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The Performance of Capital Structure Companies in Zambia after a Global Financial Crisis of 2008: A Case Study of Zambeef

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Abstract: **The current global financial crisis emerged during 2008. The adverse impacts of the crisis and of the subsequent recession on Zambia were first observed during the third quarter of that year, manifested as an external shock to the economy. Studies carried out in early 2009 aimed to explore the impact of the crisis and recession in 10 developing countries, among them Zambia (Ndulo et al., 2009). In the Zambian case, taking trade, official development assistance (ODA), remittances and private capital flows as the main transmission mechanisms, the study observed that the crisis had its primary effects in the trade sector, producing macroeconomic imbalances in the economy resulting in rising interest rates, depreciation of the kwacha against the major currencies, inflation and falling stock market prices. In addition, most exporters, principally mines, tourist enterprises and non-traditional export producers, scaled down investment and production, and some units were closed, resulting in massive job losses in the mining sector. On the whole, the crisis threatened the country's growth prospects, risking a reversal of the gains made during the preceding eight years (Ndulo et al., 2009).**

Keywords: **official development assistance (ODA), 10 developing countries, global financial crisis.**

1. INTRODUCTION

There is a strong correlation between the exchange rate and copper prices (Ndulo et al., 2009). The two are positively correlated. Between October 2008 and April 2009, the kwacha depreciated continuously, from K4044 per US dollar to K5660 per US dollar. This represents a monthly average of 5% and 40% depreciation during the period. Thereafter, it changed course and started to appreciate.

The kwacha depreciated broadly because of the change in the economic fundamentals governing the exchange rate. The collapse in copper prices and the consequent sharp reduction in copper revenues, persistent uncertainty about global economic prospects and their impact on the domestic economy and volatile expectations resulted in intense pressure in the foreign exchange market (IMF, 2009).

For instance, as a result of risk aversion to the kwacha by investors in the treasury bills and equity portfolio, most of them could not roll over their investments at maturity, while others withdrew their investments. Pressure on the exchange rate was exerted also by the emergence during the crisis of offshore borrowing of the kwacha by foreign banks through domestic subsidiaries. In response to this, the BoZ moved in early 2009 to restrict commercial bank lending to long term.

1.1 BACKGROUND:

Zambeef began its operations in 1991 as a small butcher shop in the capital, Lusaka with smallest amount capitalization. In February 2003, the Company was quoted on the Lusaka stock Exchange and subsequently moved to the listed tier in April 2005. Its shareholding base has gradually been increasing ever since.

Zambeef is one of the largest agro-businesses in Zambia, slaughtering approximately over 80,000 cattle, 3,000 pigs and 4.0 million chickens, producing 10 million litres of milk and harvesting 70,000 tonnes of crops every year. The company

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is also one of the largest cropping operations in Africa with 7,971 hectares under irrigation and a further 8,623 hectares of dry land crops; has 93 butcheries throughout Zambia, Nigeria and Ghana; 8 Abattoirs around Zambia; a transport fleet of over 200 units.

Zambeef has a wholly owned subsidiary called Zamleather Limited, which is involved in the tanning of hides for export to the Far East and Europe as well as the production of finished leather, shoes and industrial footwear, mainly for the domestic and regional markets.

Master Pork became a wholly owned subsidiary of Zambeef Products PLC on 1 January 2008. The largest edible oils plant in Zambia was acquired in 2008 and operates as a wholly owned subsidiary called Zamanita Ltd.

The vision of Zambeef is to be one of the most accessible and affordable quality protein providers in the Southern Africa region, delivered through the Group's extensive retail and distribution network.

The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, pork, milk, dairy products, eggs, stock feed and flour. The Group also has large row cropping operations (principally maize, soya beans and wheat).

1.2 PROBLEM STATEMENT:

The products of Zambeef have not come down ever since economic meltdown hit the world,

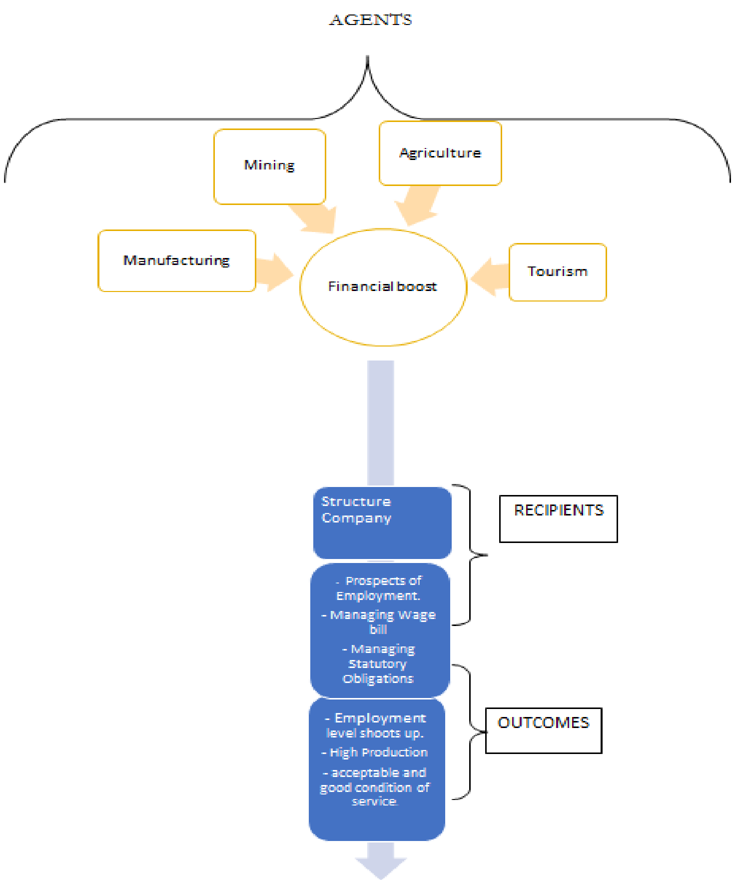
1.3 OBJECTIVE:

