


Grant Thornton 

Farmers House PLC

**Financial Statements
31 March 2002**

FARMERS HOUSE PLC

REGISTERED OFFICE:

Farmers House, Stand 2713
Cairo Road
P O Box 30012, Lusaka, Zambia
Telephone 227722

DIRECTORS

R D Frost (Chairman)
R P S Miller (Managing Director)
M C Galaun
A R B Landless
I T S Miller
R Daya
T T Mushibwe
K. Makala

ALTERNATES

P M d'Elbee
A T S Miller
K C Parakh
G N H Robinson
M A Miller (Mrs)
N M Lacey
N H C Chiromo
C S Makala

TRANSFER SECRETARIES

Grant Thornton Associates Limited
P O Box 30885
Lusaka

SOLICITORS

Musa Dudhia & Co.
P O Box 31198
Lusaka

Sharpe & Howard
P O Box 32587
Lusaka

AUDITORS

Grant Thornton
P O Box 30885
Lusaka

BANKERS

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

Citibank Zambia Limited
Citibank House
P.O. Box 30037,
Lusaka

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FARMERS HOUSE PLC**DIRECTORS' REPORT**

It is my pleasure to present the Directors' report for the year ended 31 March 2002.

Financial Results

In the year under review, I am pleased to announce that the turnover of the company has increased by 40% to over K2.45 billion (31 March 2001 – K1.75 billion) under rather difficult economic conditions. The company recorded a profit after tax of K746 million (31 March 2001 – K134 million.), following a charge for depreciation of K383 million (31 March 2001 – K187 million) on new plant, equipment, furniture and fittings added to the Cairo Road properties. The Cairo Road redevelopments have resulted in an increase in the Total Asset Value of the company from K17.49 billion at 31 March 2001 to K28.76 billion at 31 March 2002, an increase of K11.27 billion. The company's ordinary shares traded during the year at a price in the K650 range. The valuation of your company on a net asset basis is currently K1,540 per ordinary share. This represents a rather significant discount of approximately 58% to the net asset value of the company.

Coupon payment on preferred stock

The Board has recommended 8% coupon payment for each US\$1.00 preference shares.

Final Dividend

Notwithstanding the major development efforts underway by the company the Board has recommended a final dividend of K32 per share. While there was no interim dividend declared, this final dividend, if approved, is a further demonstration of the financial performance of the company, its solid current and projected earnings basis and the strength of its balance sheet.

Central Park : Cairo Road – Phase I – Farmers House Building - Completed & Fully Let

Last year I reported on the redevelopment of the Cairo Road property to create Lusaka's prime financial and business district, Central Park. Phase I of the project to develop the rehabilitation of the existing Cairo Road building was completed and remains fully tenanted.

Central Park : Cairo Road Site – Phase II – Two new buildings : nearing completion.

The company's plans to develop Central Park continue and Phase II of the project began construction in May 2001. The construction of two new buildings is nearing completion, and a majority of the space has been let at the year end. We welcome new tenants Celtel, International Credit Company, The Little Italia Pizzeria and UPS amongst others who include our original line-shop tenants that have relocated to the new buildings.

Central Park : Cairo Road Site – Phase III – Parking and External Works - Under Construction

Construction is well underway of a dedicated secure parking area for over 250 vehicles. Once complete, the Central Park site will require no further major earth works and vehicle reticulation and security will be greatly improved. This phase has been further enhanced by the purchase of the adjacent Grosvenor Court site immediately following the year end.

FARMERS HOUSE PLC**DIRECTORS' REPORT (CONTINUED)****Central Park : Cairo Road – Phase IV – New Developments**

Board approval has been given to the re-development of the original Farmers House building into a bistro, and the development of a new building as a Travel Centre to cater for local, regional and international tourists and businessmen. Both projects will be under way in the 1st quarter of the new financial year.

The Board has also given approval in principle for the development of a three storey, flagship building adjacent to the Cairo Road bridge.

Peckerwood Limited

In the course of the year the company completed the purchase of 100% of Peckerwood Limited from Pegasus.

Pegasus Property Development Company Limited

The worsening economic situation in the country has impacted adversely on this company. As many of the proposed developments under Pegasus were focused on the Copperbelt, the decision by Anglo American to divest from Zambia has resulted in a Board decision to provide in full against Farmers House's shareholder's loan to this company. The write-off is reflected in the exceptional items in the financial statements for the year.

