Farmers House Plc and its subsidiaries

Consolidated financial statements

for the year ended 31 March 2010

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<u>Notice is hereby given that the Twenty-eighth Annual General Meeting of Farmers House Plc will take place at Southern Sun, Ridgeway Hotel, Lusaka on Wednesday 30th June 2010 at 10:00 Hours</u>

AGENDA

1) To read the Notice of the Meeting.

2) To read and approve the minutes of the Twenty-seventh Annual General Meeting held on 30th June 2009.

3) To consider any matters arising from these minutes.

4) To read and approve the minutes of the Extraordinary General Meeting held on 15th December 2009.

5) To consider any matters arising from these minutes.

6) To receive the Report of the Directors, the Auditors Report and the Financial Statements for the year ended 31st March 2010.

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

8) To elect Directors to fill any vacancies. In terms of the Articles Mr. R. D. Frost, Mr. M. Hantuba and Mr. W.P. Saunders retire. Mr. M. Hantuba and Mr. W.P. Saunders, being eligible, offer themselves for re-election. Mr. R.D. Frost retires and the Directors recommend Ms. D.A. Bwalya for election in his place.

9) To approve the Directors' remuneration.

10) To declare a Final Dividend. The proposed Final Dividend of K60 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 29th June 2010. Warrants in payment will be posted for payment on or about 31st August 2010. The transfer books and register of members will be closed from 29th June 2010 – 7th July 2010 (both dates inclusive).

11) To consider the amendment of the Articles of Association by adoption of Special Resolutions 11.1 to 11.7.

12) 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."

Notice is hereby given that the Twenty-eighth Annual General Meeting of Farmers House Plc will take place at Southern Sun, Ridgeway Hotel, Lusaka on Wednesday 30th June 2010 at 10:00 Hours *(continued)*

Special Resolution for the Annual General Meeting of Farmers House Plc to be held on the 30th of June 2010

The Chairman, Mr. R.D. Frost, on behalf of the Directors of Farmers House Plc proposes by special resolution the following amendments to the Articles of Association in order to align them to prevailing corporate governance best practices:

<u>Resolution 11.1</u>

That the Articles of Association of Farmer's House Plc be amended by the inclusion of the following new Articles:

Article 19. MEMBER'S REGISTER

19.1 The Company shall keep at its Registered Office, a register of all the members of the Company.
19.2 The Register shall state the full names of a member, number of shares held and the address of such member.
19.3 The register shall be available for inspection to all members as and when requested.

<u>Resolution 11.2</u>

That Article 19.1 of the Articles of Association of Farmer's House Plc be amended to raise the minimum number of directors at any one time from two (2) to five (5), and to establish a maximum number of Directors as eight (8). Article 19 will become Article 20 as follows:

Article 20. DIRECTORS

20.1 Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate Directors) shall be subject to a maximum number of eight but shall not be less than five.
20.2 The Directors shall elect from amongst themselves every two years, a Chairperson and Vice-Chairperson of the Board.
Articles 19.2 – 19.12 are Articles 20.3 – 20.13 in the new articles.

<u>Resolution 11.3</u>

That Article 22.1 be amended by deleting the words **"chairman, vice-chairman,"** in line 3 of the first sentence.

Further that Article 22.1 of the Articles of Association of Farmers House Plc be amended by deletion of the words **"or any other salaried office"** in line 5 of the first sentence.

Article 22.1 is Article 23.1 in the revised Articles.

Further that a new Article 23.2 be inserted into the Articles to read as follows:

23.2 The number of Executive Directors on the Board at any one time shall not exceed the number of Non-executive Directors.
Articles 22.2 – 22.3 are Articles 23.3 & 23.4 in the revised Articles.

Notice is hereby given that the Twenty-eighth Annual General Meeting of Farmers House Plc will take place at Southern Sun, Ridgeway Hotel, Lusaka on Wednesday 30th June 2010 at 10:00 Hours *(continued)*

Special Resolution for the Annual General Meeting of Farmers House Plc to be held on the 30th of June 2010

Resolution 11.4

That Article 23.1 of the Articles of Association of Farmer's House Plc be amended by deleting the reference to **"Article 22.7"** and substituting it with the reference to **"Article 23.7".**

Article 23.1 is Article 24.1 and Article 23.2 to Article 23.8 are Articles 24.2 to 24.8 in the revised Articles.

Resolution 11.5

That Article 24.3 of the Articles of Association of Farmer's House Plc be amended to instead read **"The quorum necessary for the transaction of the business of the Directors shall be 50% + 1 of the composition of the Board."**

Article 24.3 is Article 25.3 in the revised Articles.

Resolution 11.6

That a new Article 25.9 be inserted into the Articles of Association of Farmer's House Plc as follows:

Article 25.9	**The Board shall establish the following committees of the Board, the Audit and Risk Management Committee, the Executive Committee, the Nomination Committee, the Remuneration Committee and any other Committees that the Board might deem necessary for the efficient and effective running of Board affairs.**
Article 25.9.1	**The Board will determine the composition, structure and the terms of reference of such Committees as and when they are established.**

Article 24.9 is Article 25.10 in the revised Articles.

Resolution 11.7

That as a result of the inclusion of the new Articles introduced under Resolution 11.1 to Resolution 11.6 above, the Articles of Association of Farmer's House Plc be amended by renumbering the parts of the Articles affected by the inclusions.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours

Directors Present

Mr. R.D Frost	**- Chairman**	**Mr. R. Daya**	**- Director**
Mr. R.P.S Miller	**- Managing Director**	**Mr. M. Hantuba**	**- Director**
Mr. K.H Makala	**- Director**	**Mr. I.T.S Miller**	**- Director**
Mr. T.T Mushibwe	**- Director**	**Mr. W.P Saunders**	**- Director**

Shareholders Present

NAME		**REPRESENTING**	**NO. OF SHARES**
Felix Mumba		Self	144
Ms. Priscilla d'Elbee		Self	16,000
Ms. Priscilla d'Elbee	Proxy	Bateleur Investment Limited	342,844
Ms. Priscilla d'Elbee	Proxy	Associated Printers Limited	23,615
Ms. Priscilla d'Elbee	Proxy	Mr. Peter A. Frost	10,000
Douglas Gosling		Self	214,533
Robin Miller		Self	300,000
William P. Saunders		Self	105,798
Oliver Irwin	Proxy	Leopard Investment Company Limited	44,400
Solomon Ngulube	Proxy	24th October Farming Co-operative Limited	41,700
Douglas Cantlay		Self	36,300
Ian Miller	Proxy	City Investments Limited	305,006
Ian Miller	Proxy	M T Miller & Sons	7,425
Annette Miller		Self	8,063
Lindunda Ngenda		Self	33,000
Frank Green		Self	257,847
Jack Kanyanga	Proxy	Saturnia Regna Pension Trust	14,912,900
Jack Kanyanga	Proxy	Konkola Copper Mines Pension Trust	1,473,558
Patrick Serere	Proxy	Barclays Bank Staff Pension Scheme	4,465,458
Patrick Serere	Proxy	Stanbic Bank Retirement Benefit Scheme	899,225
Patrick Serere	Proxy	Chilanga Cement Pension Trustees	1,366,766
Patrick Serere	Proxy	CEC Pension Trust Scheme	431,529
Patrick Serere	Proxy	Standard Chartered Pension Trust Fund	2,210,938
Patrick Serere	Proxy	Sun International Pension Trust Fund	102,400
Patrick Serere	Proxy	Children Christian Fund	26,500
Christine Musambachime		Self	1,000
Bruce Landless		Self	51,825
Charles Mpundu		Self	32,180
Neiburt Phiri		Self	5,031
Munakupya Hantuba	Proxy	Sinyuka Property Development & Mgt Co.	1,416,421
Charles Mate		Self	660
Chanda Mutoni		Self	4,500
Ms E. O'Donnell	Proxy	Mr. M. O'Donnell	61,200
			29,208,766

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

In Attendance:

Dr. Virginia Bond	- Preference Shareholder
Mr. A. Francis	- Amazon Associates Limited
Mr. Mwila Chibiliti	- Musa Dudhia & Company
Mr. Arshad Dudhia	- Musa Dudhia & Company
Mr. H. Mpulamasaka	- 24th October Farming Co-op Ltd
Mr. Fungai Matiyanganga	- KPMG
Ms. Irene Mwamba	- KPMG
Ms. Helen Samatebele	- Stanbic Bank Pension Fund
Mr. Boyd Tembo	- SCB Pension Trust Fund
Mr. Sydney E. Popota	- City Investments Limited
Ms. Chama Mulemba	- City Investments Limited
Mr. Joseph Chongwe	- City Investments Limited
Mr. Kazhila Mambwe	- Minerva Property Mgt Co. Limited
Ms. Nancy Mwape	- Zambia Daily Mail
Mr. Charles Mate	- Stockbrokers Zambia Limited
Mr. Jimmy Mwambazi	- Stockbrokers Zambia Limited
Mr. Sanjib Chakravorty	- African Life Financial Services Ltd
Mr. Patrick Wanjelani	- BBZ Staff Pension Trust
Ms Susan Mackenzie	- Arimex International
Ms Siphiwe Nkunika	- Madison Asset Management Co. Ltd
Mr. Paul Siamuzyulu	- Madison Asset Management Co. Ltd
Mr. Gilford Malenji	- Stanbic Bank Pension Fund
Mr. Wana Saviye	- Laurence Paul Investment Services
Mr. Chitalu Chisanga	- Pangaea Renaissance
Mr. Mark O'Donnell	- Self

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

1.01 The Chairman called the meeting to order at 10:24 hours and welcomed the Shareholders, Directors, and everyone in attendance to the Twenty-seventh Annual General Meeting.

1.02 The Chairman called upon the Managing Director to read the notice of the meeting and to inform the meeting of any proxies and apologies.

1.03 The Managing Director began by reading the proxies as recorded above and reported that there were no apologies received. He then read the notice of the meeting.

1.04 The Managing Director also referred the shareholders to the addendum which had been published in the press and copies were distributed at the entrance to this meeting.

1.05 The Managing Director confirmed that the transfer books had been closed the previous day for purposes of determining shareholders eligible for the final dividend.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours ***(continued)***

2.00 **To read and approve the minutes of the Twenty-sixth Annual General Meeting held on 26th June 2008.**

2.01 The Managing Director stated that there was one correction to the minutes: to include Mr. M. Hantuba on the list of Directors present in the Twenty-sixth Annual General Meeting.

2.02 It was noted that the correct name of one pension fund was Standard Chartered Bank Plc Pension Trust Fund.

2.03 With the above corrections noted, the minutes were unanimously approved on the proposal of Ms. P. d'Elbee and seconded by Mr. S. Ngulube.

2.04 The Chairman signed a copy of the minutes.

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

3.01 Ms. P. d'Elbee asked the Chairman what progress had been made in respect to the approval of the increased authorised share capital, and the cautionary announcements that had been in the press during the year, and the offer that had been made for the company. The Chairman responded that this matter will be dealt with under the Directors' Report.

4.00 **To receive the Report of the Directors, the Auditors' Report and the Financial Statements for the year ended 31st March 2009.**

4.01 **The Directors' Report**

4.02 The Chairman read the Directors' Report as presented in the Farmers House Plc 2009 Annual Report and asked for questions.

4.03 Responding to a question from the floor regarding the cautionary notices which where being read in the press and what the status of the transactions were, the Chairman called upon Mr. T.T. Mushibwe, the Chairman of the Independent Committee of the Board (ICB) to give an update on the activities of the ICB regarding these matters.

4.04 Mr. Mushibwe reported that the ICB was set up to analyse the expression of interest that had been received from HBW, the owners of Manda Hill. Mr. Mushibwe stated that uncertainty was created in the company's future due to the continuous cautionary notices that were required by law. HBW had met with the ICB but despite an indication that an offer was to be made, no offer was forth-coming.

4.05 Mr. Mushibwe stated that in compliance with the Securities and Exchange Commission guidance, the cautionary notices were therefore withdrawn.

4.06 Mr. Mushibwe stated that due to the discount at which Farmers House shares were trading and the apparent vulnerability of the company to undesirable suitors, the Board decided to come up with its own strategy of ensuring that any future suitor should be able to reward the current shareholders fairly.

4.07 Mr. Mushibwe stated that the ICB were approached by ZenProp a South African Company with the objective of entering into a strategic alliance with this major property company who was willing to take this position in Farmers House at a price that was well in excess of the market price at the time.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

4.08 Mr. Mushibwe reported that ZenProp had indicated their preference of a minimum shareholding that they wished to have of between 30% and 35%. With the appointment of independent advisers, Stockbrokers Zambia/Imara Corporate Finance the Board had been advised that this would best be achieved by a claw-back right offer if some of the major shareholders did not fully take up their rights.

4.09 Mr. Mushibwe stated that the ICB had engaged the trustees of the major pension funds through African Financial Services Ltd (AfLife) in order for them to give an indication of how much they were willing to be diluted thereby allowing the ICB to determine how to progress, and make such recommendation to the Board.

4.10 Mr. Mushibwe reported that so far the position of the trustees of the pension funds on the matter had not been formally communicated to the ICB.

4.11 Mr. Charles Mpundu stated that it seemed a number of significant deals that could have a material impact on the shareholders' value were being considered, and wondered why there were no disclosures on them in the annual report.