To explore the performance of Zambeef after financial crisis period and recession in Zambia

1.4 RESEARCH QUESTION:

1. How is the performance of Zambeef after the Global crisis and recession period?
2. What are the strategies put in place by management for its optimal operations

1.5 CONCEPTUAL FRAMEWORK



As indicated above, the conceptual framework identifies the variables and communicates their relationships. In this case the chart shows that the study examined financial boost in terms of its form, agents, content, significance, and outcome. Generally Agriculture, Mining, Tourism and Manufacturing are major feeds in to financial boost. They own and broadly assemble and uphold financial boost. They are the agents in as far as financial boost is concern. They equip structure company with sufficient knowledge and useful skills. However, the above can effectively and efficiently be done only in a conducive environment. In a conducive environment, the structure company can experience:-

- Prospects of Employment.
- Managing Wage bill
- Fulfilling Statutory Obligations

The above could be classified as outputs. When all these happens in a structure company; - Employment level shoots up.

- High Production levels

- Acceptable and good service of conditions are effected on a long term.

1.6 RATIONALE OF THE STUDY:

The country's growth process was adversely affected by the global financial crisis, with the economy failing to achieve the targeted growth rate. The growth rate slowed down in 2009 compared with the projected growth rates of 7% per annum for the FNDP and 5% for the 2009 budget.

This study is significant because the benefits of exploring the performance of Zambeef after the global crisis and the strategies employed by management thereof, can start a chain of reaction of positive effects that can be passed on to other structure companies.

1.7 ORGANIZATION OF THE STUDY:

This research will have 5 chapters. Chapter One contains the background to the study, statement of the problem, objectives of the study, research questions, conceptual framework, significance of the study and structure of the dissertation. Chapter Two reviews the relevant literature on the possible Global Financial Crisis of 2008 and its Impact on the Capital Structure of companies. Chapter Three focuses on the methodology of the study. It describes the study design, the target population, the sampling procedure, sample size, the research instruments used, data and sources, data processing and analysis, the ethical issues considerations and the challenges from the fieldwork. Chapter four will contain research findings and data analysis. Chapter five will give conclusions and recommendations.

CHAPTER SYNTHESIS

CHAPTER	CONTENT
1	INTRODUCTION
2	LITERATURE REVIEW
3	METHODOLOGY
4	RESEARCH FINDINGS DATA ANALYSIS
5	CONCLUSIONS AND RECOMMENDATIONS

2. LITERATURE REVIEW

The modern era of globalisation has been associated with significant economic transformation around the world, but also an increasing frequency of financial crises. According to Eichengreen and Bordo (2002) there were 39 national or international financial crises between 1945 and 1973. Their frequency increased to 139 between 1973 and 1997, culminating in the Asian financial crisis. These crises occurred predominantly, but not exclusively, in emerging economies. (*Policy Quarterly – Volume 5, Issue 4 – November 2009 – Page 37)*

The IMF (2005) attributes the decline in advanced economy saving rates to increased access to credit facilitated by various financial market innovations, a decline in public saving in some advanced economies such as the United States, and an increase in elderly dependency rates in economies such as Japan.

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Prior to July 2008 and despite the subprime crisis, Africa recorded excellent economic growth. The drivers of strong economic growth included macroeconomic reforms, a world economic situation that was characterized by high demand for commodities, rising capital inflows and China's strong growth. Analysts were optimistic about the capacity of the continent and the world economy to generate the necessary resources for development and poverty reduction. (working paper series No.96 march 2009)

Africa has been severely affected by the ongoing global financial and economic crisis. Its impacts are evident in all categories of countries: oil-exporting, middle-income, low-income and agriculturally dependent economies. The crisis has been slowly eroding gains in economic performance achieved by the region since the turn of the millennium.(United Nations, 2010)

African growth projections after major crises have repeatedly tended to forecast overoptimistic figures, even though actual outcomes have always been terribly disappointing. For instance, Easterly (2001) observes that the 1983 World Development Reports projected a central case of 3.3% per capita growth for developing countries from 1982 to 1995 with the most pessimistic case being a rate of 2.7%.(Jean-Claude Maswana 2010)

Professor Ikenna Onyido traced the origin of the crisis, its impact globally, its effects on the Nigerian economy generally and on the Public Service, specifically.(International Journal of Economics, Business and Finance Vol. 2, No. 4, April 2014, PP: 1 – 9).

