FARMERS HOUSE PLC

CENTRAL

PARK

ANNUAL REPORT
2007

Farmers House, Cairo Road, Before... 1998

Central Park, After... 2007

Farmers House Plc and its subsidiary

Consolidated financial statements

for the year ended 31 March 2007

Contents	***Page***

Notice is hereby given that the Twenty-fifth Annual General Meeting of Farmers House PLC will take place at The Holiday Inn, Lusaka on Thursday 28th June 2007 at 10:00 Hrs

AGENDA

1) To read the Notice of the Meeting.

2) To read and approve the minutes of the Twenty fourth Annual General Meeting held on 29th June 2006.

3) To consider any matters arising from these minutes.

4) To receive the Report of the Directors, the Auditors Report and the Financial Statements for the year ended 31st March 2007.

5) To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

6) To elect Directors to fill any vacancies. In terms of the Articles Mr. T.T. Mushibwe, and Mr. W.P. Saunders retire and, being eligible, offer themselves for re-election. The late Mr. A.R.B. Landless was due to retire, and the Directors recommend Mr. M. Hantuba for election in his place.

7) To approve the Directors remuneration.

8) To declare a Final Dividend. The proposed Final Dividend of K15 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 27th June 2007. Warrants in payment will be posted for payment on or about 31st August 2007. The transfer books and register of members will be closed from 28th June 2007 – 11th July 2007 (both dates inclusive).

9) To consider any competent business of which due notice has been given.

BY ORDER OF THE BOARD

R.P.S. MILLER - Managing Director

Articles of Association
Article 16.1
"A member entitled to attend and vote is entitled to appoint a proxy, who need not also be a member, to attend and vote instead of him." Proxies must be lodged at the registered office of the company at least 48 hours before the time fixed for the meeting.
Article 23.5
"No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting, unless not less than 21 days before the date appointed for the meeting there has been left at the registered office notice in writing signed by a member (not being the person to be proposed) duly qualified to attend and vote at the meeting, of his intention to propose the person for election, and a notice in writing signed by that person of his willingness to be elected."

Farmers House Plc and its subsidiary

Minutes of the Twenty-fourth Annual General Meeting of Farmers House PLC held at Central Park, Farmers House Cairo Road, Lusaka on Thursday 29th June 2006 at 10:00 hours.

Present:	Mr. R.D Frost	- Chairman
	Mr. R.P.S Miller	- Managing Director
	Mr. I.T.S Miller	- Director
	Mr. K.H Makala	- Director
	Mr. W.P Saunders	- Director
	Mr. A.R.B. Landless	- Director
Shareholders:	Mr. J.L.K Mwanza	- Self
	Ms. P. d'Elbee	- Self & Bataleur Investment
	Mr. E. Kanjanga	- Self
	Mr. W.P Saunders	- Self
	Mrs. M.A. Miller	- Self
	Mr. P. Frost	- Associated Printers
	Mr. N. Phiri	- Self
	Mr. M.S Malukutu	- Self
	Mr. I.T.S. Miller	- City Investments Ltd
In Attendance:	Mr. H. Mtine	- KPMG
	Mr. A.L Francis	- Amazon Associates
	Mr. C. Siwale	- Pangaea/EMI Securities
	Ms. W. Tembo	- Pangaea/EMI Securities
	Mr. C. Chisanga	- Pangaea/EMI Securities
	Mr. P.V.R Rao	- City Investments
	Mr. S.E Popota	- City Investments
	Ms. C. Nair	- Lusaka Stock Exchange
	Mr. F. Kabambe	- Intermarket Securities
	Mr. S. Mubano	- Intermarket Securities
	Mr. C. Mutoni	- Stockbrokers (Z) Ltd
	Mr. P. Ward	- Stockbrokers (Z) Ltd

1.00 **To read the Notice of the Meeting**

1.01 **The Chairman declared the meeting open at 10:05 hour and welcomed the Shareholders, Directors, Mr. H. Mtine (Senior partner - KPMG), Mr. A.L Francis (Transfer Secretary) and Mr. C. Siwale (Pangaea/EMI Securities Ltd) to the Twenty fourth Annual General Meeting and called on the Managing Director to read the notice of the meeting.**

1.02 The Chairman asked if any proxies had been received and the Managing Director reported that there had been none.

1.03 The Chairman asked if any apologies had been received and Mr. W.P Saunders reported that Mr. K.H Makala would be coming late for the meeting. Mr. Miller reported that no other apologies had been received.

2.00 **To read and approve the minutes of the Twentieth-third Annual General Meeting held on 29th June 2005.**

2.01 There being no corrections, the minutes were **unanimously approved** on the proposal of Mr. P. Frost and seconded by Mr. I.T.S Miller.

3.00 **To consider any matters arising from the minutes**

3.01 There were no matters arising from the minutes of the Twenty-third Annual General Meeting. The Chairman proceeded to the next item on the agenda.

4.00 **To receive the Report of the Directors, the Auditors' Report and the Financial Statements for the year ended 31st March 2006.**

4.01 **The Directors' Report**

4.02 The Chairman read the Director's Report as presented in the Farmers House Annual Report 2006 and asked for questions.

4.03 Mr. P. Frost asked if the undeveloped green space at Central Park was available for future development. The Managing Director responded that while the undeveloped space was available for development when opportunities arose, the focus was to develop other sites.

4.04 As there were no further questions from the shareholders, the Directors Report was unanimously approved on the proposal of Ms. P. d'Elbee and seconded by Mrs. M.A. Miller.

4.05 **The Auditors' Report and Financial Statements**

4.06 In stating the basis of the Financial Statements, Mr. H. Mtine stated that Farmers House PLC was one of the leading companies in adopting and applying the International Financial Reporting standards. Mr. H. Mtine read the Auditors Report as presented in the Farmers House Annual Report 2006.

4.07 The Chairman called on Mr. H. Mtine or the Managing Director to explain the Financial Statements as presented in the Farmers House Annual Report 2006 and to clarify any questions from the floor.

4.08 Mr. F. Kabambe asked if there was any consideration to change lease currency from US Dollar to Kwacha. The Managing Director explained that since the majority of expenses were dollar based, US Dollar was going to be maintained as lease currency in order to avoid a mismatch of expenditure against income.

4.09 There being no further questions the Financial Statements for the year ended 31st March 2006 were **unanimously approved** on the proposal of Ms. P. d'Elbee and seconded by Mr. P. Frost

5.00 **To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration.**

5.01 On permission of the Chairman, Mr. R.P.S. Miller on behalf of the Audit Committee of the Company proposed that KPMG continue as Auditors. Mr. I.T.S. Miller seconded the motion and KPMG was **unanimously approved** as Auditor for the ensuing year and the Directors were authorized to fix their remuneration.

6.00 **To elect Directors to fill any vacancies.**
In terms of the Articles Mr. R. Daya, Mr. I.T.S. Miller and Mr. K.H. Makala retire and, being eligible offer themselves for re-election.

6.01 The Chairman thanked the retiring Directors for their valuable support and input to Management on behalf of the shareholders. The Chairman reported that no alternative proposals had been received in terms of Article 23.5. The Chairman proposed on behalf of the Director's that Mr. R. Daya, Mr. ITS. Miller and Mr. K.H. Makala are re-elected.

6.02 Nominations were tabled as follows

Mr. R. Daya
Mr. I.T.S. Miller
Mr. K.H. Makala

6.03 The above were proposed by Ms. P. d'Elbee and seconded by Mrs. M.A. Miller, and unanimously elected.

7.00 **To approve the Directors' remuneration**

7.01 **The Directors' remuneration as stated in the Annual Report was unanimously approved on the proposal of Ms. P. d'Elbee and seconded by Mr. P. Frost.**

8.00 **To declare a Final Dividend of K25 per share, if approved, will be declared payable to members registered in the books of the Company on close of business on 28th June 2006. Warrants in payment will be posted for payment on or about 31st August 2006. The transfer books and register of members will be closed from 28th June 2006 – 7th July 2006 (both dates inclusive)**

8.01 Ms. P. d'Elbee referred to the planned developments reported in the Chairman's Report and requested guidance from the Board on how the Company planned to service its' future dividends.

