Astral

Integrated Report

for the year ended 30 September 2019

2019

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Strategic focus

To be the best cost integrated poultry producer in selected African countries

Astral at a glance

Astral Foods was established and listed in April 2001 on the JSE Limited, after Tiger Brands unbundled its agricultural operations. Today, the company is firmly entrenched in the JSE Limited's top 100 companies with more than 3 800 shareholders. Astral has also been recognised by the Sunday Times as number 31 in their Top 100 Companies Awards in 2019

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Our six capitals

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Stakeholders

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Report overview

Astral is pleased to present our Integrated Report for the period 1 October 2018 to 30 September 2019.

Content

Astral Foods' Integrated Report covers the economic, environmental and social activities of the group and their consequences for stakeholders for the year ended 30 September 2019. It aims to provide a broad range of stakeholders with a transparent and holistic view of the group's financial and non-financial performance and how we created value. Six capitals (financial, manufactured, human, social, natural and intellectual) and how we build or deplete them are addressed in this report, while not specifically referred to in this manner.

The report is evolving to present these aspects in an integrated manner, confirming operational responsibility and accountability for business sustainability and covers the operations of the group and major subsidiaries for the period from 1 October 2018 to 30 September 2019. This report was approved by the board on 13 November 2019.

Materiality

The report focuses on issues which the board and management believe are material to stakeholders and could impact on value creation.

Assurance

The report as a whole is not independently assured and the board will consider full assurance in the future if deemed necessary.

We apply a combined assurance model, which seeks to optimise the assurance obtained from management and internal and external assurance providers.

Management provides the board with assurance that it has implemented and monitored the group's risk management plan, and that it is integrated into day-to-day activities of all the business units. Management is responsible for monitoring and implementing the necessary internal controls.

As sub-committees of the board, the Audit and Risk Management, Human Resources, Remuneration and Nominations and Social and Ethics Committees, all report to the board in line with their respective mandate and terms of reference.

The internal audit function, overseen by the group's Audit and Risk Management Committee, assesses the effectiveness of the group's system of internal control and risk management. Astral receives external assurance on certain aspects of the business. Our external auditors, PricewaterhouseCoopers Inc., provide an opinion on the fair presentation of the group's annual financial statements.

Astral's Audit and Risk Management Committee ensures that the combined assurance model is applied to provide a co-ordinated approach to all assurance activities and addresses all significant risks facing the group. The committee monitors the relationship between the external service providers and the group.

Scope

The scope of the Astral Integrated Report includes the group's three divisions and key functions. With respect to comparability, all significant items are reported in a consistent manner with the previous financial year. This report has been prepared in accordance with the concepts and the measurement and recognition requirements of the International Financial Reporting Council's Framework, the JSE Limited Listings Requirements and the requirements of the Companies Act, No. 71 of 2008, as well as the King IV™ Code on Corporate Governance.

Statement by the board of directors of Astral Foods Limited

The board acknowledges its responsibility to ensure the integrity of this Integrated Report which in the board's opinion addresses all material issues and presents fairly the group's integrated performance. The board applied its judgement regarding the disclosure of Astral's strategic plans, and has ensured that these disclosures do not place the group at a competitive disadvantage. The Audit and Risk Management Committee recommended the approval of the 2019 audited financial statements and the Integrated Report on 13 November 2019.

Theuns Eloff
Chairman

Diederik Fouché
Chairman: Audit and Risk Management Committee

Chris Schutte
Chief Executive Officer

Daan Ferreira
Chief Financial Officer

13 November 2019

Contact

For questions regarding this report contact:

Maryna Eloff – Group Company Secretary

maryna.eloff@astralfoods.com

(012) 667 5468

Overview

Astral is a leading Southern African integrated poultry producer

Our group activities

Astral is a leading Southern African integrated poultry producer. Key activities comprise manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, breeder and broiler production, abattoir and further processing operations and sales and distribution of various key poultry brands.

What we do

Integrated broiler operations

We have four fully integrated broiler production, processing, distribution, sales and marketing operations with a combined processing capacity of 5 240 000 processed broilers per week made up as follows:

County Fair
1 600 000

Festive
1 450 000

Goldi
2 000 000

Mountain Valley
190 000

County Fair (Western Cape), Festive (Olifantsfontein) and Mountain Valley (Camperdown) market and distribute a full range of fresh and frozen poultry products whereas Goldi (Standerton) primarily manufactures individually quick frozen ("IQF") products.

County Fair, Goldi and Mountain Valley market and distribute a full range of value-added products comprising frozen reformed crumbed and ready-to-eat chicken products.

Broiler genetics

Ross Poultry Breeders, situated in KwaZulu-Natal and Gauteng, is the sole distributor and supplier of Ross 308 parent breeding stock to the South African broiler industry. The company has a technical agreement with Aviagen Limited, a multi-national company that holds the worldwide proprietary rights to the "Ross" brand. The company has entered into an agreement with Aviagen for the exclusive South African rights to the International Ross 308 broiler/breeder that is world renowned for its superior broiler and breeder performance.

Laboratory services

Central Analytical Laboratories (CAL) analyses animal feed and water samples for our own requirements and for the agricultural sector in South Africa.

Day-old broiler and hatching egg supplier

National Chicks has operations in KwaZulu-Natal, Gauteng and Swaziland and conducts business as a day-old chick and hatching egg supplier to our integrated broiler operations and the independent non-integrated broiler producers in South Africa, eSwatini, Botswana and Mozambique. National Chicks supplies small hatcheries in Africa with fertile eggs and has a technical team servicing its customer base.

Animal Feed

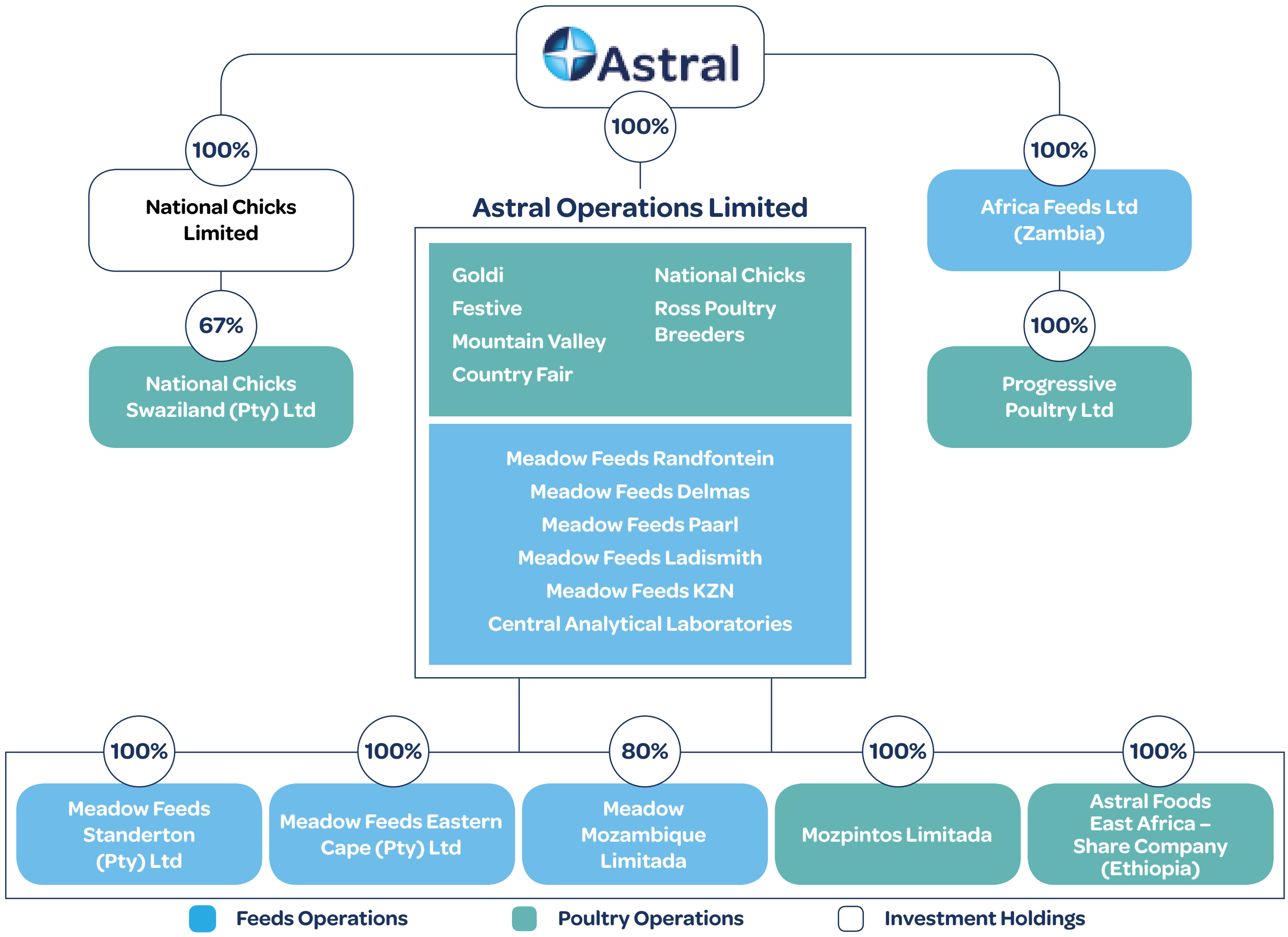
The South African operations consist of mills located in Standerton, Randfontein, Delmas, Paarl, Port Elizabeth, Pietermaritzburg and Ladismith.

These seven strategically placed feed mills are well equipped to produce and distribute a wide range of specialised products for all commercially farmed animal species.

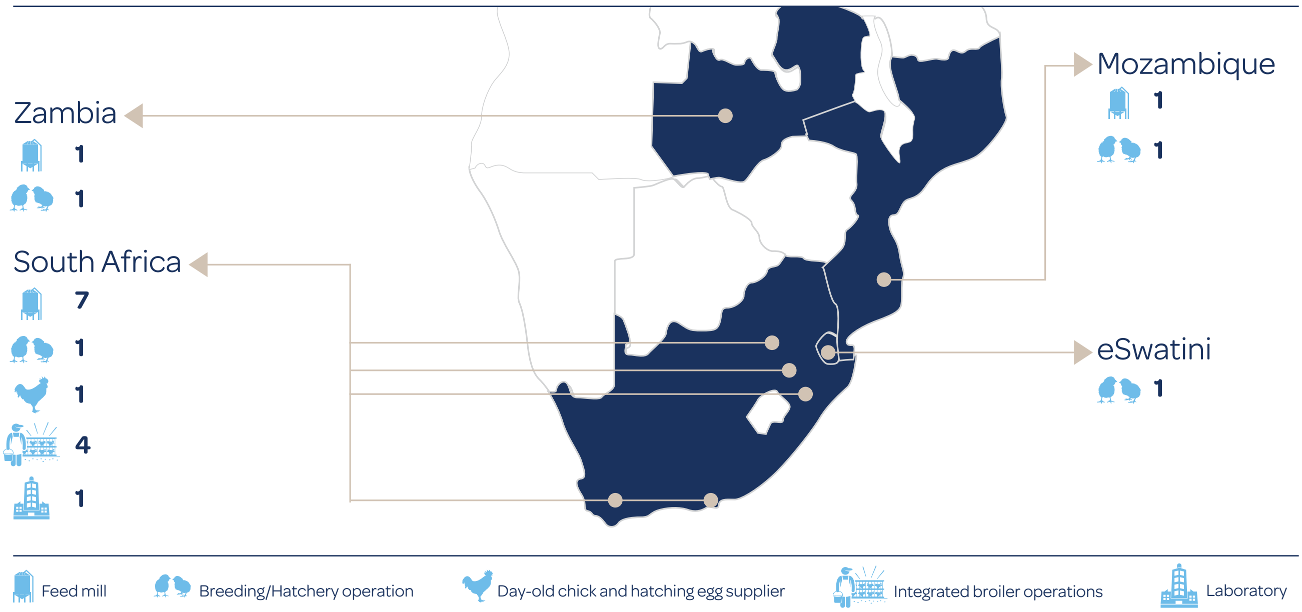
The other African operations consist of a feed mill in Lusaka (Zambia) and an 80% shareholding in a mill in Maputo (Mozambique).

STRATEGIC FOCUS To be the best cost integrated poultry producer in selected African countries

How we are structured to create value



Where we create value



Financial highlights

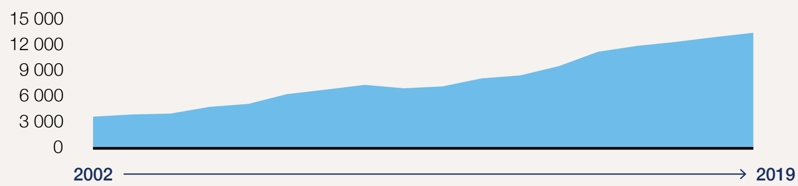
Revenue
▲
4%

Operating profit
▼
55%

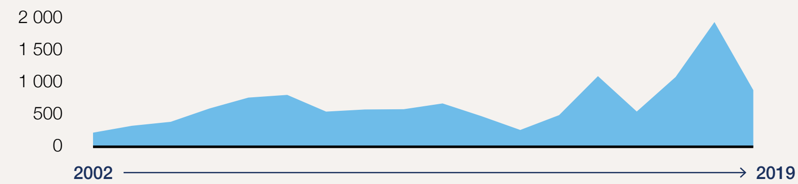
Headline earnings per share
▼
55%

Final dividend per share
▼
R4,25

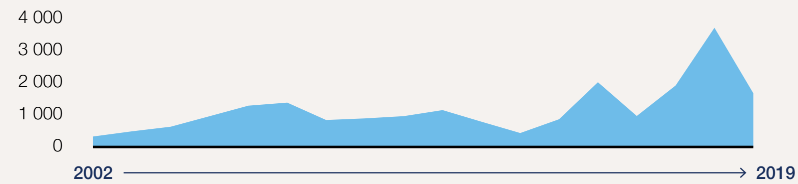
Revenue



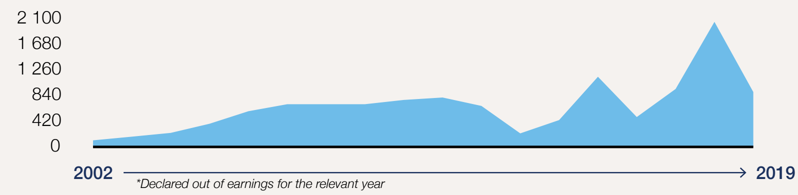
Operating profit



Headline earnings per share

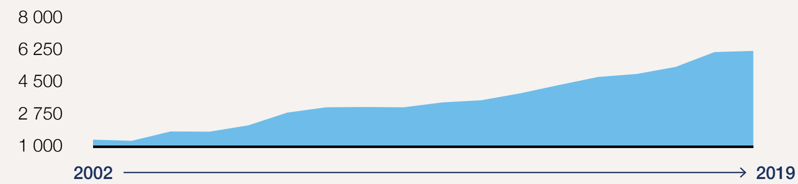


Dividends per share*

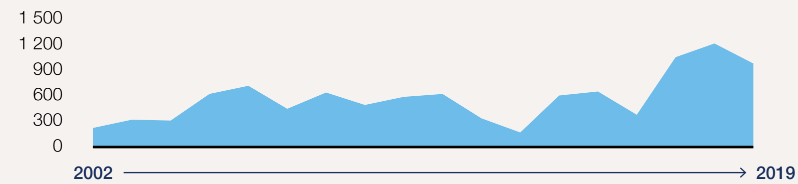


*Declared out of earnings for the relevant year

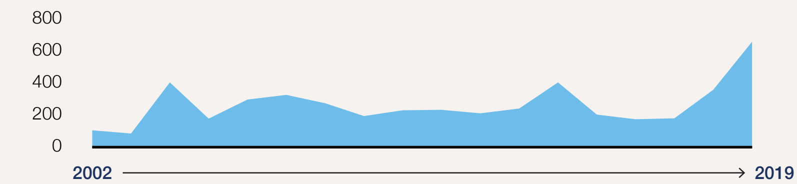
Total assets



Cash generated from operating activities



Capital investment



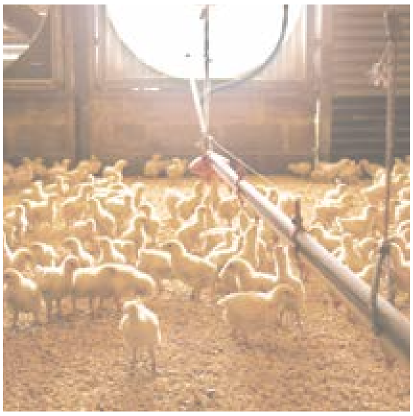
Non-financial highlights

Birds on ground under our management at any given time

37 100 000

4

broiler processing plants



11 499

Astral employment count

1 387 112

production of feed per annum in tons

9

feed mills

5 000 000

Broilers processed per week

Board of directors

Non-executive directors

Theunis Eloff (64)

(Independent Non-executive Director)

BJur (Econ), ThB, ThM, ThD

Director of companies

Appointed to the board on 8 May 2007

Chairman of the board from June 2014

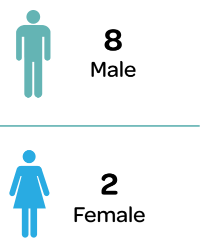
Member of the Human Resources, Remuneration and Nominations Committee from June 2014

Member of the Social and Ethics Committee from May 2017

Experience: Served as a minister of religion in Pretoria from 1983 to 1989. Completed Doctorate in theological ethics. Left the ministry in 1989 and joined the Consultative Business Movement (CBM). Headed the administration of Codesa. Deputy Director of the Transitional Executive Council before the 1994 elections. Chief Executive Officer of National Business Initiative from 1995. Became Vice-Chancellor of Potchefstroom University for CHE in 2002, and headed the merged North-West University from 2004. Completed his second term at the NWU in May 2014. Acted as Chief Executive Officer of the FW Klerk Foundation until 31 May 2019.

External appointments: Chairman of Die Dagbreek Trust, Die Trust vir Afrikaanse Onderwys, and recently appointed as Chairman of Die Trust vir Afrikaanse Kuns, Kultuur en Erfenis and Die MOS Inisiatief. Past President of the Afrikaanse Handelsinstituut (AHI).

Gender



Tshepo Monica Shabangu (48)

(Independent Non-executive Director)

BProc, LLB, LLM (Magna Cum Laude)

Attorney and Notary Public

Appointed to the board on 1 July 2013

Member of the Audit and Risk Management Committee from November 2014

Chairman of the Human Resources, Remuneration and Nominations Committee from February 2017

Experience: A legal professional with significant experience in managing the commercial and intellectual property portfolios of blue-chip companies. This includes the negotiation and drafting of commercial agreements and advising local and international companies regarding the identification, protection, exploitation and management of intellectual property. Also has extensive experience in corporate governance.

Previously the Chairman of the Anglo Inyosi Coal Community Trust and a Director of Inyosi (Pty) Limited, the broad-based black empowerment partner of Anglo Coal Limited.

Resigned from these positions in November 2011 and sat as a Trustee of one of Royal Bafokeng's employee trusts. Past President of the South African Institute of Intellectual Property Law and Trustee of Legal Resources Trust. Previously a member of the Ethics Committee of the Law Society of South Africa and Company Law Committee of the Law Society of the Northern Provinces. She is a Council representative of the Law Society of South Africa at the International Bar Association (IBA). She is an Officer of the Bar Issues Commission and the African Regional Forum of the IBA. Member of the Policy and Credentials Committee of the IBA. Previously a Council member of the Law Society of the Northern Provinces (LSNP), a statutory body which governed the attorneys profession. She was selected as one of the World Intellectual Property Review (WIPR) Influential Women in Intellectual Property Review in 2019, and was awarded the Women in Law Award for Best Corporate Practising Lawyer 2019.

External appointments: Currently employed as partner and chairman in the law firm Spoor & Fisher.

Diederik Johannes Fouché (65)

(Lead Independent Non-executive Director)

M Comm, CA(SA), HDip Tax Law, H Dip Business Processing

Director of companies

Appointed to the board on 12 November 2015

Chairman of the Audit and Risk Management Committee from June 2016

Member of the Human Resources, Remuneration and Nominations Committee from June 2016

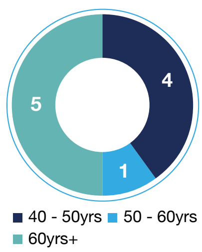
Appointed Lead Independent Non-executive Director in August 2017

Experience: Former PwC partner and head of PwC Southern Africa Consumer, Industrial Products and Services industry practice (CIPS). Served as a member of the PwC Southern Africa & Africa Board and was chairman of the Finance and Risk Committee. He also represented the firm on the PwC Europe, Middle East and Africa CIPS Committee.

He has extensive experience in the consumer industrial products and services industry and has engaged with clients, global experts and industry on various surveys, trends and strategic issues.

External appointments: Serves as a member of the Audit Committee of Thebe Investment Corporation Proprietary Limited.

Age



Takalani Patricia Maumela (51)

(Independent Non-executive Director)

BCur, MBL

General Manager

Appointed to the board on 1 July 2013

Chairman of the Social and Ethics Committee from February 2016

Member of the Audit and Risk Management Committee from February 2019

Experience: A seasoned manager in the health care industry with experience in adjudication of claims, membership management and management of walk-in client service centres in all provinces.

External appointments: Currently employed at Metropolitan Health as Government Employees Medical Scheme General Manager and previously as Transmed General Manager. Prior positions include Clinical Executive at Qualsa Healthcare and Divisional Manager – business solutions at Discovery Health. Serves as an Executive Director on the Metropolitan Health board since 2016.

Saleh Mayet (63)

(Independent Non-executive Director)

B Com, BCompt (Hons), CA(SA)

Director of companies

Appointed to the board on 1 July 2019

Member of the Audit and Risk Management committee from August 2019.

Experience: A Chartered Accountant with over 35 years' experience. After completing his articles in 1982, he joined Anglo American South Africa Limited (AASA) and over the next number of years gained experience in all aspects of financial reporting with ultimate responsibility for a significant number of both listed and unlisted subsidiaries in the AASA group.

Following Anglo American plc's London listing in 1999, he fulfilled various roles within the finance division in Johannesburg and London and in January 2008 was promoted to the position of Head of Finance – AASA. He has extensive experience on a wide range of corporate activities and served on the boards of AASA and its strategic subsidiaries and trusts. He was also a member of various senior management committees tasked with strategy, driving value initiatives and engagement with key stakeholders. He retired from Anglo American in March 2019.

External appointments: He is currently a Non-executive Director of Motus Holdings Limited where he chairs the Audit and Risk Committee.

Willem Frederick Potgieter (62)

(Independent Non-executive Director)

B Eng (Hons) Civil Engineering

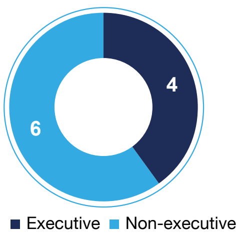
Appointed to the board on 1 July 2019

Experience: He is a qualified Civil Engineer specialising in infrastructure development and strategic management with more than 30 years' experience in implementation and management of engineering and related developments through all stages of the project life cycle. Previous experience includes management of regulatory processes such as environmental authorisations, water rights and water use licenses, bulk services and infrastructure development plans.

His recent involvement includes infrastructure development for the newly established Sol Plaatje University and University of Mpumalanga.

External appointments: He currently acts as a Director for Oubos-Grootrivier Nature Reserve (Pty) Limited.

Executive vs Non-executive



Demographics

Executive directors

Christiaan Ernst Schutte (59)

Management Business Administration and Finance Dip.

Chief Executive Officer with effect from 1 May 2009

Appointed to the board on 18 August 2005

Experience: Joined Golden Lay Farms, a division of Tiger Brands, the leading egg producing organisation in Southern Africa, in October 1984 as Assistant Farm Manager. Spent 18 years with the group in various positions including Sales Director from 1996 to 2002. Joined Astral Foods Limited in May 2002 as Manager of retail sales for Meadow Feeds before being appointed as Sales and Marketing Director in August 2002.

Appointed as Managing Director for the Animal Feeds division in July 2004 responsible for Meadow Feeds Southern Africa and various other service related business units.

Appointed as Chief Executive Officer of Astral Foods Limited on 1 May 2009.

External appointments: None.

Daniel Dirk Ferreira (63)

BCom, BCompt (Hons), CA(SA)

Chief Financial Officer

Appointed to the board on 1 May 2009

Experience: Employed by ICS Group Limited before the acquisition of ICS by Tiger Brands, where he held positions in operational, financial management, tax management, project management and later as Group Financial Manager. He later joined Genfood for two years before joining Astral in February 2001 as Group Financial Manager. He was appointed as Chief Financial Officer in May 2009.

External appointments: None.

Gary Desmond Arnold (47)

BSc Agric (Hons), MSc Agric, MBA, Pr.Sci.Nat.

Managing Director: Agriculture

Appointed to the board on 1 March 2012

Member of the Social and Ethics Committee from November 2011

Experience: Started his career in 1997 as Animal Nutritionist for Meadow Feeds Delmas and Meadow Feeds Welkom. In 1998 he was appointed as the Technical Manager for Meadow Feeds Delmas, and in 2001 appointed as the Technical Manager for Meadow Feeds northern region. In 2004 he was appointed as the Managing Director of Provimi SSA (previously Nutec Southern Africa), and in 2006 he was appointed to the position of Chief Operating Officer for Meadow Feeds in the Western Cape.

Appointed as Director: Business Development of Astral Operations Limited on 1 November 2010 and in October 2016 he was appointed to his current position as Managing Director of the Agriculture division.

External appointments: None.

Andrew Barry Crocker (48)

BSc Agric, MBA, PrSci.Nat.

Managing Director: Commercial

Appointed to the board on 1 April 2016

Experience: Started his career in 1998 as a Technical Adviser for Meadow Feeds helping to establish operations in the Eastern Cape. In 2000 he was appointed as the Technical Support Manager for the Eastern Cape, before moving to Meadow Paarl as Sales Manager in 2002. Originally appointed as General Manager of the Port Elizabeth mill in 2005, he became Chief Operating Officer of the Cape Region in 2006. In 2010 he lead the formation of the Cape Region as Chief Operating Officer responsible for the Paarl, Ladismith and Port Elizabeth operations.

Appointed as Managing Director of the Feeds division in February 2012 and in April 2017 he was appointed to his current position as Managing Director of the Commercial division.

External appointments: None.

Our investment case

1

Largest integrated poultry producer in Southern Africa

The leading low cost producer of complete feed, hatching eggs, day-old chicks and broilers in Southern Africa with an expanding footprint in selected Southern African countries

2

Leading brands

Leading brands in poultry genetics (Ross 308), animal feed (Meadow), day-old chicks (National Chicks), laboratory services (CAL) and strong poultry meat consumer brands (Goldi, County Fair, Festive, Mountain Valley and SupaStar), TIGERChicks Zambia and Mozpintos in Mozambique

3

People skills

Experienced, long-serving employees with an industry-leading track record, supported by skills development programmes through leading tertiary institutions

4

Regional and national footprint

Well positioned relative to the major growth areas of the country, close to the supply of strategic raw materials and the demand for our products

5

Strong cash flow

Proven record with the ability to generate strong cash flows

6

Customers

Our key customers lie in the top-end retail chains and wholesalers, mainly independently owned. We have recently also gained customers in the quick-service restaurant market

The result:

Best cost integrated poultry producer with assets and human resources to support a sustainable business.

Business overview

South Africa

GOLDI

This processing facility is located in Standerton (Mpumalanga). It has its own breeding and hatching operation and processes approximately 1,98 million broilers per week and makes use of a large number of contract growers to rear birds for slaughter. Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Products are supplied to the quick-service restaurant industry most notably, Spur, Hungry Lion, KFC, Nando's and the Famous Brands group (Wimpy, Steers). Meadow Feeds' operations, situated in Delmas and Standerton, supply feed to this integrated broiler operation.

Goldi as the largest employer in Standerton has close links with the community it serves, and is proud to put great South African chicken on the plates of customers every day.

FESTIVE

This processing facility is located in Olifantsfontein (Gauteng). It has its own breeding and hatching operation and processes approximately 1,49 million broilers per week making use of a large number of contract growers to rear birds for slaughter. Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Products are supplied to the quick-service restaurant industry, most notably, Spur, Hungry Lion, KFC, Nando's and the Famous Brands group (Wimpy, Steers). Meadow Feeds' operations, situated in Randfontein and Delmas, supply feed to this integrated broiler operation.

Festive is one of the largest employers in the Midrand area bordering on Tembisa. It too, like the other Astral facilities, has close links with the community which is the home of its work force. This facility is the centre of our R900 million expansion programme.

COUNTY FAIR

This processing facility, located in Agter-Paarl (Western Cape), is a fully integrated broiler producer processing 1,60 million broilers per week, including the broilers supplied by Tydstroom on a contract grower agreement.

The abattoir supplies birds to a fresh and frozen further processing facility in Epping Industria, Cape Town. A wide range of products are marketed under the County Fair brand. The day-old chicks hatched and placed on County Fair's grow-out farms are supplied by its in-house breeding operations. Meadow Feeds, situated in Paarl, supplies all the poultry feed requirements.

County Fair is the leading supplier of fresh chicken in addition to producing other top quality formats such as frozen and value-added products to the local Western Cape market as well as to the other regions nationally, giving it an expansive distribution footprint.

MOUNTAIN VALLEY

This processing facility, situated in Camperdown (KwaZulu-Natal), provides Astral with a strategic fresh processing presence in KwaZulu-Natal, processing 0,18 million broilers per week. Meadow Feeds, situated in Pietermaritzburg, supplies feed to Mountain Valley.

Mountain Valley has an important role to play within the local community, contributing to job creation and employment in KwaZulu-Natal and is proud to deliver first choice quality products to the local consumers in the region.

NATIONAL CHICKS

Conducts business as an international supplier of day-old chicks and hatching eggs to the Astral group and to non-integrated independent operations in the sub-Saharan Africa region.

Operating throughout as a customer-focused organisation, National Chicks adopts disciplined technical- and service-orientated processes that deliver superior quality products to customers.

As one of the leading suppliers of day-old chicks to the industry, we carefully coordinate logistics to ensure that our products are delivered hygienically, securely and stress free to their destination. We achieve the above through the passion and dedication of our experienced and committed employees. Our employees have many years of practical experience and continually strive to deliver the very best in eggs and day-old chicks to our customers throughout Southern Africa.

ROSS POULTRY BREEDERS

Sole distributor and supplier of the Ross 308 parent stock to the South African broiler industry. In close association with Aviagen Limited, the global leader in poultry genetics based in Scotland, Ross Poultry Breeders continually develops and implements progressive bio-security and production processes to ensure the delivery of disease-free "parent stock" to the South African poultry industry.

Our strategic partner Aviagen's international experience and technological expertise in the best-of-breed arena is key to our success. With great grandparent stock from Scotland and refined through two generations, the business requires intense focus on quality and bio-security processes.

MEADOW FEEDS

Acknowledges and supports consumers' increased awareness and demand for ethical practices leading to safer food and product quality guarantees. This is increasingly relevant to modern agriculture with commercial and emerging farmers demanding the very best in animal feed.

The application of world-class technology, production standards in feed safety and production methods ensure that Meadow delivers what farmers require most – good value, safe feed and superior yields.

Our seven well-situated mills – including the mill in Standerton – use sophisticated automation and control systems, facilitating precise operations and the blending of the correct ingredients at formulated levels.

CAL

Offers a diverse range of laboratory analyses to the animal feed industry. Employs the latest instruments and methods to provide the best possible service to its client base.

With access to international method databases and through technology partners the dedicated team provides a comprehensive range of scientific tests.

Our recently opened ISO 17025 accredited Serology laboratory utilises international kits in a custom-designed automated laboratory.

Business overview continued

Outside South Africa

TIGER CHICKS
Zambia

TIGERChicks
Less Feed • More Meat

This is the most recent and largest investment made by Astral in Zambia, with the capacity to produce 200 000 day-old chicks per week. It is a breeder farm and hatchery producing day-old broiler chicks for the Zambian and future export market. TIGERChicks has not only introduced a new broiler breed, the Indian River – the first "slow feathering" broiler bird to be bred in Africa – into Zambia, but also into Africa.

MOZPINTOS
Mozambique

MOZPINTOS

This is a greenfield broiler hatchery, established in 2012 in the Goba District, 54 kilometres south of Maputo. The hatchery is situated on a 25-hectare farm. The hatchery started production in October 2012 and the set capacity was increased to 192 000 eggs per week in September 2014.

MEADOW
Mozambique

Meadow
Mais do que simples ração

A feed mill situated in Maputo that supplies breeder feed to Mozpintos. Also supplies animal feed to the external market throughout Mozambique. Our ever-expanding distribution network and consistent supply of feed and day-old chicks over a wide area has been successful in establishing new business and brand awareness.

NATIONAL CHICKS
eSwatini

NationalChicks

The largest hatchery in eSwatini, producing 340 000 day-old chicks per week for the local market. The breeding facility is the only operational breeding farm in eSwatini and is positioned on a 14-hectare farm in Dwaleni, near Manzini, with approximately 62 employees.

TIGER ANIMAL FEEDS
Zambia

Tiger Animal Feeds
More than just feed

Tiger Animal Feeds has been the leading animal feed supplier in Zambia for more than ten years. Its world-class range of feeds, strong distribution network and on-site nutritional service has greatly contributed to the growth and the profitability of farmers and the establishment of new farmers through training and after-sales support programmes. All products conform to the quality assurance standards of the Zambian Bureau of Standards and are backed by an array of quality assurance systems used by Meadow Feeds.

Material matters

The following are key focus areas for Astral:

Commodity availability/prices

The following commodities account for some 84% of our poultry and animal feed requirements:

- maize;
- soya;
- sunflower;
- fish meal; and
- vitamins and minerals.

These commodities are procured by our Feed division in line with the group's approved procurement strategy which is driven by supply and demand. We manage poultry feed utilisation by closely monitoring all impacting factors such as slaughtering age and feed conversion efficiency.

Imbalance of poultry supply and demand

Periods of over-supply of poultry products in the industry can have a serious negative impact on sales realisations and profitability. We focus on producing poultry products at the lowest possible cost in order to protect margins in times of over-supply.

Local poultry demand has been hampered through higher levels of unemployment and lower per capita disposable income. Job creation and higher levels of discretionary disposable income remain key drivers for firmer poultry prices.

The consumer market

Growth in the consumer market is a determining factor in the demand for poultry and is driven largely by population growth and the level of employment.

Poultry prices

Prices are primarily driven by supply and demand which, in turn, are influenced by many factors. We benchmark on-shelf pricing levels and the availability of product on a regular basis to ensure that our prices remain competitive. Stockholding levels are closely managed and pricing strategies adjusted accordingly.

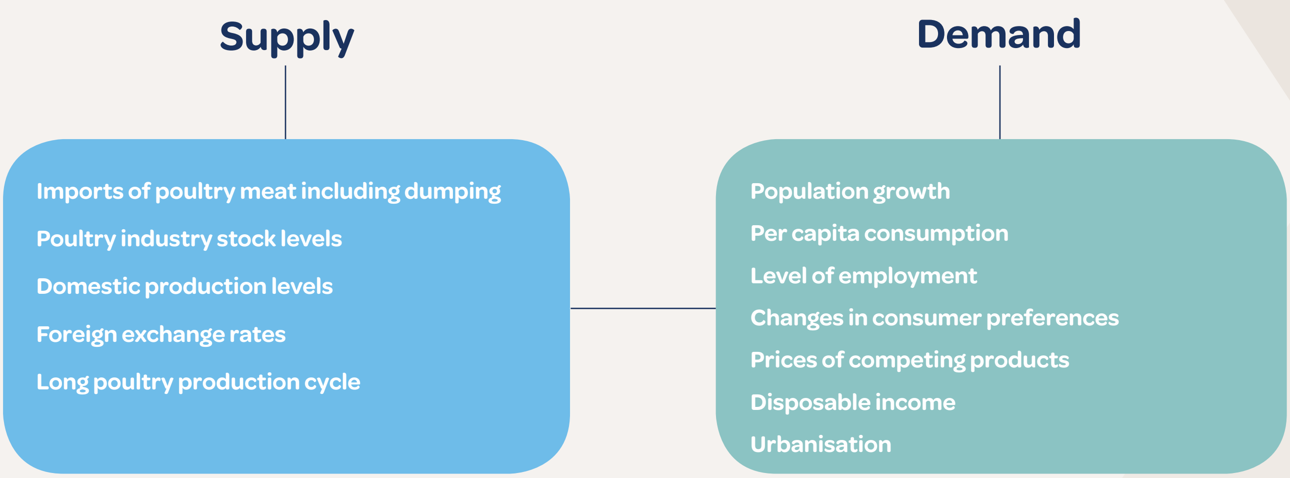
Product mix

The product mix plays an integral part in optimising sales realisations. It is important to optimise bird supply into processing and then through to sales in order to benefit from the prevailing market demand. Product contribution reports are regularly reviewed in order to drive sales decisions.

Poultry imports

High levels of poultry imports, particularly from Brazil, continued unabated. In the absence of adequate tariff measures these imports will persist in negatively impacting the local poultry industry.

Imports for the period under review averaged 44 882 tons per month, equalling approximately 30% of local consumption.



Our strategy

Astral has a simple strategy: To be the best cost integrated poultry producer.