Sub-Saharan Africa has been strongly affected by the global recession, despite initial optimism that the global financial system would have few spillover effects on the continent. The International Monetary Fund (IMF) estimated in 2009 that average economic growth in Africa would slow to 1%, from an annual average of over 6% to 1% over the previous five years, before rebounding to 4% in 2010. As a region, Africa is not thought to have undergone a recession in 2009. (Alexis Arieff et al 2010)

The major impact of the crisis in 2009 was seen in the loss of jobs. The mining sector was the first to be affected, followed by mining support industries like construction and mine suppliers, export-oriented agricultural activities and other mining-related activities. It is estimated that more than 8500 jobs were lost between July 2008 and April 2009, mainly because some mines closed down while others scaled down their investments (Ndulo et al., 2009)

The economy is expected to grow by 4.3% during 2009. Ndulo et al., (2009) predicted a growth rate of 4.5% for 2009 and 5% for 2010. There are indications that the growth rate of 4.5% could be surpassed in the fourth quarter of 2009 if copper prices continue to increase.

This could increase to 6.3% during 2009, as projected by the Central Statistical Office (CSO). This growth was being driven by increased output in the construction, mining and agriculture sectors (CSO, 2009). However, the growth process continues to be severely constrained by energy bottlenecks, an inefficient and unprofessional civil service, infrastructural problems and a lack of institutional reforms. There has been no effort to tackle these major constraints, even though the global financial crisis has given the country the opportunity to do so.

Before the crisis set in, Zambia was growing at about the same rate as the average in sub-Saharan Africa. This was 6.2% (average 6.9%) during 2007, reduced to 6% (5.5%) in 2008. The crisis had further reduced the expected growth rate in 2009 to 4.3% for Zambia and 1.1% for sub-Saharan African countries (IMF, 2009).

2.1 ZAMBEEF CORPERATE POLICY:

The policy provides the foundations for achieving the following corporate policy objectives:

To provide a safe and healthy workplace and to ensure that personnel are properly trained and have appropriate safety and emergency equipment;

To be an environmentally and socially responsible neighbour in the communities where we operate and to act promptly and responsibly to correct incidents or condition that endangers community or worker health and safety, or the environment;

To conduct our business in compliance with applicable environmental, social, and health and safety laws and regulations;

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To be a responsible citizen and to be a useful and effective member of the communities within which we operate;

To aim to reduce poverty by establishing strong partnerships with local communities, and supporting community initiatives, especially in the health and education areas, that deliver sustainable long-term results and real benefits to the communities within which we operate;

To regularly review our strategies, objectives and targets and to monitor environmental and social programmes to ensure continuous improvement of our environmental and social performance; and

To conduct ongoing audits to ensure compliance with environmental, social and health and safety legislation and to report periodically to the Board of Directors.

3. RESEARCH METHODOLOGY

Overview:

This chapter covers the research design broken down into the time horizon, sources of data and population of the study. Further, looks at the sampling techniques, sample size and data collection tools. The research used secondary data.

3.1 RESEARCH DESIGN:

This research adopted a case study as a research design. Case studies are in-depth investigations of a single person, group, event or community. Typically, data is gathered from a variety of sources and by using several different methods (e.g. observations and interviews). The case study method often involves simply observing what happens to, or reconstructing 'the case history' of a single participant or group of individuals (such as a school class or a specific social group), i.e. the idiographic approach. Case studies allow a researcher to investigate a topic in far more detail than might be possible if they were trying to deal with a large number of research participants with the aim of 'averaging' (Stake, 1995).

The case study is not itself a research method, but researchers select methods of data collection and analysis that will generate material suitable for case studies such as qualitative techniques (semi-structured interviews, participant observation, diaries), personal notes (e.g. letters, photographs, notes) or official document (e.g. case notes, appraisal reports) (Yin, 2003).

The data collected was analyzed using different theories (e.g. grounded theory, interpretative phenomenological analysis, text interpretation (e.g. thematic coding) . All the approaches mentioned here use preconceived categories in the analysis and they are ideographic in their approach, i.e. they focus on the individual case without reference to a comparison group. Case studies are often conducted on roads and involve collecting and reporting descriptive information about a particular person or specific environment, such as a school or business.

3.2 DATA COLLECTION TOOLS:

The method of data collection that was adopted in this research is one that ensures accuracy in order to capture quality evidence then translates to rich data analysis and allows the building of convincing and credible answers to questions (Johnson and Turner, 2003). The research used secondary data.