4.12 Mr. Mushibwe stated that cautionary notices were being given in the press, but until the position of the major shareholders was known no concrete position had been taken by the Board. Mr. Charles Mate of Stockbrokers Zambia Limited confirmed this status and Mr. Arshad Dudhia of Musa Dudhia and Company re-confirmed that until the matter crystallizes then the actions by the ICB were in order.

4.13 Mr. Jack Kanyanga pointed out that one of the reasons for delay in having the Trustees' position on the matter was that there was some house keeping matters that needed to be addressed. He stated that he would speak on the matter in detail later in this meeting.

4.14 Ms. Priscilla d'Elbee commented in response to Mr. Jack Kanyanga statement above that the Company could be losing opportunities on account of AfLife/Trustees house keeping concerns. She stated that she hoped that the lost opportunities could be avoided going forward.

4.15 Mr. Charles Mpundu wondered why the Stanbic site lease was secured with the Agricultural and Commercial Show Society of Zambia with Burnet Investments Limited rather than directly with Farmers House.

4.16 The Managing Director responded that Burnet is a special purpose vehicle being a joint venture between Farmers House Plc and Standard Bank Properties (Pty) Limited for the development of a new Head Office and Executive Banking Branch for Stanbic Bank Zambia Ltd.

4.17 Mr. Boyd Tembo commented that, although the interest had been declared, he was concerned that the Managing Director had an interest in the administrator of the company. Mr. Kenny Makala commented that the contracts had been entered into through arm's length negotiations, and that on the conclusion of the current contracts in June 2010 the board would ensure that this conflict is considered.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

4.18 As no further comment was received The Directors' Report was approved on the proposal of Mr. Oliver Irwin and seconded by Mr. Charles Mpundu.

4.19 **The Auditor's report**

4.20 The Chairman asked Mr. F. Matiyanganga, KPMG's Audit Manager to give the auditor's report.

4.21 Mr. F. Matiyanganga read the Auditor's reported contained in the annual report and asked if there were any questions from the floor.

4.22 Mr. Oliver Irwin stated that he thought that it would be better to have two separate set of accounts for the company and for the group.

4.23 The Managing Director stated that the accounts did show separate results for each entity but noted that Mr. Irwin's suggestion will be reviewed in collaboration with the auditors.

4.24 Mr. Mushibwe, speaking as the Audit Committee Chairman stated that it was gratifying to note that KPMG had reported that the financial statements are in full compliance with the international financial reporting standards.

4.25 Mr. Mushibwe added that the Senior Partner at KPMG, Mr. Hastings Mtine has commended Farmers House in general and Management in particular for the high quality of accounting.

4.26 **Financial Statements for the year ended 31 March 2009**

4.27 The Managing Director explained in detail the valuation of investment properties which was conducted by an independent valuer Anderson & Anderson and that the auditors did an independent review of the valuation and were satisfied.

4.28 The Managing Director explained the movement in the value of investment properties, distinguishing between real increases in value and changes due to exchange rates.

4.29 Mr. Patrick Serere sought to know why Farmers House's policy was to have low gearing

4.30 The Managing Director responded that the policy was not low gearing but to have a 50/50 Debt/Equity ratio, and that the Board was considering this matter alongside the claw-back rights offer discussed earlier.

4.31 The Managing Director explained the increase in rental income which he attributed to six months' rental from the Zain property which was completed during the year.

4.32 Mr. Boyd Tembo sought to know how much of exchange rates gains/losses were included in the Salaries and Board expenses.

4.33 The Managing Director stated that the Directors' fees and salaries are US dollar denominated and payable at the ruling exchange rate on the date of payment. He stated that the directors' fees will be open to the floor for approval or otherwise.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

4.34 The Chairman pointed out that this matter was an agenda item.

4.35 Ms. Priscilla d'Elbee stated that it was good to receive such commendation from professional auditors about the quality of financial statements notwithstanding the ever demanding reporting regulations. She stated that she thought the results were good.

4.36 The financial statements were approved on the proposal of Mr. Boyd Tembo and seconded by Ms. Christine Musambachime.

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

5.01 KPMG were retained as Auditors for the ensuing year (2009/10) and the Directors were authorised to fix their remuneration on the proposal of Mr. Robin Miller and seconded by Mr. Charles Mpundu.

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

6.01 The Managing Director reminded the shareholders about the press advertised addendum to the notice of the Annual General Meeting. As the addendum was presented to the Company after the Annual Report had been distributed the Managing Director read the addenda as follows:

(i) RESOLUTIONS PROPOSED BY THE SATURNIA REGNA PENSION TRUST LIMITED RECEIVED BY THE COMPANY ON 9TH JUNE 2009.

We have the following issues that we would like included on the AGM Agenda.
a). The articles of association of Farmers House PLC do not provide for shareholder representation on the Board.

b). The current structure of Farmers House is not tax efficient as pension funds are not benefiting fully from their tax exempt status.

c). The current exposure in Farmers House is only giving investors equity like return and not a real property exposure, which should include amongst other things a distribution of operating income.

We therefore resolve as follows and table a motion to this effect: That the Directors should among other things exert their energies towards:

a). Addressing the mismatch between ownership of the company and Board representation.
b). Addressing the issue of the tax inefficient structure of the company.

Further we hereby nominate Mrs. Doreen Kabunda and Mrs. Sophie Muntemba as replacements for two of the retiring Directors.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

6.01 (cont) ***We also request that the decisions of the AGM be achieved via a poll by shareholders.***

(ii) NOMINATIONS TO FARMERS HOUSE BOARD OF DIRECTORS BY SATURNIA REGNA PENSION TRUST LIMITED RECEIVED BY THE COMPANY ON 15TH JUNE 2009.

Reference is made to our shareholders motion dated 9th June 2009 which include two nominations to the Farmers House Board of Directors.

This serves to notify you that we have replaced one of our nominees; Sophie Muntemba has been replaced by Deborah Anne Bwalya.

iii) NOTICE OF INTENTION TO NOMINATE PERSON FOR APPOINTMENT AS DIRECTOR OF FARMERS HOUSE PLC BOARD BY BARCLAYS BANK ZAMBIA STAFF PENSION FUND RECEIVED BY THE COMPANY ON 9TH JUNE 2009

The trustees of the Barclays Bank Zambia Staff Pension fund nominate Patrick Wanjelani for appointment as a director of Farmers House PLC.

6.02 The Managing Director informed the shareholders that legal opinion had been sought following a request at a Board Meeting by one of the company's directors Mr. M. Hantuba that there is an alteration of the articles in order to allow board representation reflective of the size of shareholding; that if, for example, the Board was 10 Directors, and 1 shareholder held 10% of the shares, then that shareholder would automatically receive 1 directorship.

6.03 The Managing Director reported that a committee comprising of all directors except the chairman had been constituted to look into the matter and it sat on 10th June 2009. He stated that on that date, it seemed that the terms of reference of that Board Committee had been overtaken by events due to the above stated proposals made by Saturnia to be included at this AGM.

6.04 The Managing Director reported that a further meeting was held on 16th June 2009 where it was agreed that a full Board should sit and deliberate on the matter and that the SEC's opinion should be sought.

6.05 The Managing Director reported that at the full Board meeting the legal opinion on what constitutes a valid nomination was reviewed. He read the legal opinion from Musa Dudhia & Co to shareholders, which included the following:

1. A Nomination must be by a shareholder.
2. A Consent letter from the person nominated must be attached
3 The Nomination must be "in time"

6.06 The opinion stated further that the nominations should be based on valid internal nominations procedures of the nominator having been satisfied.

6.07 The Managing Director reported that in view of the above, legal counsel had indicated that the nomination of Ms. Sophie Muntemba in replacement of Ms. Deborah Anne Bwalya was received outside the required time and hence was not valid. He stated that Saturnia's nomination of Mrs Doreen Kabunda and Barclays Pension Fund's nomination of Mr. Patrick Wanjelani were validly received.

Minutes of the Twenty-seventh Annual General Meeting of Farmers House Plc Held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 30th June 2009 at 10:00hours *(continued)*

6.08 Mr. Jack Kanyanga stated that the addendum was requested in the interest of having Directors be aligned with the interests of the shareholders considering the substantial stakes the pension funds have in Farmers House.

6.09 Mr. Kanyanga stated that this was with a view to give shareholders a role in shaping the strategic direction of the company, to make the Board efficient and to save on time.

6.10 Mr. Kanyanga stated that the pension funds were proposing that an Extra-ordinary General Meeting (EGM) should be held in order that the articles are changed to enshrine board representation reflective of shareholding.

6.11 Mr Kanyanga stated that the other suggestions are on account of the fact that pension funds are exempt from a lot of taxes while Farmers House is paying tax, hence pension funds are not getting the full benefit of their investment in Farmers House.

6.12 Mr. Kanyanga stated that in other countries particularly Botswana and South Africa, distribution of profits is done before tax. He stated that pension funds were proposing the holding of an EGM in order to decide upon this.

6.13 Regarding leverage, Mr. Kanyanga stated that he was aware that there was already a plan to gear the balance sheet but he wished to point out that US dollar interest rates were competitive hence should be considered.

6.14 The Chairman stated that his personal view regarding the alteration of articles to include board representation was that it was unnecessary since Saturnia and Barclays Bank pension funds had made valid nominations under the current articles which meant that there is democracy in the company as it is. The Chairman noted that the pension funds under AfLife management made up over 60% of the shareholding of the company. As noted above, AfLife had proxies to vote on behalf of these funds and democracy would therefore prevail.

6.15 Mrs. Annette Miller wondered whether there was something that Saturnia was not telling the rest of the shareholders, and that all individuals and companies are obliged to pay tax as if no taxes were paid no services would be provided by government.

6.16 Ms. Priscilla d'Elbee wondered whether Saturnia was not happy with the achievements of the current Board and wondered whether the nominations were just normal or otherwise.
Further questions from the floor included whether the Pensions block of shareholders still wanted Farmers House to continue as a property development company.

6.17 Mr. Kanyanga responded that Saturnia was very happy with the financial statements and achievements of the current Board but that as noted on the ZenProp transaction, they believed things would work well where major shareholders' interest are addressed. He added that Saturnia represents the interests of ordinary workers hence the need to get optimum returns from their investments.

6.18 Mr. Charles Mpundu stated that he had observed in this meeting that some of the deals that could have been done did not happen because of the delays and communication gap. He wondered whether it was a case of doubt or a vote of no confidence.

6.19 Mr. Ian Miller commented that all the pension funds have different trustees and that Farmers House Plc would deal with many pensions. He stated that Farmers House Plc needs a limited board of between 8 and 10 members which is able to direct the affairs of the company.

6.20 Mr. Mark O'Donnell stated that matters of profit distribution must be done in line with the law of the land. He questioned whether the law in Zambia allowed any other way of distributing net profit other than by dividend; and if so, he would like to know the method.

6.21 Mr. Mushibwe stated that the matter of tax planning was an active item of the Audit Committee in managing the business of the Company.

6.22 In response to Mrs. Annette Miller's comment that the Company should be expected to pay tax, Mr. M. Hantuba stated that it was strange that a shareholder could be advocating to pay tax. He stated that if the law does not say it can not happen, then it can be done. He stated that he would be voting that the directors consider this matter.

6.23 The Chair asked whether there were any other comments. As there were none, the Chair summarised by stating that the Board had already resolved an EGM of the company would be called to consider the matters raised by Saturnia. The Chair then advanced to the ballot, which he indicated would be managed by Mr. A. Francis of Amazon Associates, the company's transfer secretary.

6.24 Prior to voting, Mr. Jack Kanyanga stated that Saturnia was aware that one of their nominations was invalid on a technicality hence they would be carrying forward the nomination to the EGM.

6.25 Mr Mark O'Donnell stated that it can not happen that way because there was no Director retiring at the EGM.

6.26 It was unanimously agreed that from the following 5 valid candidates for election, 3 may be elected as Directors:

1. Mr. T.T Mushibwe
2. Mr. R. Daya
3. Mr. I.T. S Miller
4. Mr. P. Wanjelani
5. Mrs. D. Kabunda

6.27 After voting Mr. A. Francis announced the results which had been independently verified by the auditor Ms. Irene Mwamba. The following were declared duly appointed Directors:

1. Mrs. D. Kabunda
2. Mr. T.T Mushibwe
3. Mr. P. Wanjelani

7.00 **<u>To approve the Directors' remuneration</u>**

7.01 The Managing Director referred the shareholders to note 8 of the financial statements and explained the Directors' fee expense.

7.02 Mr. Mushibwe stated that the Directors fees expense was high due to the following:

1. Increase in number of meetings on account of extra meetings held to grow the balance sheet of the Company.
2. An increase in sitting allowances to try and get them to a level commensurate with the market. He stated that the fees paid by Farmers House have been lower than those paid by other listed companies.

7.03 The Directors' remuneration was approved on the proposal of Ms. Priscilla d'Elbee and seconded by Mr. Oliver Irwin.

8.00 **To declare a Final Dividend. The proposed Final Dividend of K70 per share, if approved, will be declared payable to members registered in the books of the company on close of business on 29th June 2009. Warrants in payment will be posted for payment on or about 31st August 2009. The transfer books and register of members will be closed from 29th June 2009 – 7th July 2009 (both dates inclusive).**

8.01 The Managing Director stated that the Board had analysed the cash flows in order to give the shareholders as great a dividend as could possibly be given based on the results.