8.02 On permission of the Chairman, the Managing Director stated that there was often a clash between the capital growth of the company and the dividend yield to shareholders. The Managing Director referred shareholders to the substantial capital appreciation of the Company as reflected in the increase of the share price in the 2005/6 year from K1,000 to K1,500. In the past shareholders had preferred to see continued capital appreciation rather than increased dividend yield.

8.03 Ms. D'Elbee agreed that this had been the policy and encouraged the Board to maintain strong capital growth whilst maintaining a reasonable dividend.

8.04 The Final Dividend of K25.00 per share having been proposed by the Board was **unanimously approved** on the proposal of Ms. P. d'Elbee and seconded by Mrs. M.A. Miller.

9.00 **To consider any competent business of which due notice has been given.**

9.01 Ms. P. d'Elbee asked on the status of the proposed rear entrance to Central Park. On permission of the Chairman, the Managing Director explained that this was a project under the National Milling Company but that the construction of the road had been temporarily halted pending finalisation of certain issues with the Local Authority.

9.02 The Chairman called on Mr. A.L. Francis to explain the tax matters on dividend payments. Mr. A.L. Francis explained that Dividends were tax free for individual shareholders; however companies other than recognized pensions continue to pay tax on applicable rates.

9.03 The Managing Director gave a presentation on the history of the Company highlighting the achievements and planned future developments at the Agricultural & Commercial Society of Zambia site. Structural designs for the building which was to be the head quarters for Celtel Zambia Ltd were presented, and alternative forms of financing this potential $15 million development were presented.

9.04 Mr. C. Siwale of Pangaea/EMI gave a presentation on the Celtel Project financing alternatives, highlighting the benefits and costs to both Shareholders and the Company. Mr. Siwale explained that the Board would:

1. review and recommend the mix of debt and equity;
2. review and recommend the type, structure and pricing of these instruments;
3. prepare an Offer Document which would be approved by the SEC and LuSE;
4. circulate the Offer to shareholders for their consideration.

9.05 To conclude the meeting the Chairman referred shareholders to the Board resolutions on which the Managing Director had reported in his presentation on the development of the Celtel project. On request of shareholders the following resolutions were reviewed once more. Following further explanation Resolution 1 and Resolution 2 were adopted unanimously by the meeting:

Resolution 1.

RESOLVED pursuant to Article 4.1 of the Company's Articles of Association, to proceed with a rights offer to dispose of some or all of the Company's authorised but unissued ordinary shares in a manner the Board deems appropriate and in the best interests of the Company and its shareholders and that the Board give effect to this resolution.

Resolution 2.

RESOLVED that application be made to the Securities and Exchange Commission and to the Lusaka Stock Exchange for the registration and listing, respectively, of any ordinary shares that may be issued through the rights offer and that the Board give effect to this resolution.

9.06 There being no further notice of any competent business the Chairman thanked the shareholders for their attendance. The meeting was declared closed at 11:20 hours.

Chairman________________________________Date___________________________

Farmers House Plc and its subsidiary

COMPANY INFORMATION

REGISTERED OFFICE:

Farmers House, Stand 2713
Cairo Road
PO Box 30012, Lusaka, Zambia
Telephone 228682

DIRECTORS

R D Frost (Chairman)

R P S Miller (Managing Director)

A R B Landless

I T S Miller

R Daya

T.T. Mushibwe

K. Makala

W P Saunders

ALTERNATES

P M d'Elbee

A T S Miller

G N H Robinson

M A Miller (Mrs)

N M Lacey

N H C Chiromo

C S Makala

D G A Ironside

TRANSFER SECRETARIES

Amazon Associates Limited
P O Box 32001
Lusaka

COMPANY SECRETARIES
City Investments Limited
P O Box 30093
Lusaka

AUDITORS
KPMG
P O Box 31014
Lusaka

SOLICITORS

Sharpe, Howard & Mwenye
P O Box 31198
Lusaka

BANKERS
Standard Chartered Bank (Z) Limited
Main Branch
P O Box 32238
Lusaka

Stanbic Bank (Zambia) Limited
Head Office
P.O. Box 31955
Lusaka

DIRECTORS' REPORT

It is my pleasure to present the Directors' report for the year ended 31st March 2007. However, I am saddened to report to you the passing on of Mr. Ronnie Landless, who has provided wise counsel and guidance on the Board of Directors for many years. He will be sorely missed by his fellow directors, the company, and the country for all the hard work he put into the development of Zambia.

Financial Results

The year under review has seen improved stability in the Zambian economy following debt forgiveness from the country's international cooperating partners and major investments in the mining sector. There has been a reversal of the appreciation of the Kwacha witnessed in the 2006 financial year. The exchange rate has moved from K3,275 to US$1 at 31st March 2006, to K4,245 at 31st March 2007 with most of the reversal occurring in the second half of the year. As with many businesses whose income is Dollar based, this has adversely affected the company's results.

The financial statements of the company therefore show a small increase in total income from K5,656 million in 2006 to K5,657 million in 2007. Profit from operations before tax, however, show an improvement of K746 million from K729 million (before Surplus on Revaluation and Exchange Losses/gains) in 2006 to K1,475 million in 2007 – a 102% increase.

As you will note from the financial statements there has also been a significant increase in the company's net asset value from K25.96 billion in 2006 to K79.72 billion in 2007 – a three fold increase. This principally reflects the rights issue transaction, but is also as a result of the independent valuation carried out at year end which shows a gain in the value of the company's investment properties of K11.38 billion. This gain is reflected in the income statement as required by international accounting standards. It should be noted that the proceeds from the rights issue have been utilised for the development of the Celtel buildings, income from which will provide the company with substantially improved cash flow in the coming years, and the repayment of debt which will reduce financing costs for the company going forward.

The company's ordinary shares traded during the year at a price in the K1,450 range. The valuation of your company on a net asset basis is currently K1,865 per ordinary share. The current market price represents a discount of approximately 22% to the net asset value of the company. It should be noted that all construction expenditure is shown at cost. The valuation of these buildings on completion and the net income that will arise in future years will enhance the net asset value of the company substantially.

2006 Renunciable Rights Offer

I am particularly pleased to report to you the resounding success of the company's Rights Issue. This offer of 32,059,434 ordinary shares was made on 2nd October 2006 to shareholders in the company on a 3 for 1 basis. The financial adviser and sponsoring broker to the issue was Pangaea/EMI Securities Limited and I thank them for their professional performance in this successful issue. The underwriters to the issue were Saturnia Regna Pension Trust Fund, Standard Chartered Bank Pension Fund, Chilanga Cement Pension Fund, Barclays Bank Pension Fund, Stanbic Bank Pension Fund, Copperbelt Energy Corporation Pension Fund – all pension funds registered in Zambia and managed by African Life Financial Services Limited. This underwriting commitment demonstrated the faith that these major financial institutions hold in Farmers House PLC, and I also thank them for their involvement.

DIRECTORS' REPORT (CONTINUED)

This issue was the largest single rights issue that has been brought to the market in the history of the Lusaka Stock Exchange (LuSE). The company raised K42 billion (approximately US$10 million) through the issue and its success demonstrates the faith that both existing and new subscribers have in our company and in the Zambian Capital Markets generally. In this respect I acknowledge the professional manner that the LuSE and the Securities & Exchange Commission acted in approving and managing the issue. The use of these proceeds as at the Balance sheet date is shown in the financial statements and the construction of the Celtel development are described below.

Central Park – Cairo Road, Lusaka

Central Park has certainly become Lusaka's premier business address and continues to attract such blue chip tenants as Barclays Bank, Standard Chartered Bank, Celtel and of course the Lusaka Stock Exchange amongst others. I am pleased to report that Central Park is 100% let.

Celtel Head Quarters Development

I am delighted to report that the development of the 2 Hectares of land at the corner of the Great East Road and Addis Ababa Road leased from the Agricultural & Commercial Society of Zambia is progressing well. Farmers House PLC is developing a Switch Centre (Phase I) and Head Office (Phase II) for lease by Celtel Zambia Ltd once these buildings are constructed. This major development is well under way with Phase I almost complete and Phase II to be completed within the next 12 month period.