3.3 DATA ANALYSIS AND PROCESSING:

For quantitative data, Excel spread sheets were used to generate charts and graphs while qualitative data was analyzed manually using themes to give proper interpretation and meaning.

Analytical framework is the collection and organization of analysis patterns, tools, skills, organization techniques, examples and expertise of analytical methods. In qualitative analysis, a narrative analysis approach has been used. (Tashakkori, and Teddlie, 1998).

The nature of this research being qualitative prompts us to employ a thematic analytical framework analysis. 'Themes' refers to topics that come up in discussions and this form of analysis groups' related topics. In using this form of analysis, themes are identified. We are using this analysis for the reasons being that it is flexible. The thematic analysis has been used as a way of getting close to our data and develops deeper appreciation of the context. Additionally, the use of thematic analysis is as a result of it not being tied to any particular epistemology or discipline.

The research has identified information that is relevant to the research questions and objectives.(Patton; 2002).

4. RESEARCH FINDINGS AND DATA ANALYSIS

This section presents a critical analysis of financial statements of ZAMBEEF PRODCTS PLC comprising the Statement of Comprehensive Income and Balance Sheet as at 30 September 2015.

4.1 Nature of Financial Statements:

Every business concern wants to know the various financial aspects for effective decision making. The preparation of financial statement is required in order to achieve the objectives of the firm as a whole. The term financial statement refers to an organized collection of data on the basis of accounting principles and conventions to disclose its financial information. Financial statements are broadly grouped in to two statements:

Income Statements: The term 'Income Statements' is also known as Trading, Profit and Loss Account. This is the first stage of preparation of final accounts in accounting cycle. The purpose of preparing Trading, Profit and Loss Accounts to ascertain the Net Profit or Net Loss of a business concern during the accounting period.

Balance Sheet: Balance Sheet may be defined as ‘a statement of financial position of any economic unit disclosing as at a given moment of time its assets, at cost, depreciated cost, or other indicated value, its liabilities and its ownership equities. In other words, it is a statement which indicates the financial position or soundness of a business concern at a specific period of time.

According to the American Institute of Certified Public Accountants, ‘Financial Statement reflects a combination of recorded facts, accounting conventions and personal judgments and conventions applied which affect them materially.

4.2 ANALYSIS AND INTERPRETATIONS OF FINANCIAL STATEMENTS:

The facts and figures in the financial statements can be transformed into meaningful and useful figures through a process called ‘Analysis and Interpretations.’ In other words, financial statement analysis and interpretation refer to the process of establishing the meaningful relationship between the items of the two financial statements with the objective of identifying the financial and operational strengths and weaknesses.

4.3 A COMPARATIVE FINANCIAL STATEMENTS TECHNIQUE

It has been adopted for the analysis and interpretations of financial statements. Under this form of comparative financial statements both the comparative Profit and Loss Account and comparative Balance sheet are covered. Such comparative statements are prepared not only to the comparison of the various figures of two or more periods but also the relationship between various elements embodied in profit and loss account and balance sheet. It enables to measure operational efficiency and financial soundness of the concern for analysis and interpretations. The following information may be shown in the comparative statements:

(a) Figures are presented in the comparative statements side by side for two or more years.

(b) Absolute data in money value.

(c) Increase or Decrease between the absolute figures in money value.

(d) Changes or trend in various figures in terms of percentage.

4.4 REARRANGEMENT OF INCOME STATEMENTS:

Financial statements should be rearranged for proper analysis and interpretations of these statements. It enables to measure the performance of operational efficiency and profitability of a concern during particular period. The items of operating revenues, non-operating revenues, operating expenses and non-operating expenses are rearranged into different heads and sub-heads for published accounts of ZAMBEEF PRODUCTS PLC are given below:

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

GROUP	**NOTES**	**2015**	**2015**	**2014**	**2014**
		ZMW'000s	USD'000s	ZMW'000s	USD'000s
Revenue	5	1,554,872	220,237	1,244,136	211,588
Net gain arising from price changes in	16	-4,528	-641	770	131
fair value of biological assets					
cost of sales		-883,631	-125,160	-748,159	(127,2390
Gross profit		666,713	94,436	496,747	84,480
administrative expenses		-505,343	-71,578	-443,324	75,395)
Other income		708	100	2,747	467
Operating profit	6	162,078	22,958	56,170	9,552
Exchange losses on translating foreign					
currency transactions and balances		-142,358	-20,164	-22,671	-3,856
Impairment					
Finance costs	8	-55,295	-7,832	-43,272	-7,358
loss before taxation		-35,757	-5,038	-9,773	-1,662
Taxation (charge) credit	9	4,661	660	1,073	182
Group loss for the year from continuing operating		40,236	5,698	8,700	1,480
Loss from discontinued operations	34	14,377	2,036	11,500	1,955
Group loss attributable to:					
Equity holders of the parent		63,614	9,009	24,609	4,185
Non-controlling interest		9,001	1,275	4,409	750
		54,613	7,734	20,200	3,435
Other comprehensive income					
Exchange gains (losses) on translating					
presentational currency		186,567	83,779	10,408	36,664
Total comprehensive income (loss) for the year		131,954	91,513	9,792	40,099
Total comprehensive income (loss) for the year					
attributable to:					
Equity holders of the parent		121,212	90,626	13,747	40,178
Non-controlling interest		10,742	887	3,955	79
		131,954	91,513	9,792	40,099