Minerva Property Management Company Limited

Minerva continues to manage the company's properties and it is with pleasure I record the repayment by Minerva of the shareholder loan to Farmers House as scheduled.

Preferred stock

I am pleased to confirm the tremendous success of Zambia's first ever US Dollar denominated Rights Issue by a listed company on the Lusaka Stock Exchange. The company made an offering of one new preference share for every five ordinary shares held by existing shareholders. In this regard, I would particularly like to mention the participation of Intermarket Discount House as underwriter to the issue. It is extremely encouraging to note that 72% of the issue was taken up by local institutional investors, whilst 28% was taken up by individual investors. We believe that this reflects great confidence both in the company and in Zambia's rapidly developing capital market.

Our thanks also go to the Securities and Exchange Commission and the Lusaka Stock Exchange for the professional manner in which authorisation and approval were provided to the company for this first ever US\$ denominated preference share issue.

FARMERS HOUSE PLC

DIRECTORS' REPORT (CONTINUED)

Board Meetings

The Board has met five (5) times during the year and continues to direct the company's affairs in a prudent manner. During the year the Audit Committee and the Executive Committee of directors were extremely busy overseeing the operational and financial affairs of the company.

I have pleasure in welcoming Mr. I.T.S. Miller, Mr. K. Makala and Mr. T. Mushibwe who were appointed to the Board at the June 2001 Annual General Meeting. Mrs. M.A. Miller resigned at the same meeting and I would like to extend the thanks of the Board for her valuable input to Board proceedings over many years.

Mr. R.D. Frost and Mr. R.P.S. Miller are retiring from the Board at the Annual General Meeting but being eligible, offer themselves for re-election.

Directors' Interest

Name of director	No. of shares	
	Beneficial	Non beneficial
R D Frost		791,870
R Daya	Nil	
M C Galaun	1,106,787	
A R B Landless		83,577
K H Makala	Nil	
I T S Miller	Nil	
R P S Miller	100,000	
T T Mushibwe	Nil	

Contracts in which directors have an interest are as follows:

Farmers House PLC holds a management and 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.

Unissued Share Capital

In terms of a resolution of members, the unissued 40,100,479 (31 March 2001 - 40,200,479) ordinary shares of the company at 31 March 2002 are under control of the directors subject to authorisation of an annual general meeting. Of the unissued shares, 100,000 shares (31 March 2001 - 100,000) were held in reserve to be issued in terms of the Farmers House Executive Share Incentive Scheme.

FARMERS HOUSE PLC

DIRECTORS' REPORT (cont.)

Farmers House Executive Share Incentive Scheme

	Ordinary Shares
Options granted at the beginning of the year	100,000
Options granted during the year	-
Options exercised during the year	(100,000)
Options lapsed during the year	-
Options granted at the end of the year	<u>100,000</u>
Options exercisable at the end of the year	<u>100,000</u>

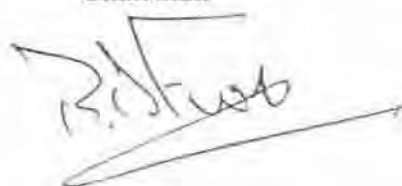
The interests of the directors relate to options to acquire 100,000 ordinary shares by the Managing Director, Mr. R.P.S. Miller. In terms of the Executive Share Incentive Scheme the options are exercisable subject to the fulfilment of certain performance criteria within a ninety (90) day calendar period following the approval by the Board of Directors of the annual audited accounts.

Five Year Financial Summary

Year ended 31 March

	2002 K'000	2001 K'000	2000 K'000	1999 K'000	1998 K'000
Income	2,451,722	1,750,224	1,564,172	1,498,039	1,220,583
Expenditure	(2,088,272)	(1,359,275)	(683,472)	(633,434)	(535,953)
Profit before exceptional items	363,450	390,949	880,700	864,605	684,630
Exceptional items	383,689	(132,412)	168,121	234,960	-
Profit before tax	747,139	258,537	712,579	629,645	684,630
Taxation	(791)	(124,155)	(147,949)	(105,792)	(219,233)
Profit after tax	746,348	134,382	564,630	523,853	465,397
Proposed dividend	-	146,993	215,589	215,612	176,391
Fixed assets	7,095,608	1,756,624	10,320	17,531	15,945
Investment property	12,596,000	11,610,000	9,826,195	8,590,000	7,340,000
Investments	3,740	3,460	110	-	-
Other long term assets	334,355	895,299	528,061	-	-
Current assets	8,731,085	3,221,365	1,342,046	1,761,258	1,382,658
Current liabilities	2,293,846	2,281,130	427,857	558,524	441,121
Net current assets	6,437,239	940,235	914,189	1,202,734	941,537
Shareholders' funds	15,245,093	11,940,178	11,278,399	9,809,358	8,288,295
Long term indebtedness	9,939,478	3,035,000	-	-	9,187
Other long term liabilities	1,076,071	-	-	-	-
Deferred taxation	206,300	230,440	476	907	-

