meats (Nigeria):**

- John Adeleke – ten per cent.; Mr Adeleke is the chairman of Master Meats (Nigeria) and Master Meats (Ghana).

**Master Meats (Ghana):**

- John Adeleke – ten per cent.; Mr Adeleke is the chairman of Master Meats (Ghana) and Master Meats (Nigeria).

3.3 Save as disclosed in paragraph 3.1 of this Part VI there are no undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses, and save as disclosed in the footnote in paragraph 3.1 above there are no rights outstanding for parties to acquire shares or any other interest in the subsidiaries set out at paragraph 3.1 of this Part VI.

**4. Share capital of the Company**

4.1 As at the date of this document the Company's authorised share capital is 400,000,000 Ordinary Shares and the number of Ordinary Shares in issue is 158,706,045 all of which are fully paid. The nominal value per share is ZMK1.

4.2 The following table shows the changes to the share capital of the Company that have taken place during the three years covered by the historical financial information set out in Part IVa of this document:

| *Date* | *Issue Price* | *Shares Issued* | *Description* |
|---|---|---|---|
| January 2008 | K5,500 | 4,836,364 | Consideration shares for the acquisition of Master Pork |
| January 2008 | K5,500 | 6,414,546 | Consideration shares for the acquisition of Zamanita |
| January 2008 | K5,500 | 2,138,182 | Consideration shares for the acquisition of Amanita Milling Assets |
| January 2008 | K5,500 | 18,347,112 | Rights issue (see paragraph 4.3 of this Part VI for details) |
| July 2008 | K6,900 | 12,300,391 | Consideration shares for the acquisition of 86% of Nanga Farms |
| **Total** | | **44,036,595** | |

4.3 The proceeds of the rights issue of 18,347,112 Ordinary Shares in January 2008 were used as follows:

| *Purpose* | *Amount in ZMK* |
|---|---|
| Upgrading/rehabilitation of the Zamanita crushing plant | 11,760,000,000 |
| Satisfaction of selected existing liabilities in Zamanita | 27,440,000,000 |
| Acquisition of Chiawa Farm cropping operations | 23,520,000,000 |
| Expansion of Chiawa Farm cropping operations | 35,280,000,000 |
| Estimated costs of the 2008 rights issue | 2,909,116,000 |
| **Total** | **100,909,116,000** |

4.4 The following table shows the issued share capital of the Company at the beginning of each financial year (being 1 October) and the end of each financial year (being 30 September) during the three years covered by the historical financial information set out in Part IVa of this document:

| *Financial year ending 30 September* | *As at 1 October Number of issued shares* | *As at 30 September Number of issued shares* |
|---|---|---|
| 2008 | 114,669,450 | 158,706,045 |
| 2009 | 158,706,045 | 158,706,045 |
| 2010 | 158,706,045 | 158,706,045 |

4.5 Application will be made for the Ordinary Shares to be admitted to trading on AIM. Save for the listing of the Ordinary Shares on the LuSE, the Ordinary Shares are not listed or traded on and save for the application for Admission no application has been or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market. Following Admission, the Ordinary Shares will continue to be listed on the LuSE.

4.6 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Depositary Interests being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form. No temporary documents of title have been or will be issued.

4.7 The Placing Shares are being issued and sold pursuant to the Placing at 38.06 pence per Placing Share. No expenses are being charged to any purchaser of Placing Shares, although each purchaser of Placing Shares will be required to bear any stamp duty or stamp duty reserve tax payable on any subsequent transfer of the Placing Shares.

4.8 Following the issue of the Placing Shares and the Rights Issue Shares, existing Shareholders will suffer dilution of 36 per cent. to their interest in the Company, assuming that they have neither participated in the Rights Issue nor the Placing.

4.9 The Company entered into an agreement in 2008 with Lusagen (BVI) Limited and Diego Gan Maria Casilli for the acquisition of the entire issued share capital of Zampalm. Under the agreement the purchase consideration shall be satisfied by (i) the issue of 1,430,000 Ordinary Shares credited as fully paid up in the capital of the Company ("Consideration Shares") upon satisfaction of various performance conditions and (ii) a cash payment of US$500,000 which cash payment has been settled by the Company.

The payment of the share consideration is conditional upon the project being deemed to be successful based on mutual agreement of the parties or upon the project being certified as viable by an independent expert. The agreement sets out that achieving an average of nine tonnes per hectare of fresh fruit bundles over an area of 1,000 Ha would be deemed to make the project viable.

The issue of the Consideration Shares was within the ten per cent. limit approved by the Shareholders of the Company for the Board to use in acquisitions and as such no further Shareholder approval is necessary. There is a dispute in court relating to whether the condition for the issue of the Consideration Shares has been satisfied. If the court determines that the performance condition has been achieved the Company will issue 1,430,000 Ordinary Shares to Lusagen (BVI) Limited and Diego Gan Maria Casilli.

4.10 Save for the issue of the Rights Issue Shares and the Placing Shares and as disclosed in paragraph 4.9 and paragraph 6 of this Part VI there is no present intention to issue any share or loan capital in the Company following Admission.

4.11 Zambeef Retailing Ltd is the registered holder of a minority shareholding in each of Zamleather Ltd, Zampalm Ltd, Zamanita, Master Pork and Novatak Feeds Ltd. These shares are held by Zambeef Retailing Ltd on trust for the Company and satisfy the requirement under the Companies Act that each Zambian company must have no less than two shareholders.

4.12 The authorisations for the issue of the Placing Shares are as follows:

(a) At a duly convened meeting of the Directors held on • June 2011 the Placing Shares were provisionally allotted for subscription at the Placing Price conditional on Admission.

(b) At a duly convened meeting of Directors held on 12 February 2010 the Company's authorised share capital was increased from K200,000,000 to K400,000,000 by the creation of K200,000,000 ordinary shares of K1 each.

(c) At a duly convened meeting of Directors held on 21 November 2007 the Company's authorised share capital was increased from K120,000,000 to K200,000,000 by the creation of K80,000,000 ordinary shares of K1 each.

4.13 On Admission and immediately after the Placing the issued fully paid up share capital of the Company will be 247,978,195 Ordinary Shares.

4.14 Save as disclosed in paragraphs 4 and 6 of this Part VI (and save in relation to the proposed issue of the Rights Issue Shares and Placing Shares):

(a) no share or loan capital of the Company has been issued or is proposed to be issued;

(b) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;

(c) there are no shares in the Company not representing capital;

(d) there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;

(e) there are no acquisition rights and/or obligations over the unissued shares of the Company or an undertaking to increase the number of shares the Company is authorised to issue;

(f) no person has any preferential subscription rights for any shares of the Company; and

(g) no shares or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

## 5. Summary of Zambian law

The Company is incorporated in Zambia under the provisions of the Companies Act and therefore is subject to Zambian law. Certain provisions of the Companies Act are summarised below. The following is not intended to provide a comprehensive review of the applicable law, or of all provisions which differ from equivalent provisions in jurisdictions, with which interested parties may be more familiar. This summary is based upon the law and the interpretation of the law applicable as at the date of this document and is subject to change.

### 5.1 *Objects and purposes*

The Company does not have any objects or purposes in its Articles.

### 5.2 *Articles of Association*

The Articles of the Company were adopted pursuant to a special resolution of the Company passed on 19 May 2011 and include provisions, among other things, to the following effect:

*Limited Liability*

The liability of the members is limited to the amount, if any, unpaid on their shares.

*Issue of shares*

Subject to the provisions of the Companies Act and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may determine, and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the Articles or as the directors may determine.

Subject to the provisions of the Companies Act and to any relevant authority of the Company required by the Companies Act, any new shares shall be at the disposal of the board.

*Votes of shareholders*

Subject to the provisions of the Companies Act, to any special terms as to voting on which any shares may have been issued or may from time to time be held and any suspension or abrogation of voting rights pursuant to the Articles, at a general meeting of the Company:

(a) every member who is present in person shall, on a show of hands, have one vote;

(b) every proxy who has been appointed by one or more members entitled to vote on the resolution shall, on a show of hands, have one vote except that a proxy shall have one vote for and one vote against a resolution if the proxy has been appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against the resolution, or one or more members have instructed the proxy to vote for the resolution and one or more members gave the proxy discretion as to how to vote and the proxy exercises that discretion by voting against the resolution, or one or more members have instructed the proxy to vote against the resolution and one or more members gave the proxy discretion as to how to vote and the proxy exercises that discretion by voting for the resolution; and

(c) every member present in person or by proxy shall, on a poll, have one vote for each share of which he is a holder or proxy.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the register of members in respect of such share.

Unless the board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the shareholders of any class of shares, either in person or by proxy (save as proxy for another member), or to exercise any other right or privilege as a member in respect of any share held by him, unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) payable by such member to the Company.

*Transfer of shares*

Subject to the requirements of the LuSE with respect to the CSD, every instrument of transfer shall be left at the transfer office of the Company at which it is presented for registration accompanied by the certificate of the securities to be transferred and/or such other evidence as the Company may require to prove the title of the transferor or his rights to transfer the securities.

The Company shall not register a transfer of shares unless a proper instrument of transfer has been delivered to the Company or the right to the shares has been transmitted by operation of law. Transfers may be lodged with the Company by either the transfer or transferee.

A member may transfer all or any of his shares by instrument in writing in any usual or common form which the directors shall approve and such instrument shall be executed by or on behalf of both the transferor and the transferee.

The instrument of transfer shall be left for registration at the registered office of the Company, together with such fee (if any) not exceeding ZMK 2 as the directors require, accompanied by the certificate of the shares to which it relates and such other information as the directors properly require to show the right of the transferor to make the transfer, and thereupon the Company shall, subject to the powers vested in the directors by these regulations, register the transferee as a shareholder.

The board may, in its absolute discretion, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

(a) it is in respect of a share which is fully paid up;

(b) it is in respect of only one class of shares;

(c) it is in favour of a single transferee or not more than four joint transferees;

(d) it is duly stamped (if so required); and

(e) it is delivered for registration to the registered office for the time being of the Company or such other place as the board may from time to time determine, accompanied (except in the case of (a) a transfer by a recognised person where a certificate has not been issued, (b) a transfer of an uncertificated share, or (c) a renunciation) by the certificate for the share to which it relates and such other evidence as the board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so, provided that the board shall not refuse to register a transfer or renunciation of a partly paid share on the grounds that it is partly paid in circumstances where such refusal would prevent dealings in such share from taking place on an open and proper basis on the market on which such share is admitted to trading.

If the board refuses to register a transfer of a share, it shall send the transferee notice of its refusal, together with its reasons for refusal, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company.

*Redemption of shares*

Subject to the provisions of the Companies Act and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Company or of the holder of such share is liable, to be redeemed on such terms and conditions and in such manner as the Articles may provide or the directors may determine.