Ngwee Cents Ngwee Cents					
Earnings per share					
Basic and diluted earnings per share-continued operations	11	20	3	5.29	1
Basic and diluted earnings per share-continued operations	11	6	1	4.64	1
Total Basic and diluted earnings per share	**11**	**26**	**4**	**9.93**	**2**

SOURCE: Zambeef Products PLC Annual Report 2015

Comparative income Statement					
For the year ended 30 September 2015					
		2015	**2015**	**2014**	**2014**
	Notes	**ZMW'000s**	**USD'000s**	**ZMW'000s**	**USD'000s**
Revenue	5	1554872	1244136	+310,736	+25

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Net gain arising from price changes in fair value of bio. assets	16	(4,528)	770	-3,758	-488
Cost of sales		(883,631)	(748,159)	-135,472	-18
Gross profit		**666,713**	**496,747**	**+169.966**	**+34**
Administrative expenses		(505,343)	(443,324)	-62,019	-14
Other income		708	2,747	-2,039	-74
Operating profit	6	**162,078**	**56,170**	**+105,908**	**+189**
Exchange losses on translating foreign currency transactions and balances		(142,358)	(22,671)	-165,029	-730
Impairment--					
Finance costs	8	(55,295)	(43,272)	-12,023	-28
Loss before taxation		**(35,575)**	**(9,773)**	**-25,802**	**-264**
Taxation (charge)/credit	9	(4,661)	1,073	-5,734	-534
Group loss for the year from continuing operations		(40,236)	(8,700)	-31,536	-363
Loss from discontinued operations	34	(14,377)	(11,500)	-2,887	-25
Group loss for the year		**(54,613)**	**(20,200)**	**-34,413**	**-170**
Group loss attribute to:					
Equity holders of the parent		(63,614)	(24,609)		
Non-controlling interest		9,001	4,409		
		(54,613)	(20,200)		
Other comprehensive income:					
Exchange gains/(losses) on translating presentational currency		186,567	10,408		
Total comprehensive income/(loss)for the year		131,954	(9,762)		
Total comprehensive income/(loss) for the year attributable to:					
Equity holders of the parent		121,212	(13,747)		
Non-controlling interest		131,954	3,955		
Ngwee Cents Ngwee Cents					
Earnings per share					
Basic and diluted earnings per share-continued operations	11	(19.86)	(5.29)		
Basic and diluted earnings per share-discontinued operations	11	(5.80)	(4.64)		
Total Basic and diluted earnings per share	**11**	**(25.66)**	**(9.93)**		

Interpretation

The rate of increase in revenue is to extent of (25%) while cost of sales declined by (-18%). The gross profit has increased by (+34%). It indicates that performance of operational efficiency is much better and the cost of sales has been under control.

The Operating Profit has increased by (189%). This indicates that the overall profitability of a concern Is not good.

The group for the year increased by (-170)

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Solution:
ZAMBEEF PRODUCTS PLC
Consolidated Statement of Financial Position.
For the year ended 30 September, 2015

		2015	**2015**	**2014**	**2014**
ASSETS	**Notes**	**ZMW'000s**	**ZMW'000 s**	**ZMW'000S**	**USD'000'S**
Non-current assets					
Goodwill	12	15,699	13,606	15699	2504
Property, plant and equipment	13	1,833,630	152,548	1,456,087	232,231
Plantation development expenditure	13	80,824	6,724	67,913	10,831
Investment in Associate	14			23,827	3,800
Biological assets	16	34,006	2,826	20,202	3,222
Deferred tax asset	9(e)	25,344	2,108	28,802	4,594
		1,989,503	165,515	1,612,530	257,182
Current assets					
Biological assets	16	155,192	12,911	142,001	22,648
Inventories	17	412,239	34,296	444,453	70,886
Trade and other receivables	18	210,229	17,491	122,343	19,511
Amounts due from related companies	19	8,893	740	11,533	1,839
Income tax recoverable	9©	4,571	380	4098	654
Total assets		2,780,627	231,333	2,336,958	372,720
EQUITY AND LIABILITIES					
Capital and reserves					
Share capita	21	2,480	396	2,480	396
Share premium	22	506,277	123,283	506,277	123,283
Reserves		932,452	(3,779)	811,240	86,847
		1,441,209	119,900	1,319,997	210,526
Non -controlling interest		34,083	2,836	23,341	3,723
		1,475,292	122,736	1,343,338	214,249
Non-current liabilities					
Interest bearing liabilities	23	439,282		353,209	56,333
Obligations under finance lease	24	15,198		14,602	2,329
Amounts due to related companies	27	44,443			
Deferred liability	25	9,254		7,473	1,192
Deferred tax liability	9(e)	8,115		22,073	3,520
		516,292		397,357	63,374
Current liabilities					
Interest bearing liabilities	23	120,943	10,062	66,416	10,593
Collateral management agreement	23	91,852		155,677	24,829
Obligations under finance lease	24	11,644		4,974	794
Trade and other payables	26	372,333		218,297	34,816
Amounts due to related companies	27	35			
Taxation payable	9©	1,588		3,031	483
Cash and cash equipments	20	190,648		147,868	23,583
		789,043		**596,263**	95,097
Total equity and liabilities		**2,780,627**		**2,336,958**	372,720.