INVEST IN HIGH QUALITY BEST-COST OPERATIONS

Astral ensures that through continuous investment in replacing assets and incorporating new technology, enhanced by an effective workplace improvement programme, a best cost culture is fostered to support productivity and efficiency improvements

MATERIAL ISSUES

- Business risk
- Cost and cash management
- Income and growth
- Operational efficiencies
- Quality standards from farm-to-fork
- Compliance audits
- Consumer Protection Act

STRATEGIC RESPONSE

- Best cost approach
- Regulatory compliance
- Vertical integration
- Optimising Ross 308 genetic potential
- Increase processing capacity
- Market segment participation
- Reduce impact of administered cost increases
- Internal control environment
- HACCP and ISO certifications
- Product traceability
- Quality audits
- Quality audits conducted by customers
- Standard operating procedures

Requirements:

Financial Capital

Manufactured Capital

FOCUS ON PERFORMANCE, RELIABILITY AND SUSTAINABILITY

The existence of key best practices underpinning good corporate citizenship and the identification of the main business risks and procedures for on-going risk control and management, documented targets for strategic growth plans and strategic objectives as well as systems to manage and protect key assets, Astral strives to ensure that a long-term sustainable results driven performance will be delivered

MATERIAL ISSUES

- Regulatory compliance
- Alternative energy sources
- Resource optimisation

STRATEGIC RESPONSE

- Underlying environmental policy
- Environmental risk assessments
- Waste-to-energy solutions
- Establish carbon emissions baseline
- Waste management
- Electricity management

Requirements:

Intellectual Capital

Natural Capital

INVEST IN OUR PEOPLE

Through competitive remuneration structures, targeted transformation programmes, broad-based skills development programmes, visible succession plans and a culture of promoting from within, Astral ensures that staff development and retention embeds strong support for the group's long-term goals

MATERIAL ISSUES

- Human rights
- Employees
- Equality, empowerment and transformation

STRATEGIC RESPONSE

- Group compliance policy
- Compliance policies
- Code of Ethics
- Skills development – CEO Pinnacle Programme
- Staff retention
- Preferential procurement
- Overall B-BBEE rating

Requirements:

Social and relationship Capital

Human Capital

FOCUS ON STRENGTHENED EXTERNAL RELATIONSHIPS

Astral is passionate about our engagement with external stakeholders, and a committed orientation towards this ideal is supported by a culture of open and transparent communication, product responsibility, quality management systems, statutory and regulatory compliance, coupled with a strong sense of self-regulation and high ethical standards

MATERIAL ISSUES

- Stakeholder engagement
- Corporate social investment
- Clients and customers
- Strategic alliances

STRATEGIC RESPONSE

- Membership of industry bodies
- Strategic local and international partners
- Brand awareness
- Product responsibility
- Wellness programme
- Community investment
- Integrated reporting
- Continuous, open and transparent communication

Requirements:

Social and relationship Capital

Human Capital

Value sustained

Resources	Inputs	Value sustained	2019 Outcome
FINANCIAL CAPITAL			
• Competent financial team • Systems for internal controls and financial disciplines • Appropriate software and information technology	• Periodic reporting on sales data, profits, raw material costs, credit control and inventory levels • Bank balances • Assessment of all proposed capital expenditure • Annual budgets and strategic forecast calculations	• Good return on capital invested • Sound solvency and liquidity at all times • Low risk balance sheet • Employment security for employees • Short- and long-term sustainability of the business	• Being a low cost producer • Maximising profitability within a volatile market • Maintain dividend payments • No debt • Ability to reinvest in future capital expansion

Resources	Inputs	Value sustained	2019 Outcome
SOCIAL AND RELATIONSHIP CAPITAL			
• We believe that continuous, open and transparent communication with all stakeholders is essential to our legitimacy, core to our values and consistent with our sustainable value creation objective. Mutually beneficial outcomes are sought at all times	• Appointment of facilitators to liaise with regulators • Regular engagement with the local communities in areas where we operate • Regular engagement with customers	• Active engagement with regulators to ensure compliance • Regular quality communication to investors • Delivering value to customers through the production of quality poultry products • The well-being of our chickens (biological assets), and derivative products (poultry meat and meat products) for human consumption, are considered paramount	• Payment of taxation to government • Continuous search for suppliers controlled by Historically Disadvantaged South Africans, companies with 51% and more black ownership • Long-term partnership with most of our wholesale and Quick Service Restaurant (QSR) customers • Extensive engagement with shareholders regarding directors' remuneration

<table>
<tr><th>Resources</th><th>Inputs</th><th>Value sustained</th><th>2019 Outcome</th></tr>
<tr><td colspan="4">NATURAL CAPITAL</td></tr>
<tr>
<td>We require land and energy to operate our natural capital
Proactive sustainability measures are required by businesses in South Africa to mitigate business risk posed by cash strapped Eskom and the ailing electricity infrastructure, predominantly under the control of municipalities
For us, business sustainability is about doing all that is sustainably necessary in the short- to-medium-term in return for a sustainable business in the long-term</td>
<td>We have appointed an Energy Management Team that works closely with various stakeholders, business units and the sustainability investigation team to implement sustainable projects at business units
An agreement has been signed with a supplier of beneficiation of waste to implement this project at Festive. Waste water and condemned organic waste will be transferred from Festive to the plant in exchange for treated water and steam. The treated water will be used in production and a turbine will convert steam into electricity. Any waste heat from the turbine will be recycled to reduce thermal energy usage at the abattoir</td>
<td>We have established an industrial energy efficiency project which aims at using energy management system techniques as tools to achieve sustained energy efficiency
We have conducted solar water heater trials
We have implemented waste recycling with the aim to set a zero landfill goal
We have a 2,8 million litre per day tertiary water treatment plant installed at our second largest poultry processing facility, County Fair Hocroft. This project also delivers two million litres of potable water to the municipal grid</td>
<td>We implemented a solar photovoltaic energy solution at National Chicks Boschkop
Increased water recycled from 6% in F2018 to 9% in F2019
Electricity savings of 0,5% were achieved
We reduced packaging weight of our 2kg chicken bag by 20% working with our innovative packaging supplier using enhanced polymer
Capital expenditure approval was granted to commission a reverse osmosis water treatment plant at Goldi in Standerton in F2020</td>
</tr>
</table>

<table>
<tr><th>Resources</th><th>Inputs</th><th>Value sustained</th><th>2019 Outcome</th></tr>
<tr><td colspan="4">MANUFACTURED CAPITAL</td></tr>
<tr>
<td>In order for us to remain a leading South African integrated poultry producer, we are committed to grow the business. We are therefore, committed to the expansion of our feed milling, agricultural and resultant processing facilities
Expansion requires significant financial capital and appropriate levels of human and intellectual capital. Certain natural inputs and outputs are also required</td>
<td>Brown fields expansion of existing operations including:
Processing capacity
Breeder capacity
Hatchery capacity
Automated plant to produce fresh/Quick Service Restaurant segments. Employment of more highly skilled labour to operate and maintain more sophisticated equipment</td>
<td>More chicken to be able to grow with our customers
Growth targeted into the higher value fresh and Quick Service Restaurant segments
Economy of scale benefits supporting optimum cost strategy</td>
<td>Festive Environmental Impact Assessment (pending)
Mountain Valley Environmental Impact Assessment (pending)
Additional capacity due in F2020</td>
</tr>
</table>

Chairman's statement

Despite poorer economic conditions and an uncertain political scenario, Astral's strategy of being the **best cost producer of meat protein** in selected African countries, once again stood it in good stead.

Theuns Eloff – CHAIRMAN

Overview by the Chairman

2019 – up, down or sideways?

During the past year, South Africa's political, economic and socio-economic situation showed signs of going up, down and sideways, depending on the time of year, and the issue.

The past and the present

South Africa's political situation

At the end of September 2019, what was called "Ramaphoria" had largely evaporated. This was not so much because there was a perception that nothing had been done to get us out of state capture and into a growth cycle, but rather the realisation that our (high) expectations had not been met. Most South Africans had hoped that almost two years into the Ramaphosa-era, the last vestiges of the Zuma-era would have been eradicated, that the consequences of state capture would have diminished considerably, that at least some culprits would be serving time, and that the economy would show signs of picking up. Alas, the wheels of justice had been turning slower than we had hoped. We hear about the effects of state capture almost every day through testimonies before the Zondo Commission, and the economy is still in the doldrums.

During the past year, it became clear that the country faced several serious challenges, major among them state capture, political stability in the ANC and trust in its leadership, infusing some growth into a stagnant economy and addressing the lack of capacity in the civil service. And at the end of the year, while some progress had been made, we are not out of the proverbial woods yet. Astral experienced the ravages of incompetency and corruption at local government level recently – where water supply was seriously interrupted at the Lekwa Municipality and where Astral was forced to itself source more than half of the water needed to run its operations,

Generally, there has been some progress, and what economists call "green shoots" have appeared recently. The newly appointed presidential Economic Advisory Board with several international economists and experts on board, is a plus. The partial acceptance of Tito Mboweni's economic turnaround plan by the ANC's National Executive Council is a second positive economic sign. Even though Moody's has changed South Africa's outlook from stable, our investment rating has not been scaled down to junk status – perhaps those looking from a distance can see that which we who sit beside the fire, cannot. But it seems we have (only) one last chance.

Regarding corruption and state capture, there was the authorisation of a Special Investigation Unit (SIU) to investigate the so-called "asbestos case" in the Free State – in which Ace Magashule allegedly played a key role. There were also regulations empowering a Special Tribunal (consisting of eight judges) to impose civil claims in cases where the State lost money, and to expedite matters that result from the investigations into the State Owned Enterprises (SOE's), involving more than R14 billion.

What some tend to overlook is how many Zupta's are already out of circulation and have been removed from government under Ramaphosa's leadership. Among those are Bathabile Dlamini, Des van Rooyen, Malusi Gigaba, Supra Mahumapelo, Mosebenzi Zwane, Brian Molefe and Hlaudi Motsoeneng. Although the criminal prosecutions have yet to begin, large sums of money have already been recovered through civil cases. The fact of the matter is: politically and administratively, Ramaphosa has already done what he could do. The legal processes and prosecutions will take longer to begin and complete. Over the past weeks there have been persistent rumours that the first high-profile prosecutions will begin shortly. And former president Zuma is set to have "his day in court" soon.

There are, however, some negatives that do not have anything to do with Zuma or state capture. Among these are the impending expropriation without compensation (EWC) that poses a serious risk to the economy, the National Health Insurance System that seems unworkable and unaffordable and finally, the notion of prescribed assets. All the above will individually have extremely negative consequences for the economy and the country. Collectively, they could throw us into a semi-permanent recession.

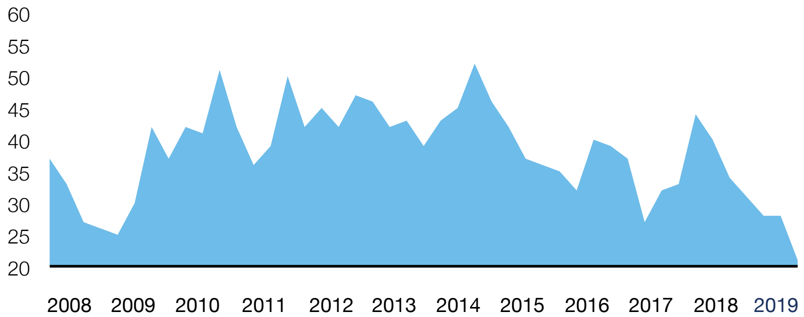
South Africa's economic situation

As in 2018, the economy performed worse than expected. Gross domestic product (GDP) growth for 2019 will not be much more than the meagre 0,6% of 2018. This was confirmed in the Medium-Term Budget Statement Policy Speech by Finance Minister Tito Mboweni on 30 October in parliament, when he put the expected growth at 0,5%.

The financial situation of the SOE's (especially Eskom) is one of the main reasons for the growing budget deficit (6,2%). If it had not been for the bail-outs to Eskom and other SOE's, this picture would have looked significantly better.

All the above led to business confidence being the lowest in decades, similar to the dark mid-eighties, and lower than during the global crisis of 2008.

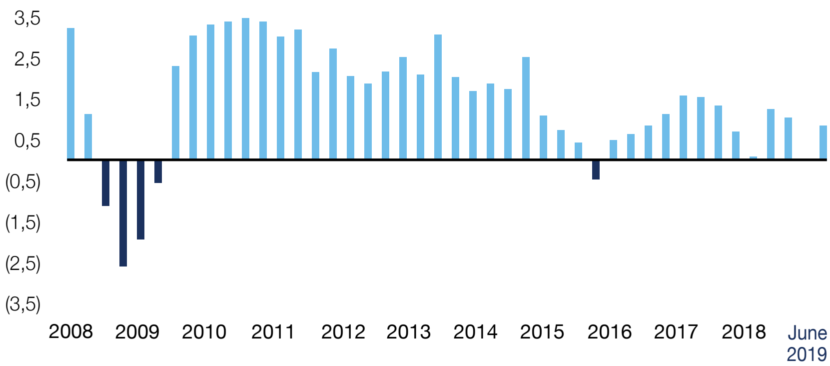
RMB/BER Business confidence index



Source: IRESS South Africa

The South African situation, as well as the international economic situation, and especially the trade wars between the United States of America (USA) and China, had a serious negative impact on economic growth:

Year-on-year real economic growth in South Africa

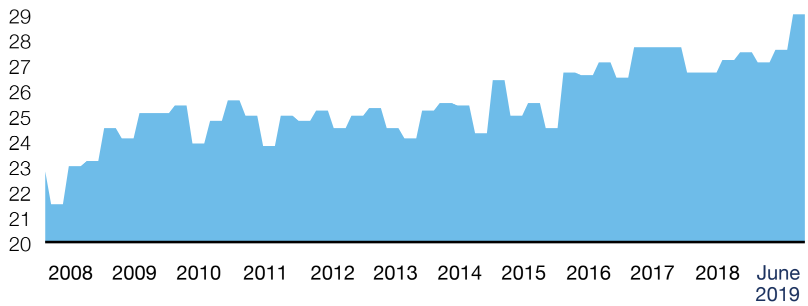


Source: IRESS South Africa

As a result, the unemployment rate has steadily crept up to its highest level on record.

Chairman's statement continued

Official unemployment rate in South Africa *(ILO)*



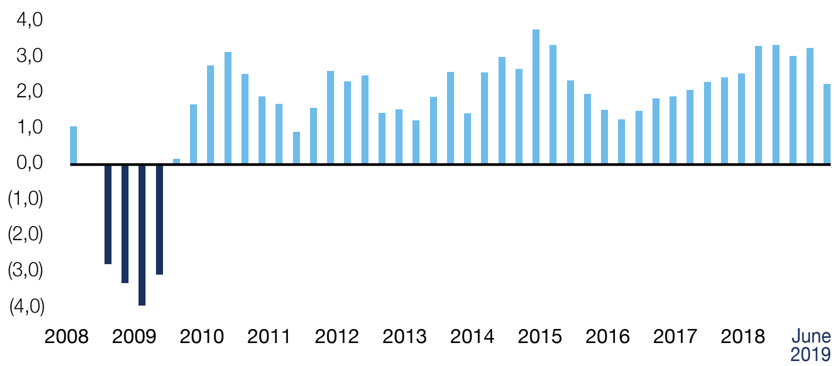
Source: IRESS South Africa

The graphs above show again that the damage caused by the nine wasted Zuma years, will not be easily and quickly corrected.

Global situation

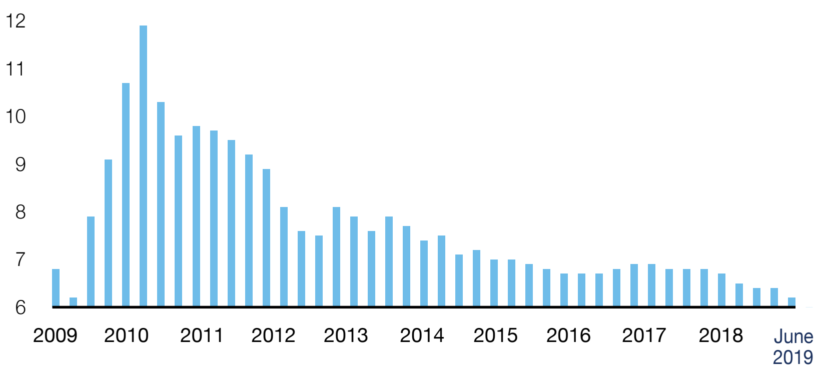
According to the October 2019 International Monetary Fund – World Economic Outlook (IMF-WEO) report, the pace of global economic activity remains weak, after slowing sharply in the last three quarters of 2018. It is at levels not seen since the global financial crisis. Rising trade and geopolitical tensions between China and the US have increased uncertainty about the future of the global trading system and international cooperation more generally, taking a toll on business confidence, investment decisions, and global trade. Real economic growth in the USA and China has slowed down, as the graphs below indicate.

Year-on-year real economic growth in the United States *($bn)*



Source: IRESS South Africa

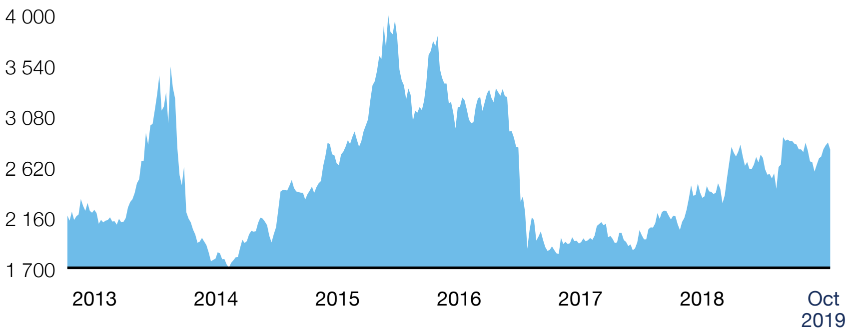
Year-on-year growth in China *(%)*



Source: IRESS South Africa

Being the highest input cost of Astral's business, it is noteworthy that the yellow maize price has risen from relatively low levels of around R2 000 per ton in 2017-18 to the present levels of R2 700 – R2 800 per ton. Indications are that despite sizeable crops globally, the increase in global demand will outstrip the increase in production, which will lead to slightly lower global levels over the next year. This will result in slightly tighter stock-to-use ratios and a sideways movement in prices in the medium-term, with an upward bias.

Yellow maize price



Source: IRESS South Africa

Highlights of Astral's past year

Despite poorer economic conditions and an uncertain political scenario, Astral's strategy of being the best cost producer of meat protein in selected African countries, once again stood it in good stead. Following the best financial year ever in F2018, this year's R882 million profit before interest and tax (PBIT) is the fourth-best in Astral's 18-year history.

This was achieved despite a relative high maize price, consistently high levels of imports and dumping and consumers who are under increasing economic pressure. To these negative factors must be added the costs of the labour unrest at Mountain Valley in KwaZulu-Natal and the now notorious water problems in Lekwa/Standerton, totalling around R93 million.

Astral's simple strategy was implemented effectively and efficiently by a hands-on and dedicated management team. This has been (for some years now) Astral's strongest asset.

Corporate governance

There were a number of changes to Astral's board. Dr Theunie Lategan decided not to make himself available for re-election at the February 2019 annual general meeting. The board thanked him for his dedicated service of the last few years. Two new directors were appointed on 1 July. Mr Saleh Mayet, formerly Head of Finance of Anglo-American Corporation of South Africa, was appointed, bringing vast financial knowledge and experience to the board. Mr Willie Potgieter, an engineer specialising in water engineering, will bring much needed expertise to the board in
a field that is one of the challenges of the future.

The board once again had a good year, functioning at an optimal level. As is customary, the annual performance assessments by each director of the board, board committees, the Chairman, the Chief Executive and the Company Secretary were completed, with a more than satisfactory outcome. Board meetings also continued to have open and robust discussions on a variety of issues, including the King IV™ principles.

Finally, the board again conducted its annual strategic review in April 2018, confirming its strategy to be the best cost integrated poultry producer in selected African countries.

The future

Commodities outlook

The International Monetary Fund's (IMF's) primary commodity price index declined by 5,5% between February and August 2019. Energy prices drove that decline, falling by 13,1% and food prices decreased by 1,2%. The IMF's food and beverage price index has decreased slightly, by 1,3%, as price declines of cereals, vegetables, vegetable oils, and sugar overwhelmed a large 13,2% increase in the meat index. Following the rapid spread of African swine fever across China (the world's largest producer and consumer of pork) and other parts of Southeast Asia, prices of pork jumped by 42,8%. News of disease outbreaks and animal culling have raised uncertainty regarding Chinese pork supplies in the near future.

Chairman's statement continued

The outbreak has also led to tighter supplies and higher prices in Europe and the United States as domestic producers increased exports to China. In the wake of the crisis, prices of some other animal proteins surged too, with beef, for example, rising by 8,3%.

Record rainfall in the Midwest of the United States delayed corn and soybean-planting in May and June, introducing a high weather premium into grain markets. This premium disappeared between late July and end of August, as US corn acreage and yields surpassed expectations. Strong global production also weighed on corn prices, which ultimately decreased by 3,6% between February and August. Soybeans experienced a net loss of 5,9% as trade tensions and the African swine fever outbreak in China continued to depress animal feed demand. Food prices are projected to decrease by 3,4% in 2019, mainly because of higher prices in the first half of 2018, and then increase by 2,8% in 2020. Weather conditions have been unusual in recent months and additional weather disruptions remain an upside risk to the forecast. On 9 August 2019, the US National Oceanic and Atmospheric Administration announced that El Niño climate conditions that started last September are now officially over. A resolution of the trade conflict between the United States – the world's largest food exporter – and China remains the largest source of upside potential for prices.

South Africa's political prospects

Politically, South Africa faces another difficult year, with the remnants of state capture still hanging over the country and the internal strife within the governing party making it difficult for President Ramaphosa to implement his planned reforms fully and at the pace that is needed. On the other hand, there are indications that the President is consolidating his own power base within the party, especially *vis-à-vis* the so called Zuptas. The possibility of high-level prosecutions in the near future (with the help of the private sector) is becoming real. This, and the inevitable convictions, will lift the mood in the country as a whole.

Against the background of the economic reforms spelled out by the Treasury, one can expect worsening relations in the tripartite alliance, with the trade unions and the South African Communist Party opposing these.

With the recent resignations of several senior leaders in the Democratic Alliance, the main opposition has been weakened and a regrouping will take place before the local government elections in 2021.

The political situation, though not ideal, will nevertheless become more stable and will even start veering towards the positive side. This will allow economic reforms to be implemented slowly, but surely.

South Africa's economic prospects

Anecdotal evidence signals a stall in third quarter gross domestic product (GDP) momentum, and possibly a small contraction in growth in the fourth quarter. The result is that full-year growth of only 0,4% in 2019 is expected, followed by a very pedestrian 0,8% growth in 2020. The risk of lower nominal GDP growth could adversely affect the fiscal outlook for the next couple of years and the fiscal deficit could rise to 6,5% of GDP over the next two years if nominal GDP growth recovered only modestly. Inflation is likely to moderated somewhat and average inflation is expected to range between 4,2% this year and 5,2% next year. Expectations are that the South African Reserve Bank might lower the repo rate twice in the next two quarters, particularly if the sub-potential growth, amplified by load shedding, persists.

Although Minister Mboweni, during his Medium-Term Budget Statement Policy Speech at the end of October, painted a bleak picture of the country's debt and budget deficits, there were also signs of a more urgent approach to cuts in expenditure and bringing the country closer to living within its means. The next year will see whether this could be achieved politically and in terms of organised labour's expected opposition to any austerity measures.

In sub-Saharan Africa, growth is expected at 3,2% in 2019 and 3,6% in 2020. Higher, albeit volatile, oil prices earlier in the year have supported the subdued outlook for Nigeria and some other oil-exporting countries in the region, but Angola's economy, because of a decline in oil production, is expected to contract this year and recover only mildly next year.

While the three largest economies of the region are projected to continue their lacklustre performance, many other economies, typically more diversified ones, are experiencing solid growth.

About 20 economies in the region, accounting for about 45% of the sub-Saharan African population and 34% of the region's GDP (1% of global GDP), are estimated to be growing faster than 5% this year, while growth in a somewhat larger set of countries, in per capita terms, is faster than in advanced economies.

Global economic prospects

Global growth is forecast at 3% for 2019, its lowest level since 2008-09. Growth is projected to pick up to 3,4 % in 2020. With a projected slowdown in both China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialise.

Geopolitical risk may fade. Most notably, no-deal Brexit risks have faded with the agreement struck between Prime Minister Johnson and the European Union. A pause in the US-China trade conflict is also a positive development although it remains unclear whether an agreement will be reached. The US/Turkey agreement lowers the risk of a further deterioration in Turkey's economic outlook.

However, economic reports point to a slow-down in China GDP growth to around 6,1%. Coupled with this, Japan's GDP growth is expected to move into negative territory by 3Q19 forecast. Also, the outlook for US growth is 2,4%. The result is that global consumer spending growth is slowing sharply. Business sentiment is still depressed, and global growth will likely remain sub-par for some time to come, despite the prospects that geopolitical threats will eventually fade as set out above.

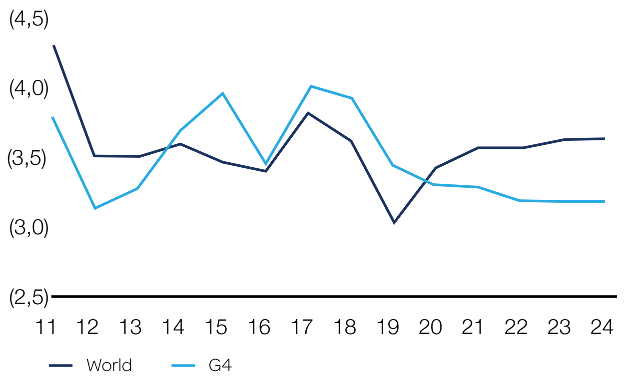
Real GDP growth projections (year-on-year % change)

	2017	2018	2019E	2020F	2021F
World output	3,8	3,6	**3,0**	3,4	3,6
Advanced economies	2,5	2,3	**1,7**	1,7	1,7
United States	2,4	2,9	**2,4**	2,1	1,8
Euro area	2,5	1,9	**1,2**	1,4	1,3
Germany	2,5	1,5	**0,5**	1,2	1,2
France	2,2	1,7	**1,2**	1,3	1,3
Italy	1,6	0,9	**0,0**	0,5	0,5
Spain	3,0	2,6	**2,2**	1,8	1,8
United Kingdom	1,8	1,4	**1,2**	1,4	1,5
Japan	1,9	0,8	**0,9**	0,5	0,5
EM and developing economies	4,8	4,5	**3,9**	4,6	4,6
China	6,8	6,6	**6,1**	5,8	5,8
India	6,8	6,8	**6,1**	7,0	7,0
Brazil	1,1	1,1	**0,9**	2,0	2,0
Russia	1,6	2,3	**1,1**	1,9	1,7
South Africa	1,4	0,8	**0,4**	0,8	1,7
Mexico	2,1	2,0	**0,4**	1,3	1,4
Nigeria	0,8	1,9	**2,3**	2,5	2,5

Source: IMF World Economic Outlook Oct 2019

GDP growth: World and G4

The global growth pattern reflects a major downturn and projected recovery in a group of emerging market economies. By contrast, growth is expected to moderate into 2020 and beyond for a group of systemic economies.

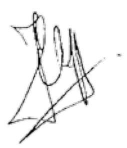


Source: IMF staff estimates
Note: G4 = China, euro area, Japan and United States

Conclusion

From all of the above, it is clear that F2020 will again be a challenging year for the country and the economy in general and Astral in particular. Globally, there are numerous unresolved issues, of which the USA-China trade wars and Brexit are the most urgent. Sub-Saharan Africa may show moderate growth, but from a low base and with the political situation in many countries not stable. Locally, the main challenges will remain the cost of raw materials, the high levels of imports and dumping, weak consumer spending and (increasingly) deteriorating public infrastructure and state capacity.

These are, however, not new challenges for Astral. We have been facing these issues for several years and have been able to produce good results, notwithstanding. As a board, we therefore, remain confident that we have the appropriate strategy and the best management and leadership to produce the best possible results to shareholders in particular and stakeholders in general.



Theuns Eloff
Chairman

13 November 2019

Chief executive officer's report

Despite the more difficult trading conditions and the extraordinary expenses, the results **for 2019 compared** well with historical results.

Chris Schutte – CHIEF EXECUTIVE OFFICE

Introduction

Astral's 19th integrated report provides an overview of the results for the year under review, illustrating the group's financial and operational performance and achievements.

Astral's earnings for the period were sharply down in relation to a record profit in F2018. Substantially higher raw material costs leading to high feed prices – a 66% contribution to the total live cost of producing a broiler – together with lower poultry selling prices year-on-year, negatively impacted poultry margins.

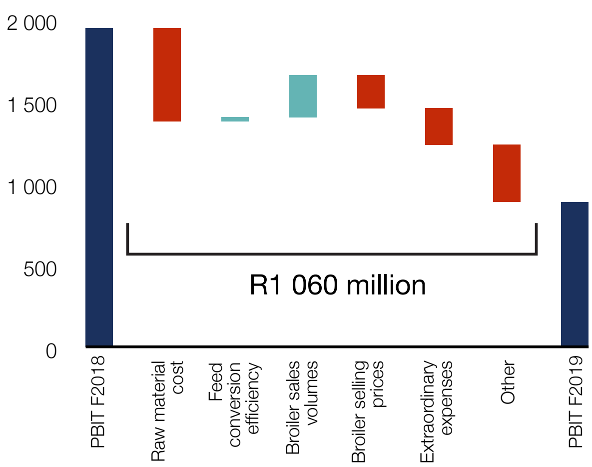
Besides a challenging market environment, Astral faced other significant headwinds during the reporting period, with the financial results impacted by extraordinary costs; which included industrial action at our KwaZulu-Natal (KZN) poultry operations, widespread load shedding as well as severe water supply interruptions at Goldi, our largest poultry processing facility in Standerton (Lekwa Municipal District).

As announced in the previous integrated report for 2018, Astral has triggered the first two phases of the expansion at our Festive poultry processing facility based in Olifantsfontein, which will create an increase in processing capacity of 16% or 800 000 birds per week. The third phase, which will see the planned expansion of Mountain Valley's processing capacity in KZN by a further 200 000 birds per week, has been postponed due to the country's weak economic growth prospects and market conditions within the poultry sector.

The period in perspective

Astral reported a 55% decrease in profitability over the prior year's record performance, predominantly due to an increase in feed costs which could not be recovered in poultry selling prices. High levels of unemployment, subdued consumer spending together with high levels of poultry imports, placed substantial pressure on local poultry selling prices.

Astral PBIT – Relative movement F2019 versus F2018 *(R million)*



Source: Own data

Local maize prices increased significantly on the back of a below average South African maize harvest with lower yields due to late rainfall for the 2018/2019 season. For the period under review, Astral's average broiler feed price (Rand per ton) increased by 7,7% over the comparable period in the prior year.

Following a record level of poultry imports in 2018 which continued unabated into the period under review, the absence of growth in the local economy, coupled with higher unemployment levels and lower disposable income, the industry was unable to pass on price increases to track rising input costs. Astral's poultry selling prices decreased year-on-year by an average of 2%.

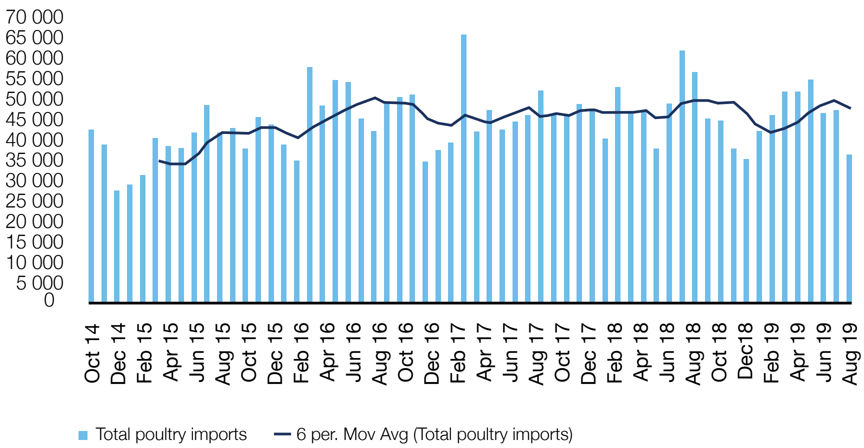
On-farm bird performance again delivered improved results during the period, with less feed being used to achieve the targeted broiler live weights in F2019, as the feed conversion rate improved. This slightly offset the impact of the marked increase in Astral's total feed cost.

Poultry sales volumes increased by 2,6% for the period under review, largely driven by an improved sales performance in the second half of the year due to deep promotional activity over the winter months. Sales out of stock compensated for forced production cutbacks during the period under review as a result of the water crisis in Standerton.

Industrial action and related security costs, load shedding and water supply interruptions impacted expenses by R135 million for the period under review. The newly legislated national minimum wage, introduced in January 2019, added an additional cost of R63 million to Astral's salary and wage bill for the nine months following implementation.

Poultry imports continued unabated into the local market, which was impacted negatively by high feed costs and downward pressure on poultry selling prices. Total poultry imports averaged 44 882 tons per month for the period under review, or the equivalent of 8 million birds per week being approximately 42% of local production estimated at 19,3 million birds per week.

Total imports in tons per month *(tons)*

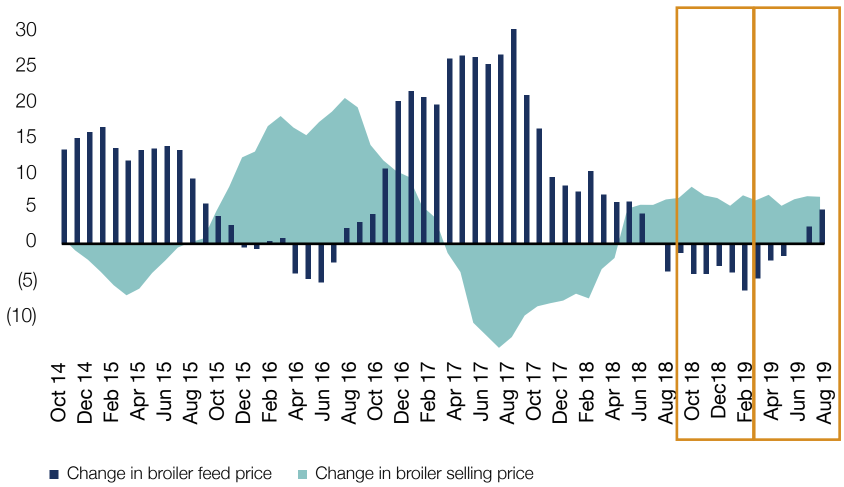


Source: South African Poultry Association (SAPA)

Chief executive officer's report continued

The graph below reflects the annual month-on-month change in the broiler feed price versus the change in broiler selling price for the same periods. Against this backdrop, Astral experienced a squeeze in poultry margins as it was unable to recover costs, with pricing power shifting away from the producer and favouring the retail market sector, which used chicken as a loss leader and promotional draw card.

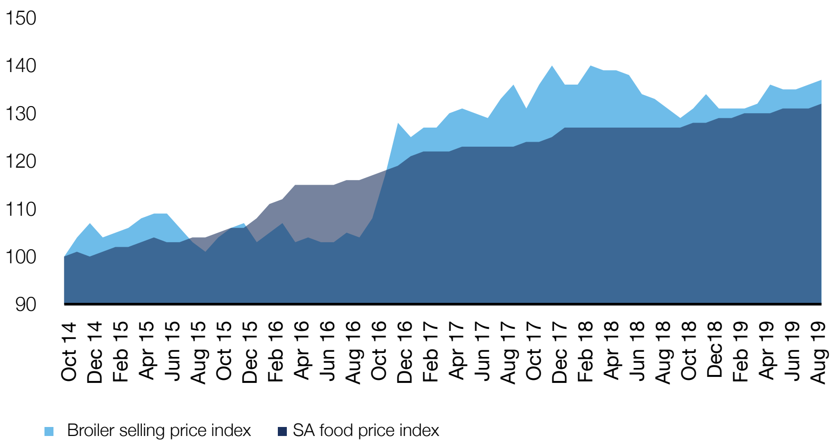
Year-on-year change in broiler selling price versus change in feed price *(%)*



Source: Own data

Local food inflation continued, however for the period under review local chicken prices did not follow the same consistent upward trend, leading to an under recovery of higher feed input costs.

SA Food Price Index versus broiler selling price Index *(%)*



Source: Own data & CJA Strategic Risk Brokers

We continued to focus on variables within its control, specifically improving bird performance in the areas of weight for age and feed conversion rate, crucial to the low cost production of poultry.

Astral's other African operations reported a drop in earnings year-on-year, impacted by a significant increase in feed costs in Zambia on the back of a devastating drought and crop failure in that country for the 2018/2019 harvest season, a provision for the expected non-recovery of import VAT from the Mozambican government, countered by a good performance from eSwatini.

Salient points

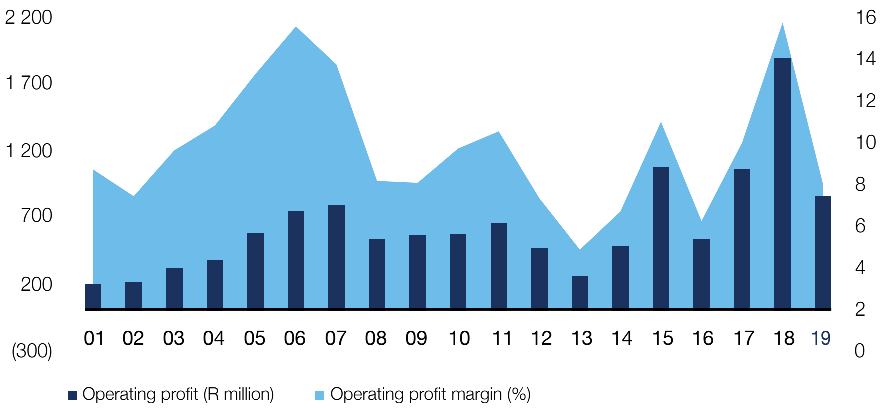
- **Feed sales volumes decreased** due to lower internal broiler production as well as lower external feed sales
- **Feed costs increased markedly** in the reporting period on the back of a below average maize crop for the 2018/2019 season
- **Poultry slaughter numbers flat** averaging approximately five million broilers per week after production cutbacks due to the water supply interruptions in Standerton
- Continued **improvement in on-farm production results** and in particular feed conversion rate partially offsetting the higher feed cost
- Astral has experienced **no outbreaks of highly pathogenic bird flu** in its operations since the 2017 outbreak
- **Poultry sales realisations decreased year-on-year** on poor economic growth, higher unemployment and a weaker consumer leading to an under recovery in input costs
- **Poultry imports remained at high levels,** with average monthly volumes for the period under review being approximately equal to 42% (≈ 44 882 tons per month) of local production
- **The failure of municipal infrastructure** and its impact on Astral's operations in Standerton continues to add a cost burden hampering any further investment
- **Cash flow** generated from operations for the year of R1 194 million, resulted in a strong balance sheet with **net surplus cash** on hand of R555 million

Financial overview of operations

External revenue for the group increased by 3,9% to R13,5 billion (2018: R13,0 billion) on the back of higher poultry sales volumes, an increase in breeder revenue (Ross Poultry Breeders and National Chicks), together with an increase in the Feed division's external turnover due mainly to higher feed prices for the period under review.