*Conversion provisions*

The Articles do not contain any provisions relating to conversion of the Ordinary Shares.

*Variation of rights*

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any shares may be varied or abrogated in such manner (if any) as may be provided in the Articles by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the class.

The quorum at any such meeting shall be not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the relevant class or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights for the time being attached to any shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save that from the date on which such new shares are issued they shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the Companies Act and the Articles.

*Disclosure of shareholding*

If the Company has a class of stock admitted to trading on the AIM market operated by the London Stock Exchange, the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) (**DTR 5**) of the UK Financial Services Authority Handbook (the **FSA Handbook**) shall be deemed to be incorporated by reference into the Articles and accordingly the vote holder and issuer notification rules set out in DTR 5 shall apply to the Company and each holder of shares of the Company.

If the Company determines that a holder of shares of the Company (a **Defaulting Holder**) has not complied with the provisions of DTR 5 with respect to some or all of such shares held by such holder (**Default Shares**), the Company shall have the right by delivery of notice to the Defaulting Holder (a **Default Notice**):

(a) to suspend the right of such Defaulting Holder to vote the Default Shares in person or by representative or by proxy at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company. Such a suspension shall have effect from the date on which the Default Notice is delivered by the Company to the Defaulting Holder until a date that is not more than seven days after the Company has determined in its sole discretion that the Defaulting Holder has cured the non-compliance with the provisions of DTR 5; provided, however, that the Company may at any time by subsequent written notice cancel or suspend the operation of a Default Notice; and/or

(b) to (i) withhold, without any obligation to pay interest thereon, any dividend or other amount payable with respect to the Default Shares with such amount to be payable only after the Default Notice ceases to have effect with respect to the Default Shares, (ii) render ineffective any election to receive shares of the Company instead of cash in respect of any dividend or part thereof, or (iii) prohibit transfer of any shares of the Company held by the Defaulting Holder except with the consent of the Company or if the Defaulting Holder can provide satisfactory evidence to the Company to the effect that, after due inquiry, such member has determined that the shares to be transferred are not Default Shares.

*Payment of dividends*

Subject to the provisions of the Companies Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the board.

Subject to the provisions of the Companies Act, the board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends should be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

All dividends, interest or other sums payable and unclaimed for a period of 12 months after having become payable may be invested or otherwise used by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become payable shall (if the board so resolves) be forfeited and shall cease to remain owing by, and shall become the property of, the Company.

The board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the board may settle it as it thinks fit.

The board may also, with the prior authority of an ordinary resolution of the Company and subject to such terms and conditions as the board may determine, offer to holders of ordinary shares (excluding any member holding ordinary shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution.

If cheques, warrants or orders for dividends in respect of a share sent by the Company to a member are returned to the Company or left uncashed on two consecutive occasions or, following one occasion, reasonable enquiries have failed to establish any new address to be used for the purpose, the Company is not obliged to send any dividends in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

*Return of capital*

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the members in kind the whole or any part of the property of the Company and may for that purpose set such value as he considers fair upon any property to be so divided and may determine how the division is to be carried out as between the members or different classes of members.

*Borrowing powers*

The board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, to create and issue debenture and other loan stock, debentures, bonds and other securities, in each case whether secured or unsecured and whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Directors*

<u>Directors' fees</u>

The directors (other than alternate directors and other than any director who for the time being is appointed to hold any employment or executive office in accordance with the Articles) shall be entitled to receive by way of fees for their services as directors such sum as the board may from time to time determine (not exceeding any sum as the Company in general meeting by ordinary resolution shall from time to time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provision of the Articles or otherwise and shall accrue from day to day.

The salary or remuneration of any director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the board or any committee authorised by the board and may be in addition to or in lieu of any fee payable to him for his services as a director.

The directors are not entitled to be repaid any travelling, hotel and other expenses incurred by them in or about the performance of their duties as directors.

Pensions and gratuities for directors

The board, or any committee authorised by the board, may exercise all the powers of the Company to provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company or any company in the group and their relatives or dependants.

Directors' interests

The board may authorise any matter proposed to it in accordance with the Articles which would otherwise involve a breach by a director of his duty to avoid conflicts of interest under the Companies Act, including any matter which relates to a situation in which a director has or can have an interest which conflicts, or possibly may conflict, with the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. Any authorisation will only be effective if any quorum requirement at any meeting in which the matter was considered is met without counting the director in question or any other interested director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.

Subject to having, where required, obtained authorisation of the conflict from the board, a director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a director of the Company and in respect of which he has a duty of confidentiality to another person and will not be in breach of the general duties he owes to the Company under the Companies Act because he fails to disclose any such information to the board or to use or apply any such information in performing his duties as a director, or because he absents himself from meetings of the board at which any matter relating to a conflict of interest, or possible conflict of interest is discussed, and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.

Provided that his interest is disclosed at a meeting of the board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Act, a director, notwithstanding his office:

(a) may be a party to or otherwise be interested in any transaction arrangement or proposal with the Company or in which the Company is otherwise interested:

(b) may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the board may arrange;

(c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has powers of appointment; and

(d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or from any interest in any body corporate. No such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.

A director need not declare an interest in the case of a transaction or arrangement with the Company if the other directors are already aware, or ought reasonably to be aware, of the interest or it concerns the terms of his service contract that have been or are to be considered at a meeting of the directors or a committee of the directors or if the interest consists of him being a director, officer or employee of a company in which the Company is interested.

The board may cause the voting rights conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit and a director may vote on and be counted in the quorum in relation to any of these matters.

Restrictions on directors' voting
A director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any arrangement, transaction or arrangement in which he is interested which is to his knowledge a material interest for the Company and, if he purports to do so, his vote will not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:

(a) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;

(b) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;

(c) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(d) the giving of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;

(e) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(f) any proposal concerning any other body corporate in which he does not to his knowledge have an interest in one per cent. or more of the issued equity share capital of any class of such body corporate nor to his knowledge hold one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;

(g) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(h) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors;

(i) any proposal concerning the funding of expenditure by one or more directors on defending proceedings against him or them, or doing anything to enable such director or directors to avoid incurring such expenditure; or

(j) any transaction or arrangement in respect of which his interest, or the interest of directors generally has been authorised by ordinary resolution.

A director shall not vote or be counted in the quorum on any resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Number of directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of directors shall be not more than 12 or less than 5 (provided that the majority of directors are non-executive directors).

Directors' appointment and retirement

Directors may be appointed by the Company by ordinary resolution or by the board.

At each annual general meeting of the Company, one-third of the non-executive directors not including directors appointed pursuant to the power of the board to appoint directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation. If there are fewer than three directors, one director shall retire from office.

Any director appointed pursuant to the power of the board to appoint directors shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting.

At each annual general meeting, any director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. If the number of directors so retiring is less than the minimum number of directors who are required to retire, additional directors up to that number shall retire. The directors to retire first shall be those directors who are subject to rotation but who wish to retire and not offer themselves for re-election and, secondly, those directors who have been directors longest since their appointment or last re-appointment. If there are directors who were appointed or last re-appointed on the same date, the director to retire shall, in default of agreement between them, be determined by lot.

The Company may by ordinary resolution remove any director before the expiration of his period of office.

The office of a director shall be vacated if:

(a) he resigns by notice in writing delivered to, or, if in electronic form, received by the company secretary at the registered office or tendered at a meeting of the board;

(b) he ceases to be a director by virtue of any provision of the Companies Act, is removed from office pursuant to the Articles or the Companies Act, or becomes prohibited by law from being a director;

(c) he becomes bankrupt, has an interim receiving order made against him, makes any arrangements or compounds with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement or enters into any analogous or similar procedure in any jurisdiction;

(d) by reason of his mental health, a court makes an order which wholly or partly prevents him from personally exercising any powers or rights he would otherwise have;

(e) he is being treated by a registered medical practitioner who gives a written opinion to the Company stating that the director has become physically or mentally incapable of acting as a director and may remain so for more than three months;

(f) both he and his alternate director appointed pursuant to the provisions of the Articles (if any) are absent without the permission of the board, from board meetings for six consecutive months or, if during a shorter period, for six consecutive board meetings and the board resolves that his office be vacated; or

(g) his resignation is requested by not less than three quarters of the other directors.

Proceedings of the board

Subject to the provisions of the Articles, the board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. One director, or the company secretary at the request of the director, can summon a board meeting at any time on reasonable notice. Notice of a board meeting should be deemed to have been given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address. A director may waive the requirement that notice be given to him of any board meetings. The quorum necessary for the transaction business may be determined by the board and until otherwise determined, shall be two persons, each being a director or an alternate director. A duly convened meeting of the board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions for the time being vested in or exercisable by the board.

*General meetings*

The board may convene a general meeting (which is not an annual general meeting) whenever it thinks fit.

A general meeting shall be convened by such notice as may be required by law from time to time.

The notice shall specify whether the meeting is convened as an annual general meeting or any other general meeting, the day, time and place of the meeting and the general nature of the business to be transacted at the meeting (although it shall not be necessary for a notice of an annual general meeting to state that the business to be transacted at that meeting includes the declaring of a dividend, the consideration of annual accounts and the reports of the directors and auditors, the election of directors in the place of those retiring or the appointment and fixing of the remuneration of the auditors). In the case of a meeting convened to pass a special resolution, the notice shall include the text of the resolution and specify the intention to propose the resolution as a special resolution. The notice shall specify that a member entitled to attend and vote is entitled to appoint one or more proxies (provided each proxy is appointed to exercise the rights attached to a different share held by the member) to attend and to speak and vote instead of the member and that a proxy need not also be a member. The notice must be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the directors and the auditors and to any other person who may be entitled to receive it. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting. The chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.

No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting who, between them, hold or represent twenty per cent. of the issued shares, shall be a quorum. The chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.

A resolution put to a vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Act, a poll may be demanded by the chairman, at least three members having the right to vote on the resolution, a member or members representing not less than ten per cent. of the total voting rights of all the members having the right to vote on the resolution or a member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than ten per cent. of the total sum paid up on all the shares conferring that right.

The board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the board. In the case of any meeting to which such arrangements apply the board may, when specifying the place of the meeting:

(a) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the principal place); and

(b) make arrangements for simultaneous attendance and participation at satellite meeting places or by way of any other electronic means by members otherwise entitled to attend the general meeting or who wish to attend at satellite meeting places or other places at which persons are participating by electronic means, provided that persons attending at the principal place and at satellite meeting places or other places at which persons are participating by electronic means shall be able to see, hear and be seen and heard by, persons attending at the principal place and at such other places, by any means. Such arrangements for simultaneous attendance at such other places may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of the satellite meeting places or other places at which persons are participating by electronic means. Any such meeting shall be treated as taking place at and being held at the principal place.