Final Dividend

Notwithstanding the substantial development activity noted above, the Board has recommended a final dividend of K15 per share. This final dividend, if approved, is a further demonstration of the financial performance of the company, its solid projected earnings basis and the strength of its balance sheet.

Farmers House Plc and its subsidiary

DIRECTORS' REPORT (CONTINUED)

Five Year Financial Summary

Year ended 31 March	**2007** **K'000**	**2006** **K'000**	**2005** **K'000**	**2004** **K'000**	**2003** **K'000**
Income	5,657,381	5,656,477	4,924,615	4,941,821	3,923,077
Operating Expenditure	(4,181,972)	(4,926,955)	(4,698,450)	(4,143,851)	(3,457,676)
Operating Profit	**1,475,409**	**729,522**	**226,165**	**797,970**	**465,401**
Gains from fair value adjustment of investment properties	11,382,643	-	3,318,542	-	2,426,895
Net exchange gain / (loss)	(1,033,974)	2,797,381	147,437	122,725	141,753
Profit before tax	**11,824,078**	**3,526,903**	**3,692,144**	**920,695**	**3,034,049**
Taxation	27,940	(126,991)	(419,009)	92,357	23,842
Profit after tax	**11,852,018**	**3,399,912**	**3,273,135**	**1,013,052**	**3,057,891**
Fixed Assets	3,113,644	3,678,439	3,936,915	3,326,097	3,662,045
Investment property	49,082,805	37,700,162	37,493,966	25,511,352	25,309,253
Investment property under development	7,549,737	9,500	14,491	5,270,346	546,726
Investments	880	1,740	1,740	1,740	1,740
Other Long Term Assets	273,587	159,186	-	-	-
Current Assets	30,226,278	1,544,182	4,945,783	4,030,419	3,980,617
Current Liabilities	2,410,328	2,636,937	6,312,514	2,716,590	3,403,173
Net Current (Liabilities)/Assets	27,815,950	(1,092,755)	(1,366,731)	1,313,829	577,444
Shareholders Funds	79,719,363	25,958,496	21,892,984	18,329,167	17,848,346
Long Term Indebtedness	7,823,740	13,964,365	17,805,711	16,312,999	10,392,508
Other Long Term Liabilities	-	-	-	783,198	1,689,659
Deferred Taxation	293,500	533,411	408,040	-	168,695
Dividends paid/proposed	641,189	267,162	374,027	342,983	354,383

R.D. Frost

R.D. Frost
Chairman

Farmers House Plc and its subsidiary

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors and Committees

The details of board members and the various board committees are as follows:

DIRECTORS	ALTERNATES
R.D. Frost (Chairman)	P.M. d'Elbee (Ms.)
R.P.S. Miller (Managing Director)	A.T.S Miller
R. Daya	N.M. Lacey
A.R.B. Landless	G.N.H. Robinson
I.T.S Miller	M.A. Miller (Mrs.)
T.T. Mushibwe	N.H.C Chiromo
K. Makala	C.S. Makala
W.P. Saunders	D.G.A. Ironside

The roles of Chairman and Chief Executive Officer are separate and no individual has unfettered control over decision-making. The Chairman is an independent non-executive director appointed by the Board.

Board Meetings

The Board has met four (4) times during the year and continues to direct the company's affairs in a prudent manner.

Mr. T.T. Mushibwe, Mr. W.P. Saunders are retiring from the Board at the Annual General Meeting and being eligible, offer themselves for re-election. Mr. A.R.B. Landless was due to retire from the Board. In his place the Directors recommend the appointment of Mr. M. Hantuba to the Board.

Directors' Interest

Name of Director	Beneficial	Non Beneficial
R.D. Frost	Nil	292,513
R. Daya	Nil	Nil
A.R.B. Landless	Nil	100,000
K.H. Makala	Nil	Nil
I.T.S. Miller	Nil	305,006
R.P.S. Miller	300,000	Nil
T.T. Mushibwe	Nil	Nil
W.P. Saunders	105,798	Nil

Contracts in which directors have an interest are as follows:

Farmers House PLC holds an administration contract with City Investments Limited, of which R.P.S. Miller is the Managing Director and Mr. I.T.S. Miller is a Director.

Farmers House PLC holds a property administration contract with Minerva Property Development Company Ltd, in which City Investments Ltd. is a shareholder.

STATEMENT ON CORPORTE GOVERNANCE (CONT.)

The Audit, Executive and Remuneration committees during the period were made up of the following Board members:

Audit Committee	Executive Committee	Remuneration Committee
T.T. Mushibwe (Chairman)	W.P. Saunders (Chairman)	K.H. Makala (Chairman)
R.D. Daya	I.T.S. Miller	W.P. Saunders
R.P.S. Miller	A.R.B. Landless	A.R.B. Landless
	R.P.S. Miller	I.T.S. Miller

During the year under review the Board appointed a Structuring Committee to oversee the Rights Issue and to manage the use of the proceeds of this issue in the best interests of the company. The Committee was made up of the following Board members:

Structuring Committee

T.T. Mushibwe (Chairman)
W.P. Saunders
K.H. Makala
R.P.S. Miller

Members of these committees include non-executive members of the Board. During the year these Committees of Directors met regularly and were extremely busy overseeing the financial and operational affairs of the company.

Director's responsibility statement

The Company's Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Farmers House Plc comprising the balance sheets at 31 March 2007, and the income statements, the statements of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act 1994.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

Approval of the consolidated and separate financial statements

The financial statements, as indicated above, were approved by the board of directors on 24th May 2007 and signed on its behalf by:

....	....
Director	*Director*

KPMG Zambia
Nkwazi House, Stand No 25/26
Corner Nkwazi/Cha Cha Cha Roads
P O Box 31014
Lusaka, Zambia

Telephone +260 (21) 122 8874 - 77
+260 (97) 774 0421
Fax +260 (21) 122 5903 / 122 8883
E mail info@kpmg.co.zm

Independent auditor's report to the shareholders of Farmers House Plc

Report on financial statements

We have audited the consolidated and separate financial statements of Farmers House Plc ("the Company"), which comprise the balance sheets at 31 March 2007, and the income statements, the statements of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 45.

Director's responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act 1994. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Farmers House Plc at 31 March 2007, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, 1994 of Zambia.

Report on other legal and regulatory requirements

In accordance with Section 173 (3) of the Companies Act 1994 of Zambia, we report that, in our opinion the required accounting records, other records and registers have been properly kept in accordance with the Act.

KPMG

KPMG
Chartered Accountants of Zambia

Hastings Mtine

Hastings Mtine
Partner

24/05/2007
Lusaka

Farmers House Plc and its subsidiary

Consolidated income statement
for the year ended 31 March 2007

	Note	2007 K'000	2006 As restated K'000
Gross rental income	3	**5,474,917**	5,498,677
Property operating expenses	12e	**(2,028,164)**	(1,943,420)
Net rental income		**3,446,753**	3,555,257
Valuation gains on investment property	12	**11,382,643**	-
Administrative expenses		**(1,401,723)**	(1,240,871)
Other income	7	**182,464**	157,800
Net operating profit before net financing (loss)/income		**13,610,137**	2,472,186
Net foreign exchange (loss)/gain	6	**(1,033,974)**	2,797,381
Financial income	6	**605,632**	4,627
Financial expense	6	**(1,357,717)**	(1,747,291)
Net financing (loss)/income	6	**(1,786,059)**	1,054,717
Profit before tax		**11,824,078**	3,526,903
Income tax expense	8	**27,940**	(126,991)
Profit for the year		**11,852,018**	3,399,912
Basic earnings per share (Kwacha)	9	**482.77**	294.29
Diluted earnings per share (Kwacha)	9	**468.45**	304.82

The notes on pages 21 to 45 are an integral part of these financial statements.