Operating profit showed a marked decrease of 55% to R882 million off a record profit in the prior year of R1 942 million, resulting in an operating profit margin of 6,5% (2018: 15,0%), driven predominantly by an increase in feed costs which could not be recovered in poultry selling prices and extraordinary expenses related to the water supply interruptions at Goldi.

Operating profit history



Source: Own data

Chief executive officer's report continued

Operational overview

Poultry division

Revenue increased by 2,6% to R10,9 billion (2018: R10,6 billion) impacted by higher broiler sales volumes, together with improved sales of broiler day-old chicks and parent stock in the external market.

Broiler slaughter volumes remained relatively flat despite production cutbacks as a result of the Standerton water crisis. Sales volumes increased by 2,6% (11 438 tons), largely due to sales out of stock in the second half of the reporting period.

Trading conditions remained weak for most of the year, as poultry imports remained high and consumer buying power was constrained. Deep cut promotional activity by retailers resulted in higher sales volumes over the second half of the reporting period, reducing stock to more acceptable levels.

Broiler feed prices increased by 7,7% versus the prior year due to higher raw material costs over the reporting period. Feed costs were higher throughout the period under review, negatively affecting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 66% of the live cost of a broiler.

On-farm bird performance during the period was in line with expectations, and an improvement in the feed conversion efficiency at a broiler level was achieved. This benefit slightly offset the higher feed prices seen during the year.

Operating profit for the poultry division decreased by 74.5% to R371 million (2018: R1 453 million). Non-feed expenses in the division increased year-on-year, negatively impacted by amongst others the water supply interruptions to Goldi in Standerton during the period under review (at a cost of R93 million), with the operating profit margin reducing to 3,4% (2018: 13,7%).

Feed division

Revenue increased by 6,1% to R6,6 billion (2018: R6,2 billion) as a direct result of higher selling prices on the back of an increase in raw material costs. Volumes decreased by 3,3% due to lower inter-group volumes of 3,0% as a result of an improvement in the feed conversion ratio, together with lower external volumes of 3,7% as livestock sectors came under pressure from higher feed costs. The split between internal and external feed sales volumes remained at 60:40 for the period under review, with dairy feed making up approximately 50% of all external sales.

Operating profit increased by 7,2% to R489 million (2018: R457 million) with an operating profit margin at 7,4% (2018: 7,4%). The net Rand per ton margin increased relative to the prior year.

Expense increases were contained to a 5,9% year-on-year across all feed mills. Efficiencies from the Standerton feed mill continued to support the group's focused efforts towards continuous poultry live cost improvement.

Local maize prices increased significantly on the back of a below average South African maize harvest with lower yields due to late rainfall for the 2019 season. To an extent feed price increases were curbed with imports of maize into the Western Cape at favourable pricing levels compared to local SAFEX prices.

Other Africa division

Revenue for the division increased by 16,8% to R480 million (2018: R411 million) due to higher selling prices and sales volumes increasing by an average of 8,3% across all countries, with the operating profit decreasing to R22 million (2018: R32 million). Profits were impacted by a significant increase in feed costs in Zambia on the back of a devastating drought and crop failure in that country for the 2019 harvest season, resulting in a margin squeeze in a highly competitive market. A provision for the expected non-recovery of taxes owing by the Mozambican government was provided for, negatively impacting the division's performance. The results from Zambia and Mozambique were countered by a better performance from eSwatini.

Operational performance

Astral's Poultry division comprises three separate activities:

- Poultry genetics and breeding
- Hatching eggs and broiler day-old chicks
- Broiler operations

Poultry genetics and breeding

The group's genetic operation, Ross Poultry Breeders, operates in association with Aviagen Limited, a global leader in the development and genetic improvement of commercial chicken breeds. The supply and distribution of the Ross poultry genetics in South Africa, has been secured with the conclusion of a renewed supply agreement with Aviagen signed in May of this year. Ross Poultry Breeders posted a good result due to an improvement in the sale of parent stock volumes.

Hatching eggs and broiler day-old chicks

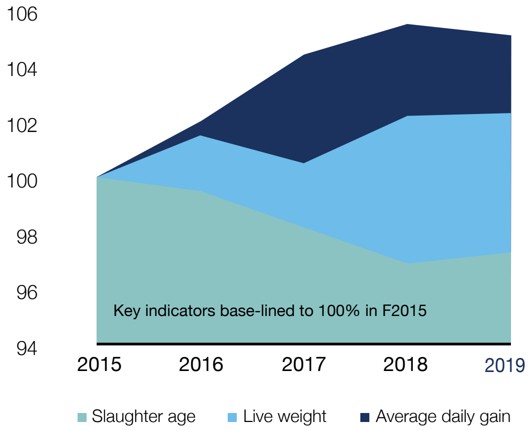
National Chicks, the group's commercial hatching egg and day old chick producer operating in South Africa and eSwatini, experienced an increase in demand for broiler day old chicks. However, profits in this operation were impacted by industrial action that took place from August to November 2018, resulting in costs of R26,1 million for the period under review. It is anticipated that a large portion of these costs will be recovered through an insurance claim.

Broiler operations

The four integrated broiler operations are strategically located in the major growth areas of Gauteng, Mpumalanga, the Western Cape and KwaZulu-Natal. The broiler operations reared and processed approximately 5,0 million birds per week for F2019.

Birds per week (average)	F2019	F2018
Festive (Olifantsfontein)	**1 508 000**	1 455 000
Goldi (Standerton)	**1 737 000**	1 843 000
County Fair (Agter-Paarl)	**1 570 000**	1 566 000
Mountain Valley (Camperdown)	**185 000**	176 000
Total	**5 000 000**	5 040 000

Broiler production performance *(%)*

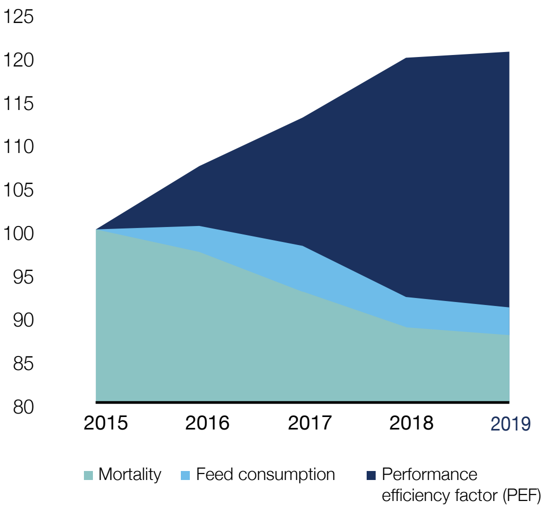


Source: Own data

Continuous improvement in nutrition and feeding programmes, together with focused on-farm management practices has seen Astral continue to exploit the Ross birds' genetic potential, with emphasis on improving average daily weight gain and feed conversion efficiency.

Slaughter age increased marginally during the year as a result of the water supply issues at Goldi, which resulted in delays in the slaughter process, with broiler birds having to be kept on farm longer. However, this was somewhat offset by better live weights, and during this period feed conversion rates were well managed by adapting feeding programmes to the prevailing conditions.

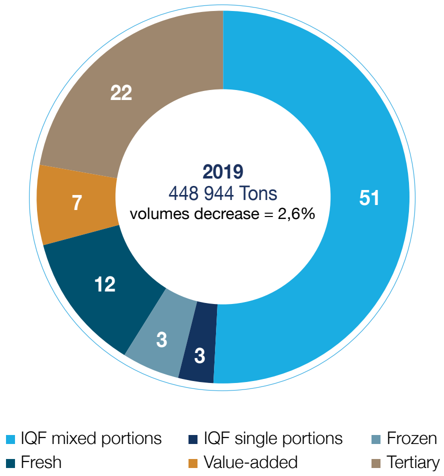
Broiler production performance *(%)*



Source: Own data

For the period under review further improvements in the feed conversion rate were realised, resulting in less feed required per kilogram of body weight gain. The average performance efficiency factor or PEF (a value is derived from a formula that incorporates the final average live weight of a broiler, the average age at which the broiler achieves that live weight, the liveability of the birds over the growth cycle of the broiler flock, and the feed conversion rate over that production cycle), improved for the period under review, reaching a record high.

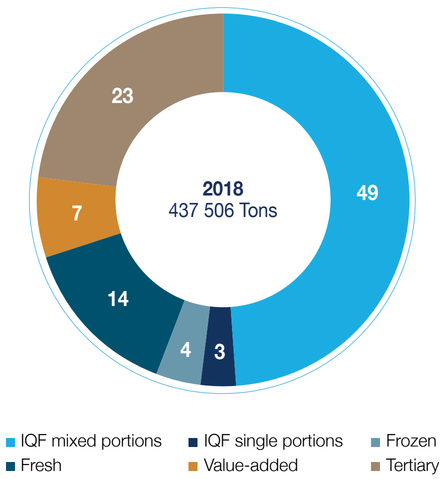
F2019 Product mix *(%)*



Source: Own data

Sales product mix was relatively stable year-on-year with individually quick frozen products (IQF) making up 54% of total sales in F2019. The fresh segment reflects a drop in volumes year-on-year due to price sensitivity in the constrained consumer environment.

F2018 Product mix *(%)*



Source: Own data

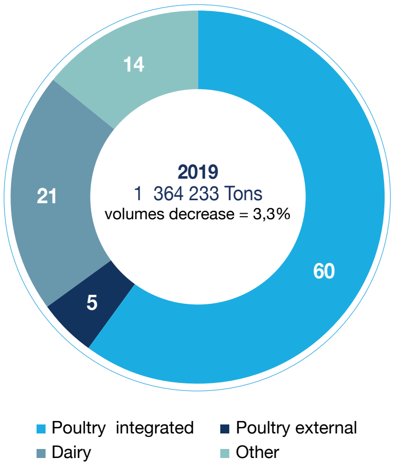
Feed division

Meadow Feeds continued to supply 60% of its total volume to the group's downstream poultry operations in F2019. Total sales volumes decreased year-on-year to 1,36 million tons per annum (2018: 1,41 million tons).

Plant utilisation for the period under review was marginally down to 70% from 71% reported in the comparative period, on a national production capacity of approximately 1,98 million tons per annum.

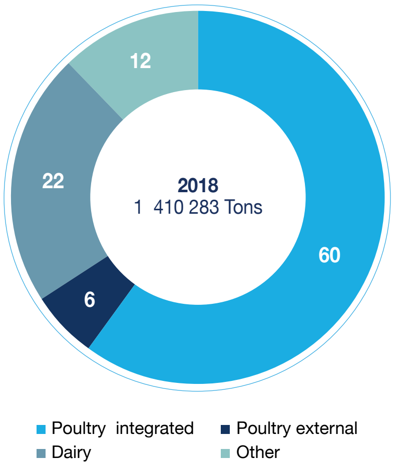
Chief executive officer's report continued

Meadow Feeds sales F2019 *(%)*



Source: Own data

Meadow Feed sales F2018 *(%)*



Source:Own data

The price of maize, the key driver of input costs into feed and the production cost of poultry meat, increased for the period under review. Local maize production was negatively affected by the late onset of rains in the primary maize growing areas that led to a subsequent delay in the planting of the 2018/2109 crop, the SAFEX yellow maize price increased by 26% (an average of R540 per ton) in F2019 relative to the comparable period.

Local maize supply for the season has been constrained at 11,2 million tons, with imports into the Western Cape being necessary for much of the season leading to an expected maize carry-out of approximately 1,7 million tons at a stock-to-use ratio of 14,7%. Local maize prices have therefore, remained closely correlated to the import parity price of maize into the Cape with volatility in prices originating from changes in corn prices on the Chicago Board of Trade (CBOT) and the changes in the Rand to Dollar exchange rate. Imports of maize into the Eastern Cape and KwaZulu-Natal have not proved necessary on the back of adequate local production.

Persistent wet weather resulting in slow crop development and harvest delays continue to cause uncertainty regarding the size of the US crop. The demand side is equally uncertain, with the effect of African swine fever and the duration of the US/China trade war largely unknown. For this reason, it is expected that the current volatility being experienced will continue well into F2020. Global corn stocks are expected to decrease, with the world corn stock-to-use ratio projected at 23,4% (prior year 23,5%), whereas the USA forecast is projected at 13,8% (prior year 14,6%). In the medium-term, international maize prices are expected to move upwards on the back of lower stock levels and increased demand. When compared to export parity, South African maize is currently somewhat overpriced (by approximately R400 per ton), but with the local market focusing on weather conditions for the upcoming planting season, prices are expected to remain at current levels.

The crop estimates committee's Planting Intentions Forecast is anticipating that an additional planting area (9,5%) will be allocated to the planting of maize this season, whilst the area allocated to soya is also expected to increase. Weather forecasters are indicating an increased probability of neutral to La Niña conditions for the year ahead, which points towards normalised rainfall for the upcoming season.

Imported soya oilcake prices were marginally lower for the year and healthy global stocks continue to benefit the import parity price. The current trade war between the USA and China is resulting in volatile soya prices, and causing a shift in countries of origin to South America for China's soya requirements.

The group has a maize cover policy of at least three months, with a maximum cover of nine months per the Astral Foods board mandate. Any extension to that policy could be motivated and approved by the board, but this would have to be based on extraordinary factors requiring such action.

Other Africa

Astral's African operations comprise animal feed production facilities in both Mozambique and Zambia, and day old chick broiler hatcheries with broiler breeder farms located in Zambia, Mozambique and Swaziland.

Zambia

Feed sales from Tiger Animal Feeds were 11,7% higher year-on-year, mainly due to growth into the commercial layer segment. However, profits were down due to escalating raw material costs on the back of crop failure following poor seasonal rains, and a very competitive feed industry leading to selling price pressure. Year-on-year, the profitability of Tiger Chicks was relatively flat, notwithstanding an increase in day old chick sales. However, significantly increasing feed prices resulted in lower margins for small scale farmers with pressure on day-old chick sales realisations.

Mozambique

Feed sales by Meadow Mozambique increased by 4,1% for the period under review. The potential non-recovery of import VAT from the Mozambican government to the value of R3,6 million was provided for impacting the results significantly. Day old chick sales decreased over the period under review, with Mozpintos being negatively affected by an unpredictable day-old chick market throughout the year.

eSwatini

The eSwatini hatchery and broiler breeder operation performed well, with a marked improvement over the prior year profits, notwithstanding a slight decrease in the sales of broiler day old chicks. The improvement in profitability was largely driven by the production and supply of a greater proportion of hatching eggs in that country.

Key investments

Capital expenditure for the period under review of R657 million is a significant increase on the prior year's R356 million. This amount represents not only expenditure on normal on-going and major replacement (R77 million for F2019), but also a number of key projects aimed at volume growth, efficiency improvements and risk mitigation in the following areas:

Festive expansion	R440 million
Broiler farm refurbishment	R50 million
Meadow Standerton – silo upgrade	R41 million
Processing plant equipment upgrades	R36 million
HPAI mitigation	R8 million
Listeria mitigation	R5 million

All capital projects were evaluated and tested to ensure that these align with expected investment returns, management of risk and Astral's best cost strategy.

Key challenges going forward

Industry

The South African poultry industry has faced numerous challenges in recent years, including the high cost of poultry feed linked to periodic dry weather conditions, together with continued record high levels of poultry imports, mainly of bone-in portions from a number of exporting territories including Brazil, the European Union and the United States. Detailed trade figures demonstrate that imports of broiler meat (excluding Mechanically Deboned Meat (MDM)) alone have increased by 73% over the past five years. The potential growth in local production has therefore, been displaced by poultry imports. This has mainly been due to the lower prices at which these imports have come into our market. Market conditions and trade agreements have brought significant quantities of low-priced chicken products into the South African poultry market. These have put pressure on local prices and reduced the market share of South African producers. This has caused job losses and the closure of a number of small- to- medium producers, and has prevented the industry from expanding to meet growing consumer demand for chicken.

At the same time, South African poultry exports are marginal at about 2% of production. Despite the fact that South Africa has tariff-free access to Europe, the country has not been able to export poultry to Europe largely due to exclusion on the basis of sanitary and phyto-sanitary restrictions of the European market. As a result, the local industry is now vulnerable, and faces significant threats to its existing capacity.

Whilst the industry awaits a pronouncement on their application for an increase in the *ad valorem* import tariff on bone-in and boneless cuts of chicken, extensive negotiations and the development of a "Poultry Sector Master Plan" has seen fruition through negotiations between government, the poultry industry and a number of stakeholders including farmers, processors, poultry importers and organised labour, and was the result of a process to create a framework for the growth and sustainability of an industry that is an essential pillar of the South African agricultural economy. The plan sets out a joint vision across the value chain and will see a "Poultry Sector Master Plan Council" established to monitor and drive the implementation of the stated objectives of the plan.

The master plan sets a number of targets to be met by 2023. In order to achieve these objectives, a number of detailed actions will be implemented. These are set out in the five pillars of the master plan and constitute the heart of this plan. Its objectives include the expansion of local industry capacity and ensuring that locally produced product makes up an increasingly larger proportion of consumption over time; the containment of imports and trade measures to protect the local industry from unfair trade; stimulating an increase in the consumption of locally produced chicken meat; driving the export of raw and cooked chicken products; enhancing the regulatory framework and ensuring compliance for imported poultry; and transformation initiatives across the industry value chain.

Poultry selling prices

Astral endeavours to produce the cheapest kilogram of white meat in alignment with its best cost strategy. A key challenge for Astral is to continuously optimise financial returns by achieving a poultry selling price that allows for the satisfactory recovery of input costs to ensure sufficient cash holdings for future investment in the business, and provide reserves to counter the volatility that is inherent in the poultry industry. This has, and will continue to position Astral for growth, the continuing payment of dividends to shareholders and a contribution to the fiscus through the payment of taxes.

Principal risks

The key risks facing the group have once again been evaluated and the following were prioritised and risk mitigation plans developed.

Key risks based on a probability and impact matrix, determines a residual risk score that highlights the following top twelve risks, amongst others:

- Electricity security of supply and pricing
- HPAI outbreak impact on operations
- Poultry products contaminated with bacterium that cause serious infections
- Water supply and quality
- Prolonged high raw material cost
- Prolonged imbalance in supply and demand
- Breakdown in biosecurity and threat of diseases
- Premix micro ingredient deficiency and/or contamination with undesirable substances
- Raw material price volatility

Chief executive officer's report continued

- Non-conformance to final feed specifications
- Genetic performance
- Malicious damage – virus and cyber attacks

Previous identified risks that have dropped out of the top 12 risks, such as the cold chain logistics services provided by the Imperial group, which has been negated by an improvement in the group's own distribution capabilities, as well as the introduction of a new service agreement with an alternative supplier.

In the management and mitigation of these risks, Astral has set out particular action plans, management systems and compensating factors to mitigate the critical risks that could impact on the sustainability of the group's results.

Market developments

High levels of unemployment and constrained consumer disposable income resulted in subdued demand for Individually Quick Frozen (IQF) products, which continue to constitute the largest segment of poultry meat sales in South Africa. Deep cut promotional activity was required throughout the year but proved more effective in the second half of the reporting period, despite this being the conventionally subdued winter period, culminating in significantly lower stock levels at the end of the period.

The competitive intensity increased in the fresh segment as producers undercut fresh meat prices to retailers, predominantly in dealer owned brands, in an effort to divert chicken production from the IQF segment. New entrants into further processing sought to add value with new capacity brought on stream, particularly to supply fresh crumbed products that continue to grow in popularity. The supply of lower specification, catering type value-added products has also increased as consumers cut back on take-out and dining-out frequencies, substituting these with similar products that can be prepared at home.

As the tough trading conditions prevail, the major Quick Service Restaurants (QSR) chains have adopted more aggressive promotional strategies to increase "footfall" and drive sales through their outlets. This promotion orientated behaviour has resulted in the channel becoming more price-sensitive and a number of major players have changed to multiple supplier models to ensure competitive pricing. Astral was well positioned to benefit from these changes and volumes continued to grow, largely due to the incremental new business volumes from Nando's, Kentucky Fried Chicken and Hungry Lion.

Astral's focus is to maintain a balance in the wholesale and retail market segments supplying frozen, fresh and value-added products. The company concentrates on optimising returns by managing product and customer mix on an ongoing basis in order to pursue the best available margins at any given time. Customer service, quality products, product innovation and efficient routes to market are key requirements in the pursuit of this objective.

Astral's sales approach seeks to service the broader South African market, and it has therefore, remained committed to IQF products. The company has over the years apportioned processing capacity to growth in the fresh and further processed product categories, as well as the QSR channels. Fresh and further processed product sales have grown considerably, but have plateaued due to the company's fresh processing capacity now being fully utilised. The Festive expansion plan in Olifantsfontein is specifically aimed at increasing capacity in these higher value segments.

Skills development

Astral embarked on an employee skills development programme during 2011, with elected individuals participating in management development courses hosted by the North West University School of Business and Governance. Each employee embarking on this "CEO Pinnacle Programme" is studying towards a specific certificate qualification. The programme includes three tiers of management development courses, namely the Fundamental Management Programme, Middle Management Programme and the Advanced Management Programme. The final phase of the programme has successfully been rolled out and during the year, a further 24 employees from emerging middle management categories attended the programme,

The overall Pinnacle programme was attended by more than 150 employees who enrolled as students, with a representation in excess of 42% from designated groups. The group endeavours to promote these students within their respective fields.

Transformation update

The introduction of an amended AgriBEE Sector Code has resulted in a number of changes in the way that agricultural enterprises will be rated with reg§ard to empowerment and transformational initiatives. Astral is currently a level seven B-BBEE Contributor, with possible further amendments to scorecard priority elements informing our strategic intent going forward.

Astral remains committed to the concept of broad-based black economic empowerment, and will accordingly endeavour to align its empowerment and transformational initiatives to promote the development of our staff and the communities which we serve. Astral is an equal opportunity employer, committed to the principles and objectives of the Employment Equity Act.

Workforce profile movement

During the financial year, the group has made a significant contribution to create permanent employment for a number of our employees, and during the year, more than 2 200 employees were appointed permanently, significantly improving the financial security and participation in retirement saving plans and extended insurance benefits for these employees.

The implementation of the national minimum wage had a significant cost impact within lower skilled categories of employment, impacting direct and indirect employment costs, which in return offered limited improvement on productivity and efficiency due to operational requirements. Despite these accelerated costs, we have managed to retain the services of those employees, without implementing job cuts, in an economy already hampered by high unemployment levels.

Alliances

Key alliances continued to play an important role in positioning Astral as a best cost integrated poultry producer, and our association with international leaders in their respective fields is fostered and actively reinforced within the group.

Alliances during the year included:

- Aviagen, a global leader in poultry genetics;
- Cargill, a global leader in animal nutrition and production;
- Senwes, a local leader in grain origination and logistics; and
- Seaboard, a global leader in protein production and trading.

Strategic service providers include:

- CJA Strategic Risk Brokers, which provides the group with statistical models that support decision making in the forward procurement of key raw materials for use in feed production;
- Enterprise Outsourcing, providing IT network infrastructure;
- Barloworld Transport, providing an outsourced transport solution for feed to Meadow Feeds and live bird transport to the Poultry division;
- Hestony Transport, providing primary refrigerated transport to the Poultry division; and
- Imperial Cold Logistics, which provided an outsourced chilled and frozen chicken storage and distribution service to the Poultry division.

Outlook

Astral's view on the near-term prospects can be regarded as a mixed bag of both negative and positive factors, which could potentially have an influence on its business performance.

- Raw material prices will remain high, and continue to impact Astral's largest input cost into 1H2020, namely feed making up 66% of broiler live cost;
- Continued record level of unemployment, poor levels of economic growth and the weak purchasing power of the consumer, will continue to place pressure on poultry selling prices;
- High levels of poultry imports from Brazil and the USA are expected to continue in the absence of adequate tariff measures;
- Infrastructure deterioration and its impact on Astral's operations continue to add a cost burden to the business;
- The on-going risk of bird flu is continuously monitored, and prevention strategies are in place to manage this threat;
- Higher planting intentions for maize acreage, together with improved prospects for seasonal rainfall could see an above average crop for the 2020 harvest season;
- Proactive engagement from the new Ministers of Department of Trade and Industry and Department of Agriculture, Forestry and Fisheries with the poultry industry, is expected in line with the Poultry Sector Master Plan;
- Progressive genetic improvement of the Ross broiler breed will continue to support the group's best cost strategy; and
- The expansion in Astral's poultry production capacity (an estimated 16% increase in current production levels) over the next two to five years at a total approved capital expenditure of R0.9 billion.

Stated strategy

At a strategic workshop held in August 2019, Astral's board reaffirmed the group's strategy:

"Astral's strategy is to be the best cost integrated poultry producer in selected African countries".

In addition, it was stressed that Astral's "anchors" must remain:

- Effectiveness of capital deployment; and
- Best cost pure poultry strategy.

The board agreed that Astral would continue with the current strategy in the medium-term, bedding down the strategy enhancing capital investment programme (organic volume growth), and looking at possible selective investments.

It is at this juncture that I would like to take the opportunity to thank the board for their unanimous and clear support for management's proposed strategic intent.

Appreciation

In closing, I extend my gratitude to all our loyal customers for their continued support this past year, and to all our alliance partners, suppliers and strategic service providers; many thanks.

My sincere appreciation and thanks go out to all my colleagues in management and staff for your loyalty and support. You have proven to be a winning team under all circumstances and challenges.

During the reporting period we as a management team were again confronted with some extraordinary challenges. These included issues that poultry operations globally would normally not have to contend with, which included load shedding, water supply interruptions, sudden business closure of our long-standing cold chain logistics service provider, and violent industrial action. Negotiations at a Ministerial level were initiated by government to secure a master plan for the poultry industry, including trade measures, as well as to secure a long-term solution to self-sufficient water supply to Goldi in Standerton.

The aforementioned challenges were faced head on, and in each of these we negotiated and implemented beneficial solutions for the group. It is in this light that I find it appropriate to express my appreciation towards the teams that worked tirelessly to secure advantageous outcomes. I would also like to convey my special appreciation towards Gary Arnold and Andy Crocker, the Managing Directors of the two divisions that were adversely impacted.

I express my sincere appreciation to all members of the Astral Foods board for their commitment, advice and positive contributions during the year. To Dr Theuns Eloff, our group Chairman, a special word of thanks for your consistent support of the Executive Management team in their endeavours to remain the leading poultry producer in a very difficult and challenging environment.

I thank you.

Chris Schutte
Chief Executive Officer

13 November 2019

Business process model

Integrated across the animal feed and poultry production chain.

INPUTS

(What we have)

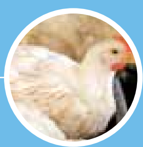
- Brands
- People
- Technical skills
- Geographic representation
- Strong financial position

Astral as an integrated poultry producer

GRANDPARENT OPERATION

22 weeks Rearing

40 weeks Laying



3 weeks Hatching

ROSS

BREEDING AND BROILER

22 weeks Rearing

National Chicks

40 weeks Laying

Country Fair

3 weeks Hatching

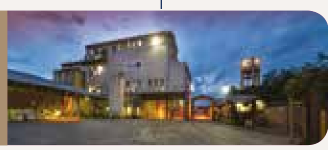
Festive

Goldi

34 days Broiler Growing

Mountain Valley

FEED SUPPLY



LABS

MEADOW More than just feed

PROCESSING

Standerton

Olifantsfontein

Camperdown

Agter-Paarl

BRANDS

OUTPUTS

- Shareholder value
- Quality products
- Service excellence
- Sustainable development

Key drivers that bring our strategy to life

(what we measure)

WE INVEST IN HIGH QUALITY, BEST-COST OPERATIONS

Astral ensures that through continuous investment in replacing assets and incorporating new technology, enhanced by an effective **workplace improvement programme**, a **best cost culture** is fostered to support improved **productivity** and **efficiency** improvements.

WE INVEST IN OUR PEOPLE

Through competitive remuneration structures, targeted **transformation programmes**, broad-based **skills development** programmes, visible **succession plans** and a culture of promoting from within, Astral ensures that **staff development** and **retention** embeds strong support for the group's long-term goals.

WE FOCUS ON PERFORMANCE, RELIABILITY AND SUSTAINABILITY

The existence of key best practices underpinning **good corporate citizenship** and the identification of the main business risks and procedures for **ongoing risk control** and **management**, documented targets for **strategic growth plans** and **strategic objectives** as well as systems to manage and **protect key assets**, Astral strives to ensure that a **long-term sustainable results** driven **performance** will be delivered.

WE ARE PASSIONATE ABOUT OUR EXTERNAL RELATIONSHIPS

Astral is passionate about our engagement with external stakeholders, and a committed orientation towards this ideal is supported by a culture of **open and transparent communication, product responsibility, quality management systems**, statutory and regulatory compliance coupled with a strong sense of **self-regulation** and **high ethical standards**.

Stakeholder engagement

Our philosophy

We believe that proactive and frank stakeholder engagement sits at the heart of our efforts to maintain the sustainability of our business. We consider the legitimate and reasonable needs, interests and expectations of all material stakeholders in the execution of our activities.

Our principles

Relevance

Focusing on those issues of material concern to our stakeholders and to Astral and identifying how best to address them for our mutual benefit.

Completeness

Understanding the views, needs, performance expectations and perceptions with these material issues while also taking cognisance of prevailing local and global trends.

Responsiveness

Engaging with stakeholders on issues and giving regular, comprehensive and coherent feedback.

We have identified all our stakeholders and we engage directly with them by way of organised dialogues, roundtable discussions, one-on-one meetings and regular engagement with local communities at each operation.

Enquiries from shareholders are generally handled by our Chief Executive Officer directly and only information that is in the public domain is disclosed. We also make use of external benchmarking and standards that are designed to reflect and address societal expectations.

At operational level, we identify, prioritise and directly engage with stakeholders on matters that have the potential to affect their operational, sustainability or financial performance.

Stakeholder	Engagement methods	Material matters	Strategic response
SHAREHOLDERS			
Our shareholder base is broad and includes private and institutional investors (local and international), private and public companies and insurance companies.	• Website • SENS • Trading updates • Bi-annual results presentations • Investor relations • Face-to-face meetings • Site visits	• Return on capital invested • Sustainability of business • Optimal capital expenditure allocation and management • Execution of growth strategies • Bio-security measures • Ethical conduct	• Decrease in earnings of 55% • Currently in the process of major expansion of business • Stringent bio-security measures implemented to reduce the possibility of Listeriosis in abattoirs • On-going ethical training
EMPLOYEES			
Our staff complement consists of permanent employees and contract workers.	• Confidential hotline through "Tip-offs Anonymous" • Bi-annual road shows • Management and Union meetings • Internal newsletters and notice boards • Regular site visits • Direct interactions on frequent walk abouts	• Career development and skills training • Job security • Health and safety • Involvement in secondary and tertiary education programmes • Corporate and social investment in communities • Employee wellness programmes • Open and honest feedback • Employee surveys	• A study loan policy is in place providing assistance to employees to further their academic qualifications • The CEO "Pinnacle Programme" consists of management training and development interventions • A wellness programme is in place throughout the group and during 2019 R4,6 million was spent on this programme • Regular employee engagement surveys are conducted in order to understand the engagement and commitment levels of employees in the group
CUSTOMERS			
Our key customers lie primarily in top-end retail chains and wholesalers, mainly independently owned continued to grow in the quick service restaurant market.	• Face-to-face meetings • Regular discussions • Advertising through media	• Delivery of quality products and services • Price competitiveness • Adherence to regulatory requirements, sound corporate governance and ethical conduct • Reliable long-term supply of products	• Ensure availability of stock • Ensure that all products are safe and consistent with the quality and brand expected from Astral • Ensure that all our products adhere to all the necessary standards such as HACCP and ISO
SUPPLIERS			
We have a wide range of suppliers and source products and services mainly from locally empowered suppliers.	• Presentations by suppliers to our procurement function • Regular discussion • Interaction with packaging and ingredient suppliers	• Long-term security of supply • Fair treatment and fair payment terms • Commitment to B-BBEE policies	• Decrease in earnings of 55% • Major expansion of business under way • Stringent bio-security measures implemented • On-going ethical training • Policy in place to exclude dealings with suppliers that pose a threat to our product responsibility • Food safety is a compulsory requirement for ingredient suppliers • Utilising of contract growers and we continuously seek opportunities to expand contract growers, especially those that have a B-BBEE component

Stakeholder engagement continued

Stakeholder	Engagement methods	Material matters	Strategic response
REGULATORY AUTHORITIES			
We are a participant in the food industry therefore, we comply with the strictest standards and are continuously monitored by internal and external parties to verify adherence.	• Adherence to laws and regulations • Regular training of staff to understand laws and regulations • Face-to-face meetings • Independent assurance	• Accountability of employees to ensure compliance • Ensuring independent assurance takes place at all levels of our business	• Continuous training of management and staff responsible for compliance with various regulatory bodies and the respective authorities governing our business • Immediate corrective action taken in the event of findings raised by authorities • Participation in industry bodies • Corporate functions provide support to line management in executing assurance duties • Traceability of all products
INDUSTRY			
Astral and its employees are members of and/or participate in various organisations.	• Regular attendance of industry body meetings • Subscribing to industry publications • Participation in industry forums	• Playing a key role in the management of industry bodies • Keeping up to date with latest developments	• Members of management are actively involved in industry bodies such as the Animal Feeds Manufacturers Association and South African Poultry Association • Members of management attend training courses and seminars on a regular basis
CIVIL SOCIETY			
We play an active role in the communities in which we operate through a social investment strategy which focuses on education, HIV/AIDS and upliftment.	• Identifying causes where relief is sought • Evaluation of calls for assistance in communities where we operate • Management of a wellness programme	• Responding to calls for assistance in the communities where we operate • Identifying needs that are brought to our attention via the media or charitable organisations	• We donate feed, money or other consumables (including chicken products and eggs) to orphanages, charities and old age homes • We are passionate about making the public aware of cancer and we support People Living With Cancer's Cancer.vive initiative • During the year we spent R3 159 798 on corporate social investment initiatives throughout South Africa • We invest in the development and empowerment of emerging farmers through training, development initiatives, preferred procurement and capital investment • Our wellness programme focuses on body mass index, hypertension, cholesterol, diabetes and voluntary counselling and testing for HIV/AIDs

Our performance

Astral reported a 55% decrease in profitability over the prior year's record performance, predominantly due to an increase in feed costs which could not be recovered in poultry selling prices

Chief financial officer's report

The group is well positioned **to finance capital expenditure investments** from its available resources.

Daan Ferreira – CHIEF FINANCIAL OFFICER

Financial results

	2019 R'000	2018 R'000	% change
Revenue	**13 485**	12 979	4
Gross profit	**2 629**	3 674	(28)
Cost of raw materials	**7 191**	6 129	17
Total expenses (excluding cost of raw materials)	**5 424**	4 912	10
Profit before interest and tax (PBIT)	**882**	1 942	(55)
Operating profit margin	**6,5%**	15,0%	
Net finance income	**30**	53	(42)
Profit for the year	**648**	1 434	(55)

Summarised statement of financial position

	2019 R'000	2018 R'000	% change
Non-current assets	**2 658**	2 409	10
Current assets (excluding cash)	**2 982**	2 943	1
Total assets (excluding cash)	**5 640**	5 352	5
Non-current liabilities	**(705)**	(650)	9
Current liabilities (excluding borrowings)	**(1 694)**	(1 754)	(3)
	3 241	2 948	10
Net cash	**555**	789	(30)
Net assets	**3 796**	3 737	2
Financed by:			
Shareholders' interest	**3 796**	3 737	2

A comparison of the profit for 2019 with that of the previous year must be seen in context of 2018 being a record year for Astral.

Profits for 2019 have been negatively impacted by average selling prices for poultry products being 2% down on the previous year. Increased feed costs driven by higher raw material costs, and inflationary and in certain areas above-inflationary increases in operating expenses, could not be recovered by the increase in revenue.

Specific items that had an adverse impact on costs were:

- The introduction of the national minimum wage – R103 million
- Costs of the widespread electricity load shedding at the beginning of 2019 – R11 million
- Additional costs resulting from the failure of the Lekwa Municipality to deliver the agreed and required volume of water to the Goldi processing plant – R93 million
- Costs related to industrial action during the first quarter of the financial year – R32 million

The provision for incentive bonuses for employees are however R148 million lower compared to 2018 due to the lower profits.

In spite of the more difficult trading conditions, the results for 2019 compare well with historical results excluding 2018, with operating profit at R882 million being the third highest after R1 100 million in 2015 and R1 087 million in 2017.

Group revenue increased by 4% with increased contributions from all three segments.

The Poultry segment contributed 79% to the group's revenue. An increase of 2,9% in its external revenue was achieved in spite of lower broiler selling prices through increased sales volumes, but also increased sales of day-old-chicks and hatching eggs.

The Feed segment contributed 17% to the group's revenue. Feed division's external revenue increased by 6,3% however it must be seen in context of the cost of maize which increased by 12,8%.

The other Africa segment contributed 4% to the group's revenue with an increase of 17% mainly from the feed mill in Zambia on the back of increased raw material prices.

The operating profit margin at 6,5% was well down on the previous year's 15%.

The contribution to the group's PBIT of R371 million from the Poultry division, which carried the full impact of a weak consumer market, was down by R1 082 million compared to 2018.

The Feed division increased its profits by 7,2% to a total of R489 million, which represents a 55% contribution to the group's PBIT. Increased raw material costs were largely recovered in the selling prices for feed for both internal and external sales.

The contribution to the group's PBIT from the Other Africa operations at R22 million was relatively small and also down on the previous year's R32 million.

Net finance income at R30 million is down on the prior year due to lower average surplus funds, following the larger than normal payments during the year as a result of the following:

- Payment of incentive bonuses provided at the end of 2018 – R210 million
- Payment of the final 2018 dividend declared – R407 million
- Progress payments and costs incurred on major expansion projects totalling R481 million at Festive and Meadow Feeds Standerton

The current year's tax rate, excluding the prior year's under provision for normal and deferred tax of R4 million, is 28,5%. The provision for deferred tax increased by R54 million during the year as a result of accelerated tax allowances on capital investments and lower provision for incentives.