The board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

*Pre-emption rights of shareholders*

Unless otherwise determined by special resolution of the Company, any equity securities which are to be allotted for cash shall, before they are allotted, be offered to the holders of shares in proportion to the numbers of shares held by them respectively. The offer must be made by notice specifying the number and class of shares offered and the price per share and setting a time limit (being not less than 21 days) within which the offer, if not accepted, will be deemed to be declined. After the expiration of such time, or on receipt of an indication from the person to whom the offer is made that he declines to accept the shares offered or any of them, the directors will offer the shares declined to third parties in such manner as they think most beneficial to the Company. If the shares comprised in such further offer are declined or deemed to be declined the further offer shall be withdrawn.

*Untraced shareholders*

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the board. The proceeds will not carry interest.

*Non-Zambian shareholders*

There are no limitations in the Articles on the rights of non-Zambian shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-Zambian shareholders are not entitled to receive notices of general meetings unless they have given an address in Zambia to which such notices may be sent or, subject to and in accordance with the Companies Act, an address to which notices may be sent in electronic form.

*Uncertificated form*

The Articles allow for the holding and transfer of shares in uncertificated form. The Articles contain provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

*Indemnity of officers*

Every officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer, auditor or agent in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in relation to any such proceedings in which relief is, under the Companies Act, granted to him by the court.

Subject to the provisions of the Companies Act, the board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or officer or employee of the Company or of an associated company or of any company in which the Company has an interest whether direct or indirect (excluding the auditors or the auditors of an associated company or of a company in which the Company has an interest however direct or indirect) or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such other company or subsidiary undertaking is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or omitted to have been done, or alleged to have been done or omitted to have been done, as a director, officer, employee or trustee.

*Lien and forfeiture*

The Company shall have a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether presently or not) in respect of that share to the extent and in the circumstances permitted by the Companies Act. The board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The board may from time to time make calls on members in respect of any money unpaid on their shares, subject to the terms of allotment of the shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not to be complied with the shares in respect of which the call was made is liable to be forfeited.

### 5.3 ***Financial assistance***

The Companies Act restricts a Zambian company or its subsidiaries from giving financial assistance to any person in connection with the acquisition of its own shares pursuant to section 82 of the Companies Act.

### 5.4 ***Purchase of Shares***

Without prejudice to any special rights previously conferred on existing shares but subject to the provisions of the Companies Act and a company's articles of association, shares may be issued by the directors subject to such special rights or restrictions as the directors determine.

Shares in a Zambian company are transferable by a written instrument in a manner provided by its articles of association or by the Companies Act.

Subject to its articles of association a company may create and issue shares in favour of any directors, officer or employees of such company or its subsidiaries.

5.5 ***Protection of Minorities***

Under section 238 of the Companies Act, the rights of the minority shareholders have been defined which permits such shareholders to seek relief from the Zambian courts in the event oppressive or unfairly prejudicial or discriminatory acts against a member or contrary to the interest of the members as a whole.

The rights of shareholders may not be varied except as provided by a company's articles of association or the Companies Act and may be varied with the written consent of the majority of three fourths of the issued shares of that class or with sanction of a special resolution passed at a general meeting.

A company may, unless its articles of association provide otherwise, by special resolution alter its share capital pursuant to section 74 of the Companies Act.

5.6 ***Management***

The management of a Zambian company is by its directors. The Companies Act stipulates a company must have at least two directors and more than half of the directors, and the company secretary, must be resident in Zambia.

A director has all powers, duties and liabilities (including liability for criminal penalties) imposed by the Companies Act or the company's articles of association. A company may by ordinary resolution at a general meeting remove the directors subject to any right to claim damages if removed in breach of contract.

There are limitations on certain powers of the directors to such as disposing of the undertaking or assets of the company.

5.7 ***Accounting and Auditing***

A company must keep accounting records to show the correct financial position of the company and keep such records in a proper manner for the purpose of preparation of true and fair accounts of the company to be audited in accordance with the Companies Act.

A company must appoint a qualified auditor. The obligations of the auditors including their duties to make a report to the members of the company are set out in the Companies Act.

5.8 ***Inspection of Corporate Records***

Members of the company are entitled to inspect the company's records, register or books kept by the company during normal business hours subject any restrictions imposed by the company and in the event the member is aggrieved by any such restriction may apply to the court for relief.

5.9 ***Winding-Up***

The provisions relating to winding-up of a company are set out in detailed provisions under Part XIII of the Companies Act.

The winding up of the Company can be a voluntary winding-up by a special resolution of the members in which case the directors will make a written declaration that a full inquiry into affairs of the company was made and the company will be able to pay its debt and liabilities.

There are provisions in the Companies Act for winding-up by the creditors of the company in circumstances where the company is unable to pay its debt.

The court has power to wind-up a company upon the various grounds stipulated in the Companies Act for example that in the opinion of the court it is just and equitable to do so.

For any winding-up there are provisions in the Companies Act relating to the appointment of liquidators and powers that can be exercised by a liquidator.

5.10 ***Disclosure of shareholding***

Clause 66 of the Zambian Takeover and Merger Rules provides that following an acquisition or disposal of shares carrying voting rights in a company, a person must disclose that acquisition or disposal and his total holding to the company not later than 9.00 a.m. on the dealing day following the date of the acquisition or disposal if as a result of the acquisition he comes to hold, with any shares or rights over shares already held by him, twenty per cent or more but less than thirty-five per cent of the voting rights in a company.

## 6. Share incentive arrangements

At the December 2008 annual general meeting, the Shareholders approved a resolution to make available 1,500,000 new Ordinary Shares for the purpose of a proposed executive share option scheme. At the January 2011 annual general meeting, the Shareholders approved a resolution to make available an additional 1,500,000 new Ordinary Shares for the purpose of a second proposed executive share option scheme.

The terms of the proposed executive share option schemes have yet to be determined and no options have been granted.

It is the intention of the Board that options granted under the proposed executive share option schemes or any other Company share option scheme for employees will not exceed ten per cent. of the share capital in issue from time to time.

## 7. Directors

7.1 As at the date of this document and on Admission, the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families, related trusts or companies controlled by them ("Connected Persons") in the share capital of the Company are as follows:

| | *As at the date of this document* | | *On Admission* | |
|---|---|---|---|---|
| *Name* | *Number of Ordinary Shares* | *Percentage of issued Ordinary Shares* | *Number of Ordinary Shares (including Rights Issue Shares and Placing Shares)* | *Percentage of Enlarged Share Capital* |
| Dr. Jacob Mwanza | 1,000,000 | 0.63 | 1,100,000 | 0.44% |
| Francis Grogan[1] | 3,596,631 | 2.27 | 3,596,631 | 1.45% |
| Yusuf Koya | 14,323 | 0.01 | 22,380 | 0.01% |
| Carl Irwin[2] | 3,489,372 | 2.20 | 4,333,135[6] | 1.75% |
| Sushmit Maitra | – | – | – | – |
| Lawrence Sikutwa[3] | 600,783 | 0.38 | 938,723 | 0.38% |
| John Rabb[4] | 5,036,040 | 3.17 | 7,868,813 | 3.17% |
| Irene Muyenga | 8,569 | 0.01 | 8,569 | 0.00%[7] |
| Stanley Phiri | – | – | – | – |
| Adam Fleming[5] | 8,284,762 | 5.22 | 10,699,762 | 4.31% |
| **Total** | **22,030,480** | **13.88** | **28,568,013** | **11.52%** |

1 Held indirectly through Banata Limited

2 3,482,682 Ordinary Shares held indirectly through Tajar Limited

3 Held indirectly through Madison General Insurance Company Limited

4 Held indirectly through Shaka Holdings Inc.

5 Held indirectly through Rhodora Limited

6 840,000 Placing Shares to be issued to Applegum Pty Ltd

7 On Admission Irene Muyenga will hold 8,569 shares representing 0.0000346 per cent. of the Enlarged Share Capital

7.2 Save as disclosed in paragraphs 7.1 of this Part VI, none of the Directors or any of their respective Connected Persons has any interest, whether beneficial or non-beneficial, in any Ordinary Shares.

7.3 Save as disclosed in paragraphs 7.1 of this Part VI, none of the Directors or any of their respective Connected Persons is interested in any related financial product (as defined in the AIM Rules for Companies) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet.

7.4 There are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors nor are there any outstanding loans or guarantees provided by any of the Directors for the benefit of the Company.

7.5 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or which was significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.

7.6 Save as disclosed in this document, there are no contracts, existing or proposed, between any Director or parties in which they are interested and the Company which are material.

7.7 In addition to their directorships in the Company, the Directors hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

| *Director* | *Current directorships* | *Past directorships* |
|---|---|---|
| Dr Jacob Mwanza | Celpay Zambia Ltd<br>Konkola Resources Ltd<br>Lusaka Stock Exchange<br>Zamanita<br>Zampalm Ltd<br>Pangaea Renaissance Securities Ltd | Citibank Zambia Ltd |
| Francis Grogan | Master Pork<br>Zamleather Ltd<br>Zamanita<br>Zambeef Retailing Ltd<br>Zampalm Ltd<br>Novatek Feeds Ltd<br>Master Meats (Nigeria)<br>Master Meats (Ghana)<br>Tractorzam Ltd<br>Banata Ltd<br>Zambezi Ranching & Cropping Ltd<br>Fraca Meat Company Ltd<br>Fox Hollow Holdings Ltd | Nanga Farms PLC<br>In-bond Zambia Ltd |
| Yusuf Koya | Marhaba Service Station Ltd<br>Master Pork<br>Zamleather Ltd<br>Zambeef Retailing Ltd<br>Zampalm Ltd<br>Zamanita<br>Novatek Feeds Ltd | |

| *Director* | *Current directorships* | *Past directorships* |
|---|---|---|
| Carl Irwin | Zamanita<br>Zamleather Ltd<br>Master Pork<br>Zambeef Retailing Ltd<br>Zampalm Ltd<br>Novatek Feeds Ltd<br>Master Meats (Nigeria)<br>Master Meats (Ghana)<br>Lubungu Wildlife Safaris (2001) Ltd<br>Kanyanja Development Company Ltd<br>Tractorzam Ltd<br>King Wings Ltd<br>Performance Air Ltd<br>Proflight Commuter Services Ltd<br>Proflight Holdings Ltd<br>Tajar Ltd<br>Leopard Investment Company Ltd<br>Zambezi Ranching & Cropping Ltd<br>Fraca Meat Company Ltd | Nanga Farms PLC<br>Zamarula Ltd (formerly Zambezi Tobacco Ltd)<br>Zambezi Leaf Ltd<br>Satellite Farming Ltd |
| Sushmit Maitra | Madsu Estates Ltd | Seismic Investments Ltd<br>PIII Ltd<br>Mumbwa Mining Corporation Ltd<br>Villa Tondolo Ltd |
| Lawrence Sikutwa | Lawrence Sikutwa and Associates Ltd<br>Chakaka Village Country House Ltd<br>Chakaka Construction Company Ltd<br>Evergreen Trading Company Ltd | TAP Ltd |
| John Rabb | Wellspring Limited<br>Foresythe Estates Limited<br>Two Line Trading CC<br>Rabcha CC<br>JoAl Farming CC | Wooltru Ltd<br>Spur Holdings Ltd |
| Irene Muyenga | Organisation of Eastern and Southern Africa Insurers<br>ZEP – RE Kenya (PTA Reinsurance Company)<br>Mulungushi University Council<br>Barclays Bank Zambia plc<br>National Pension Scheme Authority of Zambia | Zambia Insurance Business College Trust<br>Institute of Directors Zambia<br>African Insurance Organisation<br>African Intercontinental Insurance Services (AIIS) London |
| Stanley Phiri | National Pension Scheme Authority of Zambia | Zambia State Insurance Corporation Ltd<br>Africa Intercontinental Insurance Services Ltd |
| Adam Fleming | African Uranium Resources (Pty) Ltd<br>ERF 378 Hyde Park Ext 77 (Pty) Ltd<br>Imara Holdings Ltd<br>Johannesburg Land Pty Ltd<br>Liliesleaf Trust<br>Liba Timber Products Ltd<br>Mangamu Timbers Ltd<br>Witwatersrand Consolidated Gold Resources Ltd<br>Zambezi Ranching & Cropping Ltd | Wonderhoek Farms (Pty) Ltd |