8.02 The Managing Director stated that the Board's proposed dividend was K70/share which he stated was a return of in excess of 10% based on the current share price.

8.03 The proposed Final Dividend of K70 per share was approved on the proposal of Mrs. Annette Miller and seconded by Mr. Boyd Tembo.

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

9.01 The Chairman thanked Mr. R. Daya and Mr. I.T.S Miller for there contribution over the years to bring Farmers House to where it is now.

9.02 There being no further business to discuss, the meeting ended at 13:45.

Chairman___________________________________ Date___________________________

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours

Directors Present:	**Mr. R.D Frost**	**- Chairman**
	Mr. R.P.S Miller	**- Managing Director**
	Mr. P. Wanjelani	**- Director**
	Mrs. D. Kabunda	**- Director**
Apologies:	**Mr. K.H Makala**	**- Director**
	Mr. W.P Saunders	**- Director**
	Mr. T.T Mushibwe	**- Director**
	Mr. M. Hantuba	**- Director**
Shareholders:	**Mr. R.P.S Miller**	**- Self**
	Mr. Solomon Ngulube	**- 24th Oct. Farming Cooperative**
	Mr. Felix Mumba	**- Self**
	Mr. Ian Miller	**- City Investments Ltd**
	Mr. Paul Hibusenga	**- Self**
	Mr. Frank Green	**- Self**
	Mr. Frank Green	**- Douglas Gosling**
	Mr. Jack Kanyanga	**- Saturnia Regna Pension Trust Limited**
		- Barclays Bank Staff Pension Trust Fund
		- Standard Chartered Bank Pension Trust Fund
		- Stanbic Bank Pension Trust Fund
		- Chilanga Cement Pension Trust Fund
		- CEC Pension Trust Scheme
		- Sun International Pension Trust Scheme
		- CCF Pension Trust Scheme
		- Sinyuka Property Dev. & Mgt Company
		- Sandvik Mining Pension Trust Scheme
		- KCM Pension Trust Scheme
	Mr. Lameck Mwela	**- Patrick Mwela**
	Mr. Peter Frost	**- Bateleur Investment**
	Mrs. Annette Miller	**- Self**
	Ms. Priscilla M. d'Elbee	**- Self**
	Mrs. Dorothy Soko	**- NAPSA**
	Mr. Charles Mate	**- Self**
	Mr. Siseho Minyoi	**- Dr. Jacqueline Banda**
	Ms. Siphiwe Nkunika	**- Self**
	Mr. Ackim Nyagonyi	**- Self**
	Mr. J.L.K Mwanza	**- Self**
	Mr. Paul Cartwright	**- Self**
	Mr. N. Lindunda	**- Self**
	Mr. Joel Phiri	**- Kwacha Pension Trust Fund**
	Mr. Joseph Chilinda	**- Workers Compensation**
	Mrs. Beatrice Nkanza	**- Self**
In Attendance:	**Mrs. S.C Frost**	**- Guest**
	Mr. Alex Kabwiku	**- Minerva Property Mgt Co.**
	Mr. Sydney Popota	**- City Investments Ltd**
	Mr. Girish Nair	**- City Investments Ltd**
	Mr. Chisha L. Folotiya	**- Laurence Paul Inv. - Equity Fund**

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours *(continued)*

In Attendance: (cont.)	**Mr. David Sinkamba**	**- Laurence Paul Inv. - Equity Fund**
	Mr. Gabriel Njobvu	**- Laurence Paul Inv. - Equity Fund**
	Ms. Winfrida Mumba	**- 24th October Co-operative**
	Ms. Fortunate Ngatsha	**- African Life Financial Services**
	Mr. Chitalu Chisanga	**- Pangaea Renaissance**
	Mr. Clement F. Sichembe	**- Securities & Exchange Commission**
	Mr. Michael M. Liweleya	**- Securities & Exchange Commission**
	Major Constantine Hara	**- Securities & Exchange Commission**
	Mr. Arshad Dudhia	**- Musa Dudhia & Co**
	Mr. Mwila Chibiliti	**- Musa Dudhia & Co**
	Mr. Charles Mate	**- Stockbrokers Zambia Limited**
	Mr. Chanda Mutoni	**- Stockbrokers Zambia Limited**
	Ms Siphiwe Nkunika	**- MAMCO**
	Mr. Paul Siamuzyulu	**- MAMCO**
	Ms. Kapulu N. Chizawu	**- Lusaka Stock Exchange**

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

1.01 The Chairman declared the meeting open and welcomed the Shareholders, Directors, and everyone in attendance to the Extraordinary General Meeting.

1.02 The Chairman called upon the Managing Director to read the notice of the meeting and to inform the meeting of any proxies and apologies.

1.03 The Managing Director recognised the presence of Mr. Clement Sichembe, Mr. Michael M. Liweleya and Major Constantine Hara from the Securities and Exchange Commission and Mrs. Beatrice Nkanza from the Lusaka Stock Exchange. Mr. Miller thanked them for their attendance.

1.04 The Managing Director read the notice of the meeting and announced the proxies and apologies received as recorded above.

1.05 The Managing Director reported that Director K. Makala had been appointed by the Board to present Items 2.0 and 4.0 but he was attending to a case in court. He added that Mr. Makala had indicated earlier in the morning that he would make the presentation if he came in time during the meeting.

1.06 The Chairman asked for permission from the floor to skip items 2.0 and 4.0 until after Item 5.0 is deliberated. There was no objection from the floor.

1.07 The Managing Director stated that there was one amendment required to the agenda pointing out that the agenda Item on the class meeting of preference share holders was no longer necessary as this item was proposed to consider the issuance of preference shares which was being considered at the time of giving out the notice of the EGM. He stated that what is now being considered is a corporate bond, and therefore no meeting of existing preference shareholders was required.

1.08 The Managing Director recognised the presence of Mr. Charles Mate of Stockbrokers Zambia Ltd and Mr. Arshad Dudhia of Musa Dudhia & Co and their respective teams being the Company’s corporate advisers on the Capital raising exercise.

1.09 There was no objection to the amendment of the agenda.

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours *(continued)*

2.00 **To report on Board representation as requested by members at the Annual General Meeting.**

2.01 On reverting to agenda Items 2.0 and 4.0, Director, Mr. K. Makala had not yet arrived from court hence the Managing Director was called upon to present them.

2.02 The Managing Director stated that the terms of reference from the June 2009 Annual General Meeting was that the Board should consider the amendment of Articles of Association to include a requirement for Board appointments which are reflective of the size of shareholding.

2.03 The Managing Director informed the meeting that the Board had engaged Makala & Co to review the matter and consider the benefits or otherwise of Board appointments based on a shareholding qualification.

2.04 The Managing Director informed the meeting that the shareholder requesting consideration of the amendment of the articles had been provided the full opinion but summarised Mr. Makala's major conclusion as follows:

2.05 "That it was undesirable for a listed Company to have Board members being appointed on the basis of shareholding in the capital of the Company."

2.06 The Managing Director stated that this was after a review of numerous publications on corporate governance and other related works and that the above position is consistent with the opinion given by Mr. Patrick Chisanga of Dynamic Concepts Ltd.

2.07 The Managing Director stated that the Board considered Mr. Makala's opinion and agreed that whilst looking at this particular article on Board representation, it would be prudent to review the entire Articles of Association to consider whether they are in compliance with current best corporate practices. He stated that the Articles were originally adopted in 1996.

2.08 He informed the meeting that Mr. Patrick Chisanga of Dynamic Concepts Ltd was engaged to undertake the review of the entire Articles of Association and that it was gratifying to report that Mr. Chisanga had stated that the Articles have stood the test of time and did not require major changes.

2.09 The Managing Director stated that Dynamic Concepts Ltd had indicated that the majority of the clauses in the existing Articles are by and large compliant or at least not in conflict with prevailing Corporate Governance best practices.

2.10 On recommendation of Mr. Chisanga the following Articles have been recommended by the Board for revision:

1. Article 19, Directors – that the minimum number of Directors should change from the current 2 to 5.
2. Article 22, Executive Directors – that there is need to redraft this article to remove potential ambiguity.
3. Article 23.1, Rotation of Directors – that the correct reference here, should be 23.7 rather than 22.7.
4. Article 24.3, Quorum – that the quorum for Board meetings should be raised from 2 to 50% + 1.

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours *(continued)*

2.11 Mr. Chisanga has recommended the following articles for addition to the current Articles of Association:

1. Members Register clause – notification of addresses to the secretary for receiving notices.

2 Notice of Members clause – the giving of notices either personally or by post and if by post, unless the contrary is proved, notice will be deemed to be effected properly at the expiry of seven days.

3 Arbitration clause – that in cases of differences between shareholders and Directors, such differences shall be referred to the decision of arbitrators under the Arbitration Act.

2.12 The Managing Director informed the meeting that Dynamic Concepts Ltd also recommended the establishment of a Nominations Committee of the Board to assume responsibility for identifying potential new members of the Board of Directors. The Managing Director stated that this function had been previously attended to by the full Board but that the Board had unanimously agreed to this proposal for a separate Nominations Committee of the Board.

2.13 The Chairman called for questions from the floor.

2.14 Mr. Jack Kanyanga sought to know whether the Nominations Committee would be included in the Articles.

2.15 The Managing Director responded that the Nominations Committee would be in the Articles but would be appointed by the Board - in the same manner as the Audit Committee, Executive Committee etc. are appointed by the Board.

2.16 Mr. Jack Kanyanga stated that the duties of the Nominations Committee should ensure that Board composition should be a balance of Independent and Non-independent Directors, rather than being a balance of Executive and Non-Executive Directors.

2.17 Mr. Jack Kanyanga stated further that good Corporate Governance is a very important matter and should be included in the duties of the Nominations Committee.

2.18 Asked to comment on the subject of Independent and Non-independent Directors, Mr. Arshad Dudhia stated that he needed to look at the Banking Act as the issue of Independent Directors is mentioned there.

2.19 Commenting on the same matter, Major Constantine Hara of the Securities and Exchange Commission stated that it was a matter of practice. He stated that Independence is not defined in the Securities Act and pointed out that the law does not provide for everything. He stated that Corporate Governance is still evolving hence the matter proposed and the position that the Company can take on this issue is a matter of definition.

2.20 The Managing Director commented that the proposition was welcome and that it would be incorporated subject to review of the definitions.

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours *(continued)*

2.21 Mr. Jack Kanyanga stated that it would be good to have clear guidelines on how the Nominations Committee would interface with Shareholders.

2.22 The Managing Director responded that the Board would consider the matter and communicate to all shareholders so that the process is smooth.

2.23 The Managing Director stated that the proposed amendments were not meant to be adopted in this meeting but the Board would include them for formal adoption in a special resolution with proper notice given at the next EGM or at the AGM. This was approved having been proposed by Mr. Peter Frost and seconded by Mr. Felix Mumba.

3.00 **To report on the Company's Capital structure as requested by members at the Annual General Meeting.**

3.01 The Managing Director stated that this Item should be looked at in collaboration with the proposals made by the Board under Agenda Item 5.0 – Capital Raising.

3.02 He stated that the Board has done what they were asked to do by Saturnia Regna Pension Fund and that the Board fully supports the Saturnia Regna proposals. He went further and gave a background and rationale behind the said proposals.

3.03 The Managing Director stated that in reviewing the tax efficiency structure, Mulenga, Mundashi & Co was engaged to undertake the review of the tax efficiency of the Company and to give an opinion.

3.04 The Managing Director informed the meeting that in other jurisdictions, two models exist namely:

1. Real Estate Investment Trusts (REIT)
2. Property Loan Stock Companies (PLS)

3.05 He stated that Mr. Mundashi has confirmed that there is presently no legislation regarding the above two models in Zambia and that while a PLS may be formed under Zambia's Company's Act, it cannot benefit from the intended tax shield that is provided by the tax authorities in other jurisdictions. The Managing Director read Mulenga Mundashi's opinion as follows: "Forming Farmers House Plc into a loan stock company *per se* is not the answer. What is required is legislative reform".

3.06 The Managing Director stated that the Board has determined that what is required to get the tax shield of a PLS is an industry-wide approach to the Government and to the Zambia Revenue Authority with the participation of Pension funds.

3.07 He however stated that in order to move forward to addressing the tax issues of pension funds in particular, the tax planning employed leads to Item 5.0.

3.08 The Managing Director sought to know if there were any questions that needed to be responded to before proceeding to the resolutions on Items 5.1 and 5.2.

3.09 There were no questions.

<u>Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours</u> *(continued)*

4.00 **<u>To report on the Articles of Association of the Company and to consider any changes thereto.</u>**

4.01 As recorded under Item 2.0 above.

5.00 **<u>To consider and to pass the following resolutions namely:</u>**

5.01 **Re. Resolution 5.1 -** The Managing Director explained the first part of Resolution 5.1 in detail pointing out that though $15 million is mentioned, the ordinary rights offer would be issued in Zambian Kwacha.

5.02 He stated that the quantum of shares to be issued and the issue price would be determined at a later date and declared in the offer circular to members and at future extraordinary general meetings.

5.03 He then explained the second part of resolution 5.1 highlighting the purpose of the funds to be raised, which is for the Board to apply the funds in acquisitions and development of property in line with the expansion strategy of the Company.