Farmers House Plc and its subsidiary

Balance sheet - Group
for the year ended 31 March 2007

	Note	2007	2006 As restated
		K'000	K'000
Assets			
Investment property	12	49,082,805	37,700,162
Investment property under development	12h	7,549,737	9,500
Plant and equipment	13	3,113,644	3,678,439
Rental income receivable after 12 months		273,587	159,186
Investments in associates	14	880	1,740
Total non-current assets		60,020,653	41,549,027
Current assets			
Trade and other receivables	15	913,371	519,454
Cash and cash equivalents	16	29,312,907	951,203
Taxation recoverable		-	73,525
Total current assets		30,226,278	1,544,182
Total assets		90,246,931	43,093,209
Equity			
Share capital	17	42,746	10,686
Share premium		42,862,458	718,507
Retained earnings		36,814,159	25,229,303
Total equity attributable to equity holders of the parent		79,719,363	25,958,496
Non-current liabilities			
Convertible redeemable cumulative preferred stock	18	7,823,740	7,823,740
Interest-bearing loans and borrowings	19	-	6,140,625
Deferred taxation	8d	293,500	533,411
Total non current liabilities		8,117,240	14,497,776
Current liabilities			
Interest-bearing loans and borrowings	19	-	917,430
Creditors and other payables	20	2,396,147	1,719,507
Tax payable		14,181	-
Total current liabilities		2,410,328	2,636,937
Total equity and liabilities		90,246,931	43,093,209

The financial statements on pages 15 to 45 were approved by the Board of Directors on 24th May 2007 and were signed on its behalf by:

T.T. Mushibwe
Director

R. Daya
Director

The notes on pages 21 to 45 are an integral part of these financial statements.

Farmers House Plc and its subsidiary

Balance sheet - Company
for the year ended 31 March 2007

	Note	2007	2006 As restated
		K'000	K'000
Assets			
Investment property	*12*	**49,082,805**	37,700,162
Investment property under development	*12h*	**7,549,737**	9,500
Plant and equipment	*13*	**3,113,644**	3,678,439
Rental income receivable after 12 months		**273,587**	159,186
Investments	*14*	**2,880**	3,740
Total non-current assets		**60,022,653**	41,551,027
Current assets			
Trade and other receivables	*15*	**913,371**	519,454
Cash and cash equivalents	*16*	**29,312,907**	951,203
Taxation recoverable		-	73,525
Total current assets		**30,226,278**	1,544,182
Total assets		**90,248,931**	43,095,209
Equity			
Share capital	*17*	**42,746**	10,686
Share premium		**42,862,458**	718,507
Retained earnings		**36,189,908**	24,600,938
Total equity		**79,095,112**	25,330,131
Liabilities			
Convertible redeemable cumulative preferred stock	*18*	**7,823,740**	7,823,740
Interest-bearing loans and borrowings	*19*	-	6,140,625
Deferred taxation	*8d*	**293,500**	533,411
Total non current liabilities		**8,117,240**	14,497,776
Current liabilities			
Interest-bearing loans and borrowings	*19*	-	917,430
Trade and other payables	*20*	**3,022,398**	2,349,872
Tax payable		**14,181**	-
Total current liabilities		**3,036,579**	3,267,302
Total liabilities		**11,153,819**	17,765,078
Total equity and liabilities		**90,248,931**	43,095,209

The financial statements on pages 15 to 45 were approved by the Board of Directors on 24th May 2007 and were signed on its behalf by:

T.T. Mushibwe
Director

R. Daya
Director

The notes on pages 21 to 45 are an integral part of these financial statements.

Farmers House Plc and its subsidiary

Consolidated statement of changes in equity - Group
for the year ended 31 March 2007

	Share capital	Share premium	Retained earnings	Total
	K'000	**K'000**	**K'000**	**K'000**
At 1 April 2005 as previously stated	9,900	22,650	21,860,434	21,892,984
Prior year adjustment (note 11) - operating lease income	-	-	36,034	36,034
Prior year adjustment (note 11) – reduction in fair value change	-	-	(36,034)	(36,034)
At 1 April 2005 as restated	9,900	22,650	21,860,434	21,892,984
Shares issued	786	695,857	-	696,643
Profit for the year	-	-	3,399,912	3,399,912
Dividends paid	-	-	(31,043)	(31,043)
At 31 March 2006	**10,686**	**718,507**	**25,229,303**	**25,958,496**
At 1 April 2006	10,686	718,507	25,229,303	25,958,496
Rights issue 3:1	32,060	42,143,951	-	42,176,011
Profit for the year	-	-	11,852,018	11,852,018
Dividends paid	-	-	(267,162)	(267,162)
At 31 March 2007	42,746	42,862,458	36,814,159	79,719,363

Retained earnings are the carried forward recognised income, net of expenses, of the Group plus current period profit attributable to shareholders.

Share premium is the excess paid by shareholders over the nominal value for their shares.

The notes on pages 21 to 45 are an integral part of these financial statements.

Farmers House Plc and its subsidiary

Statement of changes in equity - Company
for the year ended 31 March 2007

	Share capital	Share premium	Retained earnings	Total
	K'000	K'000	K'000	K'000
At 1 April 2005 as previously stated	9,900	22,650	21,229,269	21,261,819
Prior year adjustment (note 11) - operating lease income	-	-	36,034	36,034
Prior year adjustment (note 11) – reduction in fair value change	-	-	(36,034)	(36,034)
At 1 April 2005 as restated	9,900	22,650	21,229,269	21,261,819
Shares issued	786	695,857	-	696,643
Profit for the year	-	-	3,402,712	3,402,712
Dividends paid	-	-	(31,043)	(31,043)
At 31 March 2006	**10,686**	**718,507**	**24,600,938**	**25,330,131**
At 1 April 2006	10,686	718,507	24,600,938	25,330,131
Rights issue 3:1	32,060	42,143,951	-	42,176,011
Profit for the year	-	-	11,856,132	11,856,132
Dividends paid	-	-	(267,162)	(267,162)
At 31 March 2007	42,746	42,862,458	36,189,908	79,095,112

The notes on pages 21 to 45 are an integral part of these financial statements.

Farmers House Plc and its subsidiary

Cash flow statement – Group

for the year ended 31 March 2007

	Note	2007	2006 As restated
		K'000	K'000
Cash flows from operating activities			
Profit for the period		11,852,018	3,399,912
Depreciation	*13*	595,088	591,272
Amortisation of ICC deferred income		-	(132,324)
Gain on sale of investment	*7*	(182,464)	-
Unrealised exchange difference		471,990	(3,316,582)
Gains from fair value adjustment of investment property		(11,382,643)	-
Finance charges		781,783	1,022,247
Coupon interest on preferred stock		575,934	725,044
Interest received		(605,632)	(4,627)
Change in receivables		(508,318)	387,279
Change in creditors		676,640	212,971
Income tax (credit) / expense		(27,940)	126,991
		2,246,456	3,012,183
Finance charges		(781,783)	(1,022,247)
Income tax paid		(124,265)	-
Net cash from operating activities		1,340,408	1,989,936
Cash flows from investing activities			
Coupon interest on preferred stock		(575,934)	(725,044)
Interest receivables		605,632	4,627
Proceeds from sale of investment		183,324	-
Acquisition of plant and equipment	*13*	(30,293)	(387,539)
Development of investment property	*12h*	(7,540,237)	(146,462)
Net cash from investing activities		(7,357,508)	(1,254,418)
Cash flows from financing activities			
Net proceeds from issue of shares	*17*	42,176,011	696,644
Corporate bonds		-	(631,644)
Interest bearing borrowings repaid		(7,058,055)	(3,689,830)
Non-interest bearing borrowings obtained		-	70,500
Preferred stock		-	115,122
Dividend paid		(267,162)	(345,614)
Net cash from financing activities		34,850,794	(3,784,822)
Net increase/(decrease) in cash and cash equivalents		28,833,694	(3,049,304)
Cash and cash equivalents at 1 April 2006		951,203	3,830,201
Effect of exchange rate fluctuations on cash held		(471,990)	170,306
Cash and cash equivalents at 31 March 2007	*16*	29,312,907	951,203

The notes on pages 21 to 45 are an integral part of these financial statements.

1 Principal activities

The Group's principal activity is that of investment in real property.