R D Frost
Chairman



FARMERS HOUSE PLC**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing such financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The board of directors confirm that in their opinion

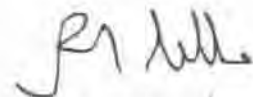
- (a) the financial statements give a true and fair view of the state of the company's affairs at 31 March 2002 and of its profit and cash flows for the year then ended;
- (b) at the date of this statement there were reasonable grounds to believe that the company will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with applicable accounting standards.

This statement is made in accordance with a resolution of the board of directors.

Signed at Lusaka on 29 May 2002



R Daya
DIRECTOR



R P S Miller
DIRECTOR

**REPORT OF THE AUDITORS TO THE MEMBERS OF
FARMERS HOUSE PLC**

We have audited the financial statements on pages 9 to 22.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

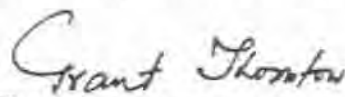
Basis of opinion

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1994 and, the accounting and other records and registers have been properly kept in accordance with the Act.


Chartered Accountants


Sujit N Maitra
Partner

Lusaka

Date 30 May 2002

FARMERS HOUSE PLC

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

	Note	2002 K'000	2001 K'000
Revenue	3	2,451,722	1,750,224
Depreciation		(383,366)	(187,589)
Other operating expenses		(1,312,526)	(1,070,204)
Finance cost		<u>392,380)</u>	<u>(101,482)</u>
Profit before exceptional items	4	363,450	390,949
Exceptional items	5	<u>383,689</u>	<u>(132,412)</u>
Profit before taxation		747,139	258,537
Taxation	6(a)	<u>(791)</u>	<u>(124,155)</u>
Profit after taxation		746,348	134,382
Retained profits at 1 April 2001		1,639,293	1,651,904
Transfer from investment revaluation reserve	14	1,316,400	-
Transfer from capital reserve	15	224,000	-
Dividends proposed (gross)		<u>-</u>	<u>(146,993)</u>
Retained profits at 31 March 2002		<u>3,926,041</u>	<u>1,639,293</u>

FARMERS HOUSE PLC

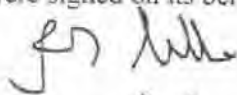
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BALANCE SHEET - 31 MARCH 2002

	Note	2002 K'000	2001 K'000
ASSETS			
Non current assets			
Fixed assets	7	7,095,608	1,756,624
Investment properties	8	12,596,000	11,610,000
Investments	9	3,740	3,460
Long term loans	10	144,715	895,299
Long term debtors		189,640	-
		<u>20,029,703</u>	<u>14,265,383</u>
Current assets			
Debtors and prepayments	11	1,555,747	318,740
Bank balances and cash		7,027,788	2,746,507
Taxation recoverable		147,550	156,118
		<u>8,731,085</u>	<u>3,221,365</u>
Total assets		<u>28,760,788</u>	<u>17,486,748</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	9,900	9,800
Share premium	13	22,650	-
Investment revaluation reserve	14	11,286,502	10,061,085
Capital reserve	15	-	230,000
Retained profits		3,926,041	1,639,293
		<u>15,245,093</u>	<u>11,940,178</u>
Non - current liabilities			
Corporate bonds	16	2,385,585	3,035,000
Convertible redeemable cumulative preferred stock	17	7,553,893	-
Obligations under finance leases	18	918,056	-
Deferred income	19	158,015	-
Deferred taxation	6(b)	206,300	230,440
		<u>11,221,849</u>	<u>3,265,440</u>
Current liabilities			
Creditors and accruals	20	2,240,237	2,078,827
Dividends payable		53,609	202,303
		<u>2,293,846</u>	<u>2,281,130</u>
Total equity and liabilities		<u>28,760,788</u>	<u>17,486,748</u>