5.04 **Re. Resolution 5.2 -** The Managing Director stated that as pointed out above, the Preference Shares issue had been dropped and replaced with a Corporate bond which would be issued on a rights offer basis – i.e. existing shareholders would have the first option on those Bonds. He stated that the Corporate bond would be a tradable instrument (i.e. listed on LuSE) and was intended to be long-term of up to 12 years.

5.05 **Re. Resolution 5.3** – The Managing Director stated that the above two resolutions above require the third, being the application to the Securities and Exchange Commission and the Lusaka Stock Exchange for registration and listing of the ordinary shares and the corporate bonds.

5.06 He stated that the whole process going forward is that Shareholders will be called to a meeting through the press and post, where the terms and conditions of the respective offers will be stated and all such detail would be provided to shareholders in an offer circular.

5.07 The Managing Director informed the meeting that in the process of property acquisition, certain triggers might arise such as related party and/or categorisation transactions and explained with examples on both issues.

5.08 He stated that if the property acquisition process lead to a related party and/or a categorisation transaction the nature of that transaction will be declared to shareholders and that the Board will follow all the necessary legislative requirements in that respect to gain any necessary shareholder approval.

5.09 The Managing Director stated that if, for example, the Company wished to purchase a property from the Chairman then that would be a related party transaction and would require shareholder approval.

5.10 The Chairman called for questions from the floor.

Minutes of the Extraordinary General Meeting of the ordinary and preference share holders of Farmers House Plc held at Southern Sun Ridgeway Hotel, Lusaka on Tuesday 15th December 2009 at 10.00 hours *(continued)*

5.11 Mrs. P.M d'Elbee sought clarification on the amount of capital that was being sought to be raised. The Managing Director responded that it was US$30m.

5.12 Responding to a question from Mr. Peter Frost, the Managing Director stated that the Board was seeking approval to drive the process of raising capital and to apply the funds on property acquisition and development and if in the process issues that need specific Shareholders' approval arises, the Shareholders will be called to general meeting accordingly.

5.13 **Resolution 5.1 was unanimously approved** on the proposal of Director P. Wanjelani and seconded by Mr. Peter Frost. There were no objections.

5.14 **Resolution 5.2 was unanimously approved** on the proposal of Director D. Kabunda and seconded by Mr. N. Lindunda. There were no objections.

5.15 **Resolution 5.3 was unanimously approved** on the proposal of the Managing Director, Mr. R.P.S Miller and seconded by Mr. F. Mumba. There were no objections.

5.16 The Managing Director reverted to Items 2.0 and 4.0.

5.17 There being no further business to discuss, the Chairman thanked the Managing Director for a very clear presentation which was confirmed by the floor and declared the meeting closed at 11:18 Hours.

Chairman________________________________ Date__________________________

R.D Frost

COMPANY INFORMATION

REGISTERED OFFICE:

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

DIRECTORS	**ALTERNATES**
R D Frost (Chairman)	P M d'Elbee (Ms.)
R P S Miller (Managing Director)	I T S Miller
M Hantuba	R B V Liebenthal
D Kabunda (Ms.)	N. Kayamba (Ms.)
T T Mushibwe	N H C Chiromo
K H Makala	I M Mabbolobbolo
W P Saunders	D G A Ironside
P Wanjelani	B. Kayumba (Ms.)

TRANSFER SECRETARIES

Amazon Associates Limited
P O Box 32001
Lusaka

SOLICITORS

Musa Dudhia & Co.
P O Box 31198
Lusaka

COMPANY SECRETARIES

City Investments Limited
P O Box 30093
Lusaka

BANKERS

Standard Chartered Bank (Zambia) Plc
Main Branch
P O Box 32238
Lusaka

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

AUDITORS
KPMG Zambia
P O Box 31014
Lusaka

DIRECTORS' REPORT

It is my pleasure to present the Directors' report for the year ended 31st March 2010.

Financial Results

The Directors of Farmers House Plc are pleased to report that the major instability in the world financial system seems to be abating. Many economies are coming out of deep recession whilst others are now faced with national deficits that need to be tackled. Zambia continues to see an improvement in its economic prospects, which has been led by the substantial rise in copper prices. The depreciation of the Kwacha that we reported last year has reversed and we are pleased to have seen relative stability in the exchange rate during the year. The exchange rate has moved from K5,595 to US$1 at 31st March 2009 to K4,730 at 31st March 2010.

The financial statements of the company show a 60% increase in gross rental income from K12.56 billion in 2009 to K20.1 billion in 2010. Profit from operations (Note 29) shows a substantial improvement from K5.92 billion in 2009 to K11.51 billion in 2010 – a 94% increase. This follows the 90% increase that was recorded in 2009. Operating profit as a percentage of total income has improved from 47% in 2009 to 57% in 2010.

As you will note from the comparative results there was a significant increase in the company’s net asset value in the 2009 financial statements. This was the result of the independent property valuation carried out in that year which showed a gain in the fair value of the company’s investment properties of K105.14 billion (Note 14) due to the completion of the Zain Headquarters. This gain was reflected in the statement of comprehensive income as required by International Financial Reporting Standards. In compliance with the company’s policy the annual independent valuation for 2010 of investment property stands at K224.6 billion, which shows a K13.8 billion gain over the previous year. Total investment property includes the purchase of a property in the Lilayi/Makeni area that was concluded during the year.

The company’s ordinary shares traded by the end of the year at a price in the K2750 range, as against a severely depressed market price of K900 in 2009. This reflects a substantial rise in the market capitalisation of your company following the divestment by international investors affected by the global credit crunch in 2009. On a net asset basis the valuation of your company at the year end date is K5,155 per ordinary share. The market price still represents a discount of approximately 53% to the net asset value of the company.

Central Park – Cairo Road, Lusaka

Central Park continues to be one of Lusaka’s premier business addresses and attracts such blue chip tenants as Barclays Bank, Standard Chartered Bank, Stanbic Bank and of course the Lusaka Stock Exchange amongst others. During the year under review Zain vacated their premises at Central Park, moving to their new head office. I am pleased to report that Stock Brokers Zambia Ltd, Ernst & Young and Dunavant Zambia Ltd have taken leases and I welcome these new tenants to Central Park which is once more fully let.

Zain Headquarters Development

I am pleased to report that Zain took occupation of their new head quarters when the building was officially opened by The President of the Republic of Zambia, Mr. R.B. Banda in July last year. Shareholders will note the substantial increase in turnover in 2010 that reflects, in part, a full year’s income from Zain’s tenancy of this property.

DIRECTORS' REPORT (CONTINUED)

Burnet Investments Ltd

This joint venture with Standard Bank Properties (Pty.) Ltd for the development of a new Head Office and Executive Banking Branch for Stanbic Bank Zambia Ltd has made good progress and is close to completion. Directors of Farmers House Plc sit on the Board of Burnet keeping a close eye on the company. The phased handover of this property will commence in the 2nd quarter of the new financial year.

Capital Raising - Extraordinary General Meeting – 15th December 2009

Shareholders will see the minutes of the Extraordinary General Meeting (EGM) held in December 2009 attached to this Annual Report. Those shareholders that were able to attend the EGM will have noted that various resolutions were presented, discussed in detail, and were approved as follows:

5.1 **RESOLVED** pursuant to Articles 3, 4 and 20 of the Company's Articles of Association, to proceed with a RIGHTS OFFER and to issue such number of the authorised but unissued ordinary shares in the Company required to raise up to USD 15 million as capital and for the Board to apply this capital in the best interests of the Company and its shareholders by acquisitions and property development in line with the expansion and growth strategy of the Company and that the Board is given full authority to take all necessary steps to give effect to this resolution.

Resolution 5.1 was **unanimously approved** on the proposal of Mr. P. Wanjelani and seconded by Mr. Peter Frost. There were no objections.

5.2 **RESOLVED** pursuant to Article 3,4 and 20 of the Company's Articles of Association for the Board to proceed, at the election of the Board and subject to such rights and restrictions attaching to the instrument as determined by the Board, with either a PREFERENCE SHARE ISSUE and/or ANY OTHER DEBT ISSUE in order to raise up to USD 15 million as debt finance which the Board will apply in the best interests of the Company and its shareholders by property acquisitions and property development in line with the expansion and growth strategy of the Company and that the Board is given full authority to take all necessary steps to give effect to this resolution.

Resolution 5.2 was **unanimously approved** on the proposal of Mrs. D. Kabunda and seconded by Mr. N. Lindunda. There were no objections.

5.3 **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 and or preference shares/debt instrument that may be issued through the rights offer and the preference share and/or debt issue respectively and that the Board give effect to this resolution.

Resolution 5.3 was **unanimously approved** on the proposal of the Managing Director, Mr. R.P.S Miller and seconded by Mr. F. Mumba. There were no objections.

Following these approvals at the end of 2009, the Board has been working hard with its advisers, Stockbrokers Zambia/Imara Corporate Finance, in finalising the structure of this capital raising. The Company held a presentation of the proposed transaction on 2nd March 2010. This presentation was well attended by shareholders, stakeholders, regulatory bodies and the general public. It is anticipated that the rights issues will be brought to market during the second quarter of the company's financial year.

DIRECTORS' REPORT (CONTINUED)

Capital Raising - EGM (cont.)

An Offer Circular providing the detail relating to this Rights Offer will be circulated to shareholders after approval of the documentation by the Securities and Exchange Commission, the Lusaka Stock Exchange and other applicable regulatory bodies.

At the 2009 Annual General Meeting certain shareholders commented on aspects of the company's Articles of Association. As noted at that meeting and confirmed at the EGM the Board engaged independent advisers to review the Articles to ensure that they comply with best practice. Shareholders will know that the principles of best practise in respect to corporate governance are up-dated on an on-going basis. The Board of Farmers House Plc has taken advice from the company's independent advisers, Dynamic Concepts Limited and is therefore proposing various resolutions to the 2010 AGM for approval by members. The Board is confident that these resolutions will bring the Articles of Association "up-to-date" and strongly recommend that the new Articles are adopted by shareholders so that they will conform to best current international governance practise.

Final Dividend

Notwithstanding the substantial development activity noted above, the Board has recommended a final dividend of K60 per share, following the interim dividend of K50 per share. This total dividend of K110 per share (2009 – K100 per share), if approved, is a further demonstration of the financial performance of the company, its solid projected earnings basis and the strength of its financial position.

Five Year Financial Summary

The five year financial summary of the results of the Company is attached. The company's operating profit has improved four-fold in the last 3 years and the net assets of the company have increased by nine times in the last five years.

R.D. Frost
Chairman

Five Year Financial Summary

For the ended 31 March	2010 K'000	2009 K'000	2008 K'000	2007 K'000	2006 K'000
STATEMENT OF COMPREHENSIVE INCOME					
Gross rental income	**20,139,738**	12,598,184	6,881,795	5,474,917	5,498,677
Total operating expenditure	**(8,623,333)**	(6,673,533)	(4,189,027)	(3,429,887)	(3,184,291)
Profit from operation	**11,516,405**	5,924,651	2,692,768	2,045,030	2,314,386
Change in fair value of Investment property, net of exchange gains/(loss) - IAS 40	**13,778,005**	105,138,035	18,944,235	11,382,643	-
Net finance (expense)/income	**(2,222,783)**	(279,811)	292,179	(752,085)	(1,742,664)
Net foreign exchange (loss)/gain	**(2,035,165)**	2,342,709	(1,799,322)	(1,033,974)	2,797,381
Other non-operating income	**-**	30,081	1,500	182,464	157,800
Profit/(loss) from equity accounted investees	**1,619,217**	(495,876)	-	-	-
Profit before tax	**22,655,679**	112,659,789	20,131,360	11,824,078	3,526,903
Income tax (expense)/credit	**(2,795,392)**	(2,608,979)	(645,133)	27,940	(126,991)
Profit after tax	**19,860,287**	110,050,810	19,486,227	11,852,018	3,399,912
STATEMENT OF FINANCIAL POSITION					
Plant and equipment	**5,373,077**	6,468,315	2,577,011	3,113,644	3,678,439
Investment properties	**224,577,116**	201,093,709	72,338,223	49,082,805	37,700,162
Investment property under development	**-**	-	19,612,143	7,549,737	9,500
Investments	**-**	-	880	880	1,740
Amount due from equity accounted investee	**4,138,801**	3,070,589	-	-	-
Other long term assets	**3,138,383**	2,375,061	404,623	273,587	159,186
Current assets	**42,743,823**	9,991,959	14,232,303	30,226,278	1,544,182
Total Assets	**279,971,200**	222,999,633	109,165,183	90,246,931	43,093,209
Shareholders' funds and liabilities					
Total equity	**220,353,775**	205,622,998	97,709,483	79,719,363	25,958,496
Non – current liabilities	**7,823,740**	7,823,740	7,823,740	7,823,740	13,964,365
Deferred tax liabilities	**3,076,813**	2,549,304	615,869	293,500	533,411
Total current liabilities	**48,716,872**	7,003,591	3,016,091	2,410,328	2,636,937
Total equity and liabilities	**279,971,200**	222,999,633	109,165,183	90,246,931	43,093,209
Interim dividend paid	**2,137,296**	1,282,377	854,918	-	-
Final dividend paid/proposed	**2,564,755**	2,992,214	854,918	641,189	267,162
Total dividend paid/proposed	**4,702,051**	4,274,591	1,709,836	641,189	267,162

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
M. Hantuba	R.B.V. Liebenthal
D. Kabunda (Ms.)	N. Kayamba (Ms.)
T.T. Mushibwe	N.H.C. Chiromo
K. Makala	I. M. Mabbolobbolo
W.P. Saunders	D.G.A. Ironside
P. Wanjelani	B. Kayumba (Ms.)