The increase in non-current assets to R2 658 million was largely the result of the abovementioned major expansion projects which were in addition to normal on-going capital expenditure.

Current assets, excluding R256 million in respect of advance capital expenditure payments, was at R2 726 million which is down on the prior year due to lower finished goods stock in Poultry and lower outstanding trade receivables. Current liabilities increased by R67 million.

The net cash flow movement in working capital was an inflow of R257 million.

The lower profits and the abnormal cash outflows mentioned above, resulted in a net surplus cash of R555 million at the end of the year, which was down on the previous year's closing balance of R788 million.

The outstanding payments on the partly completed expansion programme at Festive, is estimated at R400 million, which will be paid over the next 18 months. With the reduced incentive bonuses and final dividend payments, the group is still well positioned to finance its capital expenditure requirements for the next financial year from its available resources.

Conclusion

Based on its historical experience, the group should be able to continue to have either no gearing or a lowly geared financing structure for the foreseeable future whilst financing its normal capital investment requirements and continue to pay appropriate dividends. This is obviously subject to no major and prolonged adverse trading conditions being experienced.

Daan Ferreira
Chief Financial Officer

13 November 2019

Ratios and statistics

		2019	2018	2017	2016	2015	2014	2013	2012	2011
Profit information										
Revenue	R million	**13 485**	12 979	12 417	11 954	11 266	9 602	8 509	8 160	7 227
EBITDA	R million	**1 059**	2 093	1 235	693	1 254	627	384	600	793
EBITDA margin	%	**7,8**	16,1	9,9	5,8	11,1	6,5	4,5	7,4	11,0
Operating profit	R million	**882**	1 942	1 086	549	1 100	493	262	477	675
Operating profit margin	%	**6,5**	15,0	8,7	4,6	9,8	5,1	3,1	5,8	9,3
Profit for year	R million	**644**	1 431	761	372	780	341	211	333	435
Headline earnings for year	R million	**650**	1 439	736	373	780	330	165	300	437
Financial position information										
Total assets	R million	**6 239**	6 174	5 364	4 979	4 814	4 375	3 921	3 544	3 425
Total equity	R million	**3 796**	3 737	3 039	2 373	2 372	1 945	1 695	1 596	1 586
Total liabilities	R million	**2 443**	2 437	2 325	2 607	2 442	2 430	2 227	1 947	1 839
Net assets	R million	**3 789**	3 443	2 935	3 060	2 843	2 566	2 375	2 107	2 012
Profitability and asset management										
Return on total assets	%	**14,2**	33,8	21,0	11,3	24,1	11,9	7,0	13,8	20,7
Return on equity	%	**17,1**	42,4	28,0	15,8	36,3	18,7	12,7	20,8	28,6
Return on net assets	%	**24,4**	60,9	36,0	18,6	40,7	20,0	11,7	23,2	34,1
Net asset turn	times	**3,7**	4,1	4,1	4,1	4,2	3,9	3,8	4,0	3,7
Shareholders' ratios										
Earnings per share	cents	**1 659**	3 691	1 948	964	2 013	884	545	865	1 128
Headline earnings per share	cents	**1 674**	3 712	1 899	965	2 016	864	434	787	1 148
Dividend per share	cents	**900**	2 050	1 055	490	1150	440	222	672	810
Dividend cover	times	**1,9**	1,8	1,8	2,0	1,8	2,0	2,0	1,2	1,4
Stock exchange statistics										
Market value per share										
– At year-end	cents	**14 700**	24 658	17 208	11 775	17 414	15 225	9 500	10 400	11 700
– Highest	cents	**25 908**	33 519	17 634	18 490	20 679	16 000	10 900	13 200	13 956
– Lowest	cents	**14 300**	16 850	11 600	8 820	14 051	7 950	8 530	10 100	10 811
Closing dividend yield	%	**6,1**	8,3	6,1	4,2	6,6	2,9	2,3	6,5	6,9
Closing earnings yield*	%	**11,4**	15,1	11,0	8,2	11,6	4,8	4,6	7,6	9,8
Closing price/earnings ratio	times	**8,9**	6,7	8,8	12,2	8,7	20,7	21,4	13,2	10,2
Number of shares issued	R'000	**42 922**	42 887	42 841	42 775	42 761	42 723	42 149	42 149	42 149
Number of shares issued net of treasury shares	R '000	**38 799**	38 799	38 752	38 686	38 672	38 634	38 060	38 060	38 060
Number of transactions		**262 847**	280 590	122 620	156 224	179 049	54 683	45 653	40 209	37 385
Number of shares traded	R '000	**41 970**	47 981	32 276	34 453	36 676	26 440	21 922	24 820	17 890
Number of shares traded as a percentage of issued shares	%	**90**	124	83	81	86	62	52	59	42
Value of shares traded	R million	**7 159**	12 586	4 697	4 277	6 405	2 947	2 064	2 912	2 214
Closing market capitalisation based on issued shares	R million	**6 310**	10 575	7 372	5 037	7 446	6 505	4 004	4 383	4 931
Closing market capitalisation based on issued shares net of treasury shares	R million	**5 703**	9 567	6 668	4 555	6 734	5 882	3 616	3 958	4 453

** Based on headline earnings per share*

Definitions

Operating profit margin
Operating profit before interest and tax as a percentage of revenue.

EBITDA
Operating profit before interest, tax, depreciation and amortisation.

Net assets
Total assets less total liabilities excluding cash and cash equivalents, borrowings, normal and deferred tax, and shareholders for dividends.

Return on total assets
Operating profit as a percentage of average total assets.

Return on equity
Net profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' interest.

Return on net assets
Operating profit before interest and income tax as a percentage of average net assets.

Net asset turn
Revenue divided by average net assets.

Basic earnings per share
Net profit for the year divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

Headline earnings per share
Headline earnings divided by the weighted average number of ordinary shares in issue during the year(net of treasury shares).

Headline earnings
Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, and investments.

Dividend cover
Headline earnings per share divided by dividend per share declared out of earnings for the year.

Closing dividend yield
Dividends per share as a percentage of market value per share at year end.

Closing earnings yield
Headline earnings per share as a percentage of market value per share at year-end.

Closing price/earnings ratio
Market value per share divided by headline earnings per share at year-end.

Value creation

Financial capital

Our healthy balance sheet, together with the outcomes of the other five capitals enabled us to deliver significant and sustainable returns for our stakeholders. We reinvested the financial capital returns in our business to ensure greater returns for our stakeholders.

Revenue

▲4%

to R13 485 million

Operating profit

▼55%

to R882 million

HEPS

▼55%

to 1 674 cents

Total dividends per share

▼56%

to 900 cents

Manufactured capital

We rely on our farming and processing operations to produce poultry products and ultimately deliver quality products to our customers. We invested in the maintenance of our assets to ensure that they operate in a safe, reliable and efficient manner.

5 240 000

broilers can be processed per week during the year

9

strategically placed feed mills throughout South Africa, Mozambique and Zambia

4

fully integrated **broiler production, processing, distribution, sales and marketing operations**

Human capital

We employ highly experienced, motivated and skilled employees. They enable us to operate in a cost-effective and efficient manner, resulting in high returns for our shareholders. Much emphasis is placed on the development of technical skills as well as the CEO's Pinnacle Programme which consists of management training and development interventions. The programme focuses on senior, middle and fundamental management levels as well as supervisory training.

Total number of **employees receiving training:**

1 400

Total amount paid on **skills development:**

R6 600 000

Intellectual capital

Key to our business is our knowledge and systems that we employ in order to generate returns for our stakeholders. We own patents and trademarks that enable us to produce and brand our products.

Number of patents and trade marks issued

239

Natural capital

We utilise our farming, processing and human capital to produce poultry products that are converted into financial and social returns. We invest in sustainability projects that are aligned with our vision and strategic goals.

Recycling of waste

95%

Electricity saved

0,5%

Water recycled

9%

Social and relationship capital

The nature of our business demands of us to consider our responsibilities toward the communities that we serve in a serious light and this is clearly illustrated in the R3 159 798 spent during the year. We endeavour to touch as many lives as possible through our CSI initiatives.

Continued support for Cancer.vive an initiative of People Living with Cancer

R22 440 408 towards enterprise development initiatives aimed at developing and empowering emerging farmers through training and development initiatives, preferred procurement and capital investment.

Financial capital

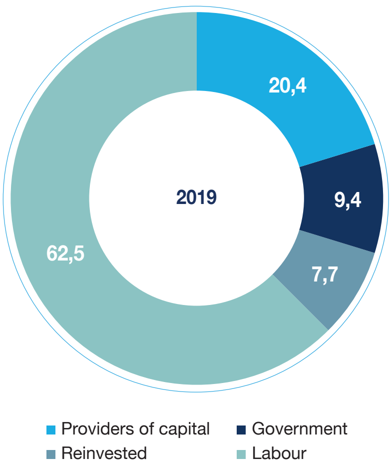
Our healthy balance sheet, together with the outcomes of the other five capitals enabled us to deliver significant and sustainable returns for our stakeholders.

Distribution of economic value generated for stakeholders

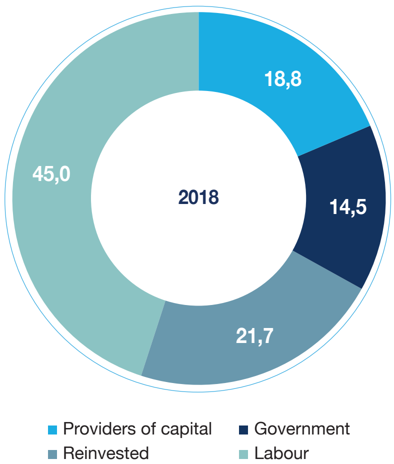
	2019 Rm	2019 %	2018 Rm	2018 %
Value added				
Sales of goods and services	**13 486**		12 979	
Less cost of materials and services	**(10 551)**		(9 099)	
Value added from trading operations	**2 935**	**98,6**	3 880	98,4
Income from investments	**41**	**1,4**	63	1,6
Total value added	**2 976**	**100,0**	3 943	100,0
Value distributed				
To Labour	**1 858**	**62,4**	1 775	45,0
To government	**280**	**9,4**	572	14,5
Income tax	**266**		560	
Skills development levies	**14**		12	
To providers of capital	**606**	**20,4**	740	18,8
Dividends to shareholders	**595**		730	
Interest on borrowings	**11**		10	
Total distributions	**2 744**	**92,2**	3 087	78,3
Income retained in the business	**232**	**7,8**	856	21,7
Depreciation/amortisation	**176**		152	
Retained profit for the year	**56**		704	
Total value distributed and reinvested	**2 976**	**100,0**	3 943	100,0

	2019 %	2018 %
Revenue generated in South Africa	**96**	97
Net profit after tax generated in South Africa	**98**	99
Total taxes paid in South Africa	**97**	99

2019 *(%)*



2018 *(%)*



Manufactured capital

We rely on our farming and processing operations to produce poultry products and ultimately deliver quality products to our customers.

Poultry division

Our Poultry division consists of two sub-divisions, namely Commercial and Agriculture.

Commercial

We have four processing plants that process, package, store and distribute our products. The commercial division is predominantly responsible for sales to the retail, wholesale and QSR customers who rely on us for the timely supply of quality chicken to the trade.

The need for manufacturers to market products that meets the required food safety standards has resulted in a number of on-going initiatives and practices to comply with legislation. The Consumer Goods Council of South Africa in recent years founded the Food Safety Institute, to which we subscribe. Reviews of various statutory requirements and industry legislation have been implemented to better control product quality and food safety.

We take a proactive approach to ensure all processing plants involved in the food chain are Hazard Analysis and Critical Control Point Systems (HACCP) or Quality Management Systems Certification (ISO) certified in terms of Food Safety Management Systems.
We follow a farm-to-fork approach, from control of animal feed quality, health of grandparents, parents and broilers as well as hygiene at the abattoirs, processing plants, cold chain facilities and distribution points to end users. Preventative medicine to control food-borne diseases is strictly practiced in line with legislation. Monitoring for biological and chemical residues is done by reputable independent laboratories. A team of in-house consulting veterinarians assists the group. All our abattoirs consistently perform above 80% in the Department of Agriculture's Hygiene Programme.

We emphasise the importance of traceability of final product and are in a position to trace any emergency situation arising through the system from final product to chicken growing and feed supply. We are actively involved in a number of forums such as the South African Poultry Association, Codex Committees and Statute Committees.

	FSSC 22000	Export	McDonalds	YUM FSA	YUM QSA	Nando's	Halaal
Festive	Certified	Approved	Approved	Tier 1	Approved	Approved	MJC
Goldi	Certified	Approved	Not required	Tier 2	Approved	Approved	MJC
Goldi Further Processing	Certified	Approved	Not required	Not required	Not required	Not required	MJC
Mountain Valley	Certified	Not applicable	Not required	Not required	Not required	Not required	SANHA
County Fair – Hocroft	Certified	Approved	Approved	Tier 1	Not required	Approved	MJC
County Fair – Epping	Certified	NMCS approved	Not required	Not required	Not required	Not required	MJC

FSSC — *Certification Scheme for Food Safety Systems including ISO 22000; ISO/TS 22002-1: 2009 and additional FSSC 22000 requirements*
YUM FSA — *YUM Food Safety Management System*
YUM QSA — *YUM Quality Safety Management System*
MJC — *Muslim Judicial Council certified*
SANHA — *South African National Halaal Authority certified*
NMCS — *New Market Cold Storage*

The Hazard Analysis & Critical Control Points (HACCP) food safety management programme, used as a vehicle to align to the "farm-to-fork" principle, is the departure point of our production. Adhering to the strict standards and control measures of HACCP allows us to ensure a safe product is produced and a secure working environment is maintained. From the handling of raw materials to the processing of foods, we protect our customers and consumers against biological and chemical allergens and physical hazards at every stage of the process. Beginning with Hazard Analysis, we identify the critical points, establish limits, monitor procedures, correct our actions, keep meticulous records and verify the safety and quality of our products.

Agriculture

This division covers the entire farming supply chain, from the importation of Great Grand Parents from Aviagen in Scotland through the breeding programme, to producing the live broiler delivered to the Commercial division for processing. Astral has approximately 35 500 000 birds on farm at any given point in time in order to supply approximately 5 000 000 birds per week to the processing plants. The Agriculture division strives to optimise production efficiency to provide the best live cost possible to the Commercial division.

Bird welfare

We consider the well-being of our biological assets, the chickens, and safety of derivative products (poultry meat and meat products) for human consumption as paramount. This is achieved through implementation of the South African Poultry Association's Code of Practice that serves as a guide on standards for bird welfare.

GENETICS AND NUTRITION

The broiler breed called Ross 308 was chosen by Astral for its improved production efficiencies which are realised only when a fine balance between genetics, nutrition, disease control and housing environment is achieved. Birds have free and easy access to nutritious and safe feed as well as clean water. No hormones are used to improve growth and feed utilisation.

HEALTH AND PRODUCT SAFETY

Strict hygiene standards are maintained through cleaning of floors and equipment with detergents (soap) followed by disinfection (sanitation) at the end of each production cycle. Bacterial tests are regularly conducted on cleaned floors and equipment to ensure the efficacy of cleaning chemicals and methods. This practice eliminates disease-causing organisms, thereby improving bird health. Furthermore, our team of veterinarians continually monitor the health status of chickens. Antibiotics are used under strict veterinary supervision for prevention, control and treatment of specific conditions in order to reduce stress, pain and suffering of the birds. Antibiotics are withdrawn timeously from live chickens prior to slaughter in order to comply with regulations.

HOUSING ENVIRONMENT

As none of our chickens are kept in cages, floors in all houses are bedded with clean good quality wood shavings, sunflower husks or wheat straw which keep the birds dry and warm and enable them to scratch and wallow. The bedding that our chicks are placed on in the houses is turned to prevent excessively wet or uncomfortable conditions. Our chicken houses are specifically designed for optimum ventilation and temperature control.

The lighting period is kept longer during the first few days of the birds' life in order to encourage them to eat and drink. Once the chicks have acclimatised to the new environment, lighting is adjusted to enable them to sleep naturally, as they may require.

HANDLING

Handling, transportation and slaughter practices of birds are as stipulated in the South African Poultry Association's Code of Practice.

HUSBANDRY

Toe-clipping and beak trimming are done humanely in breeder males using laser technology and hot blade in order to prevent injury to hens by cocks during mating.

As we are a participant in the food industry, we comply with the strictest standards and are continuously monitored by internal and external parties to verify adherence.

Feed division

Since 1942, Meadow Feeds has been supplying safe, superior quality feed to livestock producers, making it our mission to deliver more than just feed throughout the Southern African continent, utilising our experience and expertise to earn the trust of generations of farmers who are committed to putting wholesome food on tables.

Our seven well-situated mills – including the recently completed mill in Standerton – use sophisticated automation and control systems, facilitating precise operations and the blending of the correct ingredients at formulated levels.

We use the principles of "6 P's" to provide our customers with quality feed and service.

OUR PROCESS

We have agreements with the world's leading animal nutrition companies to ensure that we stay abreast of the latest global developments in animal feed. Our nutritionists use the foremost formulation software to optimise least cost, balanced animal diets at a nutrient level. Raw materials are sourced from accredited and rigorously approved suppliers to reduce risk and ensure consistent quality from source. Partnerships with accredited logistics companies ensure that feed is delivered to farms, and that the bio-security and traceability chain is maintained throughout.

OUR PROMISE

We incorporate quality assurance systems and the comprehensive risk management approach to ensure the safety, integrity and traceability of our products. Our mills are ISO accredited and audited by the SABS. As members of the Animal Feed Manufacturers Association, whose mission is to ensure "Safe Feed for Safe Food", we voluntarily comply with the association's Code of Conduct and we are audited by Afri-Compliance on an annual basis.

OUR PEOPLE

Our people proudly drive our vision to deliver more than just feed throughout Southern Africa. A culture of hard work and respect for ethical business practices and good governance is clearly evident throughout our organisation.

OUR PEDIGREE

Since 1947, Meadow Feeds has been supplying safe, high quality feeds to Southern African livestock producers, using our unrivalled experience and expertise to earn the trust of generations of farmers who bring wholesome meat, milk and eggs to your table.

OUR PASSION

Our passion for animal nutrition has made us the largest feed company in Africa and the leading supplier of innovative high performance feed solutions.

OUR PURPOSE

Our purpose is to scientifically and cost effectively meet the requirements of modern farm animals, who require a finely balanced and expertly manufactured feed to perform to their genetic potential.

	ISO 22000: 2018 Unaccredited until SABS is approved by SANAS in 2020	ISO 22000: 2015	ISO 9001: 2015	AFRI COMPLIANCE
Meadow Feeds				
Randfontein		√	√	√
Delmas		√	√	√
Standerton	√	√	√	√
Pietermaritzburg		√	√	√
Paarl		√	√	√
Port Elizabeth			√	√
Ladismith			√	√

ISO 22000:2018	*Food Safety Management Systems Certification (Replaces ISO 22000:2015 in 2020)*
ISO 22000:2015	*Food Safety Management Systems certification (Obsolete on 01/01/2020)*
ISO 9001:2015	*Quality Management Systems Certification*
AFRI COMPLIANCE	*Compliance to AFRI Compliance Protocol – Legal Focus on Act 36 of 1947*

The manufacturing of animal feed is governed by the Farm Feeds Act – Act 36 of 1947 (Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947). All Meadow Feeds South Africa operations are independently audited and certified by an accredited organisation, Afri Compliance, which is a forensic investigation company, ensuring full compliance with the Act.

Nikki Moodley

Operations Improvement Executive at Astral presented **"20 Keys – The Astral Way"** at this year's Organisation Development International Conference.

Twenty nine Astral sites achieved the 20 Keys International Excellence Award to date, the latest one being the large rearing and laying Boschkop and Klipkop farms, forming part of our National Chicks division. The presentation by Nikki reinforced the image of our company as being a world class organisation.

Only a masterplan will prevent the chickens coming home to roost

The SA chicken industry is simultaneously beset with challenges and brimming with opportunities. By managing the former and capitalising on the latter, chicken can become a major driver of economic growth and social advancement in our country.

As it stands, the poultry industry is the largest component of SA's agriculture sector, contributing some 18% of agricultural GDP in 2016. The industry is furthermore a major employer, with some 110 000 direct and indirect workers, while a further 20 000 jobs in the grain industry depend on feed supplies to poultry producers. It is estimated that each poultry worker supports up to 10 other people.

SA is furthermore a highly efficient and competitive chicken producer. In 2014 the University of Wageningen, ranked SA fifth of 16 countries surveyed. We were slightly behind producers in the US and more expensive than South America. However, on average, SA broiler chicken production costs are at least 25% lower than in EU countries. The updated study will be released towards the end of March this year, and preliminary results indicate that SA has maintained its position.

Chicken is not only economically strategic: it is a significant component of the country's food security given its status as South Africans' best loved source of protein. Per person, we eat twice as much chicken as beef, four times more than eggs, eight times more than pork an almost 13 times more than mutton.

Despite its obvious importance, the chicken industry is under siege from imports that often amount to dumping. At the moment, the main culprit is Brazil. As other markets have recently closed their doors against Brazil due to food-safety concerns, this massive exporter of chicken is increasingly targeting SA. This process is abetted by importers and middlemen who buy in bulk and make vast profits by selling into the SA market at, or just under, the price of locally produced chicken. In this way imports have gained market share, taking up increased local demand while SA producers have to scale down, workers lose their jobs and small towns in the countryside die.

Brazilian poultry imports have doubled over the past four years, rising from 15 000 tons a month in October 2014 to 30 000 tons in October 2018. Currently, 61,5% of SA's poultry imports comes from Brazil. The balance is made up mainly by the EU and the US, courtesy of trade agreements between SA and those countries.

The impact of dumping on the SA poultry market is alarming. In recent years some 6 000 jobs have been lost and a number of smaller producers have closed or been taken over. The SA Poultry Association (SAPA) estimates that for every 10 000 tons less chicken meat produced in South Africa, 1 000 jobs are lost. The tragedy here is not just the lost jobs; it is the lost opportunity all along the poultry value chain to sustain local enterprise.

To safeguard the industry, SAPA applied to the International Trade Administration Commission (ITAC) for an 82% *ad valorem* import tariff on bone-in and boneless frozen chicken from many non-EU countries, including Brazil.

Important as increased tariffs are, what the industry desperately needs, is a masterplan that strategically and coherently coordinates activities and investment from all stakeholders – public and private sector alike. Only through such a plan can the industry's full potential be realised to the benefit of all South Africans.

A case in point is the disjointed way in which investment in the industry currently takes place.

Government spends much money and energy on the establishment of black chicken farmers and the building of infrastructure, such as abattoirs and processing plants. Sadly, many of these projects happen without due consideration of up- and downstream linkages, which impacts their sustainability and results in government and the large producers crossing swords, instead of taking hands. Also, where farms fail, government has been known to buy them out in order to keep the farmer going.

Current state investments furthermore address only the supply side of the industry. The market, or demand side, is not part of the equation, and government is strangely reluctant to institute the measures, such as trade tariffs or stricter food-safety regulations, needed to protect the very market that the people it is investing in have to sell their products to.

A masterplan can turn this around, while also directing attention to the input factors that are critical to chicken farming and processing, such as reliable water and electricity supplies, and road infrastructure. In several cases, the large industry players are helping to maintain municipal infrastructure in the interest of ongoing production.

The fact is that government's main concern need not be investment at the primary level. The local chicken industry has proven its ability to put farmers on land. Its track record shows at least 70 black farmers who now own their farms, in addition to being sustainable and successful broiler chicken suppliers, thanks to technical assistance and support by the private sector.

Finally, we as consumers have a vital role to play. If we refuse to buy imported chicken, there will be no market for it. By insisting on locally produced chicken, we can all become part of a social dynamic that drives change that will benefit workers, communities and our economy. Every piece of chicken you and I buy, makes all the difference!

Article published courtesy of Fairplay Movement

Tumi Mokwene in his broiler house

Human capital

We believe that a stable engaged, skilled and motivated workforce plays an important role in the successful achievement of Astral's strategic business objectives. We aim for our employees to achieve a good quality of life for themselves and their families and we offer opportunities for our employees to develop their full potential.

Broad-based black economic empowerment (B-BBEE)

We support and are committed to the concept of broad-based black economic empowerment and promote social and economic inclusivity and diversity in our business approach. We do this responsibly, ethically, with growth and sustainability in mind. Promulgated amendments to the Agri B-BBEE scorecard, with an increased focus on enterprise and supplier development remains a challenge in the sector, which require the development of black-owned and black women-owned preferred suppliers over the medium- to long-term. Astral is currently a level seven B-BBEE Contributor, and sector scorecard amendments will inform our strategic intent going forward, which includes a review of appropriate service providers and verification agencies.

Equality

Historical imbalances of the past, drive our commitment to gender equality and non-discriminatory practices.

Employees

Long-term sustainability rests on our ability to attract, develop, enable and retain universally competitive employees, fully engaged in our organisational culture. We have strategies and initiatives in place focused at driving operational excellence, continuous improvement, employee development and skills training, whilst measuring performance outputs which is coupled with remuneration and reward, empowering our employees to participate in shareholder value created.

Previously disadvantaged employees *versus* previously advantaged employees, South African Operations (permanent employees)

Category permanent	2019		
Description	Grade[1]	AIC	White
Board	Non-execs	3	3
Executive	F		5
Senior management	E	5	29
Middle management	D	38	92
Skilled	C	273	307
Semi-skilled	B	2 337	145
Unskilled	A	5 810	6
Total	All	8 463	584

1: Defined based on Patterson Grading System

Number of employees at the end of September

	Feed		Poultry		Other Africa		Corporate		Total	
Description	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Permanent	618	478	8 069	5 872	331	315	29	29	9 047	6 694
Contract	56	205	2 304	4 549	91	94	1	1	2 452	4 849
Total	674	683	10 373	10 421	422	409	30	30	11 499	11 543

Group		Percentage
Female employees		**56,73**
Total workforce in South Africa		**96,07**
Senior management who are deemed historically disadvantaged South Africans (HDSA)		**0,47**
Employees deemed HDSA		**94,93**
Permanent employees as a percentage of total workforce		**78,73**
Trade union members as a percentage of total workforce		**20,89**
Employee turnover		**16,03**
Employees trained in South Africa		**12,13**
Training spend		**2,55**
Total CSI/SED spend in South Africa		**100,00**
Total number of hours worked	(hours)	**17 181 768**
Total number of employees trained including internal and external training interventions – skills development	(employees)	**1 404**
Total person days lost to industrial action	(days)	**24 635**

In an Empowerment Report published by The Star newspaper recently, Astral was rated as 87th most empowered company on the JSE, second in terms of the sector codes and fourth most empowered company by sector.

Value creation for employees

Succession planning and staffing requirements are informed by talent reviews and training and development initiatives, which are linked with our approach to appoint and promote from within, prior to engaging the external skills market.

Collective bargaining is dealt with at various operating entities, and a number of different unions are recognised at plant level.

Relationships within the organised labour framework remain complex, often influenced by social-political matters, community frustrations and the collapse of public infrastructure services impacting employee morale. Disputes regularly trends around arbitrary expectations, which is aided by technical labour law interpretations and stakeholders adopting a confrontational approach. A more comprehensive engagement framework with regular discussions is needed to build relationships, maturity and understanding, in order to create collaborative agreements and collective partnerships that can find constructive solutions for complex challenges.

Health and safety

The safety and well-being of our employees are the responsibility of everyone and is a value we continuously drive in all operations. Our health and safety management systems conform to all applicable in-country legislation.

Senior managers are legally appointed within each operation, and are responsible for occupational health and safety and are committed to providing the necessary financial and human resources to ensure that safety objectives are implemented, monitored and maintained:

- **Compliance:** Adherence to all applicable health and safety legislation, standards, frameworks and best practice relevant to the Astral group.
- **Risk assessment:** Continually, evaluate and mitigate health and safety risks within the group. Internal and independent external audits are conducted on a regular basis.
- **Risk mitigation:** Identification of workplace hazards and the provision of the required safety equipment, procedures and training to employees to mitigate against accidents, injuries and diseases.
- **Training and awareness:** Promote awareness and sense of responsibility among employees with effective health and safety communication, training and awareness and consultation with all levels of employees, contractors and other stakeholders directly affected by our activities and processes.
- **Commitment**: Integrated comprehensive management systems which ensure accountability for employees' well-being.
- **Continual improvement:** Periodic review of the relevance and appropriateness of the above endeavours to ensure continual improvement in the group's health and safety efforts.

Astral aims to minimise and prevent any occupational health risks, injuries and accidents. The Lost Time Injury Frequency rate is calculated by all business units. This provides for accurate internal benchmarking and provides a measuring tool to track improvement in performance.

The group has set a lost time injury frequency rate target of 2,5 for all milling operations and 3,0 for production and processing facilities.

Operational targets are set to reduce recordable injuries by 10% on a year to year basis.

	Agriculture		Commercial		Feed		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Number of fatalities	**0**	0	**0**	0	**0**	0	**0**	0
Number of first aid cases	**8**	31	**24**	93	**14**	15	**46**	139
Number of medical treatment cases	**9**	5	**58**	65	**7**	12	**74**	82
Number of disabling injuries	**91**	79	**150**	167	**13**	24	**254**	270
Number of recordable injuries	**108**	115	**232**	325	**34**	51	**374**	491
Injury frequency rate	**3,30**	2,22	**1,36**	1,99	**0,93**	1,38	**1,86**	1,92
Fatal Injury frequency rate	**0,00**	0,00	**0,00**	0,00	**0,00**	0,00	**0,00**	0,00
Total recordable injury frequency rate	**3,92**	3,23	**2,10**	3,78	**2,74**	2,56	**2,74**	3,39

Employment equity

Our conditions of employment, across all operations comply with employment equity legislation, with annual work plans, audits and implementation reports submitted to the department of labour. Employment equity committees have been established at every business unit to plan, monitor implementation progress and remove any discriminative barriers within the workplace. Female employees currently make up 56% of our total workforce.

Organisational level	Percentage designated groups
Board and executive	**30**
Managerial	**26**
Skilled	**47**
Semi-skilled	**94**
Unskilled	**100**

Wellness programme

Our employee assistant's programme focuses on a variety of key priorities treatment cases as identified through voluntary annual medical wellness screening tests completed and priority treatment diseases received by the Council of Medical Schemes.

Our onsite patient management system, wellness centres and wellness days are implemented under the Astral Health Link Programme and during the previous annual measuring period, at total of 9 949 employees (permanent and non-permanent) attended wellness screening, with more than 6 000 employees undergoing HIV/AIDS screening and a further 1 712 employees attending HIV counselling and testing for the first time. During the reporting period, 635 employees received chronic anti-retroviral treatment, with a further 775 employees on pre anti-retroviral treatment.

The Astral Health Link Programme has significantly impacted medical absenteeism cases, group life insurance claims and disability insurance claims, with the reduction resulting in an estimated saving of R25 000 000 for the measuring period, as calculated by our group health risk insurance service provider.

Training

Our integrated training and development framework is focused on delivering competency and compliance in the following areas:

- induction and on-boarding for new employees
- legal certification training for machine operators, drivers and health and safety practitioners
- technical skills training in highly specialised niche operations
- leadership development through the pinnacle programme

During the past year, more than 1 400 of our employees attended various training programmes and initiatives, whilst Astral also sponsored the training and development of 60 unemployed and disabled learners on an Agri-SETA accredited national learnership programme.

The Pinnacle Programme, focused at developing emerging middle management talent, was attended by 24 employees, of which 42% of attendees were from designated groups.

Human capital continued

We are committed to facilitate skills training and employee upliftment, and our submissions of skills development plans and implementation against targets to the various SETA's, have ensured the maximum benefit in skills development levies and claims submitted.

We have a study loan policy providing employees with financial assistance to further their academic qualifications in line with current and future job requirements. Proposed draft amendments to the Agri-B-BBEE scorecard components, if approved, will inform our strategy around bursary sponsorships going forward.

The total training spend for the measuring period amounts close to R6 600 000.

Employee turnover and absenteeism

We continuously evaluate our recruitment processes to ensure that high potential talent is employed, taking cognisance of leadership capabilities, identified competencies for positions and employment equity plans. Our approach is to attract the best people in the industry with focus on the appointment of persons from the designated groups.

The employee turnover percentage increased slightly on a year on year basis, mainly due to deeming provisions and operational requirements as facilitated within the requirements of the labour relations act.

In terms of absenteeism, absence without permission decreased slightly on a year on year basis (down from 1,72% to 1,12%) resulting in additional man-hours saved, whilst absence with permission (leave management) remains stable.

Human rights

Human rights are central to our legitimacy and are addressed in our Code of Ethics, including:

- obeying the law;
- respecting others;
- acting fairly; and
- being honest.

Breaches are addressed through the applicable legal system, internal procedures and through "Tip-Offs Anonymous". Employees may use established grievance procedures and they may also seek union or industry assistance.

All incidents reported through "Tip-Offs Anonymous" are investigated by internal audit and appropriate action taken in terms of the relevant policies and disciplinary procedures.

"Tip-offs anonymous" data	2019	2018
Number of calls received	**41**	42
Number of reports generated	**28**	26
Number of reports investigated	**28**	26
Number of convictions	**2**	3

We apply a "zero tolerance" approach towards fraud and corruption and protect employees who raise concerns relating to fraud and corruption from victimisation.

The following alleged offences were reported to the "Tip-Offs Anonymous" line:

Alleged offence	2019	2018
Theft	**1**	1
Human resource infringements	**21**	17
Fraud	**0**	1
Unethical behaviour	**5**	7
Customer complaints	**1**	0

It is not our policy to support political parties and no funds were made available for this purpose during the year.

Astral Health Link Programme report

The Astral Health Link Programme is tailored to meet the specific needs of Astral employees who are diagnosed with chronic conditions. We do this successfully through a proactive and preventative approach whilst also promoting health awareness and education to inform our employees about healthcare, health risks, disease management and the importance of making healthy lifestyle choices. Since inception of the programme in 2009 some 70 100 full wellness screenings have taken place.

HIV counselling and testing

As we know anyone can become infected with HIV. HIV does not discriminate by age, race, gender or sexual orientation and it certainly does not discriminate by health or wealth. Since inception 53 556 employees have participated in HIV counselling and testing programmes.

Patient management

It is imperative that we continue to provide employees with health and wellness programmes. This supports the ideal to manage chronic diseases more effectively and to help prevent and reduce the number of new infections, including HIV, TB, sexually transmitted infections (STIs), diabetes, hypertension and others.

Our programme provides expertise along with motivational support to encourage employees to remain committed to a successful screening and treatment programme. The patient management objective is to save lives through the improvement of health. This leads to healthier employees, improved productivity, decreased absenteeism, reduced medical costs, improved morale, loyalty, goodwill and return on investment.

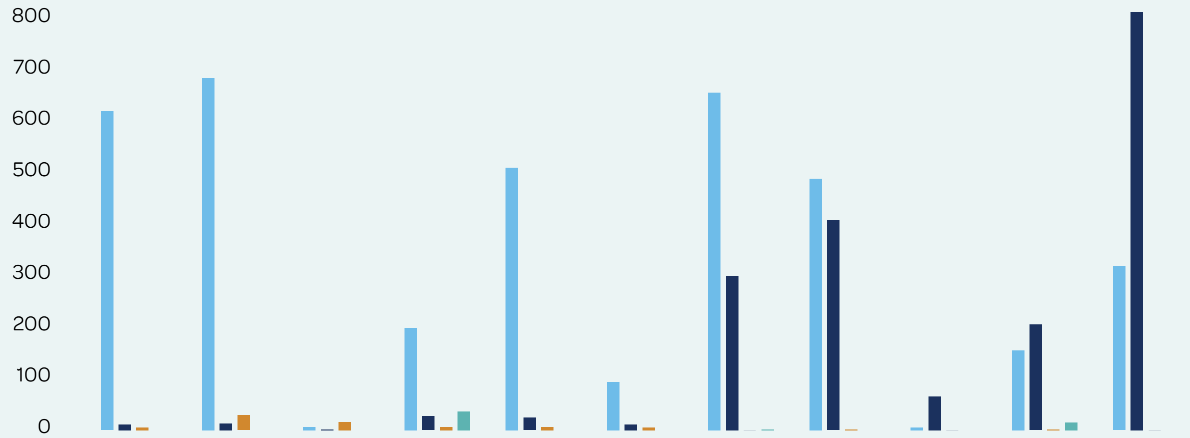
A total of 6 811 employees benefitted from our Patient Management programme for the measured period

On Site Patient Management – January – June 2019

Division	Total uptake	Combined wellness	Wellness only no HIV	HIV screening	HIV positive known	HIV positive new
Country Fair	914	738	176	0	84	7
Festive	1 732	702	802	228	60	9
Goldi	2 546	976	1 569	1	290	31
Meadow Feeds Delmas	38	0	27	11	0	0
Meadow Fees Randfontein	59	0	46	13	0	0
Meadow Feeds Standerton	43	0	36	7	0	0
Meadow PE	11	3	8	0	0	0
Meadow Pietermaritzburg	0	0	0	0	0	0
Mountain Valley	146	65	81	0	44	1
National Chicks	915	516	399	0	219	5
Ross Poultry Breeders	407	229	177	1	86	3
Grand total	6 811	3 229	3 321	261	783	56

Human capital continued

Medicals done for the measuring period



	Festive	Goldi	Goldi farms	Epping	Hocroft	Meadow Feeds	Phakisa festive	Phakisa Goldi	Phakisa Goldi farms	Phakisa Epping	Phakisa Hocroft
Periodic	616	680	6	198	507	93	652	466	5	154	317
Pre employment	11	13	1	27	24	11	298	406	65	204	808
Exit	5	29	16	6	6	5	0	1	0	1	0
Re-entry				36			1			15	

Astral leads in empowering the disabled

Astral embarked on a project to create employment opportunities for people with disabilities. In 2015 Astral partnered with Signa Academy to fund learnerships aimed at up-skilling disabled, unemployed people at some of Signa's country-wide campuses.