The financial statements on pages 9 to 22 were approved by the Board of Directors on 2 May 2002 and were signed on its behalf by:

R P S Miller



R Daya



) DIRECTORS

FARMERS HOUSE PLC

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	2002 K'000	2001 K'000
Net cash (outflow)/inflow (on)/from operating activities		
Profit before taxation	747,139	258,537
Profit on sale of fixed assets	(133,705)	-
Loss on sale of investment properties	26,348	-
Finance charges	172,539	9,189
Interest on bond	219,774	91,948
Interest on overdraft	67	345
Interest received	(83,102)	(54,111)
Depreciation	383,366	187,589
Decrease in stock	-	755
Increase in debtors and prepayments	(1,426,647)	(177,221)
Increase in creditors and accruals	(831,886)	1,806,845
Net cash (outflow)/inflow (on)/from operating activities	<u>(926,107)</u>	<u>2,123,876</u>
Returns on investments and servicing of finance		
Finance charges	(172,539)	(9,189)
Interest on bond	(219,774)	(91,948)
Interest on overdraft	(67)	(345)
Interest receivable	83,102	54,111
Dividends paid	(148,694)	(100,565)
Net cash outflow on returns on investments and servicing of finance	<u>(457,972)</u>	<u>(147,936)</u>
Taxation		
Income tax paid	(16,363)	(44,649)
Investing activities		
Payments to acquire tangible fixed assets	(7,277,655)	(1,933,893)
Payments on investment properties	(11,498)	(1,109,415)
Payments on investments	(280)	(3,350)
Long term loans recovered/(paid)	750,584	(367,238)
Proceeds from sale of investment properties	1,534,967	-
Proceeds from sale of fixed assets	1,992,885	-
Net cash outflow on investing activities	<u>(3,010,997)</u>	<u>(3,413,896)</u>
Net cash outflow before financing	<u>(4,411,439)</u>	<u>(1,482,605)</u>

FARMERS HOUSE PLC

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

	2002 K'000	2001 K'000
Financing		
Issue of ordinary shares	22,750	-
Issue of preference shares	5,788,878	-
Finance lease obtained	2,537,495	-
Finance lease repaid	(772,003)	-
Increase of corporate bond	<u>1,115,600</u>	<u>3,035,000</u>
Net cash inflow from financing	<u>8,692,720</u>	<u>3,035,000</u>
Increase in cash and cash equivalents	<u>4,281,281</u>	<u>1,552,395</u>

Analysis of cash and cash equivalents
as shown in the balance sheet

	2002 K'000	2001 K'000	Change in the year K'000
Bank balances and cash	<u>7,027,788</u>	<u>2,746,507</u>	<u>4,281,281</u>
	<u>7,027,788</u>	<u>2,746,507</u>	<u>4,281,281</u>

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002

1. **Principal activity**

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

2. **Accounting Policies**

As in previous years, the financial statements are prepared in accordance with the historical cost convention as modified by the inclusion of investment properties at a valuation. The following is a summary of the more important accounting policies used by the company :-

(a) **Investment properties**

Investment properties are included in the financial statements at their open market value as determined periodically by independent valuers but updated annually by the directors using either appropriate indices or with the assistance of independent professional advice.

(b) **Investments**

Investments in quoted and unquoted shares are stated at the lower of cost and directors' valuation taking into account any permanent diminution in value arising. The market value disclosed for quoted investments is based on the middle market price prevailing at the balance sheet date.

(c) **Depreciation**

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are: -

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

Investment properties and capital work in progress are not depreciated

(d) **Deferred taxation**

Provision is made for deferred tax liabilities against the amounts of income taxes payable in future periods in respect of taxable temporary differences.

(e) **Foreign currencies**

Assets and liabilities expressed in foreign currencies are translated into Zambian Kwacha at the rate of exchange ruling at the balance sheet date. Gains and losses on translation are dealt with through the profit and loss account.

3. **Revenue**

Revenue comprises gross rents receivable from properties let net of value added tax (VAT) and interest income.