7.8 John Rabb was a director of Zambia Textiles Limited, and of its associate company, Zambia Spinners Limited, which were placed into voluntary liquidation by the directors in 2002.

7.9 Save as disclosed in this document no Director has:

(a) any unspent convictions in relation to indictable offences;

(b) had any bankruptcy order made against him or entered into any individual voluntary arrangements or has had a receiver appointed to any asset of such director;

(c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(d) been a partner in any partnership which has been placed into compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(e) been the owner of any assets which have been the subject of a receivership;

(f) been a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

(g) been publicly criticised by a statutory or regulatory body (including recognised professional bodies); or

(h) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

**8. Directors' service contracts and letters of appointment**

8.1 The Directors have held Company office as follows:

| *Name* | *Commencement of period of office* |
|---|---|
| Dr. Jacob Mwanza | 21 January 2003 |
| Francis Grogan | 24 June 1994 |
| Yusuf Koya | 2 June 2006 |
| Carl Irwin | 24 June 1994 |
| Sushmit Maitra | 23 November 2010 |
| Lawrence Sikutwa | 14 November 2002 |
| John Rabb | 7 August 2002 |
| Irene Muyenga | 11 September 2003 |
| Stanley Phiri | 24 September 2009 |
| Adam Fleming | 26 February 2004 |

8.2 The Articles provide that the amount, if any, of directors' fees shall from time to time be determined by the Board, subject to not exceeding any sum as the Company in general meeting may determine from time to time. A director may be paid fees or other amounts as the Board determines where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. Unless otherwise stated below, a director is not entitled to be repaid any travelling, hotel and other expenses incurred by him in or about the performance of his duties as director.

8.3 Dr. Jacob Mwanza has entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$123,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.4 Francis Grogan has entered into a fixed term service agreement with the Company under the terms of which he agreed to act as an executive director of the Company. The remuneration payable under this agreement is approximately US$459,000 gross per annum plus approximately US$46,000 gross personal air fares allowance per annum. A company car is also provided, together with a fuel allowance. Every four years, the executive director also has the option of purchasing the company car (if any) provided to him by the Company, for an amount which is equal to 10 per cent. of its original cost price. The Company also provides the executive with housing and medical benefits. A 'gratuity' is payable to the executive director on completion of the fixed term as detailed in paragraph 8.14 of this Part VI. Bonuses may be awarded as detailed in paragraph 8.13 of this Part VI. The agreement commenced with effect from 1 April 2011 and is terminable by six months' notice on either side (provided that any such notice given from the executive to the Company shall not take effect on a date which is earlier than the first anniversary of Admission) and will automatically terminate on 31 March

2013. The executive is entitled to be reimbursed in respect of all expenses reasonably incurred by him in the proper performance of his duties.

8.5 Yusuf Koya has entered into a fixed term service agreement with the Company under the terms of which he agreed to act as an executive director of the Company. The remuneration payable under this agreement is approximately US$367,000 gross per annum plus approximately US$38,000 gross personal air fares allowance per annum and approximately US$46,000 gross accommodation allowance per annum. A company car is also provided to the executive, together with a fuel allowance. Every four years, the executive director also has the option of purchasing the company car (if any) provided to him by the Company, for an amount which is equal to 10 per cent. of its original cost price. The executive also receives medical benefits. A 'gratuity' is payable to the executive director on completion of the fixed term as detailed in paragraph 8.14 of this Part VI. Bonuses may be awarded as detailed in paragraph 8.13 of this Part VI. The agreement commenced with effect from 1 April 2011 and is terminable by six months' notice on either side (provided that any such notice given from the executive to the Company shall not take effect on a date which is earlier than the first anniversary of Admission) and will automatically terminate on 31 March 2013. The executive is entitled to be reimbursed in respect of all expenses reasonably incurred by him in the proper performance of his duties.

8.6 Carl Irwin has entered into a fixed term service agreement with the Company under the terms of which he agreed to act as an executive director of the Company. The executive is required to devote an average of 50 hours per month to the role. The remuneration payable under this agreement is approximately US$90,000 gross per annum plus approximately US$46,000 gross personal air fares allowance per annum. The executive also receives medical benefits. A 'gratuity' is payable to the executive director on completion of the fixed term as detailed in paragraph 8.14 of this Part VI. Bonuses may be awarded as detailed in paragraph 8.13 of this Part VI. The agreement commenced with effect from 1 April 2011 and is terminable by six months' notice on either side (provided that any such notice given from the executive to the Company shall not take effect on a date which is earlier than the first anniversary of Admission) and will automatically terminate on 31 March 2013. The executive is entitled to be reimbursed in respect of all expenses reasonably incurred by him in the proper performance of his duties.

8.7 Sushmit Maitra has entered into a fixed term service agreement with the Company under the terms of which he agreed to act as an executive director of the Company. The remuneration payable under this agreement is approximately US$284,000 gross per annum plus approximately US$9,000 gross personal air fares allowance per annum and approximately US$46,000 gross accommodation allowance per annum. The Company has the option of either providing the executive with a company car or paying the executive a car allowance of approximately US$28,000 gross per annum. Every four years, the executive director also has the option of purchasing the company car (if any) provided to him by the Company, for an amount which is equal to 10 per cent. of its original cost price. The executive also receives a fuel allowance and is provided with medical benefits. A 'gratuity' is payable to the executive director on completion of the fixed term as detailed in paragraph 8.14 of this Part VI. Bonuses may be awarded as detailed in paragraph 8.13 of this Part VI. The agreement commenced with effect from 1 April 2011 and is terminable by six months' notice on either side (provided that any such notice given from the executive to the Company shall not take effect on a date which is earlier than the first anniversary of Admission) and will automatically terminate on 31 March 2013. The executive is entitled to be reimbursed in respect of all expenses reasonably incurred by him in the proper performance of his duties.

8.8 Lawrence Sikutwa has entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$54,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.9 John Rabb has entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$31,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.10 Irene Muyenga has entered into a letter of appointment with the Company under the terms of which she agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$54,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.11 Stanley Phiri has entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$46,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.12 Adam Fleming has entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The remuneration payable under this agreement is approximately US$31,000 gross per annum. The agreement is for an initial term of three years from 1 April 2011 unless terminated earlier by either party giving three months' notice.

8.13 25 per cent. of Company's net profit above the annual budgeted figure is to be made available to be shared between the Executive Directors of the Company subject to maximum pay-out of 50 per cent. of such Executive Director's annual basic salary. Any bonuses payable to the Executive Directors will be approved by the remuneration committee of the Board and will be made by reference to the net profit set out in the audited accounts of the Company for the relevant financial year.

8.14 The Executive Directors are entitled to a "gratuity" of an amount equal to 10 per cent. of the gross basic salary paid to them over their two year contract less statutory deductions for tax. This sum is paid upon completion of their two year fixed term contract. While there is no contractual right to this sum if the Executive Director resigns or is summarily dismissed prior to the expiry of that two year period, the Executive Directors' service agreements provide that in exceptional cases, the Company may (in its sole discretion) make a pro rated payment. The payment of the "gratuity" is recognised by Zambian common law as a payment made in lieu of terminal benefits, such as retirement benefits, which accrue to employees who are on permanent employment contracts. It is market practice in Zambia where an employee is on a fixed term contract for the employer to provide the employee with a payment called a "gratuity" in lieu of the fact that the employee will not accrue terminal benefits due to the short term nature of the employment.

8.15 Save as disclosed in this document, there is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company. Further, save as disclosed in this document, no Director is entitled to any benefits or payments from the Company on termination of their employment.

8.16 The aggregate remuneration payable and benefits in kind granted to Directors is estimated to be approximately US$1,801,000 for the financial year ending 30 September 2011 under arrangements in force at the date of this document. In addition bonus payments may be made as set out in paragraph 8.13 of this Part VI.

## 9. Significant Shareholders

9.1 As at the date of this document and on Admission, the Company is aware of the following persons who are or will hold, directly or indirectly, voting rights representing three per cent. or more of the issued shares of the Company to which voting rights are attached:

| *Name* | *As at the date of this document* *Number of Ordinary Shares* | *Percentage of of issued Ordinary Shares* | *On Admission* *Number of shares (including Rights Issue Shares and Placing Shares)* | *Percentage of Enlarged Share Capital* |
|---|---|---|---|---|
| RBS PLC as a depositary sub fund for M&G Recovery Fund | 12,300,391 | 7.75% | 26,623,908 | 10.74% |
| SSB Emerging Markets Fund | 15,763,891 | 9.93% | 24,631,080 | 9.93% |
| SQM Frontier Africa Master Fund Ltd | 14,764,333 | 9.30% | 19,764,333 | 7.97% |
| Rhodora Limited | 8,284,762 | 5.22% | 10,699,762 | 4.31% |
| Standard Bank London Clients Account | 10,101,565 | 6.36% | 12,942,630 | 5.22% |
| Artico International Equity Fund | 9,363,990 | 5.90% | 9,363,990 | 3.78% |
| Stanbic Nominees | 5,361,514 | 3.38% | 8,377,365 | 3.38% |
| National Pension Scheme Authority (NAPSA) | 8,282,171 | 5.22% | 8,282,171 | 3.34% |
| Shaka Holdings Inc. | 5,036,040 | 3.17% | 7,868,813 | 3.17% |
| African Life Financial Services | 6,758,309 | 4.26% | 6,758,309 | 2.73% |
| | 96,016,966 | 60.50% | 135,312,361 | 54.57% |

9.2 All Shareholders have the same voting rights.

9.3 To the best of the Directors' knowledge, the Company is not directly or indirectly owned or controlled by any Shareholder. Save as set out in the Articles and the Zambian Takeover and Merger Rules, there are no measures in place to prevent or regulate the ownership or control of the Company.