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.

Directors Compensation

Directors receive quarterly compensation, and attendance fees for Board and Board Committee meetings. No Director is entitled to any share option or any other benefit.

Board Meetings

The Board meets at least once a quarter, and has met eight (8) times during the year and continues to direct the company’s affairs in a prudent manner.

Mr. R. D. Frost, Mr. W.P. Saunders and Mr. M. Hantuba are retiring from the Board at the Annual General Meeting. Mr. M. Hantuba and Mr. W.P. Saunders, being eligible, offer themselves for re-election. Mr. R.D. Frost retires and the Directors recommend Ms. D.A. Bwalya for election in his place.

Directors’ Interest

The directors’ shareholding interest as at 31 March 2010 is shown in the table below:

	Beneficial		Non-beneficial	
	Direct	**Indirect**	**Direct**	**Indirect**
Executive Directors				
R.P.S. Miller	300,000	Nil	Nil	Nil
Non-executive Directors				
R.D. Frost (Chairman)	Nil	Nil	Nil	Nil
M. Hantuba	Nil	Nil	Nil	Nil
D. Kabunda	Nil	Nil	Nil	Nil
K.H. Makala	Nil	Nil	Nil	Nil
T.T. Mushibwe	Nil	Nil	Nil	Nil
W.P. Saunders	Nil	Nil	Nil	Nil
P. Wanjelani	Nil	Nil	Nil	Nil

STATEMENT ON CORPORATE GOVERNANCE (CONT.)

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.

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

Farmers House Plc has paid a deposit towards the acquisition of Thistle Land Development Company Limited in which Mr W P Saunders, a director of Farmers House Plc, is a shareholder. An Extraordinary General Meeting is to be held on 14th June 2010 to consider this related party transaction.

Board Committees

The Audit and Risk, Executive, Nomination and Remuneration committees during the period were made up of the following Board members, each of which includes a majority of non-executives Directors:

Audit and Risk Committee	**Executive Committee**	**Remuneration Committee**
T.T. Mushibwe (Chair)	W.P. Saunders (Chair)	K.H. Makala (Chair)
P. Wanjelani	M. Hantuba	M. Hantuba
R.P.S. Miller	K.H. Makala	D. Kabunda
	R.P.S. Miller	W.P. Saunders

Nomination Committee

K.H. Makala (Chair)
D. Kabunda
T.T. Mushibwe

During the year these Committees of Directors met regularly and were extremely busy overseeing the financial and operational affairs of the company.

Additionally the Directors appointed a Management Structure Committee of the Board (MSBC) to consider the current administrative and management structure and any changes that may be required to it with the continued growth of the company. This committee was made up of the following Directors:

2009/10 Management Structure Committee of the Board:

D. Kabunda – Chair
K.H. Makala
T.T. Mushibwe
W.P. Saunders

Through a tender process the MSBC has engaged an independent third party consultant to advise the MSBC and thereafter the Board on the future structure of the management of the company. This assessment is on-going and shareholders will be made aware of the outcome at the appropriate time. Shareholders should be assured, however, that the Board is satisfied that the management of your company will continue to perform its functions efficiently whilst this process is completed.

STATEMENT ON CORPORATE GOVERNANCE (CONT.)

Corporate Social Responsibility

The Board supports a number of charitable, social and educational causes on a case by case basis.

Major shareholders

Farmers House shareholding currently includes in excess of 180 shareholders. As at 31 March 2010 the top ten Farmers House Plc shareholders held approximately 80.4% of the issued share capital of the Company:

Shareholder	Number of Farmers House shares held	Holding (%)
Saturnia Regna Pension Trust Limited	14,912,900	34.9%
BBZ Staff Pension Fund	4,465,458	10.4%
Workers' Compensation Fund Con	4,171,290	9.8%
Standard Chartered Bank Pension Trust Fund	2,210,938	5.2%
National Pension Scheme Authority	2,097,576	4.9%
KCM Pension Trust Scheme	1,477,718	3.5%
Sinyuka Property Development & Management Company	1,416,421	3.3%
Chilanga Cement Pension Trust Fund	1,366,766	3.2%
Workers Compensation Fund	1,258,393	2.9%
Kwacha Pension Trust Fund	1,000,000	2.3%
Total	**34,377,460**	**80.4%**

Note:
- BBZ – Barclays Bank Zambia Plc; and
- KCM – Konkola Copper Mines Plc.

Directors' 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 statement of financial position at 31 March 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows 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 of Zambia.

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 and set out on pages 32 to 75 were approved by the board of directors on **20 May 2010** and signed on its behalf by:

..................................….	....................................…....
Director	*Director*

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

Report on financial statements

We have audited the accompanying consolidated financial statements of Farmers House Plc (“the Company”), which comprise the consolidated and separate statement of financial position at 31 March 2010, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows 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 36 to 75.

Directors’ responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the Companies Act of Zambia. 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 consolidated and separate 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.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Farmers House Plc at 31 March 2010, 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.

Report on other legal and regulatory requirements

In accordance with Section 173 (3) of the Companies Act 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 Zambia **Lusaka**
Chartered Accountants of Zambia

Hastings Mtine
Partner

Farmers House Plc and its subsidiaries

Consolidated and separate statement of comprehensive income

for the year ended 31 March 2010

In thousands of Zambian Kwacha

		Group		Company	
	Note	**2010**	2009	**2010**	2009
Gross rental income	*7*	**20,139,738**	12,598,184	**20,139,738**	12,598,184
Property operating expenses	*14e*	**(4,725,225)**	(3,420,154)	**(4,725,225)**	(3,420,154)
Net rental income		**15,414,513**	9,178,030	**15,414,513**	9,178,030
Change in fair value of investment property	*14*	**44,867,559**	63,627,494	**44,867,559**	63,627,494
Administrative expenses	*13*	**(3,898,108)**	(3,253,379)	**(3,884,937)**	(3,246,565)
Other income	*9*	**-**	30,081	**-**	-
Results from operating activities		**56,383,964**	69,582,226	**56,397,135**	69,558,959
Finance income		**977,377**	44,216,204	**977,377**	44,216,204
Finance costs		**(36,324,879)**	(642,765)	**(36,324,879)**	(642,765)
Net finance (costs)/income	*10*	**(35,347,502)**	43,573,439	**(35,347,502)**	43,573,439
Profit/(loss) from equity accounted investee	*18*	**1,619,217**	(495,876)	**-**	-
Profit before income tax		**22,655,679**	112,659,789	**21,049,633**	113,132,398
Income tax expense	*11*	**(2,795,392)**	(2,608,979)	**(2,795,392)**	(2,608,979)
Profit for the period		**19,860,287**	110,050,810	**18,254,241**	110,523,419
Total comprehensive income for the year		**19,860,287**	110,050,810	**18,254,241**	110,523,419
Profit attributable to:					
Owners of the Company		**19,860,287**	110,050,810	**18,254,241**	110,523,419
Total comprehensive income attributable to:					
Owners of the Company		**19,860,287**	110,050,810	**18,254,241**	110,523,419
Earnings per share					
Basic earnings per share (Kwacha)	*12*	**464.61**	2,574.53	**427.04**	2,585.59
Diluted earnings per share (Kwacha)	*12*	**455.26**	2,469.89	**419.35**	2,480.46

There were no items of other comprehensive in during the year (2009: Nil).

The notes on pages 36 to 75 are an integral part of these financial statements.

Farmers House Plc and its subsidiaries

Consolidated and separate statement of financial position

As at 31 March 2010

In thousands of Zambian Kwacha

		Group		Company	
Assets	*Note*	**2010**	2009	**2010**	2009
Plant and equipment	*16*	**5,373,077**	6,468,315	**5,373,077**	6,468,315
Rental income receivable	*17*	**3,138,383**	2,375,061	**3,138,383**	2,375,061
Investment property	*14*	**224,577,116**	201,093,709	**224,577,116**	201,093,709
Amount due from equity accounted investee	*27a*	**4,138,801**	3,070,589	**3,013,010**	3,564,015
Other investments	*19*	**-**	-	**4,500**	4,500
Total non-current assets		**237,227,377**	213,007,674	**236,106,086**	213,505,600
Trade and other receivables	*20a*	**2,939,137**	740,929	**2,949,415**	744,623
Prepayments and deposits	*20b*	**4,947,770**	264,535	**4,947,770**	264,535
Cash and cash equivalents	*21*	**34,856,916**	8,986,495	**34,856,866**	8,986,445
Total current assets		**42,743,823**	9,991,959	**42,754,051**	9,995,603
Total assets		**279,971,200**	222,999,633	**278,860,137**	223,501,203
Equity					
Share capital	*22*	**42,746**	42,746	**42,746**	42,746
Share premium		**42,862,458**	42,862,458	**42,862,458**	42,862,458
Retained earnings		**177,448,571**	162,717,794	**175,721,385**	162,596,654
Total equity attributable to equity holders of the parent		**220,353,775**	205,622,998	**218,626,589**	205,501,858
Liabilities					
Convertible redeemable cumulative preferred stock	*23*	**7,823,740**	7,823,740	**7,823,740**	7,823,740
Deferred tax liabilities	*11*	**3,076,813**	2,549,304	**3,076,813**	2,549,304
Total non-current liabilities		**10,900,553**	10,373,044	**10,900,553**	10,373,044
Short-term loan	*24*	**43,364,882**	-	**43,364,882**	-
Trade and other payables	*25*	**4,345,509**	6,655,833	**4,961,632**	7,278,543
Tax payable		**1,006,481**	347,758	**1,006,481**	347,758
Total current liabilities		**48,716,872**	7,003,591	**49,332,995**	7,626,301
Total liabilities		**59,617,425**	17,376,635	**60,233,548**	17,999,345
Total equity and liabilities		**279,971,200**	222,999,633	**278,860,137**	223,501,203

The financial statements on pages 32 to 75 were approved by the Board of Directors on **20th May 2010** and were signed on its behalf by:

T.T. Mushibwe
Director

P. Wanjelani
Director

The notes on pages 36 to 75 are an integral part of these financial statements.

Farmers House Plc and its subsidiaries

Consolidated and separate statement of changes in equity

for the year ended 31 March 2010

In thousands of Zambian Kwacha

Group

	Share capital	Share premium	Retained earnings	Total
At 1 April 2008	42,746	42,862,458	54,804,279	97,709,483
Total comprehensive income for the period				
- Profit for the year	-	-	110,050,810	110,050,810
Transactions with owners recorded directly in equity				
- Dividends paid (note 22)	-	-	(2,137,295)	(2,137,295)
At 31 March 2009	42,746	42,862,458	162,717,794	205,622,998
At 1 April 2009	**42,746**	**42,862,458**	**162,717,794**	**205,622,998**
Total comprehensive income for the period				
- Profit for the year	**-**	**-**	**19,860,287**	**19,860,287**
Transactions with owners recorded directly in equity				
- Dividends paid (note 22)	**-**	**-**	**(5,129,510)**	**(5,129,510)**
At 31 March 2010	**42,746**	**42,862,458**	**177,448,571**	**220,353,775**

Company

	Share capital	Share premium	Retained earnings	Total
At 1 April 2008	42,746	42,862,458	54,210,530	97,115,734
Total comprehensive income for the period				
- Profit for the year	-	-	110,523,419	110,523,419
Transactions with owners recorded directly in equity				
- Dividends paid (note 22)	-	-	(2,137,295)	(2,137,295)
At 31 March 2009	42,746	42,862,458	162,596,654	205,501,858
At 1 April 2009	**42,746**	**42,862,458**	**162,596,654**	**205,501,858**
Total comprehensive income for the period				
- Profit for the year	-	-	**18,254,241**	**18,254,241**
Transactions with owners recorded directly in equity				
- Dividends paid (note 22)	**-**	**-**	**(5,129,510)**	**(5,129,510)**
At 31 March 2010	**42,746**	**42,862,458**	**175,721,385**	**218,626,589**

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

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

The notes on pages 36 to 75 are an integral part of these financial statements.