2 Basis of preparation

The significant accounting policies adopted in the preparation of these financial statements applied in all material respects, are set out below:

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 1994 of Zambia.

i) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2007, and have not been applied in preparing these financial statements:

- IFRS 7 *Financial Instruments: Disclosures* and the *Amendment* to *IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2008 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the financial statements.

- IFRIC *8 Scope of IFRS 2 Share-based Payment* addresses the accounting for share –based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 which becomes mandatory for the Group's 2008 financial statements is not expected to have any impact on the financial statements.

2 Basis of preparation *(continued)*

- IFRIC 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 which will become mandatory for the Group's 2008 financial statements is not expected to have any impact on the financial statements.

b) Use of estimates and judgements

The preparation of financial statements requires directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Reviews to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is recognised in note 23.

c) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (financial instruments) which are stated at their fair values.

d) Functional and presentation currency

The financial statements are presented in Zambian Kwacha, which is the Group's functional and presentation currency.

Central Park Layout - Cairo Road, Lusaka, Zambia



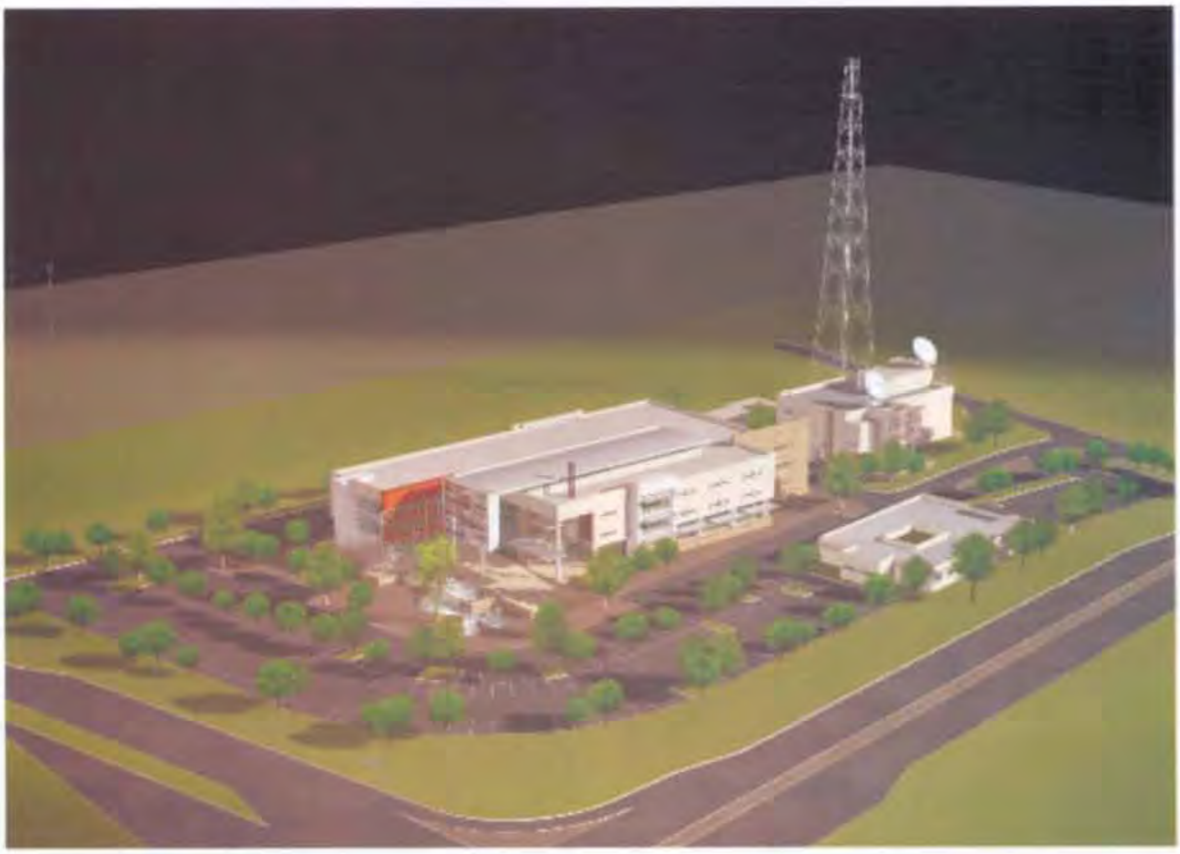



Existing Buildings - Phases I to VI

Architectural Details - Phases I to VI

New Celtel Head Office - Showgrounds Development

new head offices for celtel
lusaka, zambia



new head offices for celtel
lusaka, zambia

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating polices of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating polices. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount for the associate, the carrying amount is reduced to nil, and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

3 Significant accounting policies *(continued)*

b) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes as a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note (h).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

c) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. After initial recognition such borrowings are recognised at amortised cost using the effective interest rate method.

3 Significant accounting policies *(continued)*

Basis of financial statements preparation *(continued)*

d) Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on the straight-line basis to write off the carrying value of the property, plant and equipment over their expected useful lives at the following annual rates:

Furniture, fittings and office equipment	30%
Plant and equipment	10%-30%
Motor vehicle	25%

Investment properties and Investment properties under construction are not depreciated.

Gains and losses on disposal of plant and equipment is determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued plant and equipment, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related assets.

e) Impairment

i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of its estimated future cash flows discounted at the original effective interest rate.

3 Significant accounting policies *(continued)*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit and loss.

The recoverable amount of an asset is or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3 Significant accounting policies *(continued)*

f) *Investments*

i) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every two years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy (o).

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings and its fair value at the date of reclassification becomes its deemed cost for subsequent accounting. When the Group begins to redevelop an existing investment property for continued future uses as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals. Any such property interest under an operating lease classified as an investment property is carried at fair value.

3 **Significant accounting policies** *(continued)*

ii) Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recorded as income in the consolidated income statement.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditure for the development qualify as acquisition costs and are capitalised.

iii) Investments in unquoted equity securities

Investments in unquoted shares for which there is no active market, and in which there have not been any recent transactions that provide evidence of current fair value, are stated at the lower of cost and directors' valuation taking into account any permanent diminution in value arising.

g) Taxation

The tax charge is determined in accordance with the provisions of the Income Tax Act, 1994 (as amended) and is based on the adjusted profit for the year. Tax on the profit or loss for the year comprises current taxation and the change in the deferred tax asset/liability.

Deferred tax is calculated under the balance sheet liability method, whereby the taxable effect of temporary differences between the tax base of assets and liabilities and their carrying values for financial reporting purposes is recognised in the profit and loss account for the period. A deferred asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

h) Net financing costs/income

Net financing costs/income comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

3 Significant accounting policies *(continued)*

i) Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

j) Trade and other receivables

Trade receivables and other receivables are stated at fair value estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date, less impairment loss, except where the effect of discounting would be immaterial. In such cases the receivables are stated at cost less impairment losses.

k) Trade and other payables

Trade and other payables are recognised at fair value calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date, unless the impact of discounting would be immaterial in which case they are stated at cost.

l) Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

m) Share capital

i) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statements as interest expense.

3 **Significant accounting policies** *(continued)*

ii) Dividends

Dividends on redeemable preference shares are recognised as a liability and expressed on an accrual basis. Other dividends are recognised as a liability in the period in which they are approved by the shareholders.

n) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short term deposits maturing within three months. Bank overdrafts that are payable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

o) Revenue

Rental income from investment property leased out under operating leases is recognised in the income statement on a straight - line basis over the term of the lease. Lease incentives granted are recognised in the income statement as an integral part of the total rental income.

p) Earnings per share

The Group presents basic and diluted earnings per (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

4 **Gross rental income**

The Group leases out its investment property under operating leases. All operating leases are for terms of one year or more.

5 Staff costs and directors' remuneration

	Group and Company	
	2007	2006
	K'000	K'000
Directors fees (included in administrative expenses)	**348,025**	329,012
Salaries and wages	**239,108**	235,323

There was only one employee during the year (2006: one) who is a resident and does not contribute to the National Pension Scheme Authority.