## 10. Material Contracts

10.1 The following contracts (i) not being contracts entered into in the ordinary course, have been entered into by the Company or its subsidiaries in the two years prior to the date of this document, or (ii) are subsisting agreements which are included within, or which relate to, the assets and liabilities of the Company (notwithstanding whether such agreements are within the ordinary course or were entered into outside of the two years immediately preceding the publication of this document) and are, or may be, material:

(a) *Placing Agreement*

The Placing Agreement dated • June 2011 and made between (1) the Company, (2) the Directors, (3) Strand Hanson and (4) Renaissance Capital (the "**Placing Agreement**") pursuant to which Renaissance Capital is appointed as agent of the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement, the Company and the Directors have given certain warranties to Strand Hanson and Renaissance Capital regarding, among other things, the accuracy and completeness of information in this document and the Company has given Strand Hanson and Renaissance Capital an indemnity in respect of certain liabilities it may incur in respect of the Admission and/or Placing or the transactions contemplated by the Placing Agreement. The Placing is not underwritten. The Placing Agreement is conditional, among other things, on Admission taking place no later than 8.00 a.m. on 23 June 2011 (or such later date as may be agreed by the

Company, Strand Hanson and Renaissance Capital, which shall be no later than 8.00 a.m. on 15 July 2011).

Under the Placing Agreement, the Company has agreed to pay to Strand Hanson a fee of £300,000, and to Renaissance Capital a commission of two per cent. of the aggregate value of the Placing Shares at the Placing Price and a fee of £30,000 (to the extent not already paid), together with all costs and expenses and VAT thereon, where appropriate.

The fees and commissions payable to Renaissance Capital and Strand Hanson as detailed in this paragraph 10.1 (a) are not in addition to the fees and commissions summarised in the engagement letters for Renaissance Capital and Strand Hanson as detailed in paragraphs 10.1 (m) and (n) below respectively.

Each of Strand Hanson and Renaissance Capital are entitled to terminate the Placing Agreement in specified circumstances prior to Admission, among other things, in the event of the occurrence of certain force majeure events, or a material breach of the Placing Agreement or in circumstances in which a claim could be made under any of the indemnities or a breach of the warranties which is material. If any of the conditions contained in the Placing Agreement are not satisfied (or waived where capable of waiver) or if for any other reason the Placing does not proceed, Admission will not take place.

(b) *Nominated Adviser Agreement*

A nominated adviser agreement dated • June 2011 and made between (1) the Company and (2) Strand Hanson (the "**Nominated Adviser Agreement**") pursuant to which the Company has appointed Strand Hanson to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay Strand Hanson a fee of £50,000 (plus VAT) per annum for its services as nominated adviser under the Nominated Adviser Agreement. The Nominated Adviser Agreement contains certain undertakings and warranties given by the Company to Strand Hanson and an indemnity from the Company in favour of Strand Hanson. The agreement shall continue until terminated by either the Company or Strand Hanson on, among other things, giving 30 days' prior written notice after the initial six month term. Strand Hanson also has the right of first refusal during the term of the Nominated Adviser Agreement to act as the Company's joint financial adviser and/or joint lead manager on normal market terms in relation to any issue of securities, disposals, acquisitions or mergers.

(c) *Broker Agreement*

A broker agreement dated • June 2011 and made between the Company and Renaissance Capital (the "**Broker Agreement**") pursuant to which the Company appointed Renaissance Capital as corporate broker in connection with Admission. The Company has agreed to pay Renaissance Capital an annual retainer of £50,000 plus VAT for its services as corporate broker. The agreement shall continue until terminated by either the Company or Renaissance Capital giving 30 days' prior written notice not to expire before the first anniversary of the date of Admission. The Company has agreed to an indemnity and limitation of liability in favour of Renaissance Capital.

(d) *Lock-in Agreement*

A lock-in and orderly market agreement dated • June 2011 and made between (1) the Company, (2) Strand Hanson, (3) Renaissance Capital and (4) the Restricted Persons (the "**Lock-in Agreement**") pursuant to which the Restricted Persons have each undertaken to Strand Hanson, Renaissance Capital and the Company (except in certain cases including (i) transfers to connected persons; (ii) the exercise by security holders of security over up to 717,857 Ordinary Shares held by Banata Limited (a company controlled by Francis Grogan) and 1,084,857 Ordinary Shares held by Tajar Limited (a company controlled by Carl Irwin); and (iii) disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company), not to dispose of the Ordinary Shares held by them following

Admission (or any interest in them or in respect of them) at any time prior to the six months following the date of Admission without the prior written consent of the Company, Renaissance Capital and Strand Hanson. Thereafter, until the second anniversary of Admission, each of the Restricted Persons undertakes that any disposal of Ordinary Shares, will not be effected without first seeking to make such a disposal through Renaissance Capital with a view to the maintenance of an orderly market in the Ordinary Shares.

(e) *Branch Registrar Agreement*

A summary of the Branch Registrar Agreement can be found in paragraph 16.3 of this Part VI.

(f) *Acquisition Agreement*

A conditional sale and purchase agreement dated 28 January 2011 (as restated and amended on 26 March 2011 and by an addendum dated 19 April 2011) and made between the Company and ETC (the "**Acquisition Agreement**") pursuant to which the Company has agreed to buy and ETC has agreed to sell the ETC Assets. The consideration payable by the Company for the ETC Assets is US$46,000,000, of which a US$1,000,000 deposit has already been paid by the Company. In addition, in consideration of ETC extending the date for completion from 30 April 2011 to 30 June 2011, the Company shall pay ETC a one month interest payment on US$46,000,000 at the 1 month USD LIBOR rate plus six per cent. per annum payable on completion and calculated *pro rata* from 1 May 2011 to the date of completion.

The Acquisition Agreement is conditional, among other things, on the following conditions being satisfied or waived:

(i) The Company confirming in writing to ETC that it has obtained approval for the Acquisition from the SEC and the LuSe.

(ii) The Company obtaining approval from its Board and its Shareholders.

(iii) The Company obtaining an acceptable environmental impact and social assessment report for the Acquisition from a competent and qualified environmental assessor.

(iv) The Company receiving the approval of the competition authority under the Competition and Consumer Protection Act no. 24 of 2010.

(v) The Company delivering written confirmation to ETC that it has raised the requisite funding for the purchase of the ETC Assets.

(vi) The Company being satisfied, that the water reticulation system situated at Lake Nampamba and the Kafue river is situated on customary land and that ETC has obtained a right of easement from the water regulatory authority and a concession from the chieftainess who owns the customary land.

The Acquisition Agreement is subject, among other things, to ETC having good, unencumbered and marketable title to the Farms and to the satisfaction (or waiver) of the following conditions:

(i) ETC procuring the release of the existing security over the ETC Assets such that it is able to deliver unencumbered title to the Company by a mechanism acceptable to the Company.

(ii) ETC providing to the Company a registered easement or other document to the Company's satisfaction that the Company will have title to or at least an unconditional right to unhindered and free access to and use of the water reticulation system at the Farms. This is subject to the approval of the water regulatory authorities and the chieftainess in the area.

(iii) ETC delivering to the Company written confirmation that ETC has valid and current water rights and that these have been transferred, assigned or registered in the name and for the benefit of the Company. This is subject to the approval of the water regulatory authorities after completion of the Acquisition.

(iv) ETC obtaining a right of easement from the water regulatory authorities to the Farms and a concession from the chieftainess in the area.

(v) ETC obtaining the consent of the Zambian Government to the assignment of the Farms from ETC to the Company.

ETC has given various warranties to the Company on an indemnity basis regarding its title to and ability to transfer the ETC Assets together with warranties relating to the ETC Assets, tax, water rights and regulatory and environmental matters.

The Acquisition Agreement may be terminated immediately by either party if the other commits a material breach of the Acquisition Agreement and fails to remedy such breach within 15 business days of such written notice requiring the breach to be remedied.

The Acquisition Agreement is governed by Zambian law.

(g) *Transition Services Agreement*

On 19 April 2011, the Company and ETC entered into a management agreement (the "**Transition Services Agreement**") whereby the Company granted ETC the right to remain on the Farms and manage the Farms on behalf of the Company. ETC will be responsible for, amongst others, the cultivation of winter crops and the management of the jatropha oil production plant.

The Company agrees to purchase wheat and barley, at an agreed price (inclusive of all costs and expenses incurred by ETC in producing the 2011 winter crops), from ETC on or before the end of the term of the Transition Services Agreement. In addition, and at no management fee to the Company, ETC agreed to utilise its current stock of diesel, crude oil and bio fuels. ETC will invoice the Company for consumables such as fuel and oil at direct cost and will be reimbursed by the Company within twenty one days of receipt of ETC's invoice.

The Transition Services Agreement is for a term of three months, commencing with effect from and including 30 June 2011 to and including 30 September 2011. Each party may at any time during the term of the Transition Services Agreement, and by providing at least two months' written notice, terminate the Transition Services Agreement.

(h) *Placing Letters*

Between • June 2011 and • June 2011 the Company received signed Placing Letters from each of the Placees confirming that, subject to Admission, they irrevocably agree to subscribe for the Placing Shares, at the Placing Price, as per their entitlement set out in each individual Placing Letter.

(i) *Concessionary Agreement*

A concessionary agreement dated 7 February 2011 and made between the Company and Africa Supermarkets Limited (the "**Concessionary Agreement**") pursuant to which the Company is granted an exclusive concession to operate butcheries at supermarket stores owned, managed or conducted by Africa Supermarkets Limited in Zambia at its own risk and for its own benefit. Africa Supermarkets Limited has agreed to provide the Company with specified equipment and the operation of the concession is subject to the restrictions provided in the Concessionary Agreement. Africa Supermarkets Limited will collect all monies paid to it by customers in connection with sales from the Company's concession and pay such amounts to the Company.

In consideration for providing the Company with equipment and retail space, the Company has agreed to pay Africa Supermarkets Limited 7.5 per cent. of the Company's revenue generated from the concessionary operations (exclusive of VAT or any other similar levy, if applicable) plus VAT thereon. Either party is entitled to terminate the Concessionary Agreement by six months' prior written notice and Africa Supermarkets Limited may unilaterally terminate any concession, among other things, in the event that it ceases to conduct business from the place where the concession is located.