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4.5 ANALYSIS AND INTERPRETATIONS OF FINANCIAL STATEMENTS:

Presentation of financial statements is the important part of accounting process. To provide more meaningful information to enable the owners, investors, creditors or users of financial statements to evaluate the operational efficiency of the concern during the particular period. More useful information is required from the financial statements to make the purposeful decisions about the profitability and financial soundness of the concern. In order to fulfill the needs of the above, it is essential to consider analysis and interpretation of financial statements.

The term '**Analysis' refers to rearrangement of the data given in the financial statements**. In other words, simplification of data by methodical classification of the data given in the financial statements.

The term 'interpretation' refers to 'explaining the meaning and significance of the data so simplified. Both analysis and interpretations are closely connected and inter related. They are complementary to each other. Therefore presentation of information becomes more purposeful and meaningful-both analysis and interpretations are to be considered.

Metcalf and Tigard have defined financial statement analysis and interpretations as a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance.

The facts and figures in the financial statements can be transformed into meaningful and useful figures through a process called 'Analysis and Interpretations.' In other words, financial statement analysis and interpretation refer to the process of establishing the meaningful relationship between the items of the two financial statements with the objective of identifying the financial and operational strengths and weaknesses.

Solution:

ZAMBEEF PRODUCTS PLC

Comparative Balance Sheet

For the year ended 30 September, 2015

		2015	**2014**	**Absol.in**	**%age + or -**
ASSETS	**Notes**	**ZMW'000s**	**ZMW'000s**	**2015**	
Non-current assets					
Goodwill	12	15,699	15,699		
Property, plant and equipment	13	1,833,630	1,456,087		
Plantation development expenditure	13	80,824	67,913		
Investment in Associate	14		23,827		
Biological assets	16	34,006	20,202		
Deferred tax asset	9(e)	25,344	28,802		
		1,989,503	1,612,530		
Current assets					
Biological assets	16	155,192	142,001		
Inventories	17	412,239	444,453	-32,214	
Trade and other receivables	18	210,229	122,343	87,886	
Amounts due from related companies	19	11,533	-2,640	23	
Income tax recoverable	9©	4,571	4,098	485	
		791,124	724,428		
Total assets		2,780,627	2,336,958	443,669	
EQUITY AND LIABILITIES					
Capital and reserves					

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Share capita	21	2,480	2,480		
Share premium	22	506,277	506,277		
Reserves		932,452	811,240		
		1,441,209	1,319,997 +131,954	10	
Non -controlling interest		34,083	23,341		
		1,475,292	1,343,338		
Non-current liabilities					
Interest bearing liabilities	23	439,282	353,209		
Obligations under finance lease	24	15,198	14,602		
Amounts due to related companies	27	44,443			
Deferred liability	25	9,254	7,473		
Deferred tax liability	9(e)	8,115	22,073		
		516,292	397,357 +118,935		30
Current liabilities					
Interest bearing liabilities	23	120,943	66,416		
Collateral management agreement	23	91,852	155,677		
Obligations under finance lease	24	11,644	4,974		
Trade and other payables	26	372,333	218,297		
Amounts due to related companies	27	35			
Taxation payable	9©	1,588	3,031		
Cash and cash equipments	20	190,648	147,868		
		789,043	**596,26 +201780**		34
Total equity and liabilities		**2,780,627**	**2,336,958 +443,669**		19

SOURCE: Zambeef Products PLC Annual Report 2015

4.6.1 INTERPRETATION:

The total current assets of the company have increased by 9% in 2015 as compared to 2014. The current liabilities have increased only to the extent of 34 %. This indicates that the company will have no problem to meet the day-to-day expenses. It also observed that the current financial position of the concern has considerably increased.

The fixed assets have increased by 19% compared to 2014. At the same time, long-term liabilities, share capital and reserve have considerably increased by 19%. It shows that the company has taken up expansion plans in a big way.