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

	2002	2001		
	K'000	K'000		
4. Profit before exceptional items				
Profit before exceptional items is stated after charging :-				
Depreciation	<u>383,366</u>	<u>187,589</u>		
Directors' fees	<u>268,344</u>	<u>106,094</u>		
5. Exceptional items				
These represent:				
Amount due from related company written off	106,096	-		
Consultancy	-	38,309		
Profit on sale of fixed assets	(133,705)	-		
Loss on sale of investment properties	26,348	-		
Exchange gains	(762,198)	(250,178)		
Repairs and maintenance	-	205,882		
Preferred stock issue expenses	379,770	-		
Bond issue expenses	-	<u>138,399</u>		
	<u>(383,689)</u>	<u>132,412</u>		
6. Taxation				
(a) The charge for taxation is made up as follows :-				
Income tax at the rate of 30% on the taxable profit for the year (2001 - 30%)	24,931	-		
Overprovision in previous years	-	(105,809)		
Deferred taxation	<u>(24,140)</u>	<u>229,964</u>		
	<u>791</u>	<u>124,155</u>		
(b) Details of provision made for deferred taxation and of the potential liability are set out below together with the movement on provision:-				
	<u>2002</u>		<u>2001</u>	
	Full potential liability	Provision made	Full potential liability	Provision made
	K'000	K'000	K'000	K'000
Accelerated tax allowances	<u>206,300</u>	<u>206,300</u>	<u>230,440</u>	<u>230,440</u>
			2002	2001
			K'000	K'000
Movement in deferred tax provision:				
At 1 April 2001			230,440	476
Provision made during the year			-	229,964
Provision written back			<u>(24,140)</u>	-
At 31 March 2002			<u>206,300</u>	<u>230,440</u>

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

7. Fixed assets Summary	Plant and equipment K'000	Furniture, fittings and office equipment K'000	Motor vehicle K'000	Fixtures & fittings K'000	Capital work in progress K'000	Total K'000
Cost						
At 1 April 2001	197,916	40,304	6,000	1,564,417	176,887	1,985,524
Additions	324,399	-	-	3,373,572	3,579,684	7,277,655
Disposals	(163,699)	-	-	(1,564,417)	-	(1,728,116)
At 31 March 2002	<u>358,616</u>	<u>40,304</u>	<u>6,000</u>	<u>3,373,572</u>	<u>3,756,571</u>	<u>7,535,063</u>
Depreciation						
At 1 April 2001	37,811	30,148	4,500	156,441	-	228,900
Charge for the year	40,156	4,353	1,500	337,357	-	383,366
Disposals	(16,370)	-	-	(156,441)	-	(172,811)
At 31 March 2002	<u>61,597</u>	<u>34,501</u>	<u>6,000</u>	<u>337,357</u>	<u>-</u>	<u>439,455</u>
Net book value						
At 31 March 2002	<u>297,019</u>	<u>5,803</u>	<u>-</u>	<u>3,036,215</u>	<u>3,756,571</u>	<u>7,095,608</u>
At 31 March 2001	<u>160,105</u>	<u>10,156</u>	<u>1,500</u>	<u>1,407,976</u>	<u>176,887</u>	<u>1,756,624</u>

8. Investment properties

	2002 K'000	2001 K'000
At cost/valuation:		
At 1 April 2001	11,610,000	9,826,195
Additions during the year	11,498	1,109,415
Disposals during the year	(1,561,315)	-
Surplus on valuation	<u>2,535,817</u>	<u>674,390</u>
At 31 March 2002	<u>12,596,000</u>	<u>11,610,000</u>

- (a) The investment properties comprise the company's leasehold buildings. In accordance with note 2(a) these investment properties are to be revalued annually. The properties were revalued during the year by Anderson & Anderson, Valuation Surveyors, on the basis of open market value for their existing use. The surplus on valuation has been credited to investment revaluation reserve (note 14).
- (b) In the opinion of the directors, the value of the above investment properties are worth not less than the amount at which they are included in these financial statements.

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

9. Investments

These represent:-

	2002 K'000	2001 K'000
Shares at cost:		
At 1 April 2001	3,460	110
Investments made during the year	<u>280</u>	<u>3,350</u>
At 31 March 2002	<u>3,740</u>	<u>3,460</u>

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

	Cost K'000	Equity held %
Peckerwood Limited	2,000	100
Minerva Property Management Company Limited	860	43
Pegasus Property Development Company (Zambia) Limited	<u>880</u>	44
	<u>3,740</u>	

- (a) The investments represent shares pending issue.
- (b) In the opinion of the directors, the value of the above investments is worth not less than the amount at which they are included in these financial statements.