Farmers House Plc and its subsidiaries

Consolidated and separate statement of cash flows

for the year ended 31 March 2010

In thousands of Zambian Kwacha

		Group		Company	
	Notes	**2010**	2009	**2010**	2009
Cash flows from operating activities					
Profit for the period		**19,860,287**	110,050,810	**18,254,241**	110,523,419
Adjustment for:					
- Depreciation	*16*	**1,112,997**	1,113,264	**1,112,997**	1,113,264
- Profit on dilution of investments in subsidiary	*9*	**-**	(30,081)	**-**	-
- (Profit)/loss on equity accounted investee	*18*	**(1,619,217)**	495,876	**-**	-
- Change in fair value of investment property	*14*	**(44,867,559)**	(63,627,494)	**(44,867,559)**	(63,627,494)
- Net finance cost/(income)	*10*	**35,347,502**	(43,573,439)	**35,347,502**	(43,573,439)
- Income tax expense	*11*	**2,795,392**	2,608,979	**2,795,392**	2,608,979
		12,629,402	7,037,915	**12,642,573**	7,044,729
Change in trade and other receivables		**(2,961,530)**	(1,392,774)	**(2,968,114)**	(1,366,106)
Change in prepayments and deposits		**(4,683,235)**	(154,625)	**(4,683,235)**	(154,625)
Change in trade and other payables		**(2,310,324)**	3,219,244	**(2,316,911)**	3,185,812
		2,674,313	8,709,760	**2,674,313**	8,709,810
Income tax paid		**(1,609,160)**	(401,502)	**(1,609,160)**	(401,502)
Net cash from operating activities		**1,065,153**	8,308,258	**1,065,153**	8,308,308
Cash flows from investing activities					
Interest received	*10*	**977,377**	362,954	**977,377**	362,954
Acquisition of other investments		**-**	(2,400)	**-**	(2,400)
Equity loan to equity accounted investee		**-**	(3,097,466)	**-**	(3,097,466)
Acquisition of plant and equipment	*16*	**(17,759)**	(5,004,568)	**(17,759)**	(5,004,568)
Acquisition of investment property	*14*	**(9,508,000)**	-	**(9,508,000)**	-
Development of investment property	*15*	**(197,402)**	(4,005,308)	**(197,402)**	(4,005,308)
Net cash used in investing activities		**(8,745,784)**	(11,746,788)	**(8,745,784)**	(11,746,788)
Cash flows from financing activities					
Coupon interest paid on preferred stock	*10*	**(771,371)**	(641,885)	**(771,371)**	(641,885)
Interest paid on short term loan	*10*	**(2,428,789)**	-	**(2,428,789)**	-
Dividends paid	*22*	**(5,129,510)**	(2,137,295)	**(5,129,510)**	(2,137,295)
Proceeds from issue of a short-term loan	*24*	**43,389,881**	-	**43,389,881**	-
Net cash from/(used in) financing activities		**35,060,211**	(2,779,180)	**35,060,211**	(2,779,180)
Net increase/(decrease) in cash and cash equivalents		**27,379,580**	(6,217,710)	**27,379,580**	(6,217,660)
Cash and cash equivalents at 1 April		**8,986,495**	13,590,519	**8,986,445**	13,590,419
Effect of exchange rate fluctuations on cash held		**(1,509,159)**	1,613,686	**(1,509,159)**	1,613,686
Cash and cash equivalents at 31 March	*21*	**34,856,916**	8,986,495	**34,856,866**	8,986,445

The notes on pages 36 to 75 are an integral part of these financial statements.

Notes to the consolidated financial statements
for the year ended 31 March 2010

1 Reporting entity

Farmers House Plc (the "Company") is a company domiciled in Zambia. The address of the Company's registered office is Farmers House, Stand 2173, Cairo Road, Lusaka. The consolidated financial statements of the Company as at and for the year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entity. The Group primarily is involved in investment, development and restructuring of commercial and non-commercial property for commercial letting.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as promulgated by the International Accounting Standard Board and the requirements of the Companies Act of Zambia.

The consolidated financial statements were authorised for issue by the Board of Directors on 20th May 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the investment property which is measured at fair value.

The methods used to measure fair values are discussed further in note 5.

(c) Functional and presentation currency

These consolidated financial statements are presented in Zambian Kwacha, which is the Company's functional currency. All financial information presented in Zambian Kwacha has been rounded to the nearest thousand.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs requires management 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumption and estimation uncertainties that have significant risk of resulting in material adjustment within this financial year, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 (h) - Impairment of financial and non-financial assets
- Note 3(k) - Provisions
- Note 3 (l) - Rental income receivable
- Note 5(a) - Techniques used for valuing and valuation of investment property.

2 Basis of preparation

(e) Changes in accounting policies

(i) Overview

As of 1 April 2009, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Determination and presentation of operating segments.
- Accounting for business combinations.

(ii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective on 1 April 2009. As a result, the Group presents all owner changes in equity in the consolidated statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) Determination and presentation of operating segments.

IFRS 8 *Operating Segments,* which became effective on 1 April 2009 requires the Group determines and presents operating segments on the information that internally is provided to the Board of Directors, which is the Group's chief operating decision maker. Previously operating segment were determined and presented in accordance with IAS 14 *Segment Reporting*.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The new accounting policy in respect of segment operating disclosures has no impact on comparative and current financial statements since this group currently operates under one operating segment, which is the commercial property sector.

Since the change in accounting policy impacts presentation on disclosure aspects, there is no impact on earnings per share.

(iii) Accounting business combination

The Group has adopted early IFRS 3 *Business Combinations* (2008) and lAS 27 *Consolidated and Separate Financial Statements* (2008) for all business combinations occurring in the financial year starting 1 April 2009. All business combinations occurring on or after 1 April 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and has no material impact on earnings per share.

2 Basis of preparation

(e) Change in accounting policies (continued)

(iii) Accounting business combination (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree’s employees (acquiree’s awards) relate to past services, then a part of the market- based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post- combination compensation cost.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs that the Group incurs in connection with a business combination, such as finder’s fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

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, except as explained in note 2(e), which addresses changes in accounting polices..

(a) Basis of consolidation

(i) Business combinations

The Group changed its accounting policy with respect to accounting for business combinations. See (note 2 (e) (iii)).

(ii) Subsidiaries

Subsidiaries are the entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiary have been changed when necessary to align with the policies adopted by the Group.

(iii) Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 Significant accounting policies (continued)

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, (if any) which are recognised directly in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group has loans and receivables non – derivative financial assets on its statement of financial position.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables as well as cash and cash equivalents.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables (continued)

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less. 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.

(ii) Non – derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non – derivative financial liabilities; short term loans, convertible redeemable cumulative preferred stock and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

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 as interest expense in profit or loss as accrued.

3 Significant accounting policies (continued)

(d) Plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within ‘‘other income’’ in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in the revaluation reserve directly in equity. Any loss is recognised in the revaluation reserve directly in equity to the extent that an amount is included in equity relating to the specific property, with any remaining loss recognised immediately in profit or loss.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3 Significant accounting policies (continued)

(d) Plant and equipment (continued)

(iv) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives and related depreciation rates for the current and comparative periods are as follows:

	Useful lives	Rates
▪ Furniture, fittings and office equipment	4 years	30%
▪ Plant and equipment	4 – 10 years	10-30%

Depreciation methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate. There were no revised estimates in respect of items of property, plant and equipment during the year.

(e) Investment property

(i) Classification

Property that is held for long-term rental yields or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes and that is not occupied by the Group entities in the consolidated Group, is classified as investment property. Investment property comprises buildings and land held under operating lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

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.

(ii) Recognition and measurement

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually.

3 Significant accounting policies (continued)

(e) Investment property (continued)

(ii) Recognition and measurement (continued)

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values are recorded in the statement of comprehensive income. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16.

However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the statement of comprehensive income.

(iii) Rent and other receivables

Rent and other receivables are recognised and measured at the lower of their original invoice value and recoverable amount. Where the time value of money is material receivables are measured at amortised cost.

Impairment loss is made where there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

3 Significant accounting policies (continued)

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group’s statement of financial position. Investment property held under an operating lease is recognised in the Group’s statement of financial position at its fair value.

(g) 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 statement of comprehensive income.

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.

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that the debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

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 the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit and loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through unwind of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

All financial assets are tested for impairment on an individual basis.

3 Significant accounting policies (continued)

(h) Impairment (continued)

(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.

The recoverable amount of an asset 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(i) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Other long term employment benefits – termination gratuity

A provision is recognised for the amount expected to be paid under the gratuity if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Obligations for termination gratuity are recognised as an employee benefit expense in profit or loss when they are due.

3 Significant accounting policies (continued)

(j) Finance income and finance costs

Finance income comprises interest income on funds invested, bank interest received, dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, dividends on preference shares classified as liabilities and impairment losses recognised on financial assets that are recognised through profit or loss. All non – qualifying borrowings costs are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(l) Revenue

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

(m) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies (continued)

(m) Income tax expense (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities against current tax assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period and time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Substantial period for the Group is any period greater than one year. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment but only where activities necessary to prepare the asset for redevelopment are in progress.

3 Significant accounting policies (continued)

(o) Earnings per share

The Group presents basic and diluted earnings per share (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 redeemable accumulative preferred stock.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components whose operating results are reviewed regularly by the Group Board of Directors (being the Group Chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Based on the Group's current business activities, the Group does not present segment information as it does not have distinguishable operating segments since all its investment properties are for commercial purposes and are all situated in the same city.

4 New standards and interpretations not yet adopted

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 31 March 2010. These include the following Standards and Interpretations that are applicable to the business of the entity and may have an impact on future financial statements:

- IFRS 9 *Financial instruments* deals with classification and measurement of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held for within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be at measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

  The Group has not yet made an assessment of the impact the adoption of the standard will have on the financial statements.

  The standard is effective for annual periods beginning on or after 1 January 2010 with earlier application permitted.

- Improvements to International Financial Reporting Standards 2009

  The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these standards are dealt with on a standard by standard basis but generally 1 January 2010. The Group has not yet made an assessment of the impact the amendments will have on the financial statements.

- Revised IAS 24 *Related Party Disclosures*. The revised IAS 24 is likely to affect the Group's related party disclosures but will not have an impact on the measurement of transactions and balances with related parties. It is effective for annual periods beginning on or after 1 January 2011.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and
(iv) capital income projections based upon Company's estimate of net market rental income which is assumed to be a level annuity in perpetuity, and a capitalisation rate derived from the analysis of market evidence. Reversions associated with short term leasing risk/costs, incentive and capital expenditure maybe deducted from the capitalised net income figure.

Valuations also reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

5 Determination of fair values (continued)

(b) 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.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

6 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk, and
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee undertakes both regular and ad hoc reviews of risk management controls and procedures.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from tenants' customers.

Trade and other receivables

The credit risk is managed by requiring tenants to pay in advance .The quality of a tenant is assessed based on the Audit Committee's established credit policy under which each new customer is analysed individually for creditworthiness before entering into lease agreement.

More than 85 percent of the Group's customers have been transacting with the Group for over three years, and losses have occurred infrequently. The Group also requires security deposit from new tenants.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The allowance is a specific loss component that relates to individual exposures.

6 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on rental income and purchases that are denominated in a currency other than the functional currency of Group entities, primarily the Zambian Kwacha (ZMK). The currencies in which these transactions primarily are denominated are ZMK and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates.

The Group's exposure to interest rate risk is low as most of its financial liabilities are held on a zero or fixed rate basis.

6 Financial risk management (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Audit Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for independent authorisation of transactions.
- requirements for the reconciliation and monitoring of transactions.
- compliance with regulatory and other legal requirements.
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action.
- development of contingency plans.
- ethical and business standards.
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by the Board of Directors.

Notes to the consolidated financial statements

for the year ended 31 March 2010

6 Financial risk management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-redeemable preference shares. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group's debt to capital ratio at the end of the reporting period was as follows:

	2010	2009
Total liabilities	**59,617,425**	17,376,635
Less: Current assets	**42,743,823**	9,991,959
Net debt	**16,873,602**	7,384,676
Total equity	**220,353,775**	205,622,998
Total debt to capital ratio at 31 March	**0.08**	0.04

There were no changes in the Group's approach to capital management during the year.

The company is not subject to externally imposed capital requirements.

7 Gross rental income

All revenue in the income statement is in respect of investment property rentals. The Group leases out its commercial properties under operating leases. All operating leases are for terms of one year or more. There are no contingent rents included in the rental income.

	Group and Company	
	2010	2009
Gross rental income	**20,139,738**	12,598,184

8 Staff costs and directors' remuneration

	Group and Company	
	2010	2009
Directors fees (included in administrative expenses)(note 13)	**1,321,610**	1,237,276
Salaries (note 13)	**1,124,326**	955,957

There was only one employee during the year (2009: one).