4.7 AN 'IN DEPTH ANALYSIS' OF ZAMBEEF PRODUCTS PLC AND ITS FINANCIAL PERFORMANCE:

Financial ratio analysis is a useful measure to provide a snapshot of a firm's financial position (Muresan and Wolitzer 2004) at any particular moment of time or to provide a comprehensive idea about the financial performance of the company over a particular period of time. Use of financial ratios in finance is multi-dimensional. It is not only useful for judging the financial health or performance of a particular firm over time, it is also a useful tool for comparing a firm's financial position and performance with respect to others in the same or different industry to pinpoint problem areas or to identify areas of further improvements (De, Bandyopadhyay and Chakraborty 2010).

Financial ratios are computed from financial statements of a company namely Balance Sheet, Profit and Loss Account or Income Statement, and Cash Flow Analysis. Interpretation of the financial ratios is complicated and multi-dimensional. While developing and computing the different financial ratios, consideration is given to capture the various aspects of financial position and financial performance of a company such as ZAMBEEF PRODUCTS PLC.

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4.8 FINANCIAL RATIO ANALYSIS:

Dansby et al. (2000:845) defined ratio as 'fractional relationship of one number to another'. On the other hand, Needles et al. (1996:795) defined ratio analysis as 'a technique of financial analysis in which meaningful relationship is shown between the components of financial statements'. Ratio analysis is often expressed proportionately to show the relationship between figures in the financial statements. Ratios are guides or shortcuts that are useful in evaluating a

company's financial position and operations and making comparisons with results in previous years or with other companies. The primary purpose of ratio is to point out areas needing further investigation. They should be used in connection with a general understanding of the company and its environment (Needles et at., 1996:786).

Thus, Lasher (1997:69) noted are most meaningful when used in comparison. For that reason, it is difficult to make a generalization about with a good or acceptable value is for any particular figure. One measure alone does not tell the whole story about a company and one measure should never be the sole basis for a financial decision'. Hermanson et al. (1992:840) added: 'standing alone, a single financial ratio may not be informative. Greater insight can be obtained by computing and analyzing several related ratios for a company'.

4.9 USES AND OBJECTIVES OF RATIO ANALYSIS:

Basically, ratio analysis is used in determining:

a. The short-term and long-term liquidity of a firm or the ability of the firm to meet its short term riskiness or long-term solvency of a business. That is, the level of gearing or leverage or the extent the firm is financed by debt.

b. The Performance, profitability or overall earning power of a business.

c. The assets utilization or efficiency in the use of assets of a business to generate sales revenue.

d. The potential return and risk associated with owing shares or investing in the stock a company.

4.9.1 TYPES OF RATIO ANALYSIS:

Liquidity (short-term solvency) ratios:

According to Dansby et al. (2000:826) 'Liquidity is the ability of a business to meet its financial obligations as they fall due'. One the other hand, Needles et al. (1996:787) defines liquidity, as 'a company's ability to pay bills when they are due and to meet unexpected needs of cash'.

Liquidity ratios (short-terms solvency ratios) are of particular concern to short-term lenders and suppliers who provide products and services to the firm on credit. They want to be sure the company has the ability to pay its debts. (Lasher, 1997:69). Liquidity Ratios include Current Ratio and Quick or Acid Test Ratio.

4.9.2 CURRENT RATIO:

This indicates the ability of a business to meet or pay its short-term financial obligations or current liabilities out of the current assets. Thus, it is also known as the ratio of current assets to current liabilities. It is the primary measure of a company's liquidity.

A low current ratio may be an indication of a firm's inability to pay its financial obligations in the near future, while a high current ratio may indicate excessive amount of current assets or inefficient asset utilization by management.

The yardstick against which current ratio are measured is the standard of 2 to 1 (2:1). This means that for every N1 current liability there must be a minimum of N2 current assets to cover it. This standard is often used by lending institutions and credit bureau and is generally considered as good. (Dansby et al., 2000:827).

However, prospective creditors or lenders must take care of sticking to this standard as a company may manipulate its current ratio (by inflating inventory for instance,) in order to paint a picture of better financial position. Current ratio can be calculated as follows:

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liability}}$$

Therefore, using the earlier balance sheet data for ZAMBEEF PRODUCTS PLC, we can compute the company's current ratio.

$$\text{Current Ratio} = \frac{791{,}124}{789{,}043}$$

CR =1.0

According to liquidity ratios, the Group in 2015 had a stronger financial position and quite sufficient liquid assets to maintain business operations. Group could pay its current liabilities with its current assets during the period.

4.9.3 QUICK (ACID TEST) RATIO:

This measures the ability of a firm to pay all of its current liabilities if they come due immediately. (Dansby et al., 200: 828). It is a better measure of liquidity because unlike current ratio, it omits stock or inventory (which may not be easily turned into cash) from the current assets to get quick assets. It is therefore, the ratio of quick assets to current liability and indicates a firm's ability to pay its debt quickly. It is also called acid test, which implies a particularly tough, discerning test. (Lasher, 1997:70). The standard for quick ratio is 1:1. Quick or acid Test Ratio can be calculated as follows:

$$\textbf{Quick or Acid Test Ratio} = \frac{\textbf{(Total Current Assets - Total Inventory)}}{\textbf{Total Current Liabilities}}$$

Using the balance sheet data for ZAMBEEF PRODUCTS PLC, we can compute the quick ratio for the company:

$$\text{Quick or Acid Test Ratio} = \frac{791{,}124 - 412{,}239}{789{,}043}$$

QR= 0.5

In general, quick ratios between 0.5 and 1 are considered satisfactory, as long as the collection of receivables is not expected to be slow.