Signa Academy is a Services SETA accredited training company that trains learnerships and facilitates workplace experience for various groups of learners, including learners living with disabilities.

Since the project was launched in 2015, over 240 learnerships have been sponsored by Astral. Some learners have advanced with the help of the sponsorship up to an NQF Level 4 in their studies. Furthermore, over 90 learners have been absorbed into full time employment since 2015, impacting positively on the learners' families and society.

Through sponsoring these learners, Astral has become increasingly aware of the challenges associated with accommodating disabled persons in the work place.

Astral Operations dominate annual Organisation Development International (ODI) 20 Keys Conference

The Astral 20 Keys programme, which drives continuous improvement and operational excellence across all operations, was recognised at the national annual ODI/20 Keys Conference in August 2019 for various achievements, with our employees winning a number of national top performer awards and our Mr Bruce Haynes winning the Overall National Top Achiever Award prize.

Astral Foods top achievers in the country for the NQF programmes

NQF	Company	Name	Surname	Category
2	Goldi Standerton	Thokozane	Mkhize	National top performer
2	Goldi Standerton	Audrey	Tshabalala	Outstanding dedication
4	Country Fair	John	Booysen	National top performer
5	Goldi Standerton	Mamedile Sana	Rasheleng	National top performer
2	Country Fair Farms	Bruce	Heyns	Overall national top achiever

Mrs Tshepo Shabangu

Independent Non-executive Director and Chairman of our Human Resources, Remuneration and Nominations Committee, was recently awarded the WOZA Women in Law Inaugural Award for Best Women Corporate Practising Lawyer. The WOZA awards are presented annually to women who have demonstrated excellence in their practice of law and have made a significant contribution to the profession.

Tshepo was further nominated and selected alongside 79 women for inclusion in the World Intellectual Property Review's inaugural edition of influential women in intellectual property.

Human capital continued

Astral Contract-growers Information Days

Astral staged two successful broiler contract-grower information days, one during September 2019 at Festive and another during October 2019 at Goldi. Both these events were very well attended by the respective contact-growers.

At Festive the contract-growers and their managers were given an in-depth overview of the expansion at both the Commercial and Agriculture divisions of Festive. The guests were then accompanied to the Festive processing plant where they also viewed the building progress around the current expansion.

The Goldi event centred on the recent water supply crisis experienced in Standerton and the impact it had on production. The attendees were given a broad overview of the extent of the problem and the ways in which Astral managed the impact thereof.

Astral management explained in detail the plans to mitigate the water supply problem and ensure sustainable clean water in both the short- and long-term. The guests then visited the Goldi primary processing plant where they were shown the various production processes as well as the current temporary water filtration facilities.


Astral

Intellectual capital

Key to our business is our knowledge and systems that we employ in order to generate returns for our stakeholders. We own patents and trademarks that enable us to produce and brand our products.

The knowledge and systems that we employ in order to generate returns for our shareholders are key to our business.

We own a proliferation of trademarks registered in various classes in Africa, South America and Europe that enable us to produce and brand our products.

The strength of our organisation lies in our customers' decision to purchase and consume our branded products. Our Goldi, County Fair, Festive, Mountain Valley, Earlybird and Supa Star brands are marketed to a diverse consumer base, with frozen, fresh and value-added offerings for every occasion. We produce leading brands of the highest quality and safety standards through ethical agriculture, modern processing and efficient supply chain methods. Our brands are the tangible culmination of Astral's vertically integrated operations, measured and audited across the entire process from "farm-to-fork" that ensures full traceability.

Our brands are widely available across retail and wholesale outlets countrywide, in both formal and informal markets. Astral additionally packs selective Dealer Own Brands for a number of key customers.

We recognise that our brands are valuable intangible assets and an important source of origin of the products and therefore, we regard the protection and enforcement of our trade mark rights as pivotal to our business.

Natural capital

We acknowledge that our responsibility to the environment extends beyond legal and regulatory requirements and we understand that business sustainability is about doing all that is sustainably necessary in the short- to-medium term in return for a sustainable business in the long-term.

Sustainability data

Environmental aspects	2019 actual	2020 target	Change
Stationary fuels			
Coal (GJ)	**1 568 450**	1 687 065	118 615
Coal saved due to conservation and efficiency improvements (GJ)	**1 872**	2 210	338
LPG (GJ)	**231 977**	259 108	27 131
LPG saved due to conservation and efficiency improvements (GJ)	**270**	0	(270)
Mobile fuels			
Diesel (GJ)	**132 227**	124 626	(7 601)
Biofuel (GJ)	**0**	0	0
Diesel saved due to conservation and efficiency improvements (GJ)	**0**	0	0
Energy			
Electricity (GJ)	**1 150 715**	1 175 988	25 273
Energy saved due to conservation and efficiency improvements (GJ)	**5 414**	14 133	8 719
Water			
Water consumption (kl)	**5 733 165**	5 811 143	77 978
From boreholes (kl)	**978 836**	1 321 390	342 554
From municipal sources (kl)	**4 754 329**	4 489 753	(264 576)
Water saved due to conservation and efficiency improvements (kl)	**6 455**	2 972	(3 483)
Recycled Water (kl)	**504 957**	586 773	81 816
Recycled water as a percentage of total water	**9%**	10%	1%
Materials			
Packaging materials (tons)			
Recycled – Packaging material recycled (tons)	**10 411**	11 000	589
Effluents and Waste	**465**	472	7
Waste to landfill (tons)			
Hazardous waste disposed (tons)	**7 593**	7 575	(18)
Water discharged (kl)	**36**	36	0
Litter (m^3)	**3 039 410**	3 632 968	593 558
* Number of significant spills	**413 649**	445 166	31 517
Recycled – Litter (m^3)	**1**	0	(1)
Recycled waste as a percentage of total waste	**399 043**	429 974	30 931
Other	**95%**	95%	0%
** Number of environmental non-compliance prosecution and fines	**1**	0	(1)

* *Meadow Feeds Port Elizabeth – Leak of Molasses (700 litres) from damaged flow bin*

** *Meadow Mozambique – Fined for not having an environmental licence. Environmental licence was not a prerequisite at commencement of business*

- *Sustainability projects implemented are aligned with our vision and strategic goals.*
- *Operation action plans are aligned with strategic action plans and through participative management practices, strategic goals are realised.*
- *Business units and various stakeholders work closely together to implement projects and maintain strategic alliances with key stakeholders, such as the National Cleaner Production Centre South Africa (NCPC-SA).*

Natural capital continued

In conjunction with the NCPC – SA we have embarked on a resource efficiency and cleaner production project and the status of the project is as follows:

Astral/NCPC – sustainability project status summary

No.	Division	Name of bu	Resource – opportunity identified	Projected Cost Savings (R/year)	Projected annual resource savings	Date im-plemented	Comments
NC001	Poultry	National Chicks – Hatchery (KZN)	Waste heat recovery from compressor	R43 560	4 150 litres of paraffin		To investigate converting to Light Straight Run (LSR) – F2020
NC002			Solar energy for water	R9 250	7 650 kWh	Sep-15	Implemented – F2015
NC003			Power Factor Correction	R59 100	636 kVA of maximum demand	Sep-16	Implemented – F2016
NC004			VSD on air compressor	R21 000	17 400 kWh		Investigated – Compressors not compatible with VSD drives
NC005			Fixing compressed air leaks	R18 300	15 100 kWh	Sep-15	Implemented – F2015
MV001	Poultry	Mountain Valley	Replace geysers/water heater with heat pumps	R59 500	Coal – 109 tons, 116 000 kWh	May-17	Implemented in May 2017. Coal boiler replaced with Limpsfield Burner – LSR Project
MV002			Pumps efficiency improvement	R30 950	46 400 kWh	Oct-18	To investigate further in F2020
MV003			VSD on air compressor	R14 750	22 100 kWh	Nov-14	Implemented – Nov 14
MV004			Electronic condensate drain trap	R1 500	2 250 kWh	Oct-14	Implemented – Oct 14
MV005			Variable head pressure on condenser	R128 000	192 000 kWh	Jul-14	Implemented – Jul 14
MP001	Feed	Meadow Feeds Pietermaritz-burg	Improve boiler efficiency	R416 850	397 tons of coal		Capex budget not approved – To be reconsidered in F2020
MP002			Resizing of fans	R57 700	65 500 kWh	Ongoing	Spot filters are being installed in a phased approach and Capex submitted for approval F2019
MP003			VSD on pelleting fans	R206 700	1 045 tons of steam	Jun-15	Implemented – Jun 15 (Project Complete)
MP004			Stopping compressed air leaks	R10 940	12 428 kWh	Aug-14	Repaired leaks in Aug – 14 – ongoing
MP005			Stopping steam leaks	67 250	340 tons of steam	Aug-14	Repaired leaks in Aug – 14 – ongoing

According to the Intergovernmental Panel on Climate Change (IPCC), "Every bit of additional warming adds greater risks for Africa in the form of greater droughts." Since we are major users of water and there are no signs of greenhouse gasses declining in the atmosphere we have no option but to adapt to climate change. In F2019, we increased water recycled as a percentage of total water used to 9% from 6% in F2018 and we are making good progress on improving efficiency and conservation of water. We have plans in place to continue our drive to improve water security. In an attempt to mitigate climate change risks we are making good progress to source alternate energy solutions to reduce carbon emissions. In F2019, we commissioned our first solar photovoltaic pilot plant. Due to good performance of the solar project, we expect implementation of other solar projects to follow suit. We are also investigating alternate energy projects whereby natural gas and biomass are used as energy sources.

Alternate Energy Solutions

Solar Photovoltaic Energy Solution – National Chicks Boschkop

In F2019, a solar photovoltaic, roof mounted, grid-tied pilot plant was commissioned at National Chicks Boschkop. The vision of investigating the use of Solar Photovoltaic is to:

- Decrease power costs
- Reduce dependency on the national grid
- Reduce carbon emissions
- Gain insight into clean energy projects

Solar photovoltaic projects are in the process of being investigated at County Fair and Festive.

Existing solar photovoltaic plant - National Chicks - Boschkop

Natural Gas Project – Goldi Abattoir

Typical gas project

The possibility of erecting a gas powered energy plant at the Goldi abattoir is currently being investigated using dual fuel (natural gas/diesel) marine engines. The goal is to mitigate electricity supply risk due to instability of municipal infrastructure and load shedding.

Typical gas project

Beneficiation of Waste Project at County Fair

Negotiations with a waste to energy development team are in progress at County Fair to build, operate and maintain an anaerobic digestion plant converting chicken litter into biogas. The plan is to investigate using compressed natural gas (CNG) at some broiler farms that uses liquid petroleum gas (LPG) for heating purposes.

Typical waste to energy plant

Beneficiation of Waste Project at Festive

The waste to energy project at Festive is on hold, awaiting the outcome of an appeal lodged by an Environmental Group on the approved Environmental Impact Assessment (EIA).

Typical waste to energy plant

Water Security

Existing water treatment plant – County Fair – Hocroft

In F2017, County Fair partnered with a supplier and designed a 2.8 million litre per day tertiary water treatment plant for the second largest poultry processing facility at County Fair Hocroft. The water treatment plant utilises aqua mobile ultrafiltration and reverse osmosis technologies to provide County Fair with potable water for re-use in production. The reverse osmosis water treatment plant was commissioned in October 2017.

In F2019, Goldi was granted approval to commission a reverse osmosis water treatment plant similar to County Fair in F2020.

For the detailed Sustainability Report, please refer to www.astralfoods.com

Existing water treatment plant – County Fair – Hocroftt

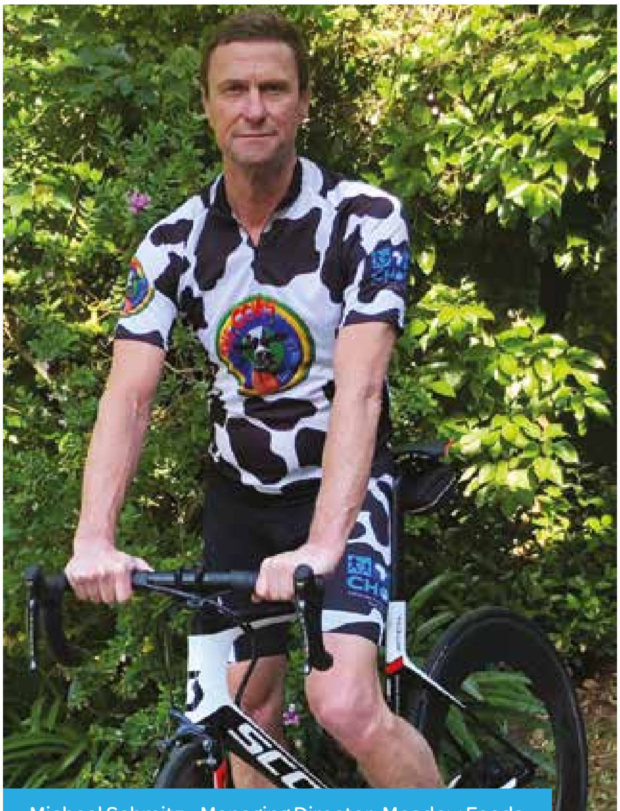
Social and relationship capital

We play an active role in the communities in which we operate through a social investment strategy which focuses on education, HIV/AIDs initiatives and upliftment.

Some of our initiatives for the 2019 financial year are:

Choc Childhood cancer foundation South Africa

Once again, Astral continued to support CHOC throughout the year. The CHOC houses are homes away from home for children fighting cancer and nine of the houses receive chicken from our Poultry division on a monthly basis to assist in giving the children wholesome meals. Two of the homes located in Diepkloof near Baragwanath Hospital were in desperate need of renovations and new, fresh bedding. Meadow Feeds, Central Analytical Laboratories, Ross Poultry, National Chicks and Festive provided the bedding for all of the eight rooms in the houses. The Astral staff took part in the "have-a-heart" campaign in February raising much needed funds for CHOC. Prior to this, the Saxonwold CHOC house hosted a Christmas party for all the children warriors from the oncology units, and Meadow Feeds and Festive provided the lunches for the children and their families.
The children were delighted by the appearance of Gloria the Festive mascot at their party.



Micheal Schmitz - Managing Director: Meadow Feeds

Choc Childhood cancer foundation South Africa Cows

Meadow Feeds' Managing Director, Michael Schmitz, took up the challenge to ride the 94.7 Cycle Challenge twice as part of the group of aptly named Apocalypse Cows, dressed in Top Gun-inspired bodysuits. Meadow Feeds' suppliers and staff were requested to sponsor Michael and over R200 000 was raised for the CHOC Foundation. Meadow Feeds also sponsored an ice cream bike and a further R50 000 was raised in aid of CHOC.

People living with cancer (PLWC)

County Fair continued to sponsor the office rental for PLWC for the year. Meadow Feeds assisted them in the work they are doing for the community by sponsoring them R100 000.

Drought relief

Meadow Feeds, together with Agri SA Northern Cape, donated 24 tons of drought pellets to the farmers in Fraserburg in May 2019. Barloworld kindly sponsored the transport of the feed. In addition to this, a Meadow Feeds contractor, Johan Leng of Paarl Outsourcing Bureau, purchased 50 bags of drought pellets to donate to the famers in Zuurwater. Meadow Feeds decided to assist him and donated half of the bags to his project. Johan sent the following note of thanks:

"Words are not enough... but thank you very much! It was a weekend of severe contrasts... the joy of the people and then the harsh reality of the drought conditions (cattle eating tree bark). Everyone who received the feed was extremely happy about the donation and asked that I convey their sincere thanks to Meadow."

Drought relief Zuurwater

"You can start changing our world for the better daily, no matter how small the action."

Cancer.vive ride

This year, the Cancer.vive ride, which visits factories, schools, hospitals and companies in order to educate and create awareness about the so-called shy cancers, took place in Gauteng. Meadow Feeds and Goldi sponsored R27 000 for two cancer survivors to partake in the bike ride. The message is shared through song and dance and the audience is left with the message that cancer can be beaten if detected early. The slogan "We will not be silent" was used to spread the message that cancer is not something to be shy about, and that there are support groups to join if needed.

Middelburg was one of the first visits on the route where the group met with the Hartklop ladies who are supporting 32 miners and families in the area who have lost their jobs. The Commercial division and Spar donated chicken and groceries to assist them in supporting these families. The tour then visited Meadow Feeds Randfontein on route to Bekker High School in Magaliesburg. Representatives from Boys and Girls Town were invited to the show at Bekker High School where Goldi handed over chicken hampers to the schools. The bikers moved on to Rustenburg where they spent two days visiting the hospital and schools in the area. On the way back to Pretoria they performed a show at Hartebeespoort High and then spent time at the Centurion Hospice assisting them with renovations.

Social and relationship capital continued

World of Birds

Meadow Feeds and County Fair continue to support the World of Birds in Hout Bay. Meadow Feeds sponsors feed which they deliver weekly. Some of the large bird varieties which are part of the 3 000 bird species housed require a different diet, and County Fair provides eggs and day old chicks for them to the sanctuary. Some of the birds housed at the sanctuary include Marabou Stork, White Pelican, Cape Vulture, Greater Flamingo and the African Penguin.

Animal Care

TOMMY RO HAVEN – CAPE

The Haven is an NPO which takes in abused and neglected horses and ponies, providing them with stables and rehabilitating the animals. They run programmes for children from places of safety and community service programmes, allowing them to ride and work with the horses which assists in their therapy and nurturing. Meadow Feeds Paarl donates seventeen 50kg bags of Herbivore Sweetfeed monthly in order to assist in the feeding of the horses and ponies.

WETNOSE – BRONKHORSTSPRUIT

Wetnose is an animal rescue and rehabilitation haven with a right-to-life policy. Meadow Feeds Delmas donates twenty 50kg Herbivore Sweetfeed bags every month to assist them in feeding the rescue animals from their community.

MISTY MEADOW – BRONKHORSTSPRUIT

Meadow Feeds Delmas donated Sweetfeed to Misty Meadow to feed the horses they were rehabilitating after they had been confiscated by the NSPCA.

YEHENRAINE RESCUE HORSES – RANDFONTEIN

Yehenraine is a riding school that adopts and rehabilitates neglected and abused horses. They offer therapeutic riding lessons to abused and neglected children as well as disadvantaged and disabled children. The children assist with the cleaning of the stables and, where possible, they help in the rehabilitation of the horses. Meadow Feeds Randfontein donates Herbivore Sweetfeed and Horse Blocks to them every month.

ZEAL FOR LIFE – PIETERMARITZBURG

Zeal for Life is a home on a farm for disabled people. Living on the farm gives them an opportunity to interact and work with the animals, providing them with therapy. Meadow Feeds Pietermaritzburg provides Riding Meal for the horses monthly.

FUNDA NENJA

Meadow Pietermaritzburg donated a further 300 bowls and blankets to assist the township dog training initiative. The children are given a dog bowl and blanket in exchange for a bag of litter when they sign up for dog training in Mpophomeni.

Sunshine Trust

The annual Sunshine Coast mountain bike race was held in Port Elizabeth and Meadow Feeds was once again one of the sponsors. Meadow Feeds sponsored 17,5 tons of animal feed to the Nanaga Trust which is then sold on to the farmers in the area. The funds from the sale of the feed are used to run the Sunshine Coast Community School.

Chicken Donations

Meadow Feeds continues to donate chicken on a monthly basis to a charity close to each of their mills. Meadow Pietermaritzburg supports Thandi House, Meadow Port Elizabeth supports the Thandusana Baby Safe House, and Meadow Feeds Divisional Office supports St Laurence Haven and Sithabile.

Mandela Day

Astral embarked on a new initiative this year for Mandela Day by involving all Astral employees in a community project in their area by donating a Mandela shoebox for the elderly. The staff all gladly accepted the challenge and found an organisation or group near their operations in need of support for the elderly. Each Mandela box contained items such as socks, slippers, scarves and gloves, face cloths and soap, hand cream, lip ice, a sweet treat and a biscuit treat. In addition, the company provided chicken to the homes for their lunches. The staff took these wise words of Nelson Mandela to heart: "You can start changing our world for the better daily, no matter how small the action."

Upliftment

HARRY GWALA AGRI NPC – NATAL

The Harry Gwala NPC pays for selected students to study their agricultural diploma at the Umvimkulu Technical College. The farmers in the Creighton and Ixopo region of KwaZulu-Natal assist the emerging farmers and students with practical on-farm experience and training. Meadow Feeds contributes R5/ton it sells to their customers in the region to the NPC.

LEGAE LA NNETE – RANDFONTEIN

Legae La Nnete, which means "a real home" in SeTswana, is a free Christian rehabilitation programme that assists young men who are fighting substance abuse and living on the streets. One of the projects they run is a small poultry house which teaches the individuals various skills and provides them with a source of income for their organisation. Meadow Feeds Randfontein continues to provide them feed and National Chicks sponsors the chicks.

BUHLE TRUST – DELMAS

The Buhle academy is a Section 21 company. They run poultry courses in Delmas for emerging farmers. Meadow Feeds Delmas sponsors the feed for the poultry farm where the training is run.

KWA-ZULU NATAL POULTRY INSTITUTE (KZNPI) – NATAL

The KZNPI runs training programmes for commercial farmers and their staff while at the same time training emerging poultry farmers on best farming practices for chicken farming.

Meadow Feeds has continued to support of the KZNPI by sponsoring the feed every month and assisting with the training when necessary.

SANTA SHOE BOX

The staff at several divisions of Astral continued to provide over 200 shoeboxes for the various children's homes and orphanages we support. Most of the homes were given chicken to provide a special meal on Christmas day.

Earlybird School – Christmas Party – Standerton

Goldi raised funds to host a Christmas event for the Earlybird Intermediate School. All of the teachers and 161 learners each received a meal and a Christmas box with special surprises inside. The Goldi Chicken and Santa Claus were there to meet the children to their utmost delight! This is the second time that Goldi has surprised the school with gifts for Christmas, and we hope to be in the fortunate position to do it again in the future.

Stakeholder topics

We continued to focus on issues that are material to our stakeholders and to Astral during the year and a number of topics formed a major part of the discussions.

1. Suppliers/service providers

Topic: Global and local maize production

- The maize harvest for the 2018/2019 marketing year was a modest 12,5 million tons with the stock-to-use ratio decreasing to 20,2% from the 28,3% in the prior year. As a result of very late rains in the central and western maize growing areas, the crop for the 2019/2020 marketing year is currently estimated at 11,1 million tons. This lower production level resulted in prices reaching import parity into the Western Cape, triggering imports into this region for most of the year under review. Despite these imports the stock-to-use ratio is expected to drop to approximately 14,7% at the end of the current marketing year with pricing for old season maize remaining at current levels.
- Maize planting intentions have increased by 9,5% for the crop currently being planted, that will be marketed in 2020/2021, setting the base for an above average maize crop. With neutral to La Niña predictions dominating the long-term forecasts, rainfall is expected to support an above average maize crop for the year exceeding 13 million tons. Should this crop materialise then South African maize prices will tend towards export parity once again resulting in lower maize prices for maize in the upcoming marketing year.
- Global corn stocks including China are expected to remain stable, with the world corn stock-to-use ratio projected at 23,49% (prior year 23,5%). World stock levels excluding China however ,show a more concerning stock situation with stock-to-use levels of 10,5% down from 10,7% in the previous year. In the medium- term, international maize prices are expected to move upward on the back of lower stock levels and increased demand. Global coarse grain markets are however distorted by the trade tariff war between the United States and China negatively affecting United States exports of corn and soybeans, and the disastrous Swine Flu outbreak in China that is expected to adversely affect Chinese feed demand.
- Global Soya stocks are expected to decrease as production adjusts to lower pricing levels adversely impacted by the current trade war, which has resulted in volatile Soya prices and a shift in countries of origin to South America for China's Soya requirements.

Topic: Commercial Division Outgoing Logistics

- During the reporting period Imperial Logistics unilaterally announced its intention to close the entire Consumer Packaged Goods business, including cold chain logistics, in May 2019 without any prior consultation with Astral. Engagement took place with various existing and alternative suppliers to derive the most suitable structure for these services going forward, targeting cost benefits in alignment with Astral's best cost strategy and improving route to market to better align with customers' requirements. An agreement was reached with Vector Logistics to supply these services for a four year period commencing 1 December 2019.

Topic: Standerton Water Supply Interruptions

- The deterioration of the municipal infrastructure of the Lekwa (Standerton) municipality, led to water supply interruptions at Astral's poultry processing plant in this region. This operation requires 5,5 Megalitres of water per day to process 2 000 000 broilers weekly. The under supply of water escalated to the point where the municipality could not even supply the 4,0 Megalitres per day secured by means of a mutually agreed court order, and with extremely limited communication from Lekwa in this regard. At the peak of the crisis no water was supplied for a seven-day period leading to a significant negative impact on the integrated agricultural supply chain. The processing facility was forced to reduce production to 50% of the scheduled capacity, with a concurrent negative impact on workers employed at the plant, suppliers and the greater Lekwa community.
- Astral, with the assistance of a number of national government departments, secured an emergency arrangement with the Lekwa municipality as an interim measure to stave off the water crisis. Under this agreement the municipality undertook to deliver a minimum of 2,0 Megalitres of treated water per day to the Goldi processing plant via the municipal infrastructure. Furthermore, the municipality appointed Astral as an emergency service provider, and agreed to cede 3,5 Megalitres per day of their raw water allocation from the Vaal River system to Astral for a period of 24 months.
- Astral installed infrastructure on one of its poultry farms alongside the Vaal River in the vicinity of Standerton, enabling the company to extract raw water. This water is pumped from the river and then transported by road to a filtration plant that has been established at the company's premises in Standerton alongside the processing plant. This emergency arrangement is currently in operation whilst the parties are co-operating to secure a more suitable extraction point at the municipality's water treatment works. In accordance with a High Court order previously secured by Astral, the municipality is obliged to submit a longer term plan indicating how and when it intends repairing and improving the municipal water supply infrastructure.

2. Customers

Topic: Supply and Demand

- The financial year under review was characterised by weak demand as a result of constrained consumer disposable income. Processing volumes increased across the poultry industry relative to the prior year, increasing supply of broiler meat to the market. Imports remained high, but relatively constant over this period. Deep cut promotional activity did stimulate additional sales volumes over the second half of the reporting period, drawing product out of stock and resulting in more acceptable stock levels at the end of the reporting period, but this had a negative impact on sales realisations.

3. Agriculture

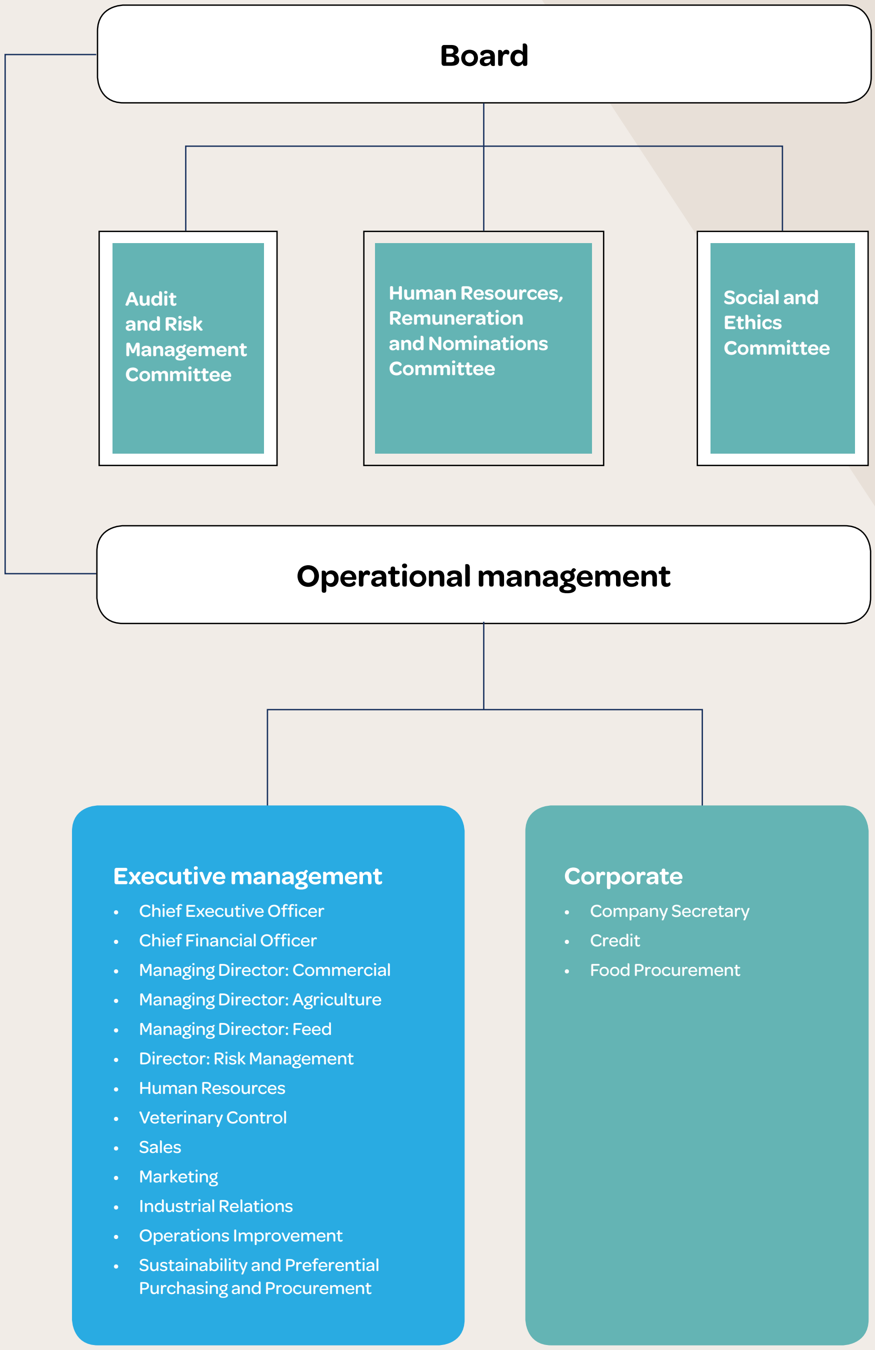
Topic: Update on Highly Pathogenic Avian Influenza (HPAI)

- Avian influenza remains a global challenge. However, world-wide cases of HPAI in 2018 were much lower compared to 2017. Different serotypes of the HPAI virus are still circulating in wild birds in Northern and Eastern Europe and the Middle East. The HPAI virus in Africa circulates in wild and aquatic coastal birds.
- In South Africa, 208 cases of HPAI H5N8 have officially been reported across nine provinces from the 21st of June 2017 to the 16th of August 2019. The H5N8 HPAI virus has been identified in wild birds and ostriches in the Northern, Western and Eastern Cape. Declaration of the H5N8 HPAI freedom status of the South African poultry industry by the World Organisation for Animal Health (OIE) is being delayed due to continued positive cases in ostriches.

Our governance

Good corporate governance provides the framework within which we strive to create superior levels of performance to the benefit of all our stakeholders

Governance structure



Executive committee

The Executive Committee consists of a number of senior managers who meet on an ad hoc basis to discuss matters pertaining to their particular expertise within the group.

Chris Schutte (59)

(Chief Executive Officer)

Started his career as Assistant Farm Manager in 1984 at Golden Lay Farms, a division of Tiger Brands. After 18 years with this group, joined Astral in 2002 as Manager of retail sales for Meadow Feeds. He was appointed as Managing Director for the Animal Feeds division in 2004 and as Chief Executive Officer of Astral in 2008.

Daan Ferreira (63)

(Chief Financial Officer)

Held various positions in operational financial management, tax management and project management before joining Astral as Group Financial Manager in 2001. He was appointed as Chief Financial Officer of Astral in 2009.

Gary Arnold (47)

(Managing Director: Agriculture)

Appointed as Managing Director of Nutec Southern Africa (now Provimi SSA) in 2004 and later as Chief Operating Officer for the Meadow division's Western Cape operations in 2006. In 2012 he was appointed as the Director: Business Development for Astral and currently heads the Agriculture division of Astral, primarily responsible for all farming operations, including breeding, hatching and broiler growing activities.

Andy Crocker (48)

(Managing Director: Commercial)

Started his career in 1998 as a Technical Adviser for Meadow helping to establish operations in the Eastern Cape. In 2000 he was appointed as the Technical Support Manager for the Eastern Cape, before moving to Meadow Paarl as Sales Manager in 2002. Originally appointed as General Manager of the Port Elizabeth mill in 2005, he became Chief Operating Officer of the Eastern Cape region in 2006. In 2010 he led the formation of the Cape Region as Chief Operating Officer responsible for the Paarl, Ladismith and Port Elizabeth operations. Currently he heads the Commercial division of Astral and is responsible for all abattoir operations as well as sales and marketing.

Michael Schmitz (58)

(Managing Director: Feed)

Has been employed in the Astral group for more than 30 years. Started his career in 1987 with Coopers Animal Health as a Research Scientist and joined Meadow Feeds nine months later as Technical Advisor. In 1999 he became the General Manager of Meadow Feeds Randfontein. He was appointed as Chief Operations Officer of Meadow Feeds Pietermaritzburg in 2005, a position he held until 2017 when he was promoted to his current position as head of the Feed division.

Faan Greyling (67)

(Agriculture Executive)

Started his career as State Veterinarian in 1976 and joined Earlybird Farm in 1979 as Technical Manager. In the years that followed, he held various positions within the Astral group including Manager: Production where he was accountable for all farms' production in the Standerton area, to being the regional Chief Operating Officer accountable for the total Festive and Goldi operations.

Obed Lukhele (44)

(Veterinary Executive)

Obtained his junior veterinary degree from the Medical University of South Africa (Medunsa), a veterinary honours degree and an honours degree in entomology from Pretoria University. He is a registered veterinarian and holds a speciality degree in poultry diseases. Spent six years in the veterinary pharmaceutical industry as Poultry Technical and Export Manager from 2001 to 2007. Obed joined Astral in May 2007 and has occupied different positions of veterinary support and strategy.

Nikki Moodley (49)

(Operations Improvement Executive)

Nikki has more than 20 years' experience across different disciplines including operations management, food safety and quality, environmental, health and safety, risk management, continuous improvement and supply chain management. She joined Astral in January 2016.

Evert Potgieter (49)

(Director: Risk Management)

He joined the Altron group in 1997 in the internal audit department. During his time at Altron he obtained his Certified Internal Audit certification and was promoted to Deputy Internal Audit Manager, a position he held for five years before joining Astral in 2006 as Internal Audit Manager. Current responsibilities include internal audit, risk, insurance and information technology for the group.

Gerhard Pretorius (43)

(Nutrition Executive)

Started his career as Assistant Nutritionist at Meadow Feeds in Randfontein in 1999 and in 2004 he was promoted to the position of Technical Assistant: Pigs and Poultry. In 2006 he was appointed as Technical Manager: Pigs and Format. In 2010 he was promoted to the position of Nutritional Manager: Pigs and Poultry of the Feed division and in 2015 he became the Nutritional Manager Poultry in the Agricultural division.

Anil Rambally (47)

(Purchasing and Sustainability Executive)

Started his career in 1992 as a Despatch Clerk at Alpha Stone and Readymix (now Afrisam). Joined Nutec Southern Africa (now Provimi SSA) in 1999 as Assistant Financial Manager and in 2009 he was appointed as Executive Manager: Preferential Purchasing for the Astral group. He is currently responsible for environmental initiatives as well as the vetting of suppliers.

Colin Smith (58)

(Marketing Executive)

Started his career in sales and marketing in 1982 as a Sales Representative and worked his way up into management roles in various blue chip companies such as Unilever, Gilbeys, Cadbury and Tiger Brands in the fast moving goods industry. During this time he has held various executive and directorship roles including Managing Director of DBG, a leading national liquor distributor from 2008 to 2011, when he joined Astral as Chief Operating Officer of Festive. Currently he is the head of the Marketing division of Astral.

Gideon Jordaan (45)

(Human Resources Executive)

Started his career in human resources in 1996 as a Human Resources Officer with Anglo American Gold and Uranium Division (now AngloGold Ashanti) and worked his way up to Human Resources Manager. Joined Aveng Grinaker-LTA in 2001, where he performed various Human Resources Executive and strategic executive roles. Joined Alstom/General Electric in 2012 as Human Resources Specialist for major infrastructure projects, and was appointed Human Resources Executive for the GWK Group in 2016. Joined the Astral Group on 1 August 2019.

Daniel Tshabalala (61)

(Industrial Relations Executive)

Daniel started his career as a teacher after which he joined Earlybird as a Training Instructor. Later he became the Human Resources Officer and gained experience dealing with trade unions and strikes. He has attended to more than 1 000 arbitration cases and has more than 26 years' experience in an unionised environment.

Louis Vermaas (47)

(Sales Executive)

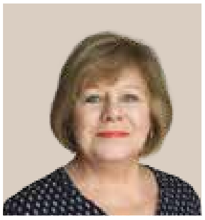
Started his career with Earlybird in 1994 in the sales department. In 2004 he joined Merlog Foods, a meat trading company as a partner. In 2009 he joined Afgri Poultry as Sales and Marketing Director before returning Astral in 2012.

Gerrit Visser (61)

(Processing Executive)

He has more than 30 years' experience in the poultry industry. He joined County Fair in 1989 as an Industrial Engineering Technician after being involved in a training and development consultancy for six years. In 1990 he was appointed as the Operational Manager Primary Processing. Various positions followed and he was appointed as Deputy Managing Director at County Fair in 2002 and as Chief Operating Officer of County Fair in 2008.

Corporate services



Maryna Eloff (66)

(Group Company Secretary)

CSSA (Int.)

Appointed in June 2005

Has extensive experience in administration and company secretarial practice in numerous companies in the stockbroking, banking, information technology and mining industries. Director of a number of gold mining companies from 1997 to 2003. Currently responsible for the company secretarial function of the Astral group, management member of the group's provident funds and member of the Group Corporate Risk Management Committee.

Leonie Marupen: (47)

(Assistant Company Secretary)

Started her career as Assistant Company Secretary at DRDGOLD in 2001 .Has experience in company secretarial and corporate governance. After 18 years with DRDGOLD she joined Astral on 1 August 2019.