6 Net financing (costs)/income

	Group and Company	
	2007	2006
	K'000	K'000
Net foreign exchange (loss)/gain	**(1,033,974)**	2,797,381
Interest income	**605,632**	4,627
Interest expense	**(1,357,717)**	(1,747,291)
Net financing income (costs)/income	**(1,786,059)**	1,054,717

7 Other income

	2007	2006
	K'000	K'000
Reversal of provision for doubtful debts	-	25,476
Amortisation of deferred income	-	132,324
Net gain on sale of investment (Minerva Prop. Mgt Co.)	**182,464**	-
	182,464	157,800

8 Taxation

a) Income tax expense

	2007	2006
	K'000	K'000
Current year tax charge at 35% (2006:35%)	**211,971**	1,620
Deferred tax (credit)/expense	**(239,911)**	125,371
Total income tax expense in income statement	**(27,940)**	126,991

8 Taxation *(continued)*

b) Reconciliation of effective tax rate

The tax on the profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

	Group		Company	
	2007	2006	**2007**	2006
	K'000	K'000	**K'000**	K'000
Profit before tax	**11,824,078**	3,526,903	**11,828,192**	3,529,703
Tax on accounting profit @ 35% (2006: 35%)	**4,138,427**	1,234,416	**4,139,867**	1,235,396
Effect of temporary differences arising from capital allowances	**(177,787)**	(240,539)	**(177,787)**	(240,539)
Non deductible expenses	**(4,167,807)**	(1,108,405)	**(4,167,807)**	(1,108,405
Effect of unrealised exchange		99,140		)
differences	**(56,774)**	154,989	**(56,774)**	99,140
Effect of tax losses	**310,910**		**309,470**	154,009
Finance leasing obligation	**86,727**	(34,398)	**86,727**	(34,398)
Deferred rental income	**78,275**	(103,583)	**78,275**	(103,583)
Current tax charge	**211,971**	1,620	**211,971**	1,620

c) Tax losses

The company has accumulated tax losses, which are subject to agreement with the Zambia Revenue Authority (ZRA). The following tax losses are available for carry forward for a maximum period of 5 years.

	K'000
2001/02 loss available until 31 March 2007	**(63,305)**
2003/04 loss available until 31 March 2009	**(985,176)**
2004/05 loss available until 31 March 2010	**(769,466)**
2005/06 loss available until 31 March 2011	**(440,027)**
	(2,257,974)

8 Taxation *(continued)*

d) Recognised deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007	2006	**2007**	2006	**2007**	2006
	K'000	K'000	**K'000**	K'000	**K'000**	K'000
Plant and equipment	**-**	-	**841,228**	663,441	**841,228**	663,441
Finance lease obligations	**-**	-	**632,489**	719,216	**632,489**	719,216
Exchange differences	**66,421**	123,195	**-**	-	**(66,421)**	(123,195)
Tax value of loss carry-forwards recognised	**1,139,103**	829,633	**-**	-	**(1,139,103)**	(829,633)
Straight-line lease income	**-**	-	**25,307**	103,582	**25,307**	103,582
	1,205,524	952,828	**1,499,024**	1,486,239	**293,500**	533,411

e) Movement in temporary differences during the year

	Balance 1 April 2006	Recognised in income	Recognised in equity	Balance 31 March 2007
Plant and equipment	663,441	177,787	-	841,228
Finance lease obligations	719,216	(86,727)	-	632,489
Exchange differences	(123,195)	56,774	-	(66,421)
Tax value of loss carry-forwards recognised	(829,633)	(309,470)	-	(1,139,103)
Straight-line lease income	103,582	(78,275)	-	25,307
	533,411	(239,911)	-	293,500

9 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders of K11,852,018,000 (2006: K3,399,912,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2007 of 24,550,017 (2006: 11,552,949), calculated as follows:

	2007	2006
	K'000	K'000
Profit attributable to ordinary shares	**11,852,018**	3,399,912
Weighted average number of ordinary shares		
Issued at 1 April	**10,686,478**	10,099,521
Effect of Rights Issue of 3:1 exercised (before 31 March 2007)	**13,863,539**	866,471
Effect of shares converted	**-**	586,957
Weighted average number of ordinary shares at 31 March	**24,550,017**	11,552,949

Diluted earnings per share

The calculation of diluted earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders of K12,427,952,000 (2006: K4,124,956,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2007 of 26,529,683 (2006: 13,532,615) calculated as follows:

	2007	2006
	K'000	K'000
Profit attributable to ordinary shares	**12,427,952**	4,124,956
Weighted average number of ordinary shares		Restated
Issued at 1 April	**10,686,478**	10,099,521
Effect of rights issue of 3:1 exercised (before 31 March 2007)	**13,863,539**	866,471
Effect of shares converted	-	586,957
Effect of convertible redeemable preferred stock	**1,979,666**	1,979,666
Weighted average number of ordinary shares(diluted) at 31 March	**26,529,683**	13,532,615

10 Profit from operations

Profit for the year includes valuation gains on investment property and exchange differences as follows:

	2007	2006
	K'000	K'000
Profit for the year	**11,852,018**	3,399,912
Adjustment for valuation gain on investment property	**(11,382,643)**	-
Adjustment for net foreign exchange loss/(gain)	**1,033,974**	(2,797,381)
Profit from operations	**1,503,349**	602,531

11 Restatement in relation to IAS 17: Leases

Past practice whereby operating lease income was recognised on a payments basis, was based on an interpretation that was generally accepted. This interpretation considered the contractual payments basis as being most representative of the time pattern of the use benefit derived from the leased property. The global spotlight and IAS 17: *Leases*, has led to the view that the entity is obliged to adopt the straight-line basis of accounting for all lease income. There will be an offsetting effect to the change in fair value of investment property in the income statement so as to avoid double - counting, as required by IAS 40: Investment Property.

Consequently a prior year adjustment was made to the opening retained earnings for the year ended 31 March 2006, as shown in the statements of changes in equity at pages 18 and 19.

12 Investment property

	Group		Company	
	2007	2006	**2007**	2006
	K'000	K'000	**K'000**	K'000
At cost/valuation:				
At 1 April	**37,493,966**	25,511,352	**37,493,966**	25,511,352
Additions	**146,462**	19,959	**146,462**	19,959
Transfer from capital work in progress	**59,734**	8,644,113	**59,734**	8,644,113
Fair value adjustment	-	3,354,576	-	3,354,576
Adjustment to increase in fair value (note 11)	-	(36,034)	-	(36,034)
At 31 March	**37,700,162**	37,493,966	**37,700,162**	37,493,966
At 1 April	**37,700,162**	37,493,966	**37,700,162**	37,493,966
Additions	-	146,462	-	146,462
Transfer from capital work in progress	-	59,734	-	59,734
Fair value adjustment	**11,454,950**	-	**11,454,950**	-
Adjustment to increase in fair value (note 11)	**(72,307)**	-	**(72,307)**	-
At 31 March	**49,082,805**	37,700,162	**49,082,805**	37,700,162

a) The investment properties comprise the Company's leasehold buildings. Investment properties were revalued by Anderson & Anderson International, an experienced and registered independent valuer with an appropriate recognised professional qualification on 31 March 2007 at K49.15 billion.

b) Revenue in the income statement is all in respect of rental income recognised during the year. The following minimum lease payments on rental income are due to the Company:-

	K'000	
Falling due within:		
One year	5,482,473	per annum
2 - 5 years	5,906,180	per annum
Over 5 years	5,996,082	per annum

c) The Company's leasing arrangements are for cancellable operating leases of varying terms.

d) IAS 40: *Investment Property* requires the fair value of investment property to reflect the actual market state and circumstances as of the balance sheet date, not as of a past date. Investment properties included above were valued by an independent qualified valuer on 31 March 2007.