4.9.4 PROFITABILITY (ACTIVITY) RATIOS:

Profitability refers to the ability of a firm to earn a satisfactory income or return on investment in the business. Therefore, profitability ratios measure the profit or money making or earning success of a firm. They are of primary importance to stockholders, investors and creditors because earnings produce cash flows with which to pay dividends and debts.

Profitability ratios are also called activity ratios because they indicate the ability of firm to earn profits in relation to the sales made, assets employed, or equity (capital) invested or employed.

They are generally stated as percentages. (Lasher, 1997:76). Profitability ratios include Return on SALES, return on Assets, and Return on Equity.

4.9.5 RETURN ON SALES (ROS):

Return on Sales (ROS) is simply percentage of the net income or profit after tax to net sales. It is also called the profit merging (or net profit margin). It is a fundamental indication of the overall Profitability of the business. It gives insight into management's ability to control the income statement items of revenue, cost, and expense (Lasher 1997:76).

ROS can be divided into Gross profit Margin, Operating Income Margin, and Net profit margin.

However, ROS refers to Net profit Margin.

4.9.6 GROSS PROFIT MARGIN:

This is otherwise known as the percentage of Gross profit to Net sales. It is a measure of efficiency of the sales of a firm in relation to the cost of goods sold. It indicates a firm's ability to control cost of vice versa. It can be used as an indicator of the efficiency of the production operation and the relationship between selling price and production costs.

Gross Profit Margin (GPM) is given by:

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$$\textbf{Gross Profit Margin (GPM)} = \frac{\textbf{Sales – Cost of Goods Sold}}{\textbf{Sales}} \times 100$$

$$\text{Gross Profit Margin (GPM)} = \frac{1{,}554{,}872 - 883{,}631}{1{,}554{,}872} \times 100$$

GPM = 43.17%

NET PROFIT MARGIN (NPM):

This is otherwise called the percentage of Net profit to Net sales. It is a measure of the proportion of net sales that remains after the deduction of all costs and expenses. It indicates the ability of a firm to control operating and non-operating expenses.

Net profit margin can be calculated as follows:

$$\textbf{Net Profit Margin} = \frac{\textbf{Net Income}}{\textbf{Net Sales}} \times 100$$

$$\text{Net Profit Margin} = \frac{(54{,}613)}{1{,}554{,}872} \times 100$$

NPM = (3.51)

Net profits Margin establishes a relationship between net profit and sales, and indicates management's efficiency in manufacturing, administering and selling the products. It is a measure of a firm's ability to turn each Kwacha sales into net profit.

Return on Investment:

This ratio measures the overall effectiveness of a firm in generating profits with available assets. Return on Investment (ROI) is given by:

$$\textbf{Return on Investment (ROI)} = \frac{\textbf{Net Profit after Taxes}}{\textbf{Total Assets}} \times 100$$

$$\text{Return on Investment (ROI)} = \frac{\text{Net Loss after Taxes}}{\text{Total Assets}} \times 100$$

$$= \frac{(54{,}613)}{2{,}334{,}183} \times 100$$

ROI = (2.34)

As this ratio measures the earning power of the invested capital, the higher the ratio the better for the firm.

5. CONCLUSION AND RECOMMENDATIONS:

Zambeef as a cooperate company has a very formidable and strong policy which has enabled the corporation to have a sound financial base in the aftermath of financial crisis.

The policy of Zambeef takes recognition of the below stated aspects but not limited to the same.

- Safe and healthy workplace: Ensures that personnel are properly trained and have appropriate safety and emergency equipment.
- Environmentally and socially responsible neighbor: Act promptly and responsibly to correct incidents or conditions that endanger community or worker health and safety, or the environment.
- Conduct business in compliance with applicable environmental, social, and health and safety laws and regulations.

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- Reduce poverty: Through establishing strong partnerships with local communities, and supporting community initiatives, especially in the health and education areas, that deliver sustainable long-term results and real benefits to the communities within which we operate.

- Review our strategies, objectives and targets and to monitor environmental and social programmes to ensure continuous improvement of our environmental and social performance.

- Promote audits: to ensure compliance with environmental, social and health and safety legislation and to report periodically to the Board of Directors.

With the knowledge gaps that the corporation may be experiencing it is recommended that deliberate policy can be adopted to give competitive scholarships to the fields that matters most to the organization. This in turn will give the corporation outstanding corporate image and unprecedented growth.

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