Braam Spies (62)

(Group Credit Manager)

Appointed in September 2004

Career started at Barclays Bank in 1977 as teller and progressed to Manager through the ranks at various Banks and left Absa 21 years later. Joined Genfoods in 1998 as Credit Manager and started with Astral group in 2004 as Regional Credit Manager, Feed division and was subsequently appointed as Credit Executive for the Astral group in November 2011.

Willem Stander (62)

(Group Procurement Manager)

BSc Agric (Hons)

Appointed in February 2001

Obtained a BSc Agric(Hons) degree from the University of Pretoria in 1982. Joined Meadow Feeds in the Raw Material Department at the Tiger Brands head office in Braamfontein. Moved to Meadow Paarl in 1984 as Nutritionist and promoted to Marketing Manager in 1989 and to Raw Material Director in 1995. Appointed as Procurement Executive for the Feed division in 1999.

Corporate governance

Good corporate governance provides the framework within which we strive to create superior levels of performance to the benefit of all our stakeholders.

We believe that our governance practices are sound and, in all material respects, conform to the principles embodied within the King IV™ Report on Corporate Governance for South Africa 2016 ("King IV™") and the Listings Requirements of the JSE Limited. We are also cognisant of the Public Investment Corporation's corporate governance and proxy voting policy as well as the Code for Responsible Investing in South Africa 2011 and have implemented measures to comply with their requirements as far as possible.

The King Code on Governance Principles underpins Astral's corporate governance framework and we are in full support of the voluntary principles and leading practices of King IV™.

The constitution and the operation of the board of directors

The board

The board operates in terms of a formally approved Mandate and Terms of Reference which set out its role and responsibilities, the main elements of which are:

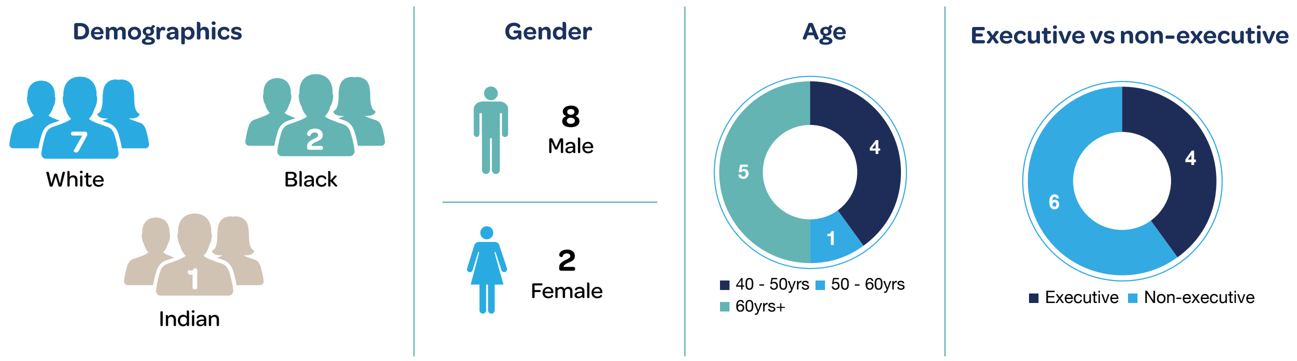
- the Chairman of the board must be an Independent Non-executive Director;
- a formal orientation programme for new directors must be followed;
- specific policies, in line with the King IV™ Report, must exist with regard to conflicts of interest and the maintenance of a register of directors' interests;
- the board must conduct an annual self-evaluation;
- directors must have access to staff, records and outside professional advice where necessary;
- succession planning for executive management must be in place and must be updated regularly;
- strategic plans and an approvals framework must be in place and reviewed regularly;
- policies to ensure the integrity of internal controls and risk management must be in place; and
- social transformation, ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly.

In August 2017, the mandate and terms of reference of the board were updated to include the elements of King IV™.

We have a unitary board structure, presently comprising 10 directors, including six Independent Non-executive Directors at year-end. The roles of Chairman and Chief Executive Officer are separate and distinct. The composition of the board ensures a balance of power and authority, and negates individual dominance in decision-making processes. It also reduces the possibility of conflicts of interest and promotes objectivity. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

We believe that the Non-executive Directors are of suitable calibre and number for their views to carry significant weight in the board's decisions. An Independent Non-executive Chairman leads the board. A schedule of beneficial interests of directors appears on page 163 of this report. Astral's memorandum of incorporation specifies that Non-executive Directors do not have a fixed term appointment.

We currently have three (27%) South African directors of previously disadvantaged backgrounds on the board who are Independent Non-executive Directors. The board has set a target of 25% for race and gender representation in its membership.



Astral currently has a Race and Gender Diversity Policy in place.

In September 2019, an evaluation of each of the Non-executive Directors' performance was conducted. The overall findings were presented to the board and discussed. This evaluation supported the board's decision to endorse all retiring directors standing for re-election.

During the year, we assessed the independence of Dr Eloff who has been a director for more than nine years. After deliberation it was agreed that, considering the requirements for independence as contained in King IV™ and the Companies Act, he is still regarded by the board as an Independent Non-executive Director. To assist Dr Eloff, Mr Fouché was appointed as Lead Independent Non-executive Director.

Dr Eloff's major roles include:

- chairing all general meetings and board meetings;
- assisting with the determination of the agenda for all general meetings;
- ensuring that the board receives accurate, timely and clear information;
- keeping track of the contribution of individual directors;
- ensuring that all directors are involved in discussions and decision-making;
- taking a leading role in determining the composition and structure of the board; and
- ensuring effective communication with shareholders and, where appropriate, the stakeholders.

Mr DJ Fouché is the Lead Independent Director and his responsibilities are in line with King IV™, namely:

- leading in the absence of the Chairman;
- serving as a sounding board for the Chairman;
- acting as intermediary between the Chairman and other members of the board, if necessary; and
- dealing with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact is inappropriate;
- strengthening independence on the board if the Chairman is not an Independent Non-executive member of the board;
- chairing discussions and decision-making by the board on matters where the Chairman has a conflict of interest; and
- leading the performance appraisal of the Chairman.

No director is disqualified in terms of the criteria for independence as laid down by the JSE Listings Requirements or by King IV™.

We do not have retirement age restrictions as we believe that a board member's effectiveness does not necessarily correlate with the length of his/her board service or his/her age. Our Mandate and Terms of Reference states that once a director reaches the age of 70, the board is required to evaluate his performance on an annual basis to determine that his performance remains on the standard set for all directors of Astral.

The Chairman presides over meetings of the board, guiding the integrity and effectiveness of the board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that board discussions lead to appropriate decisions. The roles and functions of the Chairman have been formalised and there is a formally approved succession plan in place for the position of Chairman of the board.

On a quarterly basis, we actively solicit from our directors details regarding their external shareholdings and directorships which potentially could create conflicts of interest while they serve as directors on our board. The declarations received are closely scrutinised and are tabled at the beginning of each quarterly board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recluse themselves from discussions in meetings. No interests in material contracts were reported in the 2019 financial year.

Corporate governance continued

Operational management is the responsibility of the Chief Executive Officer. His responsibilities include, amongst others, developing and recommending to the board a long-term strategy and vision that will generate satisfactory stakeholder value, developing and recommending to the board annual business plans and budgets that support the long-term strategy, and managing the affairs of the group in accordance with its values and objectives, as well as the general policies and specific decisions of the board. There is a formal succession plan in place for the Chief Executive Officer and he has a normal employment contract which is applicable to all employees which includes a notice period of two months by either party. The Chief Executive Officer is not a member of the Human Resources, Remuneration and Nominations or Audit and Risk Management Committees, but attends same by invitation. He does not have any other professional commitments.

A complete list of board members and their CV's appear on pages 8 to 10 of this report. In terms of our memorandum of incorporation all new Non-executive Directors appointed during the year, as well as one-third of the existing Non-executive Directors, have to retire on a rotational basis each year but may offer themselves for re-election.

Directors are required to undergo an induction programme including site visits to familiarise themselves with all aspects of our business. Briefing sessions take place when required to bring directors up to date with changes in laws and regulations pertaining to the company.

The board is accountable for the actions of management and has retained full and effective control of the organisation over the past year. The board defines levels of materiality, reserving specific powers to itself, and delegates other matters to management. The board is satisfied that the delegation of authority framework contributes to role clarity and effective exercise of authority.

The board meets at least quarterly to review strategy, planning, operational performance risks, broad-based black economic empowerment compliance, acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the group's objectives.

The board periodically reviews the mix of skills and experience available within the board. Procedures for appointment to the board are formal and transparent and are vested in the board and include detailed screening of nominees to ensure that they meet the eligibility requirements as laid down in the Companies Act and the JSE Listings Requirements.

The board conducts assessments of each director annually based on several factors including expertise, objectivity, judgement, understanding the group's business, willingness to devote the time needed to prepare for and participate in committee deliberations. The performance evaluations were completed and reviewed by the Chairman and found to be generally satisfactory. The performance evaluation of the Chairman is reviewed by the Lead Independent Non-executive Director. If required, the Chairman meets with individual board members to discuss their performance. The following assessments were completed during the year:

- performance evaluation of the Audit and Risk Management Committee;
- performance evaluation of the Human Resources, Remuneration and Nominations Committee;
- performance evaluation of the Social and Ethics Committee;
- performance evaluation of the board;
- performance evaluation of the Chairman;
- performance evaluation of the Chief Executive Officer; and
- performance evaluation of the Company Secretary.

The board is satisfied that the evaluation process, although not externally facilitated, does add value and is effective in improving the performance of the board.

Strategic planning meetings take place at least every second year, and progress on strategic objectives is reviewed at every board meeting.

Directors have access to the advice of the Company Secretary and may seek independent and professional advice about affairs of the company at the company's expense.

The board confirms that it is satisfied that it fulfilled its responsibilities in accordance with its Mandate and Terms of Reference for the period under review.

Attendance at meetings

Four board meetings and one strategic planning meeting were held during the past year. Additional board meetings may be convened when necessary.

Attendance at meetings was as follows:

Scheduled board meetings					**Strat plan meeting**
	2018	**2019**			2019
Director	14.11	**07.02**	**07.05**	**15.08**	15 – 16.08
GD Arnold	√	√	√	√	√
AB Crocker	√	√	√	√	√
T Eloff	√	√	√	√	√
DD Ferreira	√	√	√	√	√
DJ Fouché	√	√	√	√	√
MT Lategan	√	#			
S Mayet				√@	√
TP Maumela	√	√	√	√	√
WF Potgieter				√@	√
CE Schutte	√	√	√	√	√
TM Shabangu	√	√	√	√	√

√ *Present*
\# *Resigned 07.02.2018*
@ *Appointed 01.07.2019*

The board is supported by the Audit and Risk Management, Human Resources, Remuneration and Nominations and Social and Ethics Committees to carry out its oversight role of ensuring that implementation of the group's strategy is managed in a manner that is consistent with the values of the group.

The board believes that the group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE Limited. The group has not breached any regulatory requirements and has complied with all its statutory obligations.

Remuneration of non-executive directors

Non-executive directors received the following fees during the year:

	Fixed fee per annum R'000
Chairman of the board	470
Lead Independent Non-executive Director	209
Member of the board	329
Chairman of the Audit and Risk Management Committee	268
Member of the Audit and Risk Management Committee	139
Chairman of the Human Resources, Remuneration and Nominations Committee	178
Member of the Human Resources, Remuneration and Nominations Committee	100
Chairman of the Social and Ethics Committee	157
Member of the Social and Ethics Committee	94

The remuneration is payable on a monthly basis.

Board committees

To enable the board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to board committees. All board committees are chaired by an Independent Non-executive Director. Particulars of the composition of the board of directors and committees appear on pages 8 to 10 of this report. Board committee Mandates and Terms of Reference are reviewed on an annual basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep abreast of developments in this field.

As the Audit Committee has become a statutory committee in terms of the Companies Act, shareholders are required to elect the members of our Audit and Risk Management Committee at the next annual general meeting.

Shareholders will also be required to elect the members of the Social and Ethics Committee for the forthcoming financial year at the company's next annual general meeting.

Organisational integrity and ethics

We maintain a Code of Ethics, which requires all employees, managers and directors to comply with the letter and spirit of the Code by observing the highest ethical standards and ensuring that all business practices are conducted ethically.

A policy provides guidelines as to what constitutes fraud, theft, corruption, or associated internal irregularities, to outline our response to these, and to detail the procedures to be followed in order to report such incidents that are suspected or discovered.

We have a "zero tolerance" approach towards fraud and corruption and protect employees who raise concerns relating to fraud and corruption from victimisation.

We utilise the services of Deloitte & Touche to provide an independent "Tip-offs anonymous" hotline. All incidents reported are investigated and appropriate action taken in terms of the relevant policies and disciplinary procedures.

Copies of our ethics policy are displayed on all notice boards, laminated abridged copies are handed to every employee and the Chief Operating Officer of each business unit is tasked to act as champion for his business unit to ensure that the ethics policy is understood and adhered to by all employees.

The ethics policy forms a permanent part of every management agenda and external suppliers are required to adhere to the ethics policy. Any non-adherence is reported to business unit management and in turn reported to the Chief Executive Officer and ultimately to the board.

The Code of Ethics deals with:

- complying with all laws, regulations and codes;
- culture, ethics and values;
- dealing openly and honestly with customers, suppliers and other stakeholders;
- respecting and protecting privacy and confidentiality;
- respecting human rights and dignity of employees;
- social responsibility;
- guidelines in respect of receiving and giving gifts and entertainment;
- prohibiting the acceptance of bribes, directly or indirectly;
- prohibiting the payment or offering of bribes;
- integrity of financial information;
- protection of confidential information;
- protection and use of company property;
- conflict of interest; and
- actioning any contravention of the Code.

In terms of accountability, all employees are required to:

- commit to individual conduct in accordance with the Code of Ethics;
- observe both the spirit and the letter of the law in their dealings on the group's behalf;
- recognise the group's responsibility to its shareholders, customers, employees, suppliers and to society;
- conduct themselves as responsible members of society, giving due regard to health, safety and environmental concerns, and human rights, in the operation of the group's business; and
- report any suspected breach of the law or the Code of Ethics to the internal audit department or the board who will protect those who report violations in good faith.

Corporate governance continued

The board accepts overall responsibility for the adherence to the Code of Ethics and has no reason to believe that there has been any material non-adherence to the Code of Ethics during the year under review. The Code of Ethics is reviewed on a regular basis by the Social and Ethics Committee.

Restrictions on share dealings

Directors and employees are prohibited from dealing in Astral shares during price sensitive periods. Closed periods extend from 31 March and 30 September, being the commencement of the interim and year-end reporting dates, up to the date of announcement of interim and year-end results, and include any other period during which the company is trading under a cautionary announcement. All directors are required to obtain written permission from the Chairman before dealing in any Astral shares in order to protect them against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

We have implemented an Information Policy that deals with prohibited periods for dealing in Astral shares, the determination of price sensitive information, periodic financial disclosure and affected directors' dealings in Astral shares.

Participants in our share incentive schemes are subject to the rules of the schemes and the provisions of the Listings Requirements of the JSE Limited.

Management reporting

We have comprehensive management reporting disciplines, which include the preparation of strategic plans and annual budgets by all operations. Group strategic plans and budgets are considered and approved by the board. Results and the financial status of the operations are reported monthly to the executive management and quarterly to the board and then compared with approved budgets and results of the previous year. Working capital requirements and borrowing levels are monitored on an ongoing basis and corrective or remedial action taken as appropriate.

Company secretary

The Company Secretary is suitably qualified and experienced and plays an important role in ensuring that the board procedures are followed correctly and reviewed regularly. The Company Secretary is responsible for the duties set out in Section 88 of the Companies Act No. 71 of 2008 and is appropriately empowered by the board to fulfil these duties.

The board assesses the qualification, competence and expertise of the Company Secretary and confirms her suitability in terms of the JSE Listings Requirements on an annual basis. For further information on the Company Secretary, please refer to Corporate Services on page 75.

The Company Secretary is not a director of any of the Astral group's operations and accordingly maintains an arm's-length relationship with the board and its directors. In order to confirm the Company Secretary's arm's-length relationship with the board, the following factors are taken into consideration:

- the Company Secretary is independent from management;
- the board empowers the Company Secretary to act as gatekeeper of good corporate governance;
- there are no special ties between the Company Secretary and any of the directors;
- the Company Secretary is not party to any major contractual relationship which may affect her independence; and
- there are no matters affecting the Company Secretary's ability to adequately and effectively perform her company secretarial duties.

The annual assessment concluded that the Company Secretary, when engaging with the board, acted professionally, independently from the board and interacted on an equal footing with the board. The relationship between the Company Secretary and the board was without influence or undue pressure.

Political party contributions

We do not make any contributions to political parties.

Whistleblowing measures

In accordance with the provisions of the Protected Disclosures Act No. 26 of 2000, management has ensured that no employee who has made a protected disclosure shall be subject to any occupational detriment and shall be afforded anonymity without fear of consequential victimisation.

Access to professional corporate governance services

The board believes that access to professional corporate governance services are available and is effective.

Corporate governance framework

The board operates according to an approved corporate governance framework that provides for prudent management and oversight of the business and adequately protects the interests of all shareholders.

The members of the Executive Committee and the heads of support functions are responsible for adherence to and implementation of the framework in their business and operational areas.

The following documents are available on www.astralfoods.com:

- Corporate Governance Framework
- Overview of King IV™ Principles
- Race and Gender Diversity Policy
- Information Policy
- Abridged Code of Ethics
- Board committee Mandates and Terms of Reference

Business risk report

Risk management

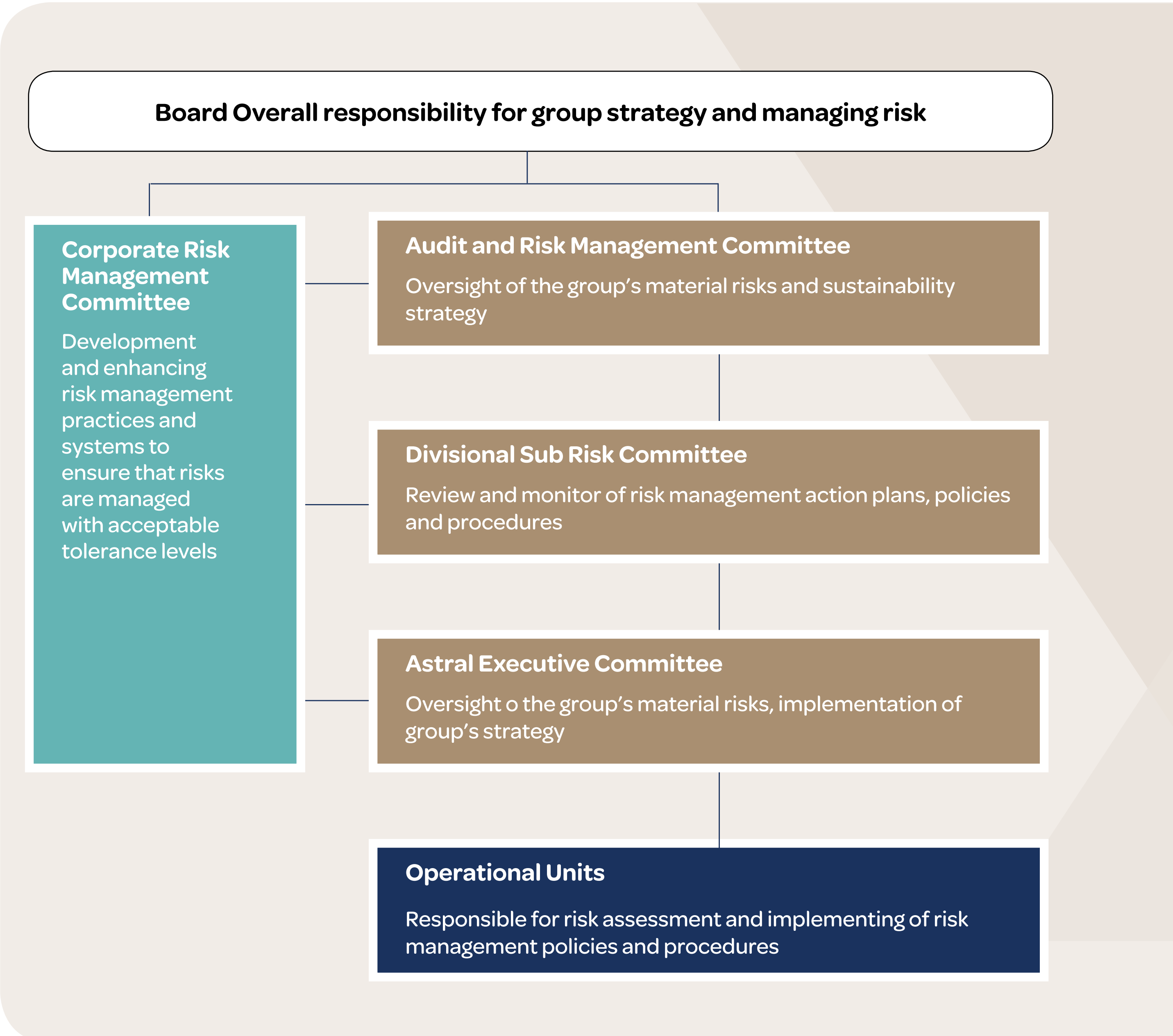
Astral is committed to the following risk management action plan:

- Identifying the risk which the group is exposed to.
- Identifying the most effective ways of eliminating or mitigating the risk exposure as far as reasonably practical.
- Insuring against catastrophic incidents and other losses beyond our self-insurance capacity.

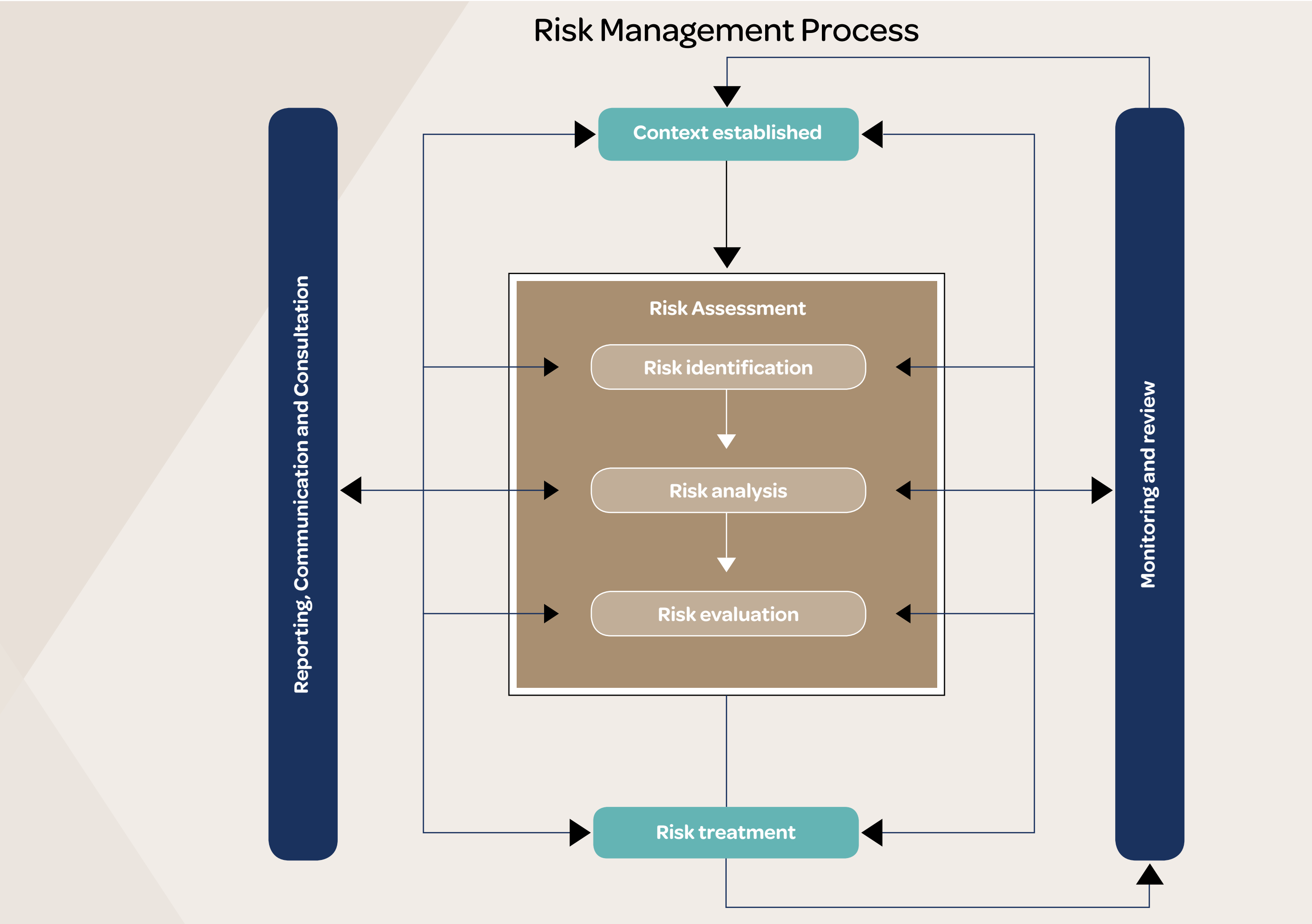
We apply an enterprise wide-risk management approach, involving all levels of management, with assistance of consultants for assessing insurable risk. The senior management at each operation is responsible for the development and implementation of a sound risk control programme based on the group's risk control standards.

The integrity of the risk control programme is regularly monitored by internal audit and appointed risk consultants.

Risk management framework



Business risk report continued



Risk recognition, evaluation and management

At the core of all risk management is a systematic, cyclical risk management process, involving a series of steps from the identification of a risk, to the analysis, evaluation and management of the risk, and finally to the monitoring of the measures taken in reaction to the risk.

The management team of each operation within the group analyses the main risks affecting that operation. The executives in the various operations categorise each risk they have identified and evaluate it in terms of criteria as defined in the business risk methodology, including the potential impact of the risk on the group and the expected probability of its occurrence. When analysing the impact of the risk, Astral considers not only the impact on the results of operations, but also the impact on non-monetary aspects such as safety, service, reputation and strategy.

Risks are evaluated in relation to the following parameters:

- headline risk area/category;
- impact;
- probability; and
- perceived control effectiveness.

An inherent risk rating is calculated as the product of the impact of a risk and the probability of that risk occurring. The ranking for inherent risk assists management and internal audit alike to establish relativity between all the risks/threats identified.

Having identified the controls that are in place to manage the risk in question; it is necessary to assess the effectiveness of these controls. This is a measure of how well management perceives the identified controls to be working in effectively managing the risks.

Risk are then ranked utilising the residual risk status, this is the value of risk that the organisation is exposed to taking into account the inherent risk, reduced by the related controls which exist to manage that risk. Residual risks/exposures are therefore, the product of the inherent risk and the control effectiveness factor.

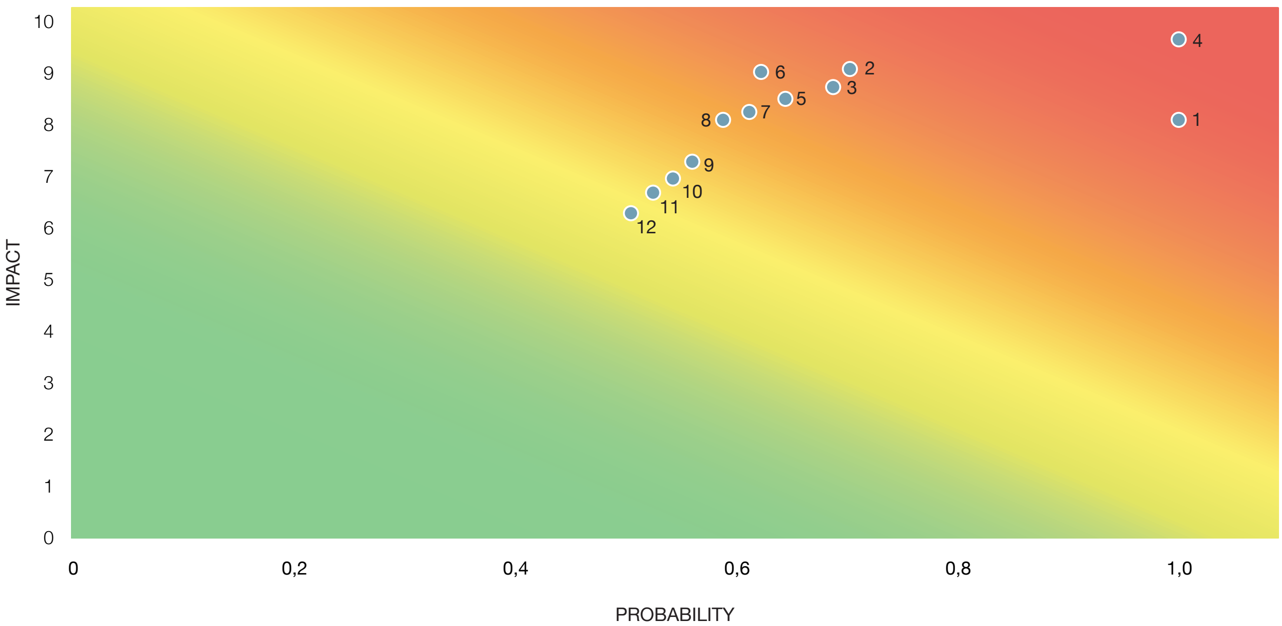
Business risks

BUSINESS RISK	RISK MITIGATION PLANS
Electricity – security of supply and pricing • Cost and availability of electricity • Unscheduled power interruptions • Cable theft resulting in business interruption	• Alternative energy sources identified and utilised • Direct supply from Eskom • Planned production runs • Load curtailment agreements
HPAI outbreak impact on operations HPAI outbreak can adversely impact our ability to conduct our operations and supply of products.	• Additional bio-security measures • Training and induction programs • Production contingency plans in case of an outbreak • Vaccination programme – awaiting approval from government departments
Poultry products contaminated with bacterium that cause serious infections • Listeriosis outbreak in South Africa	• Increased monitoring and testing • Enhanced cleaning programs • All processing facilities FSSC 22 000 certified • Traceability/Product recall exercises • Regular audits performed by independent risk consultants, customers and independent standards authorities • Hygiene awareness Programme • Consumer awareness Programme • Repair and Maintenance projects – hygiene • Additional Capex projects
Water supply and quality • Quality and availability of water • Unscheduled water interruptions • Municipal infrastructure not maintained	• Increase in water reservoir capacity and enhancement of distribution • Water savings initiatives • Groundwater sources • Purification and recycling of water
Prolonged high raw material cost The severe drought experienced in 2016 has resulted in high raw material prices and volatility. Although all producers would be exposed to similar prices, the main risk is the inability to recover this higher input cost.	• Explore cost effective raw material import opportunities • Astral Executive Procurement Committee frequently reviews the procurement strategy. • Endeavour to recover the higher input cost through selling prices of poultry
Prolonged imbalance in supply and demand of poultry as a result of the following factors: • Excessive local expansion • High levels of imports • Classic dumping of poultry meat in South Africa • Suppressed disposable income	• Participation in industry bodies presenting arguments for the protection of local industry against subsidised imports and dumping • Responsible expansion and production programmes • Monitoring of bird weight and production mix • Planned temporary production cut backs • Entrench least cost strategy
Breakdown in biosecurity and threat of diseases Diseases would not only impact the group through the possible depletion of flocks, but could influence growth, fertility and hatchability.	• Regular disease monitoring • Serological, microbiology and molecular surveillance • Increased level of bio-security, including suppliers • Availability of vaccination procedures • Culling and disposal protocols • Elimination of vectors e.g. bird proofing • Cleaning and disinfection programs • Contingency plan formulated in case of outbreak

Business risk report continued

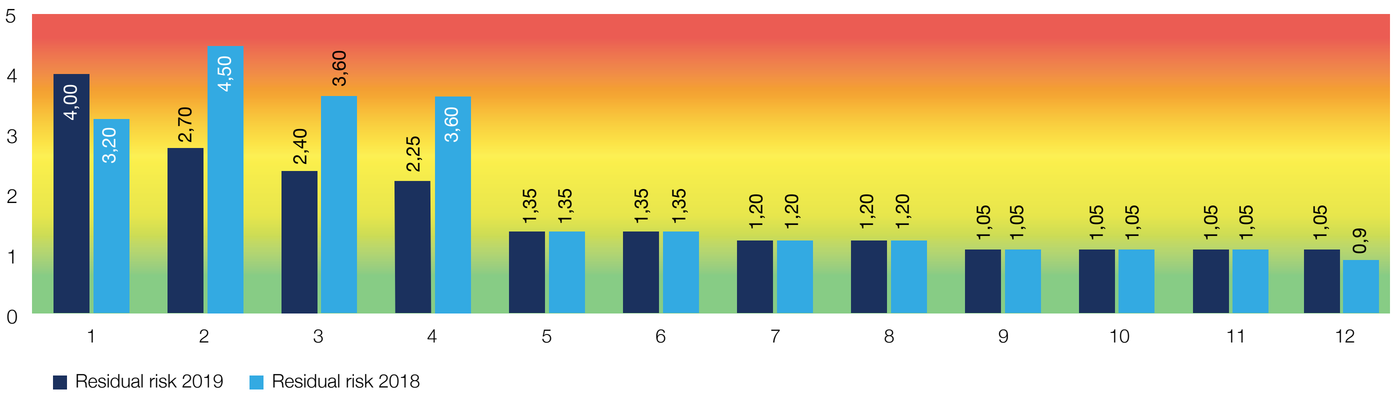
BUSINESS RISK	RISK MITIGATION PLANS
Premix micro ingredient deficiency and/or contamination with undesirable substance Vitamin, mineral and feed additive premixes are included in animal feed. Should this premix not conform to the required specification with respect to micro-nutrient content it could impact on the health and growth of livestock.	• Pre-screening of suppliers • Country of origin quality control • Ongoing improvement in quality and production technology
Raw material price volatility Prices of all agricultural inputs tend to fluctuate with a major impact on input costs.	• Alignment with well-established suppliers who have global reach • Key raw material procurement centrally co-ordinated • Astral Executive Procurement Committee reviews and updates procurement strategy and prices regularly
Non-conformance to final feed specifications impact on the breeding programme Should animal feed not conform to the required quality standards and nutritional levels it could impact on the growth, performance and production efficiency of livestock.	• Pre-screening of raw materials • Country of origin quality control • Analytical laboratory competency • Stringent quality standards • Independent quality audits • Ongoing improvement of technology • Inclusion of ingredient tracers
Lack of continuous genetic improvement Genetic improvement programs to ensure that the performance of the Ross 308 is maintained at optimal levels.	• Benchmarking • Utilisation of technology • Standardisation of best practice • Alignment with best genetic provider
Malicious damage – Virus and cyber attacks Risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its information technology systems.	• Standardised group policies • Anti-virus software version checks • Regular enforced updates of Windows patches • Independent intrusion detection testing • Response action plans

Inherent risk rating



	RISK
1	Electricity: security, supply and pricing
2	HPAI outbreak impact on operations
3	Poultry products contaminated with bacterium that cause serious infections
4	Water supply and quality
5	Prolonged high raw material cost
6	Prolonged imbalance in supply and demand
7	Breakdown in Biosecurity and threat of diseases
8	Premix micro ingredient deficiency and/or contamination with undesirable substance
9	Raw Material Price volatility
10	Non-conformance to final feed specifications
11	Genetic Performance
12	Malicious damage – Virus and cyber attacks

Residual risk rating



Residual risk status

This is the value of risk that the organisation is exposed to taking into account the inherent risk, reduced by the related controls which exist to manage that risk. Residual risk/exposure is therefore, the product of the inherent risk and the control effectiveness factor. Residual risk can be ranked or classified from 1 to 5 as follows:

Level	Description	Rating
Immediate action required	Management should take immediate action to reduce residual risk exposure to an acceptable level.	4+
Action required	Management should implement more controls or increase the effectiveness of current controls to reduce the residual risk to a more acceptable level.	3 – 4
Monitor	Management should constantly monitor the risk exposure and related control effectiveness.	2 – 3
Tolerable	The residual risk exposure is acceptable to the company.	1 – 2
Acceptable	Management may consider reducing the cost of control.	0 – 1

Remuneration policy

Dear shareholders

On behalf of the Human Resources, Remuneration and Nominations Committee and the board, I take pleasure in presenting the 2019 Remuneration Policy and Implementation Report.

In order for stakeholders to better understand how remuneration decisions are made, more in-depth reporting is required by the committee. The committee focuses on alignment of pay and performance with shareholder goals and enhanced disclosure ensures that stakeholders understand the quantum, rationale and drivers of executive remuneration. Good governance, ethics and leadership regarding remuneration is primarily informed by King IV™. This report will give stakeholders an indication of the key components of our policy and how these align with our performance and strategic objectives for the year.

The policy has been expanded in order to ensure that market-related but affordable performance-linked rewards are paid to employees over the short- and-long term. The aim of the policy is to attract and retain valuable talent.

We will continue to review and adapt the policy to market conditions to ensure that the policy and principles remain appropriately aligned with our overall business strategy and we will continue to focus on fair and responsible remuneration for all our employees.

This report will give you an overview of the committees' activities against our annual work plan, with the key element of our remuneration policy focused at enhancing performance to optimise shareholder value responsibly and sustainably, which remains a key priority.

The aim of the committee is to ensure that overall remuneration was appropriate for the performance of Astral and in relation to our peers. We have considered the overall risk environment, the risk appetite and risk profile as well as the need to attract, retain and motivate key talent to enable the delivery of Astral's strategic objectives.

During the year, the committee received guidance from two external advisors regarding the remuneration of executive management as well as the fees payable to Non-executive Directors, namely:

- PricewaterhouseCoopers; and
- 21st Century Pay Solutions

South Africa is currently facing many complex socio-economic challenges and the committee continuously strives to find the balance between performance, talent retention, market trends and good corporate governance aligned with principles contained under King IV™ and ethics subscribed to by the committee in terms of policy and decision-making.

The committee at all times remains committed to its values of transparency, integrity, accountability, governance and control to enable long-term sustainability.

I would like to thank the members of the committee for their hard work, commitment and contribution towards achieving the objectives of the committee as set by the board.