(j) *Finance Facilities*

(i) DEG Loan No. 1

On 15 December 2006, the Company in its capacity as borrower, entered into a US$5,000,000 term loan with DEG as lender ("**DEG Loan No.1**"). The DEG Loan No.1 was made available to finance, among other things, the construction of infrastructure projects and the repayment of existing loan facilities of the Group.

The DEG Loan No.1 is repayable in equal instalments of US$416,000 payable on a bi-annual basis effective from 15 April 2009, with a final instalment of US$424,000 due by 15 October 2014. Interest is set at 2.75 per cent. over six month USD LIBOR per annum and payable six monthly in arrears.

By way of security, the Company has provided a first ranking floating charge and debenture over all the assets of the Company, to rank *pari passu* with existing secured lenders up to a value of US$5,000,000.

(ii) DEG Loan No.2

On 23 June 2009, the Company in its capacity as borrower, entered into a US$25,000,000 term loan with DEG as lender ("**DEG Loan No.2**"). The DEG Loan No.2 was made available to finance, among other things, the construction of infrastructure projects and the purchase of equipment and machinery for the Group.

The DEG Loan No.2 is repayable in equal instalments of US$1,785,000 payable on a bi-annual basis effective from 15 November 2010, with a final instalment of US$1,795,000 due by 15 May 2017. Interest is set at 4.55 per cent. over six month USD LIBOR per annum and payable six monthly in arrears.

By way of security, the Company has provided a first fixed legal mortgage over Sinazongwe Farm and Chiawa Farm, as set out in paragraph 22(c) of Part IVa of this document up to an aggregate value of US$40,000,000.

(iii) IFC Zambeef Loan

On 29 June 2010, the Company in its capacity as borrower entered into a US$7,000,000 term loan with IFC as lender ("**IFC Zambeef Loan**"). The IFC Zambeef Loan was made available to finance the expansion of the Company's food growing, processing and retail business in Zambia.

The IFC Zambeef Loan is repayable in a total of eleven equal instalments to be payable on a bi-annual basis effective from 15 June 2010, with the final instalment being payable by 15 June 2017. Interest is set at 4.75 per cent. over six month USD LIBOR per annum and payable six monthly in arrears.

By way of security, the Company has provided a first fixed legal mortgage over the stock feed land and buildings, plant and equipment up to a value of US$11,200,000.

(iv) IFC Nigeria Loan

On 29 June 2010, Master Meats (Nigeria) in its capacity as borrower entered into a US$3,000,000 term loan with IFC as lender ("**IFC Nigeria Loan**"). The IFC Nigeria

Loan was made available to finance the establishment of the Group's integrated livestock, feedlot and processing facility and expansion of retail outlets in Nigeria.

The IFC Nigeria Loan is repayable in a total of eleven equal instalments to be payable on a bi-annual basis effective from 15 June 2012, with the final instalment being payable by 15 June 2017. Interest is set at 4.75 per cent. over six month USD LIBOR per annum and payable six monthly in arrears.

By way of security, Master Meats (Nigeria) has provided a floating charge over its assets and the Company has provided a parental guarantee.

(v) Commercial Paper/Bond

On 23 December 2010, the Company issued a one year term commercial paper which will be rolled over upon expiry into a five year term bond to various parties of an aggregate value of ZMK31,785,000,000 ("**CP/Bond**"). The CP/Bond was offered for the purpose of restructuring and refinancing various short to medium term loans of the Group.

The bond will be repayable by way of a bullet repayment on the maturity date of 23 December 2016. Interest for the one year term CP is set at 12 per cent. fixed per annum and the five year term bond is set at 5 per cent. above 364 day treasury bill rate, subject to a floor rate of 12 per cent. and a ceiling rate of 17 per cent. per annum. Interest on the CP/Bond is payable six monthly in arrears.

By way of security, the Company has provided a first fixed legal mortgage over the Company's Head Office premises up to a value of ZMK32 million.

(vi) Stanbic Bank Finance Lease

On 1 July 2010, the Company in its capacity as borrower entered into a US$2,400,000 finance lease with Stanbic Bank Zambia Limited as lender ("**Stanbic Bank Finance Lease**"). The Stanbic Bank Finance Lease was made available to finance the purchase of vehicles for the Group.

The Stanbic Bank Finance Lease is repayable in 47 equal instalments, with the final instalment due by 30 June 2014. Interest is set at 7.7 per cent. over three month USD LIBOR per annum and payable monthly in arrears.

By way of security, the Company has provided a fixed charge over the financed vehicles.

(vii) Standard Chartered Loan

On 9 May 2011, Zamanita in its capacity as borrower entered into a US$3,500,000 term loan with Standard Chartered Bank Zambia Plc as lender ("**Standard Chartered Loan**"). The Standard Chartered Loan was made available to finance plant refurbishment.

The Standard Chartered Loan is repayable with quarterly instalments payable from 30 April 2012 of US$218,750 with the final instalment due by 31 January 2016. Interest is set at 5 per cent. over twelve month USD LIBOR per annum and payable monthly in arrears.

By way of security, Zamanita has provided a first fixed legal mortgage over Zamanita's land, buildings and plant and a fixed and floating debenture over Zamanita's assets up to an aggregate value of US$17,000,000.

(k) *SCB Zambeef Working Capital Facility*

On 15 June 2011, the Company in its capacity as borrower, entered into a US$5,000,000 overdraft facility, ZMK4,500,000,000 overdraft facility and a US$30,000,000 structured agricultural finance facility with Standard Chartered Bank Zambia Plc as lender (the "**SCB Working Capital Facility**"). The SCB Working Capital Facility was made available to finance, among other things, farming input costs, stock financing of grain in storage and normal working capital for the Group.

The SCB Working Capital Facility is repayable on demand. Interest is set at 4.25 per cent. over one month USD LIBOR per annum (US$ overdraft facilities), at the Standard Chartered Bank Zambia Plc ZMK base rate minus 3 per cent. per annum (ZMK overdraft facility), and 4 per cent. over three month USD LIBOR per annum (structured agricultural finance facility), and is payable monthly in arrears.

By way of security, the Company has provided a fixed and floating charge over specific stocks of grain up to an aggregate value of US$5,000,000 and a debenture over all the assets of the Company, to rank *pari passu* with existing secured lenders up to a value of US$5,200,000. The Company will also provide, subject to certain terms and conditions being met, an agricultural crop charge over all crops being cultivated under the SCB Working Capital Facility up to an aggregate value of US$13,500,000, a fixed charge over the Farms up to an aggregate value of US$15,000,000, a supplemental fixed and floating debenture over specific stocks of grain up to an aggregate value of US$25,000,000 and upstream guarantees from Zambeef Retailing Ltd, Zamanita and Master Pork.

(l) *Rights Issue Agreement*

The Rights Issue Agreement, dated 27 May 2011, and made between (1) the Company, (2) Renaissance Capital and (3) Pangaea Renaissance Securities Limited ("**Pangaea Renaissance**") (the "**Rights Issue Agreement**") pursuant to which Renaissance Capital and Pangaea Renaissance were appointed as agents of the Company to use their reasonable endeavours to assist the Company to procure subscribers for the Rights Issue Shares pursuant to the Rights Issue of the Company to its Shareholders (save for (subject to certain exceptions) persons with a registered address in the US, Australia, Canada or Japan). Pursuant to the Rights Issue Agreement, the Company gave certain warranties to Renaissance Capital and Pangaea Renaissance regarding, among other things, the accuracy and completeness of information in the Rights Issue Circular (including all attachments thereto) and related announcements issued by the Company (the "**Rights Issue Documents**"). The Company has given Renaissance Capital and Pangaea Renaissance an indemnity in respect of certain liabilities it may incur in respect of the Rights Issue Agreement, including, among other things, the publication of the Rights Issue Documents or the issue of the Rights Issue Shares. The Rights Issue was not underwritten.

Under the Rights Issue Agreement the Company agreed to pay to Renaissance Capital the broking fees, other fees, costs and expenses as set out in the engagement letter dated 20 January 2011 between the Company and Renaissance Capital as detailed in paragraph 10.1(m) below.

(m) *Renaissance Capital Engagement Letter*

The Renaissance Capital Engagement Letter, dated 20 January 2011, and made between the Company and Renaissance Capital (the "**Renaissance Capital Engagement Letter**") pursuant to which Renaissance Capital is appointed as agent to the Company for the Rights Issue and the Placing (the "**Offering**").

Under the Renaissance Capital Engagement Letter the Company agreed to pay Renaissance Capital a fee equal to two per cent. of the gross proceeds of the Offering. In addition, the Company shall pay Renaissance Capital a non-refundable fee of US$30,000. Renaissance Capital and the Company are entitled at any time to terminate Renaissance's Capital's appointment under the Renaissance Capital Engagement Letter, provided that the Company may not terminate the appointment after public marketing of the Offering.

Subject to the gross proceeds of the Placing and the Rights Issue being at least US$55 million, if during the period of twelve months from the date of Admission, the Company proposes to issue new equity, Renaissance Capital shall have the right of first refusal to act as the

Company's exclusive financial adviser on terms customary for such transactions provided that Renaissance Capital shall be paid a fee of at least 2 per cent. of the gross proceeds of such capital raising.

(n) *Strand Hanson Engagement Letter*

The Strand Hanson Engagement Letter, dated 14 February 2011, as amended by a supplementary letter dated 1 June 2011, and made between the Company and Strand Hanson (the "**Strand Hanson Engagement Letter**") pursuant to which Strand Hanson is appointed as financial adviser to the Company for the Placing.

Under the Strand Hanson Engagement Letter the Company agreed to pay Strand Hanson a fee of £300,000. Strand Hanson and the Company are entitled at any time to terminate Strand Hanson's appointment under the Strand Hanson Engagement Letter.

(o) *Farm leases*

Following completion of the acquisition the following leases will be material contracts:

(i) Lease Agreement – Nampamba Farm

A lease agreement between the President of Zambia (the "**Lessor**") and Mpongwe Development Company the original lessee (the "**Lessee**") dated 28 February 1985 pursuant to which the registered proprietor is granted the use of Farm 4451, Mpongwe, in the Copperbelt Province of Zambia. This farm estate covers 22,921.52 Ha and is used for agricultural use and purposes ancillary thereto. The lease is for a period of 99 years which commenced on 1 August 1984 and in consideration, the registered proprietor is obliged to pay statutory ground rent to the Lessor which is subject to change from time to time by the Zambian Government in accordance with the law.

(ii) Lease Agreement – Chambatata Farm

A lease agreement between the President of Zambia (the "**Lessor**") and Mpongwe Development Company the original lessee (the "**Lessee**") dated 28 February 1985 pursuant to which the registered proprietor is granted the use of Farm 4450, Mpongwe, in the Copperbelt Province of Zambia. This farm estate covers 12,491.86 Ha and is used for agricultural use and purposes ancillary thereto. The lease is for a period of 99 years which commenced on 1 August 1984 and in consideration, the registered proprietor is obliged to pay statutory ground rent to the Lessor which is subject to change from time to time by the Zambian Government in accordance with the law.

