

## Financial Highlights

for the year ended 30 June 2009

### Consolidated results

Revenue - continuing operations  
           - discontinued operations

Profit for the year

Total assets

Operating cashflow

Capital expenditure

### Ordinary share performance

Basic earnings per share- cents

Net assets per share- cents

Market price per share - year end- cents

### Financial ratios

Interest bearing debt to total shareholders' funds %

Interest cover (times)

Return on investment %

Group 2009 USD
15,627,117
4,105,904
<u>19,733,021</u>
808,518
25,052,630
353,743
420,541
0.59
12
33
3.28%
897
5%

## Chairman's Statement

### INTRODUCTION

The first six months of the financial period under review was characterised by unprecedented levels of hyperinflation. The trading environment was extremely difficult. However, the second six months period to June 2009 saw a paradigm shift in economic policy in Zimbabwe. With the adoption of multi-currencies in February, price controls have been dropped, trading and dealing in foreign currency were liberalised and agricultural products decontrolled. This allowed manufacturing companies in particular to embark on rebuilding their operations and start to compete with the vast range of imported brands brought in to fill the previous void of locally produced products.

### FINANCIAL

The Group changed its functional currency and presentation currency from Zimbabwe Dollars (ZWD) to United States Dollars (USD) with effect from 1 February 2009 following the liberalisation of the foreign currency market and the approval for companies to trade in multi-currencies.

In order to report in the new functional currency in terms of International Financial Reporting Standards (IFRS), inflation-adjusted financial statements should have been prepared and converted to the new currency accordingly. However, inflation-adjusted financial statements could not be prepared as required by International Accounting Standard 29 (Financial Reporting in Hyperinflation Economies) because inflation indices were not available. Inflation indices were last published in July 2008.

Consequently the Group used the guidelines issued by the Public Accountants and Auditors Board and the Zimbabwe Stock Exchange to translate the financial statements for the seven months to 31 January 2009 to United States Dollars and the net impact of the translation from ZWD to USD is shown on the Income Statement as a monetary adjustment.

Given the prevailing conditions in the first seven months of the financial year and the translation methodology that was required to be followed, the Public Accountants and Auditors Board directed that audit firms should issue an adverse opinion on any income statement, cash flow statement and statement of changes in equity for financial statements that incorporate transactions in Zimbabwe Dollars. However, an unqualified opinion has been issued on the balance sheet as at 30 June 2009.

Due to the unique circumstances prevailing in the Zimbabwean economy during the financial year and its consequent effect on the Group's ability to report accurately for a large portion of this period, the Directors advise caution in the use of the income statement, cash flow statement, statement of changes in shareholders' equity and opening balance sheet for analysis and decision-making purposes. The Directors are however satisfied that the balance sheet at 30 June 2009 forms the correct base for reporting of results for future periods.

Comparative figures for the income statement, cash flow statement and statement of changes in shareholders' equity have not been presented as the Directors are of the view that these figures would be largely meaningless due to the foreign currency exchange rate distortions prevailing at that time.

During the period under review the Group achieved a turnover of USD 19,733,021, a loss before taxation of USD 658,935 and an attributable profit of USD 922 276. Basic earnings per share amounted to 0.59 cents.

### REVIEW OF OPERATIONS

The Group responded to the improved economic and trading conditions by starting to regain turnover and market share in the local market. Initially this proved difficult as demand was soft and input and operating costs were higher than the regional average. However, an improved supply of raw materials has helped reduce USD prices and stabilise margins which in turn has led to improved demand. As a result of these changes the Group has managed to increase its overall volumes by 240% from January 2009 to June 2009.

### PORK BUSINESS

The poor slaughter weights recorded in quarter two continued into quarter three. This was a direct result of stockfeed shortages midway through quarter two which, because of the length of the pig cycle of 21 weeks, continued to impede pig performance well after stockfeed supplies had normalised in November 2008. Slaughter weights recovered back to target weights in quarter four.

Stockfeed supply improved during 2009 and consequently through market forces, prices of maize and soya declined which assisted the pig industry to return to modest profitability.

## Chairman's Statement (continued)

Pig supply into the factory was stable in quarter three despite the lower weights referred to above. This was because a decision was taken to reduce the size of the outgrower herd to more manageable levels, which in turn led to a temporary increase in slaughter animals available to the factory. The reduction in animals available in quarter four was compensated by increased slaughter weights. Increasing demand for processed products resulted in a dramatic increase in factory utilisation which in turn allowed the division to trade profitably in quarter four.

Because the cost of stockfeed in Zimbabwe is still higher than the regional average, exports remain uncompetitive and the Ruwa export facility remains closed.

### OTHER BUSINESS

As reported in the interim statement, viability in the ostrich business came under pressure primarily from the high costs of imported stockfeeds together with softening demand overseas for meat and skin products, a direct result of the world recession.

Because of these factors, it was decided to close the business and consequently the flock has been slaughtered and the company had ceased operations by year-end. Resultant closure costs have been provided for in the financial statements under review.

In the beef business poor throughput and increased costs forced the closure of the Bulawayo abattoir, which has subsequently been leased to a third party. The beef processing division in Harare has performed adequately doubling volumes from January 2009 to June 2009.

The performance of the businesses that have been closed has been disclosed in the financial statements as Discontinued Operations.

### FUTURE PROSPECTS

The changes to the economic policy during quarter three and quarter four have brought stability and clarity to the Group. Profitability has returned to all operating divisions and the prospect of a meaningful return to shareholders in

the coming year is good. However, growth from June 2009 levels will be aligned to the overall prospects for economic revival in Zimbabwe and consequent GDP growth. For this to occur, the country needs substantial inflows of foreign direct investment coupled with lines of credit and access to finance.

For the immediate future the Group will return to its core business of pig production and pork processing. Focus will be given to growing market share through the introduction of new products and aggressive marketing of all product lines through the Group's strong brands.

At Triple C Pigs further attention will be given to continuing to increase slaughter weights through further improvements in animal performance.

These measures together with rigorous attention to detail and other cost control measures should result in a solid performance for the Group for the forthcoming year.

### DIRECTORATE

During the period, Dr T Takavarasha resigned from the Board. The Board expresses its sincere gratitude for his positive contribution during his tenure of office. Mr T W Brown was appointed to the Board during the period.

### APPRECIATION

I would like to thank all employees for their continued and notable efforts through this complex period. Again, great credit to our CEO Gavin Sainsbury whose leadership and solid management style has been a key factor in steering the company through this past year. My sincere appreciation to my fellow directors for their continued support and valuable guidance.



**R E Davenport**  
**CHAIRMAN**  
8 October 2009