Warm regards

Tshepo Shabangu
Chairman

13 November 2019

1. Human Resources, Remuneration and Nominations Committee – Composition and Terms of Engagement

The committee is constituted as a board committee and assists the board in discharging its responsibilities for the development of the company's general policy on executive and senior management remuneration and to determine specific remuneration packages for Executive Directors of the company, including but not limited to basic salary, benefits in kind, bonuses, performance-based incentives, share incentives, pensions and other benefits. The committee determines criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities.

Members of the committee are:

Member	Independent non-executive	Period
TM Shabangu (Chairman for Human Resources and Remuneration function)	Yes	February 2017 to date
T Eloff (Chairman for Nominations function)	Yes	June 2014 to date
DJ Fouché	Yes	June 2016 to date

The committee met three times during the year and the attendance at meetings was as follows:

	2018	2019	
Member	25/10	28/02	01/08
TM Shabangu	√	√	√
T Eloff	√	√	√
DJ Fouché	√	√	√

√ *Present*

The board annually assesses the composition of the committee to ensure that it continues to operate effectively. The committee is further tasked with determining the group's remuneration policy and to further systematically review the remuneration strategy and the overall implementation thereof over an annual cycle.

It would be during this process that the committee, in its annual review of benefits, will strive to determine, amongst others, whether:

- benefits are still appropriate and competitive, with consideration given to industry, the organisation's financial position, legislative requirements, market benchmarks and remuneration trends; and
- the Long-Term Incentive (LTI) and/or Short Term Incentive (STI) schemes continue to be fair and transparent while meeting the needs of the participants.

In terms of King IV™ and the JSE Listings Requirements shareholders are required to cast a non-binding advisory vote on the remuneration policy and implementation as presented in this report at the annual general meeting of shareholders. Should either vote receive 25% or more votes against, the following steps will be taken by Astral:

- issue a SENS announcement regarding the outcome of the vote;
- invite dissenting shareholders to engage with Astral regarding their dissatisfaction;
- schedule collective and/or individual engagements, either telephonically or personally, with dissenting shareholders to record their concerns and objections;
- assimilate all responses and analyse concerns and issues raised with the objective of formulating changes to policy and implementation where required; and
- appropriately respond to shareholders to provide feedback of where any changes may be made or alternatively why Astral, despite shareholder feedback, believes their current policy and/or implementation is adequate.

The Company Secretary attends all meetings of the committee as secretary. The Chief Executive Officer and the Human Resources Executive of Astral Operations Limited attend all meetings by invitation. No attendee may participate in any discussion or decision regarding his or her own remuneration.

Shareholders representing approximately 85% of the votes at the annual general meeting on 7 February 2019, voted for the Remuneration Policy and Implementation Report.

Remuneration policy continued

2. Independent Advisors

In order to ensure that we remunerate our executive management and senior management competitively, the committee consults with external independent advisors from time to time on market information and remuneration trends. These include PE Corporate Services (Pty) Limited, 21st Century Pay Solutions Group and PriceWaterhouseCoopers. In addition, the committee frequently reviews and benchmarks Astral against remuneration and board best practice reports published by external parties. It is imperative that focus remains on fair and competitive remuneration at all levels in order to remain an employer of choice. The committee further considers the views of the Chief Executive Officer on the remuneration and performance of his colleagues on the Astral Foods and Astral Operations boards of directors.

The committee confirms that it was satisfied with the independence and objectivity of the remuneration consultants and advisors utilised during 2019, that they provided independent, non-biased advice and that all decisions taken were recommended by management and approved by the committee.

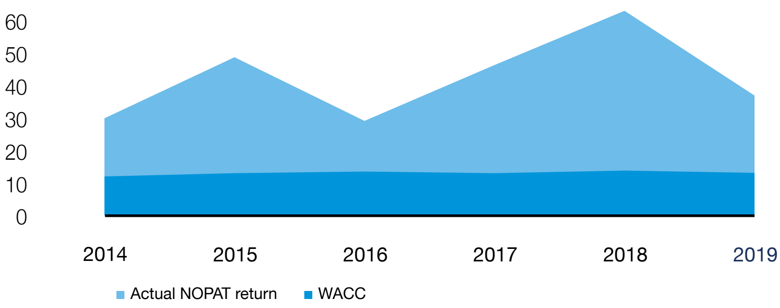
Part 1: Background statement

Astral is committed to a reward philosophy that prevails throughout the group, and one which focuses on attracting, retaining and motivating employees of the highest quality by fairly and responsibly rewarding employees in a transparent manner for consistent and sustainable individual and corporate performance.

Astral's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the group and providing attractive and appropriate remuneration packages to employees, while at the same time taking cognisance of earning equality within our business and maintaining a high level of transparency in the reporting thereof to stakeholders. The remuneration practices of the group continue to be structured in a manner that renders Astral competitive with comparable mid-cap companies listed on the JSE Limited by encouraging and rewarding performance that is aligned to the group's business model.

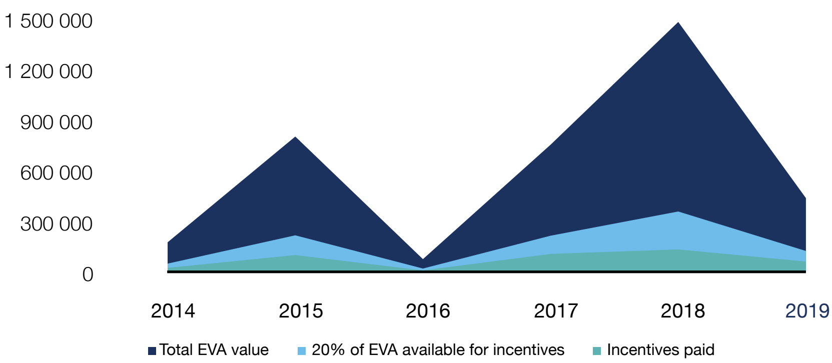
The overall business performance of Astral was reasonable, due in part to what has proven to be difficult trading conditions. The economic value-added for Astral during the period 2014 to 2019 compared to STI allocations was as follows:

Actual NOPAT return v. WACC *%*

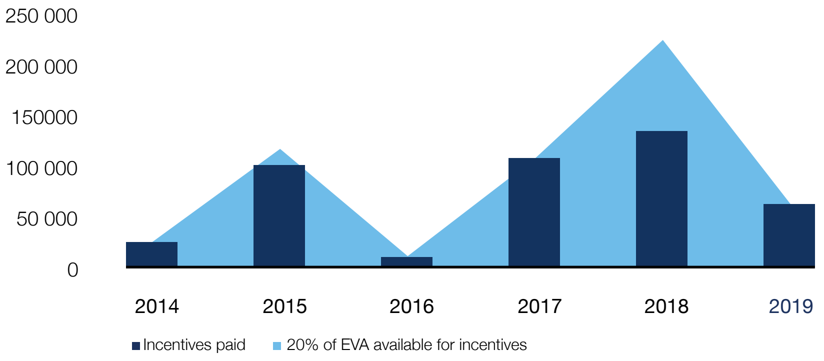


1. Refer to page 6 of the integrated report for further detail pertaining to the overall financial performance of Astral.

20% of EVA v. actual incentives paid *R'000*



20% of EVA v. actual incentives paid *R'000*



Astral has adopted an integrated and balanced approach to its reward strategy, which aims to align individual reward components to stakeholder interests and to the business-specific value drivers of Astral.

1. The committee successfully achieved its key objectives this year through the following key actions:

- Review and confirm the Mandate and Terms of Reference of the committee in order to align it with the King IV™ Corporate Governance principles.
- The approval of pay adjustments for executive management, senior management and employees.
- Reviewed fee levels for Non-executive directors for recommendation to the board.
- Reviewed and updated the two STI safety net conditions[2].
- Reviewed and, where appropriate and in line with advice, adjusted by either increasing or decreasing short-term incentive sharing percentages applicable to executive management and senior management.
- Reviewed and update of the Long-Term Incentive (LTI) policy document and vesting conditions.
- Approval of the 2019 LTI allocation.
- Reviewed remuneration developments and compare to country best practice.
- Within its mandate, reviewed and monitored the transfer of retirement funds to NMG Fund Administrators, as governed by the board of trustees of the funds.

The committee confirms that it has discharged its responsibilities as mandated by the board, its statutory duties in compliance with the Companies Act and best practice in corporate governance, as set by King IV™.

The committee will continue to reward employees in a fair, responsible and transparent manner, as prescribed by Principle 14 of King IV™, which promotes the achievement of the strategic objectives of the group and positive outcomes in the short-, medium- and long-term.

The key focus areas for 2020 of the committee include the following:

- Review and confirm the Mandate and Terms of Reference of the committee in order to align it to the King IV™ Corporate Governance principles; and
- Continue with implementation of the revised and broadened Remuneration Policy in 2020.

2 Please see page 94 of Remuneration Policy for details pertaining to the applicable safety net conditions.

Remuneration policy continued

Part 2: Remuneration policy

1. Introduction

Astral' s remuneration policies are designed, within the framework of the company's reward strategy, to successfully attract, motivate, reward and retain the highest calibre of talent, while aligning their respective interests with those of shareholders (over the short-, medium-and long-term) and the achievement of strategic objectives within Astral' s risk appetite. The achievement of positive outcomes, for both shareholders and employees, is to be reached through the promotion of an ethical corporate culture and the adherence to responsible corporate citizenship by Astral and its employees.

Astral's integrated reward structure operates within the following framework:

- Total guaranteed pay.
- Short-term incentives.
- Long-term incentives.
- Recognition programmes including a Long Service Award programme.
- Succession planning and skills development, with supported learning and development programmes.
- Employee well-being through an integrated wellness programme.
- Employee benefit administration in terms of insurances, retirement funds, medical aids and conditions of employment.

The key elements of Astral's reward framework and structure can be summarised as follows:

	Intent	Reward element	Eligibility	Link to strategy
Guaranteed Pay	Attract, reward and retain skills of the highest quality to execute Astral's strategic objectives	Salary	All employees	Yes, retain adequate skills
Variable Pay	Reward high-performing employees by aligning reward with performance	EVA/PBIT Incentive bonus scheme	All employees including selected members of executive and senior management	Business unit focus
		Short-term incentive	Selected executives, senior management and professionals	Short-term focus upon achievement of key performance indicators in support of group strategy
	Long-term reward of key employees (LRP)	Long-term incentive (LRP)	Selected executives, senior management and professionals	Long-term focus upon implementation and achievement of group strategy
	Retention of skills and alignment with shareholders' interests	Forfeitable share plan	Selected executives, senior management and professionals	Long-term focus upon implementation and achievement of group strategy

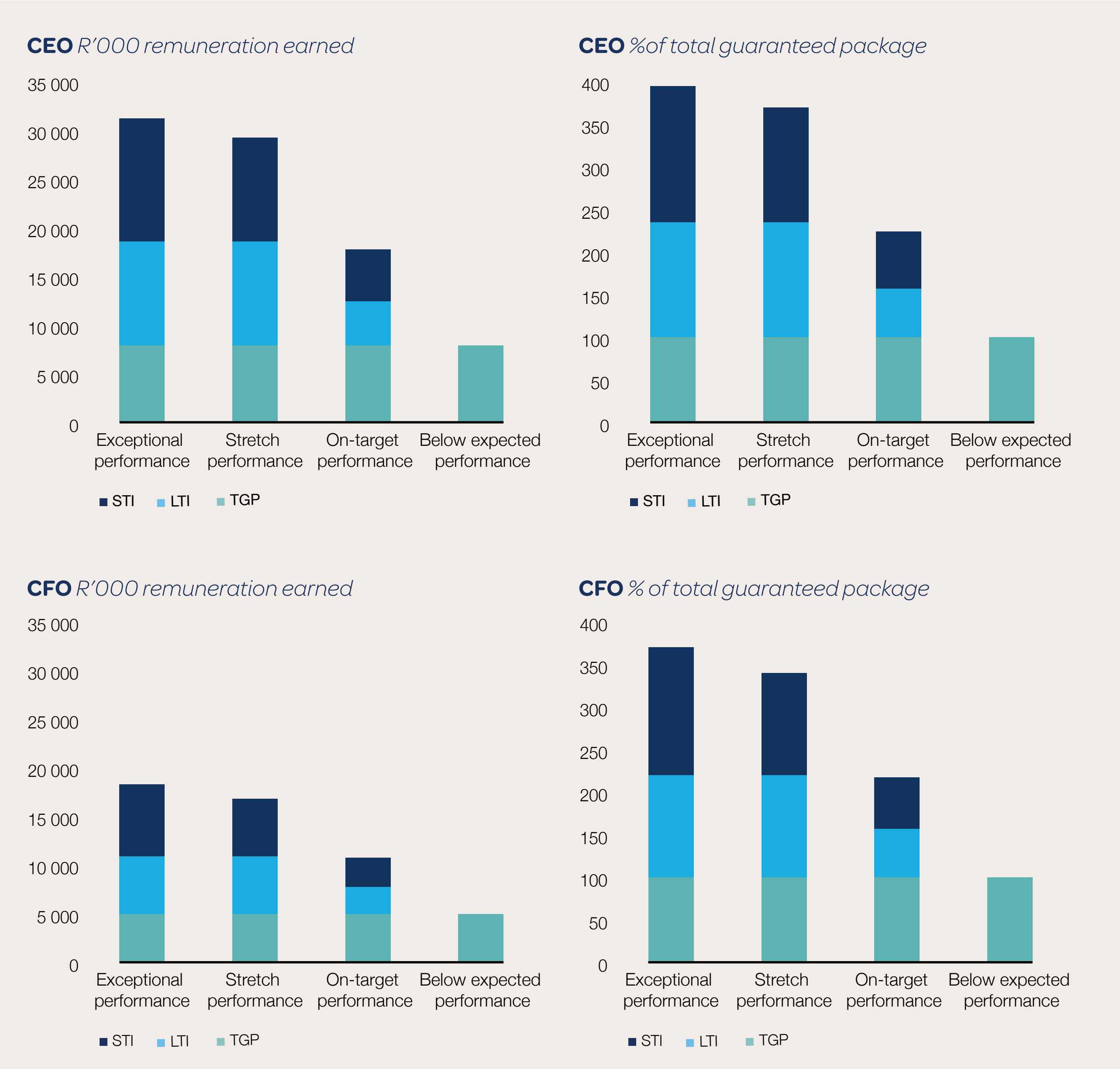
The guiding principle that Astral adheres to is to ensure that employees are fairly and responsibly rewarded for their individual contribution to the group's operational and financial performance in line with its corporate objectives and business strategy, and that this reward is aligned with industry and market benchmarks by focusing on a number of factors including:

- individual performance;
- balanced approach towards fair and equitable pay, in principle comparative at all levels within Astral;
- affordability and sustainability of pay at the various levels;
- considering the total remuneration mix for each individual; and
- the relative strategic and operational positioning of each job in contributing to the overall success of our business.

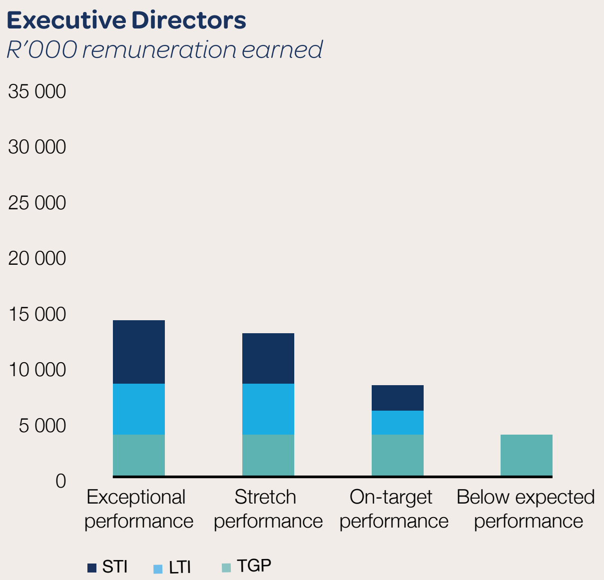
From the 2020 financial year, a two-year clawback provision on STI's an LTI's under certain circumstances, was introduced for the Executive Directors and prescribed officers. In the financial year ended 30 September 2019, no clawback was invoked on either the STI's or the LTI's on Executive Directors and prescribed officers.

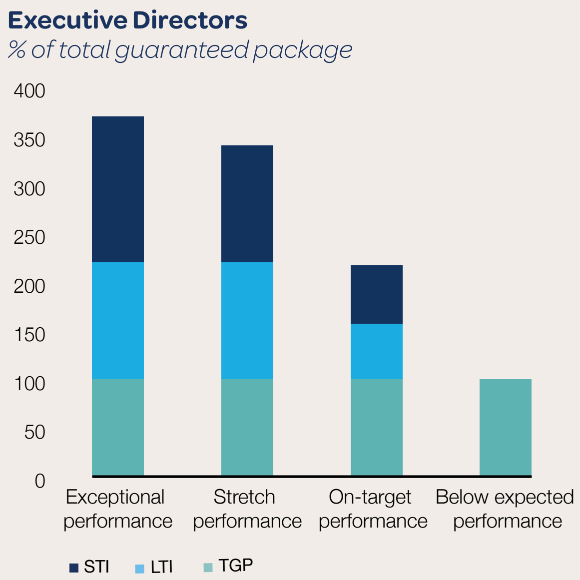
2. Executive management remuneration

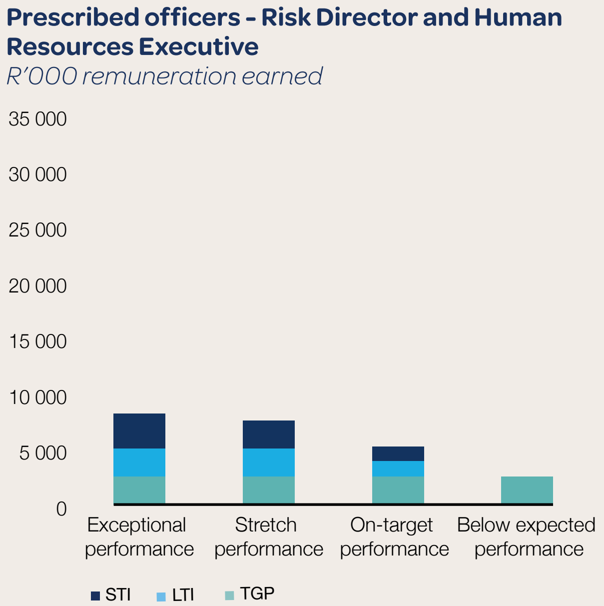
Astral's reward philosophy for Executive Directors and prescribed officers entails that a significant portion of remuneration received is dependent upon company performance. The actual total pay outcomes for the year ended 30 September 2019 is dealt with in detail in part 3, while total pay opportunities for the Chief Executive Officer, Chief Financial Officer, Executive Directors and prescribed officers under four performance scenarios are illustrated below:

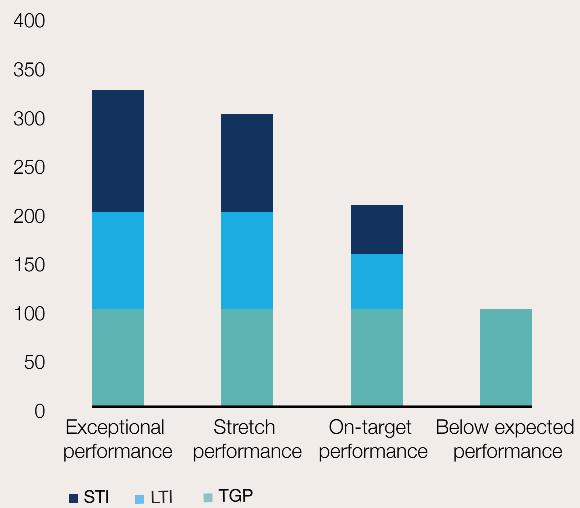


Remuneration policy continued







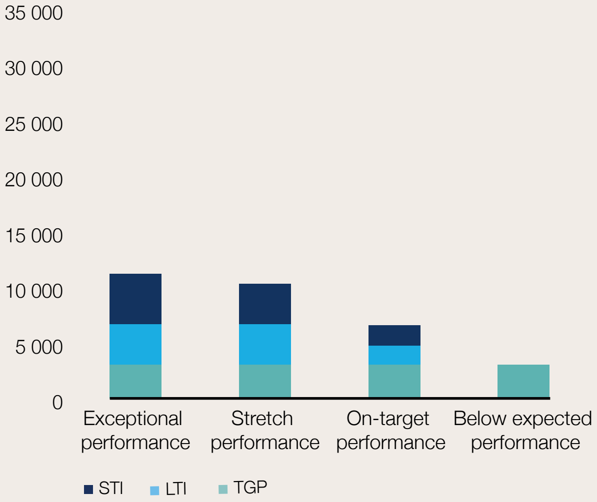


The three components of remuneration principles as applied across all levels of the organisation, including the executive management, can be summarised as follows:

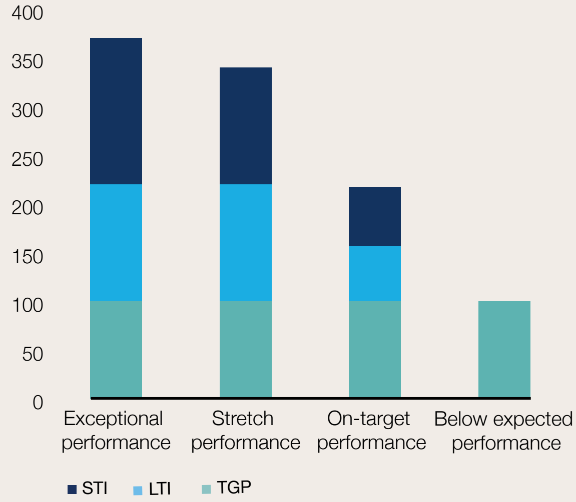
2.1. TOTAL GUARANTEED PACKAGE

Astral adopted a total cost of employment philosophy for all salaried employees which we refer to as Total Guaranteed Package (TGP). TGP incorporates, as part of the group's value proposition, base pay, fixed car allowance and provident fund contributions. TGP packages are considered base pay and do not include annual incentives or long-term incentives. TGP is paid monthly in cash to the employee and any change in the price of a benefit or a contribution level will not have a cost impact on the company, but will have a net effect on the earning of the employee. TGP is reviewed annually, any adjustments are effective from 1 October each year and annual adjustments in TGP are generally linked to CPI except in instances when the committee is advised differently by either reputable independent advisors or following a benchmarking exercise.

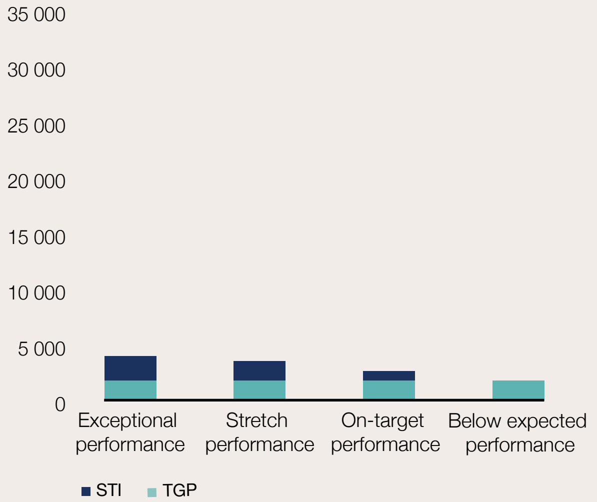
Prescribed officer – Managing Director
R'000 remuneration earned



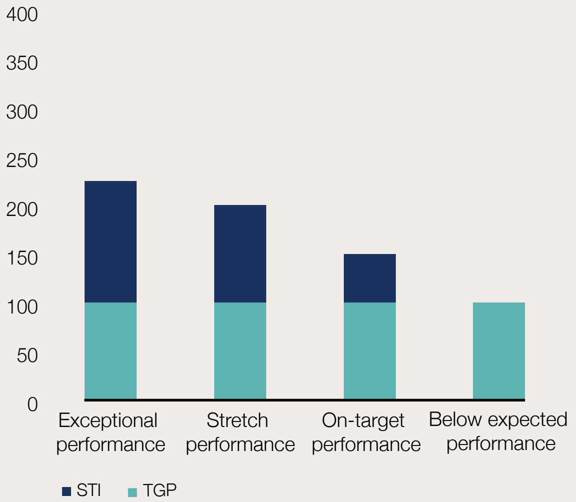
Prescribed officer – Managing Director
% of total guaranteed package



Prescribed officers – Company secretary
R'000 remuneration earned



Prescribed officers – Company secretary
% of total guaranteed package



Remuneration paid to executive management remains fair and responsible in the context of overall employee remuneration in the company as illustrated by the fact that higher earning employees continued to receive lower percentage- adjustments than lower level employees, to assist in lowering the income gap between the different levels.

Guaranteed pay for senior management and executive management is structured to be between the 50th percentile and the 75th percentile of comparator companies on the JSE Limited. It is at the discretion of the committee, as mandated by the board, to remunerate key senior and executive management employees above the 75th percentile in order to retain such employees, should this be required.

Remuneration policy continued

2.2. SHORT-TERM INCENTIVE (STI)

2.2.1 Introduction

The short-term incentive (STI) schemes operating within Astral are tailor-made to specific levels of employees within the organisation. They incentivise all categories of staff, and are reviewed regularly to ensure they remain fair and responsible.

The goal of the annual incentive schemes is to reward participants for the achievement of the group's financial performance while retaining a clear link between pay and individual performance. The committee satisfies itself that the performance criteria utilised are relevant, stretching and designed to enhance shareholder value.

Any employee participating in a STI scheme will automatically leave the scheme when he/she leaves the employment of Astral and will no longer be considered a participant.

Participants within this plan fall into two categories:

- an Economic Value Added (EVA) based calculated bonus, covering members of executive management and senior management (EVA Incentive Scheme); and
- a business unit operating profit target bonus, covering all other employees of the different business units (PBIT Incentive Scheme).

2.2.2 EVA Incentive Bonus Scheme

The EVA scheme is considered an important measure of individual performance and is subscribed to by the company due to its support of the organisational objectives of:

- Business development
- Working capital management
- Investment
- Talent management
- Growth and profitability
- Close alignment to shareholder expectations

Incentive bonuses for members of executive management and senior management are based on sharing in EVA created. EVA is, for purposes of the scheme, defined as the excess of net operating profit after tax (NOPAT), over the required return on net assets at year-end calculated at the weighted average cost of capital (WACC) applied to the net assets per the closing balance sheet and as prevalent at September annually. The EVA bonus will only be paid to a participant if the threshold of an appropriate premium to WACC (stretch performance) has been met.

Enhanced performance percentage reward targets (exceptional performance), have been included under the scheme effective F2020, for exceptional targets achieved, which will remain within the safety net cap of 20% share in economic value add. Exceptional performance targets include an appropriate premium to the stretched target.

EVA is the incremental difference in the rate of return over a company's cost of capital and essentially it measures the value a company generates from the funds invested into it.

The following two safety conditions are to be considered in calculating the EVA bonus:

(a) the total amount available for bonuses to the members of executive management and senior management is limited to 20% of the economic value added (i.e. excess of actual NOPAT over the required return on net assets); and

(b) no individual bonus may exceed pre-determined percentages, irrespective of the total bonus payments being within the 20% share of the economic value added.

Incentive bonuses of members of executive management are 100% based on achieving economic value added targets and for senior management 50% based on achieving economic value added targets, and 50% based on achieving operating profit targets (for the respective business units where they are employed).

The committee sets the annual threshold, and individual annual target bonuses are determined according to the different managerial levels with the maximum limits per individual as follows:

Stretched and exceptional performance threshold:

Managerial level	Stretched performance maximum STI – % of TGP	Exceptional performance maximum STI – % of TGP
CEO	135%	160%
CFO	120%	150%
Managing Director	120%	150%
Executive Management	100%	125%
Senior Management	80% to 100%	100% to 125%

Annual individual target bonuses are determined based upon comparable benchmarks and with continued consideration given to attracting, retaining and motivating skilled executive management and senior management within the context of our overall remuneration strategy.

An external consultant calculates the EVA incentive bonus payments and the calculation is then subject to a segment findings review by PwC.

2.2.3 PBIT Incentive Bonus Scheme

The incentive bonus payable to employees participating in this scheme is based on achieving a combination of budgeted operating profit and an improvement on the previous year's operating profit, as follows:

(a) half of the incentive payable is limited to 20% of the excess of operating profit over budget and the other half is limited to 20% of the excess of operating profit over the previous year; and

(b) a second limit is also applied whereby any individual bonus payment may not exceed between 12% and 20% of the employees' cost of employment to the company.

2.3. LONG-TERM INCENTIVES (LTI)

2.3.1 Introduction

The Long-Term Incentive (LTI) utilised by the company, namely the Long-Term Retention Plan (LRP) and Forfeitable Share Plan (FSP) are the chosen schemes with which to drive the long-term retention of key employees within the company.

In the event that any Executive Director, member of executive management or senior management should leave the employ of the company and any variable payments, which have vested, are still outstanding, the committee in consultation with the Chief Executive Officer will determine whether such payment should be made. Payment will only be made in exceptional circumstances.

No share options have been granted in 2019 and shareholders have not been requested to approve any allocations since 2013. The use of share options as a mechanism to incentivise employees no longer forms part of the policy. It has been phased out and is no longer available to be used for future awards.

2.3.2 Long Term Retention Plan (LRP)

The LRP is a deferred cash scheme and was introduced to replace share options in order to attract, retain and motivate members of the executive management and senior management of the highest quality by fairly and responsibly rewarding employees in a transparent manner for consistent and sustainable long-term individual and corporate performance.

The participants within the LRP scheme are limited to members of executive management and senior management and all participants will, with effect from 2019, be subjected to 100% performance conditions with no guaranteed portion applicable going forward.

The continued use of the LRP scheme will, from time-to-time, be reviewed by the committee and the continued use thereof will be determined by the committee based upon the company achieving its reward philosophy in a sustained manner, namely to attract, retain and motivate employees of the highest quality. The committee may therefore decide upon the use of any of the following combinations:

- the LRP may be used as a deferred cash scheme on its own; or
- the LRP may be wholly replaced by the FSP should the committee consider this to be beneficial in achieving the company's reward philosophy at that juncture; or
- the committee may decide to utilise a combination of both LRP and FSP in achieving its goal of attracting, retaining and motivating employees of the highest quality.

Remuneration policy continued

The value of the total annual LRP allocation must be approved by the committee within the following framework:

- the allocation may not exceed 1% of the group's market capitalisation applicable at the date of allocation; and
- allocated amounts in aggregate may not be more than 5% of the group's market capitalisation.

The LRP allocations are allocated annually during October and are approved by the committee. New cycles of Performance Conditions take effect at the time of the LRP allocations. The LRP allocations vest over a period of three years and are subject to meeting predetermined financial performance conditions.

The following applies in respect of the performance conditions set for the LRP:

- 33% of the allocated amount is subject to achieving a predetermined moving average annualised growth in Headline Earnings per Share (HEPS) over a three-year period. The base is determined by calculating the 3 year moving average of HEPS at the onset of the vesting period. The vesting percentage will increase according to a sliding scale for HEPS growth as authorised by the committee. An average annual increase in HEPS over a three-year period of inflation (Consumer Price Index averaged over a period of 36 months) plus 5% per annum, will secure a payment at vesting equal to 33% of the allocated amount and an average increase in HEPS equal to the inflation rate will secure a payment equal to 18% of the allocated amount.
- 34% of the allocation is subject to achieving a predetermined performance condition of an average Performance Efficiency Factor (PEF)[(i)] over a 3 year period. The actual payments are calculated on a sliding scale according to the average PEF achieved over the three-year period. The use of PEF as a measurement of performance is specific to agricultural businesses such as Astral and is considered essential in holistically managing performance within our operations. PEF is the most important international benchmark used by broiler integrators to measure the efficiency of on farm broiler production. This value is derived from a formula that incorporates the final average live weight of a broiler before slaughter (i.e. the final average weight per bird at depletion of the flock off farm and transfer to the processing facility), the average age at which the broiler achieves that live weight, the liveability of the birds over the growth cycle of the broiler flock, and the feed conversion efficiency over that production cycle (feed conversion efficiency describes the effective optimisation of poultry feed, where feed cost makes up approximately 66% of the live cost of a broiler).
- 33% of the allocated amount is subject to achieving an average Return on Net Assets ("RONA") over a three-year period. The base is determined by calculating the three year moving average of RONA at the onset of the vesting period. The vesting percentage will increase according to a sliding scale for RONA as authorised by the committee. An average annual increase in RONA over a three-year period to 28% (averaged over a period of 36 months), will secure a payment at vesting equal to 33% of the allocation and an average to RONA equal to 18% will secure a payment equal to 25% of the allocated bonus amount.
- These criteria were applicable to allocations from 1 October 2018 onwards.
- The performance criteria for allocations prior to 1 October 2018 are as follows;
  - 37% – actual growth in HEPS
  - 38% – actual targeted PEF performance
  - 25% – guaranteed, no performance criteria
- The new requirement to capitalise operating leases from 2020 onwards will impact the RONA, as the asset base will increase by an estimated R750 million, without a significant impact in operating profit.

(i) PEF is the most important international benchmark used by broiler integrators to measure the efficiency of on farm broiler production. This value is derived from a formula that incorporates:

- *the final average live weight of a broiler before slaughter (i.e. the final average weight per bird at depletion of the flock off farm and transfer to the processing facility);*
- *the average age at which the broiler achieved that live weight;*
- *the liveability of the birds over the growth cycle of the broiler flock; and*
- *the feed conversion efficiency over that production cycle (feed conversion efficiency described the effective optimisation of poultry feed, where feed cost made up approximately 72% of the live cost of a broiler).*

The formula used to calculate PEF is:

$$\frac{\text{Live weight (kg)} \quad \times \text{ Liveability (\%)}}{\text{Age at depletion (days)} \quad \times \text{ Feed conversion efficiency}} \times 100$$

(i) Measuring the average PEF could be likened to the precise evaluation of various production parameters incorporated in the measurement, all of which could be influenced by management, environmental conditions, poultry diseases and poultry feed quality.
PEF as the ultimate measurement of live bird performance, incorporating terminal live weight and age (and hence the broiler growth rate), in addition to liveability (the survival rate) and feed conversion efficiency, would reflect any inefficiencies or improvement in broiler growth.
This provides a good guide to the likely deterioration or improvement in the final live cost achieved.
Astral's strategy to be the best cost integrated poultry producer is largely driven by the live cost of a broiler which makes up a sizable portion (69% in F2019) of the average final cost of all poultry products.

- *Further details pertaining to PEF can be found at http://www.astralfoods.com/PDF/Astral%20PEF%20Description%202018.pdf)*

No payments are made if the minimum performance condition targets are not achieved.

The committee reserves the right to change the performance conditions for new LRP amounts awarded. Targets for the performance conditions are reviewed by the committee annually at the time of allocation of new bonus amounts. Performance conditions and amounts allocated are not changed once the awards have been made.

Vested amounts payable are calculated based on the performance conditions achieved during each three-year period ending on 30 September of the respective year. Actual payment of the amounts is made during the following financial year.

2.3.3 Forfeitable Share Plan (FSP)

The FSP has been implemented with effect from 2018 but for the financial year under review no allocations have been made under the FSP. In line with local and global best practice, awards of forfeitable shares will be issued and will be subject to stretching performance conditions over the vesting period. The participants within the FSP scheme are limited to members of executive management and senior management.

The performance conditions relating to the vesting of performance shares for the FSP are exactly the same as that applied to the LRP namely:

	Performance condition
Performance Efficiency Factor (PEF)	33.0%
Headline Earnings per Share (HEPS)	34.0%
Return of Net Assets (RONA)	33.0%

The FSP recognises the key employees who have an important role to play in delivering the group strategy and the overall purpose of the FSP is accordingly to afford the members of executive management and senior management the opportunity to own shares in Astral through annual grants of forfeitable share awards as approved by the committee. This would entail that the participants receive shares (with dividend and voting rights) on the date of the award, subject to performance conditions and the risk of forfeiture during a three-year vesting period. The aggregate number of shares which may be settled in respect of the FSP, to all participants, will not exceed 5% of the number of issued shares at the date of adoption of the FSP.

Settling of shares will be executed by the company purchasing shares in the open market and within the guidelines set by the JSE Listings Requirements. The award of forfeitable shares to any participant will be approved by the committee prior to such forfeitable shares being issued.

2.4. EXECUTIVE DIRECTORS' REMUNERATION

For information regarding Executive Directors' and prescribed officers' emoluments, other benefits and share incentive scheme interests, refer to Part 3: Implementation Report on pages 99 to 102.

3. Service contracts and severance arrangements

We have entered into formal contracts with our Non-executive Directors.

Executive directors, members of executive management and senior management on Paterson Grades D, E and F, are subject to Astral's standard terms and conditions of employment where the notice period is 60 days (Grades D) and 90 days (Grades E & F). In line with our group policy, no director is compensated for the loss of office and none of the directors have special termination benefits or are entitled to balloon payments.

Astral's practice when terminating the services of an individual for operational reasons is to pay a minimum of one week of the annual total cost of employment for each completed year of service. We aim to apply this policy to all employees, including Astral Executive directors, but it is subject to negotiation in special circumstances.

There are no restraint of trade provisions in place for any Executive Directors, members of executive management or senior management.

4. Retirement funds

Since 1 March 2019, retirement fund contributions are paid over to NMG and the rate of contribution is 18% based on the pensionable salary of these individuals.

At its meeting in February 2019, Fund Administrators submitted a comprehensive report to the committee, indicating that the Funds are solvent.

Remuneration policy continued

5. Other benefits

In addition to the benefits already described as part of their total cost of employment packages, Executive Directors, as well as senior management also receive a death-in-service benefit. No ex-gratia payments, deferred awards of any nature or restraint payments were made during the review period.

6. Non-executive Directors' fees

The board applies principles of good corporate governance relating to directors' remuneration and also keeps abreast of changing trends. Governance of Directors remuneration is undertaken by the committee.

The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new legislation and corporate governance principles i.e. complexity and local/global footprint of the company, market capitalisation, sector, level of competence required and the required time commitment.

Non-executive Directors fees are based upon benchmarking done by independent advisors and recommended fees are accordingly based thereon.