(ii) Lease Agreement – Kampemba Farm

A lease agreement between the President of Zambia (the "**Lessor**") and Mulungushi Investment Limited the original lessee (the "**Lessee**") dated 1 February 1991 pursuant to which the registered proprietor is granted the use of Farm 5388, in the Copperbelt Province of Zambia. This farm estate covers 11,463.15 Ha and is used for agricultural use and purposes ancillary thereto. The lease is for a period of 99 years which commenced on 1 February 1991 and in consideration, the registered proprietor is obliged to pay statutory ground rent to the Lessor, which is subject to change from time to time by the Zambian Government in accordance with the law.

10.2 Save as disclosed in this paragraph 10, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or any member of the Group which are or may be material.

## 11. Related party transactions

11.1 The Directors' interests in the related party transactions and related parties set out in note 33 to Part IVa of this document are as follows:

| *Director* | *Related Party* | *Directors' interest* |
|---|---|---|
| Carl Irwin | Zambezi Ranching and Cropping Limited | 20.02% |
| | Kanyanga Development Company Limited | 100.00% |
| | Proflight Commuter Services Limited | 44.50% |
| | Leopard Investments Limited | 100.00% |
| | Tractorzam Limited | 40.00% |
| | Fraca Meats Company Limited | 50.00% |
| Francis Grogan | Zambezi Ranching and Cropping Limited | 20.02% |
| | Fraca Meats Company Limited | 50.00% |
| Adam Fleming | Zambezi Ranching and Cropping Limited | 47.04% |
| John Rabb | Wellspring Limited | 100.00% |
| | Foresythe Estates Limited | 50.00% |
| Lawrence Sikutwa | Madison General Insurance Company Limited | 51.52% (indirect) |

11.2 Save as disclosed in this document, the Company has not entered into any related party transaction or material agreement other than on arm's length terms.

## 12. Litigation

12.1 The Company has the following outstanding litigation:

An action was commenced in the High Court by Lummus Agricultural Services Company (Z) Limited ("**Lummus**") against the Registrar of Lands and Deeds and the Attorney General. Lummus has claimed that the purported cancellation of the certificate of title relating to Lot 2764/M Sinazongwe should be declared wrongful and null and void. The land in dispute is the land on which the water pump for the Company's farm in Sinazongwe may be situated. The Ministry of Lands had issued to the Company certificates of title numbered Lot 18835/M and Lot 18836/M and had cancelled the certificate of title relating to Lot 2764/M. Lummus are challenging this cancellation of its title. Judgment was entered in favour of Lummus on 20 January 2009 but without the Court giving the Company notice of the proceedings. Subsequently, the Company filed an application on 19 January 2010 to be joined to the action and has applied to the High Court of Zambia to set aside the Judgment of 20 January 2009. The application to set aside is pending in the High Court of Zambia.

12.2 Save as disclosed in paragraphs 4.9 and this paragraph 12 of Part VI of this document, there are no Zambian governmental, legal or arbitration proceedings (including, to the knowledge of the Directors, any such proceedings which are pending or threatened, by or against the Company or any subsidiary of the Group) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position or profitability of the Company or any member of the Group.

## 13. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 14. UK Taxation

### 14.1 *General*

The following comments are intended as a general guide to the UK tax treatment of the acquisition, ownership and disposal of Placing Shares or Depositary Interests for persons who are the absolute beneficial owners. The comments are based on UK tax law and understanding of published HM Revenue and Customs ("**HMRC**") practice at the date of this document. The comments are a general guide only and do not apply to certain categories of Shareholder, such as persons owning shares as securities to be realised in the course of a trade, persons owning more than a 10 per cent. stake in the Company, persons who are not resident in the United Kingdom, or are resident but not domiciled in the United Kingdom; or persons who do not acquire their Placing Shares or Depositary Interests under the Placing. The following is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. Accordingly, all potential investors are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Placing Shares or Depositary Interests.

14.2 ***Dividends***

The Company will not be required to withhold any UK tax on dividend payments in respect of the Placing Shares.

A UK resident Shareholder who is an individual will generally be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit). The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax is 10 per cent.. Accordingly, the tax credit will discharge such Shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that Shareholder's liability to UK income tax, such Shareholder will not be entitled to claim payment of the excess from HMRC.

The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above the threshold for higher rate tax (but below the additional rate threshold of £150,000), is 32.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the actual received dividend. The rate of income tax payable on such dividends by a UK individual shareholder whose total income, including the dividend and associated tax credit, falls above £150,000 per annum, is 42.5 per cent., which taking into account the 10 per cent. tax credit gives an effective rate of tax of 36.11 per cent. on the actual received dividend.

The same tax consequences may also apply to individuals who are UK resident but not UK domiciled but this would depend upon their individual circumstances and Shareholders should consult their tax adviser for more information.

Following changes introduced by the Finance Act 2009, dividends received by UK tax resident companies (after 1 July 2009) are subject to corporation tax unless the dividend receipt qualifies under one or more of a number of exemptions. These exempt classes are dependent upon various factors including (but not limited to) the size of the recipient company, the nature and size of their shareholding, and the profits out of which the dividends are paid. Certain exemptions are also based upon the payer being tax resident within the UK or a qualifying territory, which we note does include Zambia. Shareholders within the charge to corporation tax should consult their own professional advisers in respect of this matter.

14.3 ***Capital gains***

A disposal of Placing Shares or Depositary Interests by a shareholder resident or in the case of an individual, ordinarily resident for UK tax purposes in the United Kingdom may, depending on the shareholder's circumstances and subject to any available exemptions, allowances or reliefs (such as entrepreneurs relief), give rise to a chargeable gain or an allowable loss for the purposes of U.K. taxation of chargeable gains.

Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the United Kingdom. A disposal of Placing Shares or Depositary Interests by non UK resident Shareholders may also give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains if they carry on a trade, profession or vocation in the United Kingdom through a branch or agency or, in the case of a company, if it carries on a trade through a permanent establishment in the United Kingdom and they have used, held or acquired Placing Shares or Depositary Interests for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment (as the case may be) subject to their particular circumstances and any available exemptions, allowances or reliefs.

14.4 ***Inheritance tax***

If any holder of Placing Shares or Depositary Interests is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Placing Shares or Depositary Interests on the death of the holder. Any gift of the Placing Shares or Depositary Interests may also have inheritance tax implications.

To the extent that the Placing Shares or Depositary Interests are not included on a UK register, any holder of Placing Shares or Depositary Interests who is not regarded as domiciled, or deemed domiciled in the UK will have no liability to UK inheritance tax.

14.5 ***Stamp duty and stamp duty reserve tax***

The following comments are intended as a guide to the general United Kingdom stamp duty and SDRT position and (except insofar as expressly referred to below) do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with depositary receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Placing Shares or Depositary Interests to whom special rules apply.

No UK stamp duty or SDRT should be payable on the issue of the Placing Shares direct to persons acquiring those shares pursuant to the Placing or to the Depositary or on the issue of the Depositary Interests by the Depositary.

No UK stamp duty should be payable on a transfer of Placing Shares in certificated form, provided that any instrument of transfer is not executed in the United Kingdom, and the transfer does not relate to any property situated, or to any matter or thing done or to be done, in the United Kingdom.

No SDRT should be payable on an agreement to transfer Placing Shares in certificated form, provided that there is no register of Placing Shares kept in the United Kingdom by or on behalf of the Company and the Placing Shares are not paired with any shares in a UK registered company. It is not intended that any such register of Placing Shares will be kept in the United Kingdom.

No UK stamp duty should be payable on a transfer of Depositary Interests representing Placing Shares provided that the transfer is effected electronically within the CREST system and no written instrument of transfer is executed.

As neither AIM nor LuSE are currently designated by HMRC as "recognised stock exchanges" for the purposes of the SDRT exemption for UK depositary interests in foreign securities, it is considered that a charge to SDRT normally at the rate of 0.5 per cent. of the consideration, would arise on an agreement to transfer Depositary Interests representing Placing Shares. The charge would arise, in the case of an unconditional agreement to transfer Depositary Interests representing Placing Shares, on the date of the agreement and, in the case of a conditional agreement, on the date the agreement becomes unconditional. However, where an instrument of transfer is executed and the applicable stamp duty is paid before the expiry of a period of six years beginning with the date of that agreement (or the date on which the agreement becomes unconditional, as the case may be), the SDRT charge is cancelled to the extent that the SDRT has not been paid and if any of the SDRT has been paid, a claim may be made for its repayment.

Transfers within CREST do not usually involve the execution of an instrument of transfer so are usually subject to SDRT rather than stamp duty.

The liability to pay stamp duty is generally satisfied by the transferee while SDRT is generally a liability of the purchaser.

Shareholders should seek their own professional advice as to any stamp duty, SDRT or other tax consequences of the conversion of the Placing Shares from uncertificated to certificated form, and *vice versa*.

14.6 ***Domicile***

Any individual who owns Ordinary Shares and is resident or ordinarily resident in the UK, but who is not domiciled in the UK for tax purposes, may be subject to UK income tax or capital gains tax as described above only to the extent that this income or disposal proceeds are treated as remitted to the UK. An individual who meets the conditions of s809C ITA 2007 would be required to pay a remittance basis charge, currently £30,000 in order to claim that the remittance basis applies. Any individual who does not or is not entitled to claim the remittance basis will be subject to UK taxation on worldwide income or gains.

Any individual who is not UK domiciled is advised to obtain his own professional advice on the UK tax implications of the acquisition, ownership and disposal of Shares, including the implications of registration on the Branch Register.

## 15. Zambian Taxation

The Company is incorporated in Zambia and operates subject to Zambian law. Set out below is a summary of certain provisions of Zambian taxation, which does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Zambian tax law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

(a) ***Taxation on dividends***

All dividends are subject to withholding tax at 15 per cent.. The Company would be responsible for withholding taxes at source except that it is currently exempt from paying withholding tax as a result of the investment licence and tax incentives that it has been granted as detailed in Part III of this document under the heading "Taxation status of the Group and ETC Assets".

(b) ***Capital gains tax and inheritance tax***

There is no capital gains tax and inheritance tax in Zambia.

(c) ***Stamp duty reserve tax***

Stamp duty reserve tax does not apply in Zambia.

(d) ***Property transfer tax***

Property transfer tax of five per cent. applies on all transfers of property. Shares traded or transferred on the LuSE are exempt from paying property transfer tax.

## 16. Depositary Interests

The Company has entered into depositary arrangements to enable investors to settle and pay for interests in Ordinary Shares through the CREST system. Pursuant to arrangements put in place by the Company, the Depositary will hold the Ordinary Shares on trust for the investors and will issue dematerialised Depositary Interests to CREST accounts representing the underlying Ordinary Shares.