Notes to the consolidated financial statements
for the year ended 31 March 2010

In thousands of Zambian Kwacha

9 Other income

	Group	
	2010	2009
Profit on dilution of investment in subsidiary	-	30,081

10 Net financing (costs)/income

	Group and Company	
	2010	2009
Interest income on bank deposits	**977,377**	362,954
Foreign exchange gain on investment property revaluation	**-**	41,510,541
Net foreign exchange gain on operating activities	**-**	2,342,709
Total finance income	**977,377**	44,216,204
Impairment loss on available for sale investment	**-**	(880)
Net foreign exchange loss on operating activities	**(2,035,165)**	-
Interest on short term loans	**(2,428,789)**	-
Foreign exchange loss on investment property revaluation	**(31,089,554)**	-
Coupon interest on preferred stock	**(771,371)**	(641,885)
Total finance costs	**(36,324,879)**	(642,765)
Net financing (costs)/ income recognised in statement of comprehensive income	**(35,347,502)**	43,573,439

11 Taxation

a) Income tax expense

	Group		Company	
	2010	2009	**2010**	2009
Current tax expense	**2,267,883**	675,544	**2,267,883**	675,544
Deferred tax expense	**527,509**	1,933,435	**527,509**	1,933,435
Total income tax expense in recognised in statement of comprehensive income	**2,795,392**	2,608,979	**2,795,392**	2,608,979

Farmers House Plc and its subsidiaries

Notes to the consolidated financial statements

for the year ended 31 March 2010

In thousands of Zambian Kwacha

11 Taxation

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			
		2010		2009		**2010**		2009
Profit for the period		**19,860,287**		110,050,810		**18,254,241**		110,523,419
Total income tax expense		**2,795,392**		2,608,979		**2,795,392**		2,608,979
Profit excluding income tax		**22,655,679**		112,659,789		**21,049,633**		113,132,398
Tax on accounting profit	**35%**	**7,929,494**	35%	39,430,926	**35%**	**7,367,371**	35%	39,596,339
Non-deductible expenses	**1%**	**254,926**	-	12,305	**1%**	**250,323**	-	12,305
Change in unrecognised deferred tax asset on fair value adjustment	**(21%)**	**(4,822,302)**	(33%)	(36,798,312)	**(23%)**	**(4,822,302)**	(33%)	(36,798,312)
Difference in effective tax rate of equity accounted investee	**(3%)**	**(566,726)**	-	173,556	-	-	-	-
Effect of non-taxable capital gains	-	-	-	(211,881)	-	-	-	(201,353)
Effect of unrecognised tax losses	-	-	-	2,385	-	-	-	-
Total income tax expense	**12%**	**2,795,392**	2%	2,608,979	**13%**	**2,795,392**	2%	2,608,979

In thousands of Zambian Kwacha

11 Taxation *(continued)*

d) Recognised deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	**2010**	2009	**2010**	2009
Plant and equipment	**-**	-	**2,469,650**	2,009,540	**2,469,650**	2,009,540
Exchange differences	**56,859**	-	**-**	77,550	**(56,859)**	77,550
Straight-line lease income	**-**	-	**664,022**	462,214	**664,022**	462,214
	56,859	-	**3,133,672**	2,549,304	**3,076,813**	2,549,304

e) Movement in temporary differences during the year

2010	**Balance 1 April 2009**	**Recognised in income**	**Balance 31 March 2010**
Plant and equipment	2,009,540	460,110	2,469,650
Exchange differences	77,550	(134,409)	(56,859)
Straight-line lease income	462,214	201,808	664,022
	2,549,304	527,509	3,076,813

2009	**Balance 1 April 2008**	**Recognised in income**	**Balance 31 March 2009**
Plant and equipment	1,589,895	419,645	2,009,540
Exchange differences	17,277	60,273	77,550
Tax value of loss carry-forwards recognised	(1,047,536)	1,047,536	-
Straight-line lease income	56,233	405,981	462,214
	615,869	1,933,435	2,549,304

12 Earnings per share

Basic earnings per share

The calculation of the Group basic earnings per share at 31 March 2010 was based on the profit attributable to ordinary shareholders of K19.9 billion (2009: K110.1 billion) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2010 of 42,745,912 (2009: 42,745,912), calculated as follows:

	Group		Company	
	2010	2009	**2010**	2009
Profit attributable to ordinary shares	**19,860,287**	110,050,810	**18,254,241**	110,523,419
Weighted average number of ordinary shares				
Issued at 1 April	**42,745,912**	42,745,912	**42,745,912**	42,745,912
Weighted average number of ordinary shares at 31 March	**42,745,912**	42,745,912	**42,745,912**	42,745,912

In thousands of Zambian Kwacha

12 Earnings per share (continued)

Diluted earnings per share

The calculation of Group diluted earnings per share at 31 March 2010 was based on the profit attributable to ordinary shareholders of K20.4 billion (2009: K110.5 billion) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2010 of 44,725,816 (2009: 44,725,816) calculated as follows:

	Group		Company	
	2010	2009	**2010**	2009
Profit attributable to ordinary shares				
Profit attributable to ordinary shares (basic)	**19,860,287**	110,050,810	**18,254,241**	110,523,419
Coupon interest on preferred stock, net of tax	**501,391**	417,225	**501,391**	417,225
Profit attributable to ordinary shares (diluted)	**20,361,678**	110,468,035	**18,755,632**	110,940,644
Weighted average number of ordinary shares				
Issued at 1 April	**42,745,912**	42,745,912	**42,745,912**	42,745,912
Effect of convertible preferred stock	**1,979,904**	1,979,904	**1,979,904**	1,979,904
Weighted average number of ordinary shares at 31 March	**44,725,816**	44,725,816	**44,725,816**	44,725,816

13 Administrative expenses

	Group		Company	
	2010	2009	**2010**	2009
Accounting and administration fees (note 27(b))	**862,172**	655,610	**862,172**	655,610
Advertising and promotions	**87,710**	76,615	**87,710**	76,615
Taxation fees	**41,313**	24,748	**41,313**	24,748
Salaries (note 8)	**1,124,326**	955,957	**1,124,326**	955,957
Audit fees	**172,842**	87,734	**159,791**	81,050
Secretarial fees	**13,000**	10,100	**13,000**	10,100
Computer expenses	**26,946**	22,231	**26,946**	22,231
Donations (note 27 (c))	**11,706**	10,183	**11,706**	10,183
Listing fees	**40,061**	54,536	**40,061**	54,536
Printing and stationery	**48,175**	40,001	**48,175**	40,001
Telephone and postage	**48,621**	35,397	**48,621**	35,397
Bank charges	**25,586**	10,520	**25,586**	10,520
Directors' fees (note 8)	**1,321,610**	1,237,276	**1,321,610**	1,237,276
Board expenses	**41,931**	10,597	**41,931**	10,597
Medical levies	**9,989**	2,309	**9,989**	2,309
Valuation fees	**22,000**	19,435	**22,000**	19,435
Other expenses	**120**	130	**-**	-
	3,898,108	3,253,379	**3,884,937**	3,246,565

Notes to the consolidated financial statements
for the year ended 31 March 2010

In thousands of Zambian Kwacha

14 Investment property

	Group and Company	
	2010	2009
Balance at 1 April	**201,093,709**	72,338,223
Additions	**9,508,000**	-
Transfer from property under development (note 15)	**197,402**	23,617,451
Change in fair value (see below)	**13,778,005**	105,138,035
At 31 March	**224,577,116**	201,093,709

	Group and Company	
Reconciliation of change in fair value	**2010**	2009
- Fair value adjustment	**46,764,766**	64,948,107
- Less straight line income	**(1,897,207)**	(1,320,613)
Net change in fair value of investment properties	**44,867,559**	63,627,494
Effect of movements in exchange rates	**(31,089,554)**	41,510,541
Change in fair value	**13,778,005**	105,138,035

The foreign exchange difference arises from the translation of the foreign currency calculated fair values into Zambian Kwacha since the calculation is based on US$ denominated net annual rents. The foreign currency difference is the difference between the fair value at the closing rate at date of the previous revaluation and the same fair value measured at the exchange rate at the reporting date. The resulting foreign exchange difference is disclosed under net finance income in profit or loss (note 10). As at 31 March 2010, the US$ fair value was US$ 47.5 million (2009: US$35.9 million).

(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 2010 at K225 billion (2009: K201 billion).

(b) The range of yields applied by the independent valuer to the annual rentals to determine the fair value of property is as follows:

2010	8% - 11%
2009	8% - 11%

In thousands of Zambian Kwacha

14 Investment property (continued)

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

	Group and Company	
	2010	2009
Falling due within		
- One year	**22,774,093**	22,438,705
- 2 – 5 years	**24,837,801**	24,774,140
- over 5 years	**27,048,478**	27,300,116

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

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

	Group and Company	
	2010	2009
Property management expenses (note 27 (c))	**581,107**	504,027
Bad debts recovered	**(1,041)**	(6,557)
Repairs and maintenance	**1,209,632**	465,993
Letting costs (note 27 (c))	**141,012**	1,674
Electricity and water	**157,384**	383,574
Rates and lease rental	**338,302**	204,551
Security	**350,878**	291,785
Cleaning and refuse removal	**130,754**	111,504
Insurance	**341,500**	215,317
Depreciation expense (note 16)	**1,112,997**	1,113,264
Legal and professional expenses	**352,362**	128,027
Licence fees	-	1,755
Fire protection	**10,338**	5,240
	4,725,225	3,420,154

(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) There were no direct operating expenses arising from investment property that did not generate rental income during the period (2009: K nil).

15 Investment property under development

Investment property under development comprise of expenditure occurred to reporting date on investment property in the course of construction.

	Group and Company	
	2010	2009
Balance at 1 April	-	19,612,143
Cost capitalised	**197,402**	4,005,308
Transfer to investment property (note 14)	**(197,402)**	(23,617,451)
Balance at 31 March	-	-

In thousands of Zambian Kwacha

16 Plant and equipment

	Plant and equipment	Leasehold plant and equipment	Furniture and office equipment	Fixtures and fittings	Leasehold fixtures and fittings	Total
Cost						
At 1 April 2008	604,825	348,394	74,470	1,389,120	3,624,832	6,041,641
Additions	3,369,142	-	-	1,635,426	-	5,004,568
At 31 March 2009	3,973,967	348,394	74,470	3,024,546	3,624,832	11,046,209
At 1 April 2009	**3,973,967**	**348,394**	**74,470**	**3,024,546**	**3,624,832**	**11,046,209**
Additions	**17,759**	**-**	**-**	**-**	**-**	**17,759**
At 31 March 2010	**3,991,726**	**348,394**	**74,470**	**3,024,546**	**3,624,832**	**11,063,968**
Depreciation						
At 1 April 2008	263,431	208,123	73,329	564,438	2,355,309	3,464,630
Charge for the year	412,346	34,839	1,141	302,455	362,483	1,113,264
At 31 March 2009	675,777	242,962	74,470	866,893	2,717,792	4,577,894
At 1 April 2009	**675,777**	**242,962**	**74,470**	**866,893**	**2,717,792**	**4,577,894**
Charge for the year	**413,220**	**34,839**	**-**	**302,455**	**362,483**	**1,112,997**
At 31 March 2010	**1,088,997**	**277,801**	**74,470**	**1,169,348**	**3,080,275**	**5,690,891**
Carrying amount						
At 31 March 2010	**2,902,729**	**70,593**	**-**	**1,855,198**	**544,557**	**5,373,077**
At 1 April 2009	3,298,190	105,432	-	2,157,653	907,040	6,468,315
At 31 March 2009	3,298,190	105,432	-	2,157,653	907,040	6,468,315
At 1 April 2008	341,394	140,271	1,141	824,682	1,269,523	2,577,011

Included in plant and equipment are fully depreciated assets with a cost of **K145.3 million** (2009: K128.1 million).

In thousands of Zambian Kwacha

17 Rental income receivable

	Group and Company	
	2010	2009
Balance at 1 April	**2,375,061**	404,623
Effect of straight lined lease payments	**1,897,207**	1,320,613
Receivable within 12 months (note 20)	**(808,951)**	(166,914)
Effect of movement in exchange rates	**(324,934)**	816,739
Balance at 31 March	**3,138,383**	2,375,061

18 Equity accounted investees

The Group's share of profit in its equity accounted investees for the year was **K1,619 million** (2009: loss K496 million).

Summary financial information for equity accounted investee (*Burnet Investments Limited – 49% joint venture*), not adjusted for the percentage ownership held by the Group.

	2010	2009
Summary financial information (*In thousands of Zambian Kwacha*)		
Non-current assets	**31,001,220**	5,095,213
Current assets	**4,254,622**	1,349,729
Total assets	**35,255,842**	6,444,942
Non-current liabilities	**32,000,499**	7,273,500
Current liabilities	**987,891**	208,515
Total liabilities	**32,988,390**	7,482,015
Revenues	**35,435**	-
Expenses	**(217,963)**	(222,083)
Exchange gain/(loss)	**3,499,455**	(789,909)
Income tax expense	**(12,402)**	-
Profit/(loss) for the year	**3,304,525**	(1,011,992)

Burnet Investment Limited is jointly owned by Farmers House Plc and Standard Bank Properties (Pty) Limited with shareholding of 49% and 51 % respectively.

19 Other investments

Investments at cost less accumulated impairment are held in the following companies incorporated in Zambia:

	Company		Company	
	2010	**% age Shareholding**	2009	**% age Shareholding**
Peckerwood Development Limited	**2,000**	**100**	2,000	100
Dreadnought Investments Limited	**50**	**100**	50	100
Burnet Investments Limited	**2,450**	**49**	2,450	49
Pegasus Property Development Company Limited	**-**	-	880	44
	4,500		5,380	
Specific impairment loss for the year	**-**		(880)	
Balance at 31 March	**4,500**		4,500	

In thousands of Zambian Kwacha

20 (a) Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
Trade receivables	**407,673**	285,903	**407,673**	285,903
Receivable recognised on straight – lining of lease income	**808,951**	166,914	**808,951**	166,914
Related party balances	**-**	-	**10,278**	3,694
Other receivables	**1,722,513**	288,112	**1,722,513**	288,112
	2,939,137	740,929	**2,949,415**	744,623

There were no repayment terms and conditions of related party balances.

The Group's exposure to credit and currency risks related to trade receivable is disclosed in note 28.

(b) Prepayment and deposits

	Group and Company	
	2010	2009
Prepayments	**207,770**	264,535
Deposit for investment property	**4,740,000**	-
	4,947,770	264,535

21 Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
Cash and bank balances:				
Bank balances	**4,010,450**	885,006	**4,010,450**	885,006
Cash on hand	**50**	50	**-**	-
	4,010,500	885,056	**4,010,450**	885,006
Short term deposits:				
Standard Chartered Bank – ZMK	**30,846,416**	3,672,785	**30,846,416**	3,672,785
Standard Chartered Bank– USD	**-**	1,631,154	**-**	1,631,154
Stanbic Bank– USD	**-**	2,797,500	**-**	2,797,500
	30,846,416	8,101,439	**30,846,416**	8,101,439
Cash and cash equivalents in the statement of cash flows	**34,856,916**	8,986,495	**34,856,866**	8,986,445

The Group's exposure to credit, currency and interest rate risks related to cash and cash equivalents is disclosed in note 28.