12 Investment property *(continued)*

e) Direct operating expenses arising from investment property that generated rental income were:

	2007	2006 restated
	K'000	K'000
Property management expenses	**428,047**	411,475
Provision for doubtful debts	**5,475**	-
Repairs and maintenance	**375,047**	329,519
Letting costs	**19,452**	69,219
Electricity and water	**160,626**	110,685
Rates and lease rental	**106,635**	102,835
Security	**125,905**	146,882
Cleaning and refuse removal	**87,993**	70,140
Insurance	**88,584**	60,608
Depreciation	**595,088**	591,271
Legal expenses	**32,441**	49,011
Fire protection	**2,871**	1,775
	2,028,164	1,943,420

f) There are no known restrictions on the realisation of investment properties or the remittance of income and proceeds of disposal. There are also no known material contractual obligations to purchase, construct or develop investment properties or for repair, maintenance or enhancements except as stated in these notes.

g) Direct operating expenses arising from investment property that did not generate rental income during the period are K nil (2006: K nil).

In the opinion of the Directors, the above investment properties are worth not less than the amount at which they are included in these financial statements.

h) **Investment property under development**
Investment property under development refers to the amount of expenditure on account of investment property in the course of construction:

	2007	2006
	K'000	K'000
Balance at 1st April 2006	**9,500**	14,491
Cost capitalised	**7,540,237**	54,743
Transfer to investment property	**-**	(59,734)
Balance at 31st March 2007	**7,549,737**	9,500

Farmers House Plc and its subsidiary

Notes *(continued)*
for the year ended 31 March 2007

13 Plant and equipment – Group and company

(a) Summary

	Plant and equipment	Leasehold plant and equipment	Furniture fittings and office equipment	Fixtures and fittings	Leasehold fixtures and fittings	Motor vehicles	Capital work in progress	Total
Cost	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
At 1 April 2005	465,086	346,112	63,053	1,098,265	3,624,832	6,000	14,491	5,617,839
Additions	39,104	-	11,417	282,275	-	-	54,743	387,539
Transfer to investment property	-	-	-	-	-	-	(59,734)	(59,734)
Transfer to investment property under development	-	-	-	-	-	-	(9,500)	(9,500)
At 31 March 2006	504,190	346,112	74,470	1,380,540	3,624,832	6,000	-	5,936,144
At 1 April 2006	504,190	346,112	74,470	1,380,540	3,624,832	6,000	-	5,936,144
Additions	19,431	2,282	-	8,580	-	-	-	30,293
At 31 March 2007	523,621	348,394	74,470	1,389,120	3,624,832	6,000	-	5,966,437
Depreciation								
At 1 April 2005	82,776	103,833	57,404	148,560	1,267,860	6,000	-	1,666,433
Charge for the year	49,299	34,611	6,825	138,054	362,483	-	-	591,272
At 31 March 2006	132,075	138,444	64,229	286,614	1,630,343	6,000	-	2,257,705
Depreciation								
At 1 April 2006	132,075	138,444	64,229	286,614	1,630,343	6,000	-	2,257,705
Charge for the year	53,741	34,840	5,112	138,912	362,483	-		595,088
At 31 March 2007	185,816	173,284	69,341	425,526	1,992,826	6,000	-	2,852,793
Net book value								
At 31 March 2007	**337,805**	**175,110**	**5,129**	**963,594**	**1,632,006**	**-**	**-**	**3,113,644**
At 31 March 2006	**372,115**	**207,668**	**10,241**	**1,093,926**	**1,994,489**	**-**	**-**	**3,678,439**

(b) Included in plant and equipment are fully depreciated assets with a cost of K105,420,532.

14 Investments

These represent:-

	Group		Company	
	2007	2006	**2007**	2006
	K'000	**K'000**	K'000	**K'000**
Shares at cost:				
At 31 March 2007	**880**	1,740	**2,880**	3,740

Shares represent equity holdings in the following companies incorporated in Zambia:

	Cost	**Equity held**
	K'000	**%**
Peckerwood Developments Limited	2,000	100
Pegasus Property Development Company (Zambia) Limited (note (a))	880	44
	2,880	

(a) The investments represent shares pending issue.

In the opinion of the directors, the above investments are worth not less than the amounts at which they are included in these financial statements.

There is no active market for these investments and there have not been any recent transactions that provide evidence of the current fair value. Discounted cash flow techniques are not appropriate to use to provide a reliable measure of fair value.

15 Trade and other receivables

	Group		Company	
	2007	2006 As restated	**2007**	2006 As restated
	K'000	K'000	**K'000**	K'000
Trade receivables	**157,423**	181,215	**157,423**	181,215
Receivable recognised on straight – lining of lease income	**126,427**	89,183	**126,427**	89,183
Deposits and prepayments	**103,999**	76,379	**103,999**	76,379
Related party balances	-	42,577	-	42,577
Other	**525,522**	130,100	**525,522**	130,100
	913,371	519,454	**913,371**	519,454

The fair value of the security deposits and the prepayments held or enforceable against the risk of default is believed by the directors to exceed the value of rental debtors.

16 Cash and cash equivalents

	2007	2006 As restated
	K'000	K'000
Bank balances	**2,122,762**	951,998
Short term deposits:		
Standard Chartered - ZMK	**15,484,692**	-
Standard Chartered – USD 2,757,468	**11,705,453**	-
Cash and cash equivalents	**29,312,907**	951,998
Bank overdraft	-	(795)
Cash and cash equivalents in the cash flow statement	**29,312,907**	951,203

17 Share capital

	2007	2006
	K'000	K'000
Ordinary shares of K1 each		
Authorised		
50,000,000 ordinary shares at K1 each	**50,000**	50,000
Issued and fully paid		
On issue at 1st April	**10,686**	9,900
Issued for cash during the year	**32,060**	786
On issue at 31st March	**42,746**	10,686

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company.

During the year there was a rights issue of 32,059,434 ordinary shares of K1.00 each, which were issued and fully paid at K1,350 per share.

18 Convertible redeemable cumulative preferred stock

Redeemable convertible cumulative interest-bearing preference shares of US$0.01 nominal value each, at a premium of US$0.99 per share.

	Group	Company
	2007	2006
	K'000	K'000
At 1 April 2006	**7,823,740**	7,708,618
Issued during the year	**-**	115,122
At 31 March 2007	**7,823,740**	7,823,740

(a) The preference shares will be paid on annual coupon rate of the higher of 8% or 200 basis points – i.e. 2% above the prevailing yield on two-year U.S. Treasury Bonds with a maximum coupon of 10%, and will be paid semi-annually in arrears. These coupon payments will be cumulative in that if they are not paid in any given period, they will carry over to the next period for payment. The annual coupon will be paid before any dividends may be declared and paid.

(b) The preference shares will not be eligible to participate in any dividends that may be declared and paid by the company to the ordinary shares.

(c) At any time after the third anniversary date of the issue at its sole discretion, and with a six (6) month advance notice in writing, the company may redeem any or all of the preference shares at the issue price, provided that all holders of preference shares must be treated equally in any such redemption. Any accrued or cumulative interest that may be due on any coupon payment shall be paid at the time of any redemption.

(d) (i) At any time after the third anniversary date of the issue and with a three (3) month advance notice in writing a holder of preference shares may convert any or all of his/her preference shares into ordinary shares of the company on the basis of one preference share for one ordinary share. Any such conversion will be at the sole discretion of the holder of any preference shares.

(ii) In the opinion of the directors, given the prevailing market conditions, there is limited scope for a material impact on the earnings per share.

(e) The preference shares will be non-voting.

19 Interest bearing loans and borrowings

	Group and Company	
	2007	**2006**
	K'000	**K'000**
Non-current liabilities		
Stanbic loan	-	6,140,625

	2007	**2006**
	K'000	**K'000**
Current liabilities		
Stanbic loan	-	409,375
Finance lease liabilities	-	128,372
Velos loan	-	379,683
	-	917,430

The loan of US$2,000,000 obtained from Stanbic Bank Zambia Limited has been fully repaid and the mortgage has been discharged.