The Depositary Interests will be created pursuant to and issued on the terms of a deed poll dated • 2011 and entered into by the Depositary in respect of the Depositary Interests (the "Deed Poll"). Prospective holders of Depositary Interests should note that they will have no rights in respect of the underlying Ordinary Shares, or the Depositary Interests representing them, against CREST or its subsidiaries. The Deed Poll also sets out the procedure for holders of Depositary Interests to vote at general meetings of the Company and to exercise their rights as Shareholders. Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends.

Ordinary Shares will be transferred to the Custodian and the Depositary will issue Depositary Interests to participating members and provide the necessary custodial services.

In relation to those Ordinary Shares held by Shareholders in uncertificated form, although the Company's register shows the Custodian as the legal holder of the Shares, the beneficial interest in the Ordinary Shares remains with the holder of the Depositary Interest (the Shareholder), who has the benefit of all the rights attaching to the Ordinary Shares as if the holder of the Depositary Interest were named on the certificated share register itself.

The Depositary Interests are independent securities constituted under English law and are held on a register maintained by the Depositary. The Depositary Interests have the same ISIN number as the Ordinary Shares which they represent and do not require a separate listing on AIM. The Depositary Interests can be traded and settlement will be within the CREST system in the same way as any other CREST securities.

Application has been made for the Depositary Interests to be admitted to CREST with effect from Admission.

16.1 ***Deed Poll***

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of the Depositary or by written request to the Depositary (subject to a reasonable copying charge). In summary, the Deed Poll contains, amongst other things, provisions to the following effect which are binding on holders of Depositary Interests.

The Depositary will hold (itself or through its nominated Custodian), as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of the Depositary Interests warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary and for the account of the holders of Depositary Interests are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Articles nor any contractual obligation, law or regulation. The holder of Depositary Interests indemnifies the Depositary for any losses it incurs as a result of breach of this warranty.

The Depositary and the Custodian must pass on to Depositary Interest holders and exercise on behalf of Depositary Interest holders all rights and entitlements received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the holders of Depositary Interests upon being received by the Custodian and in the form in which they are received by the Custodian together with any amendments and additional documentation necessary to effect such passing on.

The Depositary shall re-allocate any Ordinary Shares or distributions which are allocated to the Custodian and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Custodian to holders of Depositary Interests *pro rata* to the Ordinary Shares held for their respective accounts provided that the Depositary shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any holder of Depositary Interests or to any other person for liabilities in connection with the performance or non-performance of its obligations under the Deed Poll or otherwise, except to the extent that any losses result from its own negligence or wilful default or fraud. Furthermore, except in the case of personal injury or death, the Depositary's liability to a holder of Depositary Interests will be limited to the lesser of:

1. the value of the Ordinary Shares and other deposited property properly attributable to the Depositary Interests to which the liability relates; and

2. that proportion of £5,000,000 which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the Depositary Interest holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission or event which gave rise to such liability or, if there are no such amounts, £5,000,000.

The Depositary is not liable for any losses attributable to or resulting from the Company's negligence or wilful default or fraud or that of the CREST operator.

The Depositary is entitled to charge holders of Depositary Interests fees and expenses for the provision of its services under the Deed Poll.

Each holder of Depositary Interests is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of Depositary Interests held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent, if such Custodian or agent is a member of the Depositary's group, or, if not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary may compulsorily withdraw the Depositary Interests (and the holders of Depositary Interests shall be deemed to have requested their cancellation) if certain events occur. These events include, amongst other things, where the Depositary believes that ownership of the Depositary Interests may result in a taxation or pecuniary, fiscal or material regulatory disadvantage to the Depositary or the Custodian or where the Depositary Interests are held by a person in breach of the law or the Company's Articles. If these events occur the Depositary shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds thereof to the holder of the Depositary Interests in question.

The Depositary may terminate the Deed Poll by giving 30 days' prior notice. During such notice period holders may cancel their Depositary Interests and withdraw their deposited property and, if any Depositary Interests remain outstanding after termination, the Depositary must as soon as reasonably practicable, among other things, deliver the deposited property in respect of the Depositary Interests to the relevant Depositary Interest holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll *pro rata* to holders of Depositary Interests in respect of their Depositary Interests.

The Depositary may require from any holder, or former or prospective holder, information as to the capacity in which Depositary Interests are owned and the identity of any other person with any interest of any kind in such Depositary Interests and the nature of such interest and holders are bound to provide such information requested. Furthermore, to the extent that the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Ordinary Shares, the holders of Depositary Interests are to comply with such provisions as if they were holders of Ordinary Shares and must comply with the Company's instructions with respect thereto.

Holders of Depositary Interests are responsible for the payment of any tax, including stamp duty reserve tax on the transfer of their Depositary Interests.

16.2 ***Depositary Agreement***

A depositary services and custody services agreement dated 14 June 2011 between the Company and the Depositary (the "**Depositary Agreement**") relating to the Depositary's appointment as Depositary and Custodian in relation to the Ordinary Shares and the provision of depositary and custodian services in connection with the Depositary Interests.

The Depositary assumes certain specific obligations, including the obligation to provide copies of and access to the register of Depositary Interests. The Depositary may appoint a subsidiary or third party to provide the custody services. The Company agrees to provide all information and documentation to the Depositary as is required by the Depositary for the purposes of performing its duties, responsibilities and obligations under the Depositary Agreement. The Depositary Agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution.

The Company is to indemnify the Depositary for any loss it may suffer as a result of performing its obligations under the Depositary Agreement except to the extent that any losses result from the Depositary's own negligence, fraud or wilful default. The Depositary is to indemnify the Company for any loss the Company may suffer as a result of in connection with the Depositary's fraud, negligence or wilful default save that the aggregate liability of the Depositary to the Company over any 12 month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Depositary in any 12 month period in respect of a single claim or in the aggregate.

Subject to earlier termination, the Depositary is appointed for a fixed term of one year and thereafter until terminated by either party giving not less than six months' notice.

In the event of termination, the parties agree to phase out the arrangements envisaged by the Depositary Agreement in an efficient manner and without adverse effect on the Shareholders and the Depositary shall deliver to the Company (or as it may direct) all documents, papers and other records relating to the register of Depositary Interests in its possession and which are the property of the Company.

The Company is to pay certain fees and charges, including a set up fee, an annual services fee, a fee based on the number of deposits, transfers or cancellations of Depositary Interests per year and certain CREST related fees.

The Depositary is also entitled to recover reasonable out-of-pocket fees and expenses.

16.3 ***Branch Registrar Agreement***

The terms of the branch registrar agreement dated • June 2011 between the Company and the Branch Registrar (the "**Branch Registrar Agreement**") under which the Company appoints the Branch Registrar to maintain the Company's branch register in Jersey and provide certain other services as are summarised below.

The Branch Registrar will perform the services of registrar using reasonable skill and care. The Branch Registrar will perform certain specific services in its capacity as Branch Registrar, including for example, to receive and register transfers and all other documents needed to maintain the registers, to prepare and issue new share certificates and to prepare and dispatch dividends.

The Company is to indemnify the Branch Registrar for any loss it may suffer as a result of its performance of the Branch Registrar Agreement, except to the extent such loss arises as a result of the fraud, negligence or wilful default of the Branch Registrar. The Branch Registrar shall indemnify the Company for any loss the Company may suffer as a result of or in connection with the Branch Registrar's fraud, negligence or wilful default save that the aggregate liability of the Branch Registrar to the Company over any 12 month period shall in no circumstances whatsoever exceed twice the amount of the fees payable to the Branch Registrar in any 12 month period in respect of a single claim or in the aggregate.

Subject to earlier termination, the Branch Registrar Agreement shall continue for a fixed term of one year and thereafter until terminated by either party giving not less than six months' notice. The Branch Registrar Agreement may be terminated by either party at any time by notice on an insolvency event occurring in relation to the other party or at any time if either party commits a material breach of its obligations which that party has failed to make good within 21 days of receipt of notice from the other party or if either party ceases to have the appropriate authorisation to perform its obligations under the agreement.

The Company is to pay certain fees, including a set-up fee, an annual fee and certain fees specified in the Branch Registrar Agreement for additional services. The Branch Registrar is also entitled to recover reasonable out-of-pocket expenses.

**17. General**

17.1 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 30 September 2010, being the date to which the last audited accounts were made up.

17.2 The Company will publish its audited accounts for the year ended 30 September 2011 on or before 31 December 2011. The accounting reference date of the Company is 30 September.

17.3 The total costs and expenses payable by the Company in connection with or incidental to the Rights Issue, the Placing and Admission, including registration and London Stock Exchange fees, corporate finance, accountancy and legal fees, commissions due for procuring placees, consulting and investor relation services and the costs of printing and despatching this document, are estimated to be up to £1.77 million (approximately US$2.86 million) (excluding VAT), all of which will be payable by the Company. The gross proceeds of the Rights Issue and the Placing are expected to be £33.95 million (approximately US$54.97 million) and the net cash proceeds to the Company are expected to be £32.18 million (approximately US$52.11 million).

17.4 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

(a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or

(b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

(i) fees totalling £10,000 or more; or

(ii) securities in the Company with a value of £10,000 or more; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

17.5 No payment in excess of £10,000 has been made by or on behalf of the Company to any Zambian Government or regulatory body with regard to the acquisition or maintenance of any of the Company's assets.

17.6 The financial information contained in Part IVa of this document does not constitute full statutory accounts as referred to in Section 430 to 434 of the UK Companies Act 2006.

17.7 Bosch Projects (PTY) Ltd has given and not withdrawn its written consent to the issue of this document with references to their name in the form and context in which they appear.

17.8 Grant Thornton UK has given and not withdrawn its written consent to the issue of this document with the inclusion of its accountants' report and references to its name in the form and context in which they appear.

17.9 Renaissance Capital has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

17.10 Strand Hanson has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

17.11 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Group's activities.

17.12 Save as set out in this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

17.13 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.

17.14 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.

17.15 Save as disclosed in this document, there are no investments in progress which are significant.

17.16 In relation to information provided by third parties, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## 18. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until at least 30 days after the date of Admission:

(a) the Articles of Association;

(b) the Directors' service agreements and letters of appointment referred to in paragraph 8 of this Part VI;

(c) the material contracts referred to in paragraph 10 of this Part VI; and

(d) the letters of consent referred to in paragraphs 17.7, 17.8, 17.9 and 17.10 of this Part VI.

## 19. Availability of documents

Copies of this document will be available free of charge from the date of this document until the date which is one month after Admission, at the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted). A copy of this document will also be available on the Company's website, www.zambeefplc.com.

Dated: • June 2011

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