In thousands of Zambian Kwacha

22 Share capital

Ordinary share capital

	Company	
	2010	2009
Authorised		
500,000,000 (2009: 500,000,000) ordinary shares of K1 each	**500,000**	500,000
Issued and fully paid		
42,745,912 ordinary shares of K1 each	**42,746**	42,746

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

Dividends

The following dividends were declared and paid by the Group:

	Group and Company	
	2010	2009
Interim dividend of K50.00 per ordinary share for the year ended 31 March 2010 (2009; K30.00)	**2,137,296**	1,282,377
Final dividend of K70.00 per ordinary share for the year ended 31 March 2009 (2008: K20.00)	**2,992,214**	854,918
	5,129,510	2,137,295

After 31 March 2010, the following dividends were proposed by the directors for 2010. The dividends have not been provided for and there are no income tax consequences:

Final dividends of K60 per ordinary shares for the year ended 31 March 2010	**2,564,755**

23 Converted redeemable cumulative preferred stock

	Group and Company	
	2010	2009
Authorised		
2,000,000 (2009: 2,000,000) preference shares of US$ 0.01 each	**2,000**	2,000

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

Issued		
1,979,904 (2009: 1,979,904) preference share of US$ 0.01 each	**7,823,740**	7,823,740

Terms and conditions

(a) The interest on 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 holders do not have the right to participate in any additional dividends declared for ordinary shareholders.

In thousands of Zambian Kwacha

23 Converted redeemable cumulative preferred stock

Terms and conditions

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

(f) The preference shares are non-voting.

24 Short-term loan

	Group and Company	
	2010	2009
At 1 April	**-**	-
Issued during the year	**43,389,881**	-
Effect of movements in exchange rates	**(24,999)**	-
At 31 March	**43,364,882**	-

Farmers House Plc issued a fixed rate short term commercial paper for US$ 15 million. This was to be subscribed in US$ or Kwacha. The funds were meant to secure and commit on properties targeted for acquisition and thereby accelerate the company’s growth and expansion strategy and to optimise it’s capital structure.

As at 31 March 2010, the total amount subscribed was US$ 499,975 and ZMK41 billion. The paper bears interest at 10 % per annum if denominated in United States Dollars and 18 % per annum if denominated in Kwacha. The interest is payable monthly in arrears.

The commercial paper was issued on 20 November 2009 and will be redeemed on 29 November 2010. However, Farmers House Plc may elect to redeem the notes at any time after 31 March 2010.

The redemption value will be:

- 100% of the principal amount in cash; and/ or
- Farmers House debentures; and/ or
- Farmers House loan stock; and/ or
- Redeemable convertible Farmers House preference shares.

The commercial paper will be redeemed as stated above, at the election of Farmers House Plc.

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for the year ended 31 March 2010

In thousands of Zambian Kwacha

25 Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
Trade creditors	**53,245**	13,198	**53,245**	13,198
Rentals received in advance	**122,909**	497,477	**122,909**	497,477
Related party balances	**-**	441,702	**616,123**	1,064,412
Accruals	**2,244,430**	3,805,069	**2,244,430**	3,805,069
Unclaimed dividends	**361,292**	269,346	**361,292**	269,346
Security deposit on rentals	**1,563,633**	1,629,041	**1,563,633**	1,629,041
	4,345,509	6,655,833	**4,961,632**	7,278,543

The Group's exposure to liquidity, currency and interest rate risks related to trade and other receivable is disclosed in note 28.

26 Commitments

	Group	
	2010	2009
Capital commitments		
Intentions to purchase, construct or develop investment property	**28,000,000**	-
Property management and administrative contracts		
Within one year:		
Property management contract with Minerva Property Management Company Limited	**1,282,977**	1,194,848
Administrative contracts with City Investment Limited	**855,000**	972,657
	2,137,977	2,167,505
After one year:		
Property management contract with Minerva Property Management Company Limited	**1,322,722**	1,228,777
Administrative contracts with City Investment Limited	**855,000**	251,775
	2,177,722	1,480,552

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

In thousands of Zambian Kwacha

27 Related party transactions

The Company and its subsidiaries, 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:

Transactions with Directors

The Group directors with beneficial and non-beneficial share ownership in the Group at year end were as shown below:

Name of Director	Beneficial	Non Beneficial
R.P.S. Miller	300,000	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.

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

Farmers House Plc has paid a deposit of K4.740 billion towards the acquisition of Thistle Land Development Company Limited in which Mr W P Saunders, a director of Farmers House Plc, is a shareholder. This is disclosed under note 20 (b).

Other directors' transactions include directors' fees which are disclosed under note 8.

The terms and conditions of the transactions with directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Other related party transactions

At 31 March 2010, there were outstanding balances with other related parties included in trade and other receivables (see note 20) as well as trade and other payables (see note 25).

The aggregate value of other transactions and outstanding balances relating to directors and entities over which they have control or significant influence were as follows:

(a) Amount due from equity accounted investee

	Group		Company	
	2010	2009	**2010**	2009
Balance at 1 April	**3,070,589**	-	**3,564,015**	-
Amount advanced	**-**	3,097,466	**-**	3,097,466
Effect of movements in exchange rates	**(551,005)**	466,549	**(551,005)**	466,549
Effect of share of profit /(loss) in equity accounted investee	**1,619,217**	(493,426)	**-**	-
Balance at 31 March	**4,138,801**	3,070,589	**3,013,010**	3,564,015

This represents an equity loan of US$637,000 advanced to Burnet Investments Limited as part of initial funding for its development project under a joint venture with Standard Bank Properties (Pty) Limited. The equity loan is interest free and does not have a fixed repayment date but is repayable on demand after 10 years from date of completion of the development project.

In thousands of Zambian Kwacha

27 Related party transactions (continued)

(b) Administrative fees

	Note	Group and Company 2010	2009
City Investments Limited	*13*	**862,172**	655,610

(c) Transactions with Minerva Property Management Company Limited

	Note	Group and Company 2010	2009
Property management fees	*14e*	**581,107**	504,027
Labour fees (included in repairs and maintenance)	*14e*	**211,164**	179,001
Material fees (included in repairs and maintenance)	*14e*	**19,246**	17,682
Letting costs	*14e*	**141,012**	1,674
Donation (Aylmer May cemetery repairs & maintenance)	*13*	**11,706**	10,183
		964,235	712,567

All transactions above with these related parties are priced on an arm's length basis.

28 Financial instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Carrying amount 2010	2009
Trade receivables	*20*	**407,673**	285,903
Cash and cash equivalents	*21*	**34,856,916**	8,986,495
Amount due from equity accounted investees	*27(a)*	**4,138,801**	3,070,589
Total		**39,403,390**	12,342,987

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	Carrying amount 2010	2009
Financial services sector customers	**2,726**	37,070
Retail sector customers	**196,820**	117,199
Telecommunications sector customers	**40,761**	-
Other sectors	**167,366**	131,634
Total	**407,673**	285,903

In thousands of Zambian Kwacha

28 Financial instruments (continued)

(a) Credit risk (continued)

(ii) Impairment losses

The aging of trade receivables at the reporting date was:

	Group		**Group**	
	Gross	**Impairment**	**Gross**	**Impairment**
	2010	**2010**	2009	2009
Not past due	**186,468**	**-**	186,957	-
Past due 0-30 days	**117,083**	**-**	59,080	-
Past due 31-120 days	**61,438**	**-**	33,123	-
More than 120 days	**42,684**	**-**	6,743	-
Total	**407,673**	**-**	285,903	-

The movement in the specific allowance for impairment in respect of trade receivables during the year was as follows:

	2010	2009
Balance at 1 April	-	154,579
Bad debts recovered	-	(6,557)
Bad debt written off	-	(226,681)
Foreign currency difference	-	78,659
	-	-

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 120 days.

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.

The impairment account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

In thousands of Zambian Kwacha

28 Financial instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and, excluding the impact of netting agreements:

Residual contractual maturities of financial liabilities

	Carrying amount	Contractual cash flow	On demand	Due within 3 months	Due between 3 - 12 months	Due between 1 - 5 years	Due after 5 years
31 March 2010							
Non-derivative liabilities							
Convertible redeemable preferred stock	**7,823,740**	**8,449,639**	**8,449,639**	**-**	**-**	**-**	**-**
Short-term loan	**43,364,882**	**43,364,882**	**-**	**-**	**43,364,882**	**-**	**-**
Trade and other payables	**4,345,509**	**4,345,509**	**758,150**	**1,831,279**	**272,174**	**537,906**	**946,000**
Total financial liabilities	**55,534,131**	**56,160,030**	**9,207,789**	**1,831,279**	**43,637,056**	**537,906**	**946,000**
31 March 2009							
Non-derivatives liabilities							
Convertible redeemable preferred stock	7,823,740	8,449,639	8,449,639	-	-	-	-
Trade and other payables	6,655,833	6,655,833	643,745	2,374,016	2,076,047	443,025	1,119,000
Total financial liabilities	14,479,573	15,105,472	9,093,384	2,374,016	2,076,047	443,025	1,119,000

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2010			2009		
	Kwacha	**USD**	**Total**	Kwacha	USD	Total
Financial assets						
Trade receivables	**-**	**407,673**	**407,673**	-	285,903	285,903
Amount due from equity account investees	**-**	**4,138,801**	**4,138,801**	-	3,070,589	3,070,589
Cash and cash equivalents	**31,131,022**	**3,725,894**	**34,856,916**	3,989,278	4,997,217	8,986,495
Total financial assets	**31,131,022**	**8,272,368**	**39,403,390**	3,989,278	8,353,709	12,342,987
Financial liabilities						
Convertible redeemable preferred Stock	**-**	**7,823,740**	**7,823,740**	-	7,823,740	7,823,740
Short-term loan	**41,000,000**	**2,364,882**	**43,364,882**	-	-	-
Trade and other payables	**2,114,222**	**2,231,287**	**4,345,509**	1,168,069	5,487,764	6,655,833
Total financial liabilities	**43,114,222**	**12,419,909**	**55,534,131**	1,168,069	13,311,504	14,479,573
Net exposure	**(11,983,200)**	**(4,147,541)**	**(16,130,741)**	2,821,209	(4,957,795)	(2,136,586)

In thousands of Zambian Kwacha

28 Financial instruments (continued)

(c) Currency risk (continued)

(i) Exposure to currency risk (continued)

The following significant exchange rates applied during the year

	Average rate		Mid-spot rate	
	2010	2009	**2010**	2009
USD1.00 to ZMK	**4,990**	4,122	**4,730**	5,595

(ii) Sensitivity analysis

A 10 percent strengthening of the US Dollar against the Kwacha at 31 March would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or loss
31 March 2010	
- USD	**367,626**
31 March 2009	
- USD	286,594

A 10 percent weakening of the US Dollar against the Kwacha at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

In thousands of Zambian Kwacha

28 Financial instruments (continued)

(d) Interest rate risk

(i) Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amounts	
	2010	2009
Fixed rate instruments		
Financial assets	**30,846,416**	8,101,439
Financial liabilities	**(51,188,622)**	(7,823,740)
	(20,342,206)	277,699

(ii) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Trade receivables	**407,673**	**407,673**	285,903	285,903
Amount due from equity account investees	**4,138,801**	**4,138,801**	3,070,589	3,070,589
Cash and cash equivalents	**34,856,916**	**34,856,916**	8,986,495	8,986,495
Convertible redeemable cumulative preferred stock	**(7,823,740)**	**(8,449,639)**	(7,823,740)	(8,449,639)
Short-term loan	**(43,364,882)**	**(43,364,882)**	-	-
Trade and other payables	**(4,345,509)**	**(4,345,509)**	(6,655,833)	(6,655,833)
	(16,130,741)	**(16,756,640)**	(2,136,586)	(2,762,485)

Due to the short term maturity periods of all the instruments, except for the convertible redeemable preference stock, the fair value approximates carrying amount.

In thousands of Zambian Kwacha

29 Profit from operations

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

	Group		Company	
	2010	2009	**2010**	2009
Profit before tax	**22,655,679**	112,659,789	**21,049,633**	113,132,398
Adjustment for valuation gain on investment property	**(44,867,559)**	(63,627,494)	**(44,867,559)**	(63,627,494)
Adjustment for net foreign exchange (gain)/loss	**33,124,719**	(43,853,250)	**33,124,719**	(43,853,250)
(Profit)/loss from equity accounted investees	**(1,619,217)**	495,876	**-**	-
Net finance cost	**2,222,783**	279,811	**2,222,783**	279,811
Other non operating income	**-**	(30,081)	**-**	-
	11,516,405	5,924,651	**11,529,576**	5,931,465

30 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.

31 Auditor’s remuneration

Auditor’s remuneration included under administrative expenses in the income statement is K172, 842,000 (2009: K87,734,000).

32 Subsequent events

There were no material post-balance sheet events, which require adjustment to these financial statements.