	2002 K'000	2001 K'000
10. Long term loans		
Peckerwood Limited	121,443	752,578
Minerva Property Management Company Limited	23,272	36,347
Pegasus Property Development Company (Zambia) Limited	<u>-</u>	<u>106,374</u>
	<u>144,715</u>	<u>895,299</u>

These loans are interest free and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

	2002 K'000	2001 K'000
11. Debtors and prepayments		
Trade debtors less provision	236,198	94,755
Deposits and prepayments	543,323	67,549
Other	<u>776,226</u>	<u>156,436</u>
	<u>1,555,747</u>	<u>318,740</u>
	2002 K'000	2001 K'000
12. Share capital		
Ordinary shares of K1 each		
Authorised	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 April 2001	9,800	9,800
Issued during the year	<u>100</u>	<u>-</u>
At 31 March 2002	<u>9,900</u>	<u>9,800</u>
<p>During the year 100,000 ordinary shares of K1 each were issued to the Managing Director through an incentive scheme at a premium of K226.5 per share.</p>		
	2002 K'000	2001 K'000
13. Share Premium		
Arising during the year (note 12)	<u>22,650</u>	<u>-</u>
	<u>22,650</u>	<u>-</u>
14. Investment revaluation reserve		
At 1 April 2001	10,061,085	9,386,695
Surplus on valuation (note 8 (a))	2,535,817	674,390
Transfer from capital reserve (note 15)	6,000	-
Transfer to retained profits on disposal of assets	<u>(1,316,400)</u>	<u>-</u>
At 31 March 2002	<u>11,286,502</u>	<u>10,061,085</u>

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

	2002 K'000	2001 K'000
15. Capital reserve		
Arising on acquisition of investment properties in exchange of properties held	224,000	224,000
Arising on capitalisation of motor vehicle	6,000	6,000
Transfer to retained profits on disposal of assets	(224,000)	-
Transfer to revaluation reserve (note 14)	<u>(6,000)</u>	<u>-</u>
	<u>-</u>	<u>230,000</u>
16. Corporate bonds		
At 1 April 2001	3,035,000	-
Conversion to preference shares during the year	(1,765,015)	-
Issued during the year	-	3,035,000
Exchange difference	<u>1,115,600</u>	<u>-</u>
At 31 March 2002	<u>2,385,585</u>	<u>3,035,000</u>

- (a) Corporate bonds stated above, each of which with a total face value of US\$500, were issued as follows:-

Details	No. of bonds	Bond period	Amount on redemption of each bond US\$	Redemption date
Series 1 - 00	238	4 years	500	3 November 2004
Series 2 - 00				
Part A	1,762	3 years	250	3 November 2003
Part B	1,762	4 years	250	3 November 2004

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

16. Corporate bonds (continued)

- (b) Interest is payable at ruling rate, on the issue date, on one (1) year U.S. Treasury Certificates plus two hundred (200) basis points (2%) per annum fixed for the succeeding one year period after which time the rate will be revised under the same terms and conditions for the succeeding one (1) year period. This process shall continue annually on each anniversary date until the bonds are redeemed.

Interest is payable quarterly in arrears on the following dates each year:-

3 February
3 May
3 August
3 November

- (c) At its sole discretion, and with a minimum sixty (60) day notice period in writing to the bondholders, the company may redeem Part B of each Series 2 - 00 bond in three (3) years from the issue date. Should the company decide to exercise this early redemption option, the bondholder will also have the option to convert Part B of any Series 2 - 00 bond into ordinary shares of the company under the Conversion Option.

(d) **Conversion option**

For a sixty (60) day period immediately preceding each of the third and fourth anniversary dates of the bonds issue, the Option Periods, bondholders will have the option to convert bonds they hold into ordinary shares of the company as follows:-

Series 1 - 00

For a sixty (60) day period immediately preceding the fourth anniversary date of issue, any Series 1 - 00 bond may be converted into ordinary shares of the company.

Series 2 - 00

- i) For a sixty (60) day period immediately preceding the third anniversary date of issue, Part A of any Series 2 - 00 bond may be converted into ordinary shares of the company; and
- ii) For a sixty (60) day period immediately preceding the fourth anniversary date of issue, Part B of any Series 2 - 00 bond may be converted into ordinary shares of the company.

Partial conversions of Series 1 - 00 bonds, or Part A or Part B of Series 2 - 00 bonds are not permitted.