20 Trade and other payables

	Group		Company	
	2007	2006 Restated	**2007**	2006 Restated
	K'000	K'000	**K'000**	K'000
Trade creditors	**204,379**	25,789	**204,379**	25,789
Rentals received in advance	**295,763**	216,159	**295,763**	216,159
Payable to group company	**-**	-	**629,051**	632,650
Accruals and provisions	**853,071**	600,845	**850,271**	598,560
Unclaimed dividends	**243,143**	225,089	**243,143**	225,089
Security deposit on rentals	**799,791**	620,758	**799,791**	620,758
Non-interest bearing loan (note 19 (i))	**-**	30,867	**-**	30,867
	2,396,147	1,719,507	**3,022,398**	2,349,872

(i) Lilayi Development Holdings

	2007	2006
	K'000	K'000
Opening Balance	**30,867**	-
Obtained during the year	**-**	70,500
Repayments made	**(33,827)**	(37,673)
Exchange difference	**2,960**	(1,960)
Balance payable within twelve months (note 19)	**-**	30,867

21 Commitments

	2007	2006
	K'000	K'000
Intentions to purchase, construct or develop investment property	**30,568,568**	327,500
Property management and administrative contracts		
Within one year:		
Administrative contract for accountancy services	**659,571**	342,225
Administrative contract with Minerva Property Management Company Limited	**411,185**	411,474
Thereafter:		
Administrative contract for accountancy services	**659,571**	342,225

These commitments will be funded from existing cash resources, future operating cash flows, borrowings and any other funding strategies embarked on by the company.

22 Related party transactions

The company and its subsidiary, in the ordinary course of business, enter into various purchase, service, and lease transactions with the investing entities, their subsidiaries and associates. These transactions were as follows:

(a) Receivables/(payables)

	2007	2006
	K'000	K'000
Minerva Property Management Company Limited	-	(36,375)
City Investments Limited	(867)	21,517
Lilayi Lodge	-	21,060
	(867)	6,202

(b) Lease rentals receivable

	2007	2006
	K'000	K'000
Minerva Property Management Company Limited	-	11,481

(c) Administrative and management fees

	2007	2006
	K'000	K'000
City Investments Limited	553,808	342,225
Minerva Property Management Company Limited	428,047	411,474
	981,855	753,699

The Company also has related party relationships with its Directors and Senior Management. Directors' remuneration is disclosed under note 5.

23 Financial instruments

(a) Price risk

(i) Currency risk

In the opinion of the directors all the financial instruments are exposed to currency risk, as they are denominated in United States Dollars and therefore leads to a risk of fluctuation of value due to changes in the foreign exchange rate. This risk is partly hedged by holding United States Dollar bank balances.

(ii) Interest rate risk

All financial assets recorded other than equity instruments are exposed to the risk that their value will fluctuate due to changes in market interest rates.

(iii) Market risk

The company is exposed to the risk of the value of its bonds, investment properties and equity instruments fluctuating as a result of changes in market prices.

(b) Credit risk

The Company is exposed to varying degrees of credit risk, in the following significant concentrations:

(i) Shares

In the opinion of the directors the credit risk of such instruments is low.

(ii) Fixed deposits

The directors believe the credit risk of such instruments is low.

(iii) Rental debtors

The related credit risk on rental debtors is relatively low. The risk is managed by legally binding rental agreements and requirements for rentals in advance. At 31 March 2007 security deposits and prepayments on rentals amounted to K1,096 million.

(iv) Liquidity risk

The company may be exposed to some risk due to inability to sell certain assets quickly at close to their fair value.

This risk may be high on rental debtors, shares and investment properties on which realisation may be constrained by the limited liquidity in the market

(v) Cash flow risk

The company is exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. It has instruments that include a floating interest rate.

24 Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. Critical judgement in the case of the Company relates to the tax charge which is subject to agreement with the Zambia Revenue Authority.

25 Contingent liabilities

In the opinion of the Directors, there are no known contingent liabilities at the balance sheet date that might change the status of the financial statements, or need disclosure separately.

26 Comparative figures

Comparative figures have been reclassified where necessary to afford meaningful comparison. In particular reclassification has been made in respect of certain figures on the income statement, and balance sheet and cash flow statement.

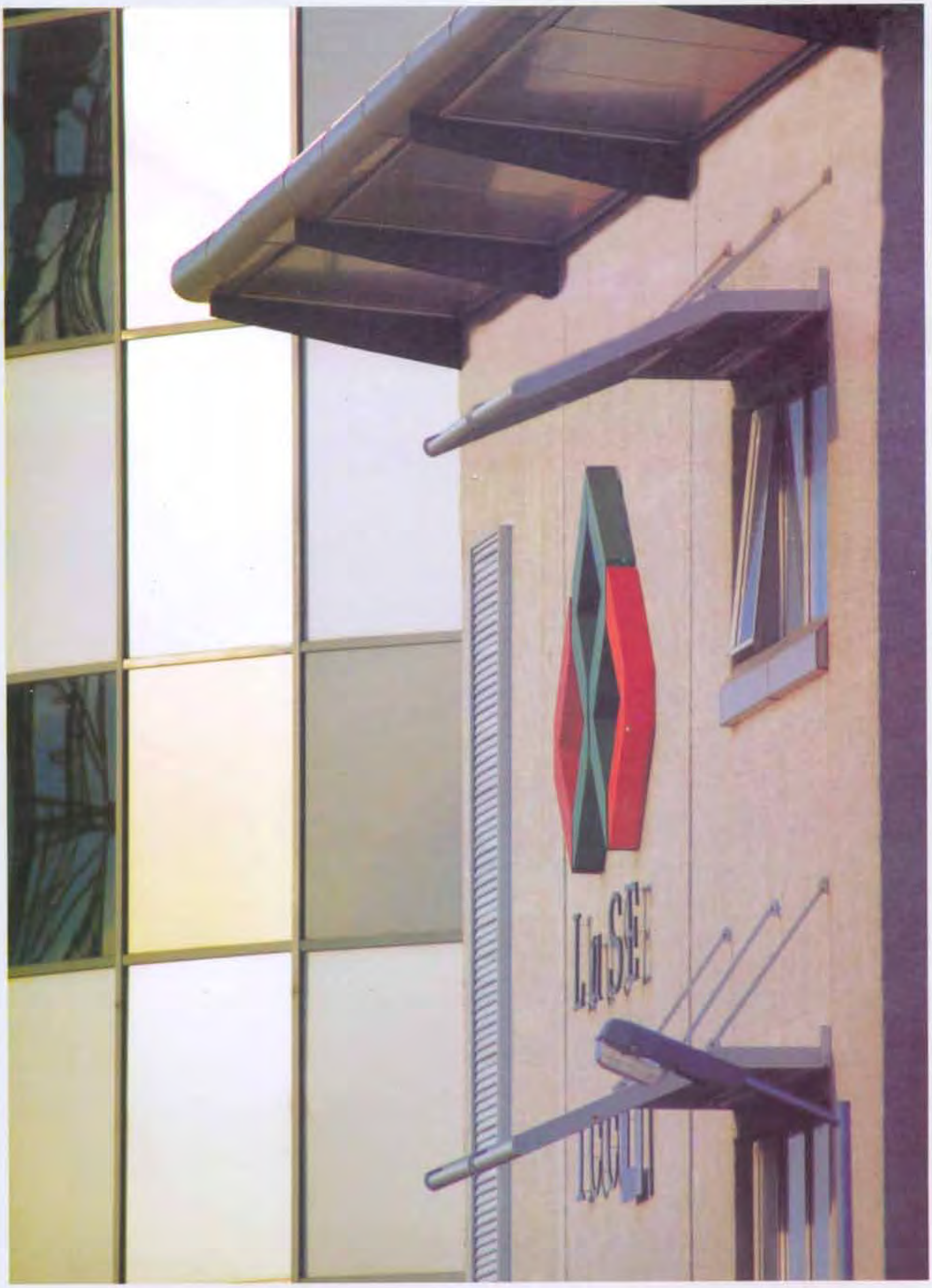
27 Auditor's remuneration

Auditors remuneration included in administrative expenses in the income statement is K 37,136,250 (2006: K22,007,500).

28 Post balance sheet events

Subsequent to 31 March 2007, the Directors recommended a dividend of K15 per share payable to members registered on the Company's books as at close of business on 27 June 2007. There were no other events subsequent to year end requiring adjustment to, or disclosure in, the financial statements.

Notes



Printed by Associated Printers Ltd Photos by M. Patzer