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

16. Corporate bonds (continued)

- (c) The share price to be used at the time of conversion, under paragraph (d) above, will be the higher of:-
- i) a price which is equal to a ten percent (10%) discount to the volume weighted average U.S. Dollar share price on trades completed on the LuSE over the six month period immediately preceding each Option Period; or
 - ii) a price which is equal to a forty percent (40%) discount to the company's net asset value per share based on an independent valuation to be commissioned by the company and completed within a sixty (60) day period immediately preceding each of the two Option Periods.

For purposes of calculating the share price in Kwacha at the time of exercising any of the Option by any bondholder, the Standard Chartered Bank selling rate for U.S. Dollars on the conversion date will be the ruling rate.

	2002 K'000	2001 K'000
17. 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	<u>7,553,893</u>	<u>—</u>
	<u>7,553,893</u>	<u>—</u>

- (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.

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

17. Convertible redeemable cumulative preferred stock (continued)

(d) 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.

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

	2002 K'000	2001 K'000
18. Obligations under finance leases		
Lease obtained during the year	1,992,885	-
Exchange difference	544,610	-
Less Paid during the year	<u>(772,003)</u>	-
At 31 March 2002	1,765,492	-
Less: Proportion repayable within next twelve months (note 20)	<u>(847,436)</u>	-
	<u>918,056</u>	<u>-</u>
Repayable by 31 March		
2003	847,436	-
2004	459,028	-
2005	<u>459,028</u>	-
	<u>1,765,492</u>	<u>-</u>
19. Deferred income		
Profit on sale – leaseback of fixed assets	437,580	-
Proportion attributable to current year	(133,705)	-
Proportion attributable to next twelve months (note 20)	<u>(145,860)</u>	-
	<u>158,015</u>	<u>-</u>

FARMERS HOUSE PLC

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002 (CONTINUED)

	2002 K'000	2001 K'000
20. Creditors and accruals		
Trade creditors	4,237	1,574,879
Rentals received in advance	183,618	163,947
Accruals and provisions	801,647	132,732
Other	257,439	207,269
Proportion of finance lease obligations (note 18)	847,436	-
Deferred income (note 19)	145,860	-
	<u>2,240,237</u>	<u>2,078,827</u>
21. Capital commitments		
Commitments in respect of contracts amounted to approximately K3,879 million at the balance sheet date (2001 - Nil).		
22. 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.		
23. Events subsequent to balance sheet date		
There has not arisen since the end of the financial year 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 subsequent financial years.		

FARMERS HOUSE PLC

SCHEDULE

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

	2002 K'000	2001 K'000
Income		
Interest receivable	83,102	54,111
Rent receivable	<u>2,368,620</u>	<u>1,696,113</u>
	<u>2,451,722</u>	<u>1,750,224</u>
Less:		
Expenses		
Advertising	13,956	15,656
Accounting fees	123,231	81,128
Audit fees	20,165	21,156
Management fees	133,603	176,140
Bank charges	10,647	-
Bond issue expenses	6,312	-
Cleaning materials	18,494	11,025
Commission	61,583	94,666
Computer expenses	343	-
Consumables	-	119
Depreciation	383,366	187,589
Directors' fees	268,344	106,094
Discount allowed	40,098	13,007
Electricity, water and refuse removal	56,174	49,673
Entertainment expenses	1,983	3,801
Finance charges	172,539	9,189
Fire protection	-	5,813
General expenses	4,675	-
Interest on bond	219,774	91,948
Interest on overdraft	67	345
Insurance	14,506	14,336
Lease rental	15,600	-
Legal and professional fees	23,789	19,495
Administrative expenses	184,329	165,304
Meeting expenses	1,189	583
Postage and telephones	6,856	1,696
Printing and stationery	19,552	2,946
Provision for doubtful debts	2,495	30,639
Rates	39,925	32,909
Repairs and maintenance	<u>131,327</u>	<u>90,337</u>
C/forward	1,974,922	1,225,594

SCHEDULE (CONTINUED)

FARMERS HOUSE PLC

DETAILED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002 (CONTINUED)

	2002 K'000	2001 K'000
B/forward	1,974,922	1,225,594
Security	109,268	96,020
Subscriptions and donations	4,082	9,135
Staff Welfare	-	119
Travel and subsistence	-	12,428
VAT unallowable	-	15,979
	<u>2,088,272</u>	<u>1,359,275</u>
Profit before exceptional items	<u>363,450</u>	<u>390,949</u>