Astral's Non-executive Directors do not receive bonuses or share options, recognising that this can create potential conflicts of interest which can impair the independence which Non-executive Directors are expected to bring to bear in decision-making by the board.

The fees for Non-executive Directors excludes Value Added Tax (VAT) and are recommended by the committee and approved in advance by shareholders at the annual general meeting in terms of a special resolution required in terms of the Companies Act. Fees for 2020 were reviewed by the committee and the board in August 2019 and will be put to shareholders for approval at the annual general meeting in February 2020.

Astral's policy on remuneration for Non-executive Directors determines that it should be:

- Market related (having regard to the median fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to Astral and operating in similar sectors).
- Should be in the range between the median and upper quartile of comparator companies of the JSE Limited.
- Should be at a fair and competitive level at which we can attract, retain and appropriately compensate a diverse and suitably experienced non-executive directors.
- Not linked to share price or Astral's performance.

The group pays for all travel and accommodation expenses incurred by directors to attend board and committee meetings as well as visits to company sites and businesses.

For information regarding fees for acting as Non-executive Director and member of the various board committees, refer to the Corporate Governance Report on page 79.

4 Refer to point 2.3.1 at page 95 of this report for further detail on variable pay in the event of termination of employment executive Director, member of executive management or senior management

Part 3: Implementation report

1. Introduction

This section of the report explains the implementation of the remuneration policy by providing details of the remuneration paid to Executive management and Non-executive directors for the financial year ended 30 September 2019. The committee continually assesses Astral's remuneration strategy, practices and policies in order to ensure that they remain aligned with the strategic objectives of the company and are in line with Astral's reward philosophy.

2. Summary of remuneration activities and decisions taken

The main activities undertaken and decisions made by the committee, for the year ended 30 September 2019, included:

2.1 Review and confirm the Mandate and Terms of Reference of the committee in order to align it to the King IV™ corporate governance principles.

2.2 Review shareholder feedback after the annual general meeting.

2.3 Approval of salary adjustments for executive management, senior management and employees.

2.4 Review fee levels for Non-executive directors.

2.5 Review of the Short-Term Incentive (STI) scheme to reward executive management and senior management for the achievement of short-term financial performance conditions.

2.6 Reviewed and updated the two STI safety conditions.

2.7 Review and where appropriate and in line with advice given, adjust the short-term incentive sharing percentages applicable to executive management and senior management, either up or down.

2.8 Review and update the Long Term Incentive (LTI) policy document and vesting conditions.

2.9 Approve the 2019 LTI allocation.

2.10 Review remuneration developments and compare these to country best practice.

3. Total guaranteed package adjustments 2019

The Total Guaranteed Package (TGP) of the Executive Directors and prescribed officers as base pay was reviewed with adjustments in TGP referenced to inflation.

In an endeavour to ensure fair and competitive remuneration for all employees and to assist Astral in narrowing the pay gap, Astral continues to award higher annual adjustments to lower earning employees than that awarded to the higher earning members (e.g. senior and executive management).

The TGP for executive management, prescribed officers, senior management and other employees, as stated in note 31 of the financial statements, has been adjusted as follows for the period 1 October 2018 to 30 September 2019:

Executive directors	2019 TGP % Adjustments	2018 TGP% Target
CEO	5,0%	Nil
CFO	5,0%	5,5%
Managing Director: Commercial	5,0%	5,5%
Managing Director: Agriculture	5,0%	5,5%
Prescribed officers		
Company Secretary	5,0%	6,0%
Director: Risk	5,0%	6,0%
Human Resources Executive	5,0%	6,0%
Managing Director: Feed	5,0%	6,0%
Senior Management		
D band management	5,5%	6,0%
E band management	5,5%	6,0%
Employees		
C band employees	5,5%	6,5%
A & B band employee	6,0% – 7,5%	7,5%

Remuneration policy continued

4. Short-term Incentive 2018 (STI)

The short-term incentive bonus for executive directors and prescribed officers is based upon sharing in economic value added (EVA) achieved during the year[5]. The economic value added graphs on page 48 is illustrative of the trends of payments over the past years.

The STI payable to Executive Directors and prescribed officers in respect of 2019 were as follows:

Name	2019 STI R' 000	STI as % of TGP	2018 STI R'000	STI as % of TGP
Executive director			5.0%	Nil
CE Schutte	5 672	72%	10 682	135%
GD Arnold	3 756	99%	4 371	120%
AB Crocker	2 425	64%	4 371	120%
DD Ferreira	3 156	64%	5 687	120%
Prescribed officers				
MA Eloff	941	53%	1 640	100%
E Potgieter	1 336	53%	2 396	100%
MJ Schmitz	1 932	64%	3 481	120%
G Jordaan[6]	222	53%	Nil	Nil
FM Snyman[7]	Nil	Nil	2 396	100%

The award of annual short-term incentive bonuses for the year ending 30 September 2019 was in line with Astral's Remuneration Policy and the allocation levels stipulated therein and as approved by the committee.

5 Refer to page 94 of the Remuneration Policy for a detailed description of EVA.
6 Appointed 1 August 2019.
7 Resigned 28 February 2019.

5. Long-term Incentives 2019 (LRP)

In 2019, the company utilised a deferred cash scheme as a LRP scheme[8]. The LRP has at its core the following weighted performance conditions and performance periods:

(Applicable for allocation from 10 October 2018):

Performance conditions	Weight	Measurement of performance condition	Threshold	Target
Headline Earnings per Share (HEPS)[9]	37%	The average annual increase in a 3-year rolling average of HEPS measured of the 3-year vesting period	Increase equal to inflation = 18% vesting	Increase equal to inflation +5% = 37% vesting
Performance Efficiency Factor (PEF)[10]	38%	Annual average measured over the three year vesting period	Annual average agreed to PEF measured by TMEA = 11%	Annual average of 106% of PEF measured by TMEA = 38% vesting
No performance conditions	25%	-	25%	25%
Effective date of allocation				1 October 2016
Vesting date of performance condition				30 September 2019
Payment date				25 January 2020

The LTIs payable, has vested[11] as follows:

Performance condition	Weight	Vested 2019	2018
HEPS	37%	100%	100%
PEF	38%	100%	100%
No performance conditions	25%	100%	100%

8 Please refer to page 95 of the Remuneration Policy for further details.
9 Annual growth in HEPS is averaged over 36 months.
10 PEF achieved by Astral is benchmarked against international standards as per Turkish Middle East and Africa (TMEA) comparators and falls within the top 25% of that comparator. The actual PEF achieved is considered to be of strategic importance to Astral and accordingly considered confidential.
11 With effect of 2019 LTIs will no longer include any guaranteed allocation. Please refer to page 97 of the report for LTI performance conditions and weighting of LTIs in effect from 2019 and agreed performance targets against RONA will replace the guaranteed portion.

The LTIs allocated, LTIs payable and LTIs earned relating to Executive Directors and prescribed officers are as follows:

	LTIs allocated		LTIs payable		LTIs earned	
Name	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Executive director						
CE Schutte	10 682	10 682	10 043	6 580	7 532	7 606
GD Arnold	4 568	4 371	3 792	2 330	2 844	2 840
AB Crocker	4 568	4 371	3 792	3 630	2 844	3 815
DD Ferreira	5 943	5 687	5 114	4 150	3 835	4 534
Prescribed officers						
E Potgieter	2 515	2 396	1 914	1 340	1 436	1 604
MJ Schmitz	3 638	3 482	1 504	1 470	1 128	1 973
FM Snyman	Nil	2 396	Nil	1 180	Nil	1 484

5.1. LTI's VESTING IN 2019

The settlements under LTI's are detailed in the schedule of unvested LTIs and awards settled on page 162.

5.2. OUTSTANDING LTI's

Outstanding LTIs relating to Executive Directors and prescribed officers are detailed in the schedule of unvested LTIs and awards settled on page 162.

6. Total cost of employment 2018

Total remuneration earned by Executive Directors and prescribed officers for 2019 was as follows:

6.1. REMUNERATION PAID TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2019

Name	Total Guaranteed Package[12] R'000	Short-term incentives[13] R'000	Long-term incentives[14] R'000	Other R'000	Total single figure of remuner-ation R'000
Executive director					
CE Schutte	7 912	5 672	10 043	31	23 658
GD Arnold[15]	3 807	3 756	3 792	39	11 394
AB Crocker[16]	3 807	2 425	3 792	245	10 269
DD Ferreira	4 952	3 156	5 114	5	13 227
Prescribed Officers					
MA Eloff[17]	1 722	914	Nil	9	2 645
E Potgieter	2 515	1 336	1 914	51	5 816
MJ Schmitz	3 032	1 932	1 504	35	6 503
G Jordaan[18]	417	222	2	15	641
FM Snyman[19]	1 048	Nil	Nil	15	1 063

12 2019 TGP reflected includes base salary, retirement fund and medical aid.
13 Short term incentive bonus linked to Economic Value Added (EVA) in 2018 and 2019.
14 The value of the LRPs not subject to performance conditions awarded in 2018 and 2019 is included at the original award value in the 2017 and 2018 financial years respectively.
15 Includes a merit award for successfully managing the risks of the first break-out of bird flu in the South African poultry industry which is a major risk to the industry, and would have, been detrimental to Astral's business had it not been contained.
16 Includes a long service award as recognition of another period of 5 years completed service. Payment was made in terms of policy applicable to all employees in the group.
17 MA Eloff retired in March 2018 with STI benefits due in 2018 and 2019 in accordance with the terms of a fixed term agreement post-retirement.
18 Appointed 1 August 2019.
19 FM Snyman resigned 28 February 2019.

6.2. REMUNERATION PAID TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2018

Name	Total Guaranteed Package[20] R'000	Short-term incentives R'000	Long-term incentives R'000	Other[21] R'000	Total single figure of remuner-ation R'000
Executive director					
CE Schutte	7 912	10 682	6 580	37	25 211
GD Arnold	3 643	4 371	2 330	50	10 394
AB Crocker	3 643	4 371	3 630	55	11 699
DD Ferreira	4 739	5 687	4 150	14	14 590
Prescribed Officers					
MA Eloff[22]	1 640	1 640	Nil	7	3 287
E Potgieter	2 396	2 396	1 604	41	6 173
MJ Schmitz	2 901	3 481	1 973	227	8 079
FM Snyman	2 396	2 396	1 484	33	6 005

20 TGP reflected includes base salary, retirement fund and medical aid.
21 "Other" includes the variable portion of traveling allowance and long service awards.
22 MA Eloff retired in March 2018 with STI benefits due in 2018 and 2019 as per terms of fixed term contract post-retirement

7. Non-executive Directors' fees

The participation of Non-executive Directors in the group is essential to Astral achieving its strategic objectives and Non-executive Directors fees are therefore recommended by the committee with this in mind. The committee has been advised that payment of these fees has been recommended by external independent advisors based on a detailed benchmarking exercise undertaken, as prescribed in the Remuneration Policy. In the consideration of Non-executive Director's fees, such a benchmarking exercise will take into consideration not only comparative JSE-listed companies but also the relative size, scale and complexity of Astral's activities.

In accordance with Astral's Memorandum of Incorporation, Non-executive Directors fees are approved by the shareholders at the annual general meeting. The current fee level, which reflects a 5% year-on-year adjustment, was approved by the shareholders at the annual general meeting held on 8 February 2019. The annual adjustment that will be requested for approval from the shareholders at the annual general meeting in February 2020 will be based upon the considerations as set out in the Remuneration Policy.

Payments made to Non-executive Directors in 2019 were as follows[23]:

Name	T Eloff R'000	DJ Fouché R'000	MT Lategan R'000[24]	TP Maumela R'000	TM Shabangu R'000	S Mayet R'000[25]	WF Potgieter R'000[26]
Director fee	329	329	115	329	329	82	82
Independent Non-executive Chairman	470						
Lead Independent Non-executive Director		209					
Audit and Risk Management Committee Chairman		268					
Audit and Risk Management Committee Member			49	93	139	5	
Human Resources, Remuneration and Nominations Committee Chairman					178		
Human Resources, Remuneration and Nominations Committee Member	100	100					
Social and Ethics Committee Chairman				157			
Social and Ethics Committee Member	94						
Other fees							
Total	993	906	164	579	646	87	82

23 Please refer to page 79 of the integrated report for further details on Non-executive Director fees in 2019.
24 Resigned February 2019.
25 Appointed July 2019.
26 Appointed July 2019.

Social and ethics committee report

Dear shareholders

I have pleasure in presenting to you the 2019 Social and Ethics Committee report. This committee was established in terms of Section 72 of the Companies Act and commenced its work in January 2012. It is a sub-committee of the board and fulfils its functions on behalf of the Astral group in relation to social and economic development, governance, ethics, safety and health, environmental stewardship, labour and employment matters.

We subscribe to the six capitals model (financial, manufactured, human, social, natural and intellectual capitals) which forms the basis of our approach to sustainable socio-economic investment.

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2019 financial year.

On behalf of the Social and Ethics Committee.

Taki Maumela
Chairman

13 November 2019

Composition

Members of the committee are:

Member	Independent non-executive	Period
GD Arnold	No	October 2011 to date
T Eloff	Yes	July 2017 to date
LW Hansen	No	October 2011 to date
TP Maumela (Chairman)	Yes	August 2014 to date

Attendance

The committee met three times during the year. Attendance at meetings was as follows:

Director	2018 25/10	2019 28/02	01/08
GD Arnold	√	√	√
T Eloff	√	√	√
LW Hansen	√	√	√
TP Maumela	√	√	√

√ *Present*

No external advisers or invitees attended any of the committee's meetings during the year.

Mandate and terms of reference

A formal Mandate and Terms of Reference for the committee were adopted by the board of Astral. The chairman of the committee, Mrs TP Maumela will be present at the annual general meeting and will be available to report to shareholders on the matters within the committee's mandate.

The main functions of the committee are:

Monitoring of the company's activities, having regard to any relevant legislation, other legal requirements and codes of best practice, including but not limited to:

- social and economic development
- good corporate citizenship
- environment, health and public safety
- consumer relationships
- labour and employment

The committee will take the following actions on their findings:

- drawing matters within its mandate to the attention of the board
- reporting annually to the shareholders at the company's annual general meeting on matters within its mandate.

Work plan

During the year the committee concentrated on the work plan and its execution, including the company's adherence to ethical and/or compliance in a number of areas:

- The United Nations Global Impact Principles
- Social and ethical awareness
- Community engagement and donations
- Consumer development (ensuring compliance with the Consumer Protection Act)
- Environmental and sustainability reporting

The work plan for the short- to medium-term focuses on:

- **Human Rights**

  To support and have respect for the protection of internationally proclaimed human rights.

- **Labour**

  To uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.

- **Environment**

  To support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmental friendly technologies.

- **Anti-corruption**

  To work against corruption in all its forms, including extortion and bribery.

- **Social and ethical awareness**

  To conduct ethical climate surveys.

- **Community upliftment and donations**

  To develop guidelines for charities and sponsorships.

- **Consumer development**

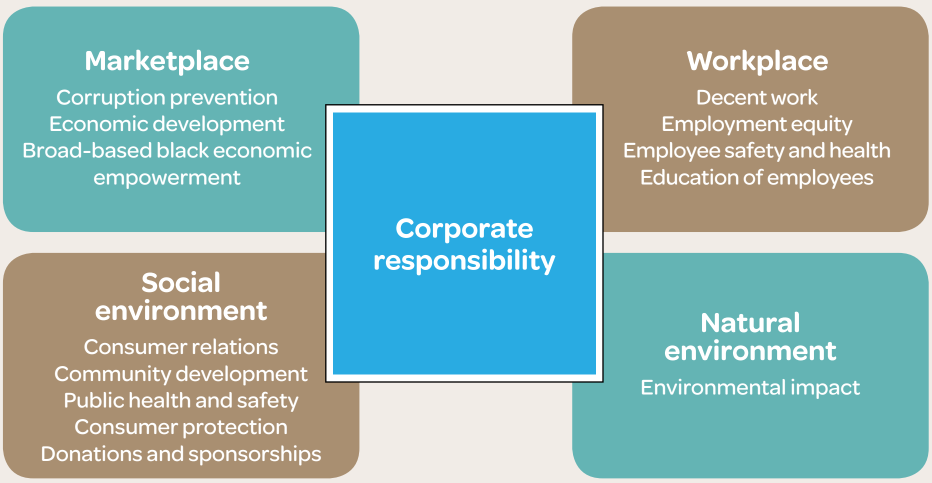
  To ensure compliance with the Consumer Protection Act.

- **Environment and sustainability reporting**

  To investigate areas which do not fall within the scope of responsibilities of the Audit and Risk Management Committee.

The committee also identified four areas in which the work of Astral must be evaluated ethically:

- the marketplace;
- the workplace;
- the social environment; and
- the natural environment



Social and ethics committee report
continued

Key focus areas - 2019

The committee confirmed once again that written policies and/or procedures were in place for the following areas:

- support and respect for the protection of internationally proclaimed human rights;
- diseases control legislation;
- credit legislation; and
- human resources legislation.

During the year, an ethical maturity questionnaire had been completed by 22 members of senior management. Overall, the scores reflected a positive perception by participants. The questionnaire dealt mainly with the following key ethical risk governance components:

- Ethical values
- Duties, which include responsibility and accountability
- Sustainability of risk management:
- Activities, internal controls, sponsorship
  - Commitments to competence
  - Transparency.

The committee authorised that a further Employee Engagement Survey be conducted in 2019 in order to understand the engagement and commitment levels of employees within the group. The survey focused on two business units and the results of the survey were reviewed by the committee. Feedback was given to the various management teams in order to draw up action plans to address relevant issues. A committee consisting of a number of employees had met to discuss the results of the survey and a decision was made to establish focus groups facilitated by Organisational Diagnostics. Once the facilitation of the focus groups was finalised feedback would be provided to management and specific action plans would then be implemented.

The survey had been conducted at all business units except at County Fair in the Cape and approval had been obtained to conduct the survey early in 2020.

The committee reviewed Astral's Code of Ethics and agreed that the Code was still relevant to the group and would remain unchanged. The Code formed part of every agenda of all formal meetings held by all business units, printed on cards and distributed to all employees and was posted on notice boards and on all websites' home pages.

The committee agreed to investigate the possibility of including the Code of Conduct document and a personal ethics handbook in the employee induction programme.

The committee reviewed corporate citizenship, taking note of various legislation and codes of best practice. This included board composition, board committees, identification of main business risks, the description of systems/initiatives to create value through research and development, strategic growth and innovation. Plans for the next year include procedures to review/address external audit findings as well as documenting targets for achieving strategic growth plans and strategic objectives.

Since the introduction of the Pinnacle Management Development Programme in September 2011, 208 employees had been enrolled as students at the business school of the North-West University. This figure included 24 students who commenced their studies during February 2019.

An amount of R11,69 million had been expended on skills development for black employees and during the past financial year and 54 learners completed their studies.

The Empowerdex BEE rating for Astral Operations Limited had been completed in December 2018 and the score achieved was a Level Seven Contributor with a B score.

Since inception of the wellness programme, a total of 70 100 full wellness screenings had taken place and during the past 12 months, 9 949 permanent employees underwent wellness screenings. In total, 53 556 HIV tests and counselling had taken place and in the past 12 months, 6 439 employees were screened for HIV/AIDS.

A workshop on the Protection of Personal Information (POPI) Act took place during August 2019. The purpose of the workshop was to determine the implications of the act and the implementation thereof.

Additional areas that would be included in the responsibilities of the committee have been identified, including:

- how leadership has shown commitment to the ethics programme;
- what governance structures and organisational capacity have been put in place to ensure sound ethics performance;
- what has been done in terms of ethics management;
- whether there has been an independent assessment of and external report on the ethics performance; and
- the overall ethics health of the group.

Future focus areas

During the next financial year, the committee will continue to monitor the seven areas where legislation and codes of best practice are relevant. These are:

- social and economic development;
- good corporate citizenship;
- environment, health and safety;
- consumer relationships;
- labour and unemployment;
- ethics; and
- workplace productivity and well-being.

Financial statements

The results for 2019 compare well with historical results excluding 2018, with operating profit at R882 million being the third highest after R1 100 in 2015 and R1 087 million in 2017.

Certificate by company secretary

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, in respect of the year ended 30 September 2019 and that all such returns are true, correct and up to date.

MA Eloff
Group Company Secretary

13 November 2019

Preparation and publication of annual financial statements

The annual financial statements for the year ended 30 September 2019 were published on 13 December 2019.

The annual financial statements were prepared by the Chief Financial Officer, Daan Ferreira, CA(SA).

Approval of the annual financial statements

The group financial statements of Astral Foods Limited for the year ended 30 September 2019 set out on pages 109 to 171, were approved by the board of directors on 13 November 2019 and signed on its behalf by:

CE Schutte
Chief Executive Officer

DD Ferreira
Chief Financial Officer

Pretoria
13 November 2019

Statement of directors' responsibility

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of Astral Foods Limited. The financial statements presented on pages 109 to 171 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies Act of South Africa and include amounts based on judgements and estimates made by management.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

The directors consider that in preparing the consolidated financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the consolidated financial statements fairly presents the results of operations and cash flows for the year and the financial position of the group at year-end.

The directors have the responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position, results and cash flows of the group to enable the directors to ensure that the financial statements comply with relevant legislation.

Astral Foods Limited group operated in an established managed environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are being controlled.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company and the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the group.

The consolidated financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc. who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

Directors' report

The directors' report forms part of the group audited financial statements for the year ended 30 September 2019.

Nature of business

The group holds investments in companies, with their primary activities in animal feed pre-mixes, manufacturing of animal feeds, broiler genetics, the production and sale of day-old broiler chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and the sale and distribution of various key brands.

Listing information

The holding company, Astral Foods Limited, is listed on the main board of the JSE Limited under the share code: ARL. The company's ISIN number is ZAE000029757.

Registered address

The holding company's registered address is:

92 Koranna Avenue, Doringkloof, Centurion, 0157. Postnet Suite 278, Private Bag X1028, Doringkloof, 0140.

Share capital

Detail of share capital is reflected under note 20 of the consolidated financial statements.

In terms of the group's share incentive scheme, 34 850 (2018: 46 600) options were exercised during the year. Refer to note 29.

Dividends

The following ordinary dividends were declared:

	2019 R'000	2018 R'000
Interim dividend (No. 36) of 475 cents per share (2018: 1 000 cents per share)	**203 758**	428 618
Less: Dividends received on treasury shares held by a subsidiary	**(19 421)**	(40 886)
Final dividend (No. 37) of 425 cents per share declared post year-end (2018: 1 050 cents per share)	**182 419**	450 317
Less: Dividends receivable on treasury shares held by a subsidiary	**(17 376)**	(42 930)
Total dividend at 900 cents per share (2018: 2 050 cents per share)	**349 380**	795 119

Property, vehicles, plant and equipment

Refer to note 12 of the financial statements for details.

Directors

The names of the directors who currently hold office are set out on pages 8 and 10 of this report. The directors beneficially and non-beneficially hold 196 825 (2018: 193 400) ordinary shares in the company – see note 31 for details.

Particulars of the company secretary and her business and postal address appear on the inside back cover of this report.

During the period under review, no contracts were entered into which directors or officers of Astral had an interest and which would affect the business of the company.

Details of directors' emoluments and related payments can be found in note 31 of the group annual financial statements.

There was no change in the beneficial and non-beneficial shareholding of directors since 30 September 2019 and the date of approval of the financial statements on 13 November 2019.

Share incentive scheme

As at 30 September 2019 no options in respect of any shares remained outstanding.

Directors' report continued

Shareholders

Details of shareholders are set out on page 172 of the annual financial statements.

Repurchase of shares

The company has not requested shareholders to grant a general authority to buy back its issued ordinary shares.

Events subsequent to balance sheet date

A final dividend of 425 cents per share has been declared on 13 November 2019. The payment of the dividend will be on 20 January 2020. No other events took place between year-end and the date of this report that would have a material effect on the financial statements as disclosed.

Litigation

There are no current, pending or threatened legal or arbitration proceedings that may have, or have had in the previous 12 months, a material effect on the group's financial position.

Date for authorisation for issue of financial statements

The financial statements have been authorised for issue by the board of directors on 13 November 2019. No authority was given to anyone to amend the financial statements after the date of issue.

Financial statements of holding company

The financial statements of the holding company for the year ended 30 September 2019 are available for inspection at Astral's registered address.

Level of assurance

These annual financial statements have been audited in compliance with the requirements of Section 30(2)a of the Companies Act 71 of 2008.

Audit and risk management committee report

Dear Shareholders

Our Audit and Risk Management Committee is a formally constituted sub-committee of the board and in addition to having specific statutory responsibilities to the shareholders in terms of Section 94 of the Companies Act of 2008, as amended, it assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance.

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2019 financial year.

On behalf of the Audit and Risk Management Committee

Diederik Fouché
Chairman

13 November 2019

Composition

Members of the Audit and Risk Management Committee are:

Member	Independent non-executive	Period
DJ Fouché (Chairman)	Yes	November 2015 to date
TP Maumela	Yes	February 2019 to date
S Mayet	Yes	August 2019 to date
TM Shabangu	Yes	November 2014 to date

The Chief Executive Officer and the Chief Financial Officer, the head of internal audit and the external auditors and the Chairman of the board attend committee meetings by invitation.

The opportunity is created at each meeting for discussion with the external and internal auditors without the presence of management. The members of the committee are knowledgeable about the affairs of the company and all have extensive expertise in finance, accounting, commerce, industry, legal and risk management practices.

The members of the committee are appointed annually at the annual general meeting.

Terms of reference

The committee has adopted formal terms of reference that have been approved by the board and are regularly reviewed and updated where necessary. The committee has executed its duties during the past financial year in accordance with these terms of reference. The responsibilities as set out in the Mandate and Terms of Reference include:

- Overseeing the internal and external audit functions
- Assisting the board in the discharge of its duties relating to the safeguarding of assets and operation of adequate systems and internal controls
- Ensuring the preparation of accurate financial reporting in compliance with all applicable legal requirements, corporate governance and accounting standards
- Providing support to the board on evaluating the risk profile and risk management of the group
- Providing support to the board on information technology governance and risk.

Both the Director: Risk Management and the external auditors have unfettered access to the Chief Executive Officer, the Chairman of the board and the Audit and Risk Management Committee.

The committee reviews and confirms the following additional responsibilities required by the King IV™ report and the JSE Listings Requirements:

- the independence of the external audit function;
- the competence of the Chief Financial Officer and the finance function of the company; and
- the Integrated Report.

Audit and risk management committee report continued

Divisional Audit Committee meetings are scheduled twice a year for every business unit. These meetings are chaired by the Chief Financial Officer, attended by the Chief Executive Officer, internal audit, external audit, divisional Managing Director, and the business unit Chief Operating Officer and Financial Manager.

The committee annually assesses the external auditors, nominates the re-appointment of the auditors as well as the designated auditor after satisfying itself through enquiry that the auditors are independent as defined in terms of the Act.

Risk management

We are committed to the following risk management action plan:

- identifying the risks to which the company is exposed.
- identifying the most effective ways of eliminating or mitigating risk exposures as far as is reasonably practical.
- insuring against catastrophic incidents and other losses beyond our self-insurance capacity; and
- minimising in the long-term, the total cost of risk.

We apply an enterprise-wide risk management approach, involving all levels of management, with assistance from outside consultants for assessing insurable risks.

The senior management at each operation is responsible for the development and implementation of a sound risk control programme based on the group's risk control standards. The integrity of the risk control programme is regularly independently monitored by appointed risk analysts.

Internal audit

We have established an independent, objective and effective internal audit department governed by a charter approved by the board. The internal audit function reports to the Chief Executive Officer and has unfettered access to the Chairman of the board and the Chairman of the committee.

The role of internal audit is to review compliance with internal controls, systems and procedures. The board is satisfied that the internal controls are adequate to safeguard the assets, prevent and detect errors and fraud, ensure the accuracy and completeness of accounting records and the preparation of reliable financial statements.

The internal audit department is staffed by qualified and experienced internal auditors. The annual internal audit programme is approved by the committee and all significant findings, together with steps taken to rectify lapses in internal control, are reported at every committee meeting.

The internal audit function is reviewed by the committee to satisfy itself of the independence of the internal audit function. The appointment and removal of the head of internal audit is a matter for the committee in consultation with management.

Information technology (IT)

The board has delegated responsibility for information technology to the committee, but retains overall accountability.

An IT Charter, aligned to the King IV™ report has been implemented. The IT strategy is reviewed by the committee and by the board. The IT Charter can be viewed on our website, www.astralfoods.com

Management has the responsibility for the management of IT and the governance framework which includes:

- Three IT Steering Committees to monitor and manage IT governance.
- IT policies and procedures to regulate the management of all IT functions;
- Relevant standards and processes that are subject to audits, reviews and benchmarks.
- Policies and procedures to govern the active directory and exchange which has been outsourced.
- IT best practices are implemented.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the board for approval.

A formalised disaster recovery programme is in place to ensure the minimum disruption in the event of disaster.

Periodic independent assurance is obtained on the effectiveness of technology and information, including the outsourced infrastructure.

Integrated reporting

The committee oversees integrated reporting, and in particular:

- Takes cognisance of all factors and risks that may impact on the integrity of the Integrated Report including matters that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body and any evidence that brings into question previously published information, forward-looking statements or information;
- Reviews for reliability, the disclosure of sustainability in the integrated report;
- Recommends to the board whether or not to engage an external assurance provider on material sustainability issues;
- Recommends the integrated report for approval by the board; and
- Considers whether the external auditor should perform assurance procedures on interim results or be engaged for any non-audit assignments.

The committee recommended to the board to continue not to publish a summarised Integrated Report or engage an external assurance provider to confirm material elements of the sustainability part of the Integrated Report. This decision was based on the fact that sustainability reporting formed part of the budget process and is reported on by business units and approved by the executive directors. This approach will be reviewed every year. We have appointed a full-time Sustainability Manager who is responsible for sustainability within the group.

Meetings

The committee met three times during the year. Attendance at meetings was as follows:

	2018 16.10	2018 13.11	2019 07.05
DJ Fouché (Chairman)	√	√	√
MT Lategan	√	√	#
TP Maumela	%	%	√
S Mayet	ˆ	ˆ	ˆ
TM Shabangu	√	√	√

√ *Present*
\# *Resigned 07.02.2019*
% *Appointed 07.02.2019*
ˆ *Appointed 15.08.2019*

Key focus areas - 2019

Duties

In execution of its compliance duties during the 2019 financial year, the committee:

- nominated the re-appointment of PricewaterhouseCoopers Inc. as external auditors and E J Gerryts as the designated auditor for the 2020 financial year, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. are independent as defined in terms of the Act. This will be E J Gerryts second year as designated auditor of the company;
- confirmed that PricewaterhouseCoopers Inc. and the designated auditor, E J Gerryts, are accredited by the JSE;
- at the end of each meeting during the year, met with the external auditors where management was not present: no matters of concern were raised;
- determined the fees to be paid to PricewaterhouseCoopers Inc. as disclosed on page 116 of this report and their terms of engagement;
- noted the non-audit services policy which determines the nature and extent of any non-audit services which the external auditors may provide to the company;
- pre-approved any proposed contract with PricewaterhouseCoopers Inc. for the provision of non-audit services to the company;
- received no complaints relating to the accounting practices of the group, the content or auditing of its financial statements, the internal financial controls of the group, or other related matters;
- reviewed the draft audited financial statements and integrated report, the preliminary profit announcement and interim statements;

Audit and risk management committee report continued

- met with the external auditors to discuss the annual financial statements prior to their approval by the board;
- reviewed the valuation of goodwill before recommending any impairment to the board for approval;
- reviewed the reports of the internal audit and the providers of the Tip-Offs Anonymous hot-line;
- approved the internal audit plan for the year;
- monitored and provided oversight of the internal audit function;
- confirmed that there had not been significant changes in the management of Astral during the external audit firm's tenure;
- made submissions to the board on matters concerning the group's accounting policies, financial controls, records and reporting;
- concurred that the adoption of a going concern premise in the preparation of the annual financial statements was appropriate; and
- recommended to the board the declaration of a dividend.

The objectives of the committee were met during the year under review.

Oversight of risk management

During the year, the committee has:

- received assurances that the process and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored;
- satisfied itself that the following areas have been appropriately addressed:
  - Financial reporting risks;
  - Internal financial controls;
  - Fraud risks as they relate to financial reporting; and
  - Information technology risks as they relate to financial reporting
- reviewed tax and information technology risks, in particular how they are managed; and
- reviewed the outcome of the audit by PricewaterhouseCoopers of selected information technology general controls.

Internal financial controls

The committee has:

- reviewed the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the external auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective. Where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weakness so identified.

Legal and regulatory compliance

The committee has complied with all applicable Companies Act and JSE Limited responsibilities.

External audit

Based on processes followed and assurances received, the committee has no concerns regarding the external auditor's independence≈and approved the following fees for work done by them:

	2019 R'000	2018 R'000
Audit fees	**6 584**	6 658
Non-audit service	**289**	310
General expenses	**189**	270
Under provision	**386**	443
Total	**7 448**	7 681

Any non-audit services to be rendered by the external auditors are normally initiated by the business units following a formal process that is approved by the Chief Financial Officer. A formal policy regarding the pre-approval of non-audit services are followed and non-audit services performed during the financial year included:

Division	Non-Audit Service	Nature
Astral Operations Limited	2018: EVA incentive review	Tax consulting services
Astral Operations Limited	PAYE: Voluntary disclosure programme and directive assistance	Tax consulting services
Astral Operations Limited	Tax reward services relating to short- and long-term incentive	Tax consulting services
Astral Operations Limited	Property transfer certificate	Assurance
Astral Foods Limited	Drafting Long-Term Incentive and award letters	Tax consulting services
Astral Foods Limited	Review of Information Technology general controls at Astral Operations Limited	Assurance

Based on our satisfaction with the results of the activities outlined above, we have recommended the re-appointment of PricewaterhouseCoopers Inc. to the board and the shareholders. Consideration was also given to the length of PricewaterhouseCoopers Inc.'s tenure when making the recommendation to the shareholders to re-appoint the firm for a further year.

PricewaterhouseCoopers Inc. has been the external auditors of Astral Foods since listing in 2001. During 2013 a tender process was followed whereby three audit firms, including PricewaterhouseCoopers Inc., were interviewed and where they presented their services to the committee. The committee was of the opinion that the services offered by PricewaterhouseCoopers Inc. remained the most suitable for the company and PricewaterhouseCoopers Inc. was re-appointed as external auditors. The designated audit partner is rotated every five years.

The committee, after discussion with management and the external audit, concurred with the key audit matter set out in the external auditors' report on the audit of the consolidated annual financial statements for the year ended 30 September 2019.

The committee confirms that it has received from the auditors all decision letters/explanations issued by the Independent Regulatory Board for Auditors (IRBA) or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by the auditors.

The committee was satisfied that the consolidated annual financial statements appropriately addressed the critical judgements and key estimates pertaining to the key audit matters contained in the external auditors' audit report, in respect of both amounts and disclosure. The committee noted that both the consolidated and separate financial statements were presented fairly in all material respects.

Financial function and chief financial officer review

In accordance with King IV™ requirements, we have reviewed the expertise, resources and experience of the company's financial function and are satisfied that these are adequate and effective for the forthcoming year. We have also reviewed the performance, appropriateness and expertise of the Chief Financial Officer, Mr DD Ferreira, and confirm his suitability in terms of the JSE Listings Requirements.

Financial reporting procedures

The committee is satisfied that Astral has established appropriate financial reporting procedures, and that those procedures are operating.

Integrated report

We have evaluated the integrated report of Astral Foods Limited and the group for the year ended 30 September 2019 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards, and we recommend the integrated report to the board for approval.

A detailed Sustainability Report will be published on our website and extracts are reported elsewhere in the integrated report.

Audit and risk management committee report continued

King IV™ report on Corporate Governance for South Africa 2016

The King IV™ report on Corporate Governance for South Africa 2016 became effective for companies with financial years starting on or after 1 April 2017. The practices underpinning the principles espoused in King IV™ are entrenched in many of Astral's internal controls, policies and procedures governing corporate conduct. Our outcome based approach resulted in this report evolving and Astral has applied the principles of King IV™, the details of which is set out in various sections included in the Integrated Report.

Additional items reviewed:

- commodity procurement;
- impact of new accounting standards;
- significant accounting estimates:
  - goodwill
  - biological assets
  - post-retirement medical aid
  - long-term retention plan
  - Economic Value Added (EVA) and Profit Before Interest and Tax (PBIT) bonus

Future focus areas

The following areas are considered to be future focus areas that will receive attention in the new financial year:

- internal audit and other assurance plans
- integrity of internal control and effectiveness of risk management across the group
- oversight of the most significant risks within the group
- monitor the implementation of new IFRS standards.

Going concern

We have reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and are comfortable in our recommendation to the board regarding the annual financial statements as well as the combined assurances contained in the Integrated Report, that the company will be a going concern for the next financial period, at the end of which a similar assessment will be done.

Independent auditors' report

to the shareholders of Astral Foods Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astral Foods Limited (the Company) and its subsidiaries (together the group) as at 30 September 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Astral Foods Limited's consolidated financial statements set out on pages 124 to 171 comprise:

- the consolidated balance sheet as at 30 September 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated statement of cash flows; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

INDEPENDENCE

We are independent of the group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

OVERVIEW

Overall group materiality

- Overall group materiality: R56 000 000, which represents 5% of the five-year average consolidated profit before tax.

Group audit scope

- Full scope audits were performed over six financially significant components in South Africa.
- Specified audit procedures were performed on certain account balances and transactions of one component.
- Review procedures were performed on four components and analytical review procedures were performed on the remaining components.

Key audit matters

- Goodwill impairment assessment.

Independent auditors' report continued

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R56 000 000
How we determined it	5% of the five-year average consolidated profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We used a five-year average profit before tax figure as this period is representative of the normal cycle within this industry. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group has three principal reportable operating segments that align with its organisational design namely Poultry, Feed, and Other Africa.

The group's financial statements are a consolidation of twenty-nine reporting components, which make up the group's three operating segments. Of these reporting components, we selected six for full scope audit testing due to their financial significance, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. We selected one component for full scope audit testing on specific financial statement line items that were material to the group audit, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. These reporting components are all located in South Africa. Review procedures were performed at four additional reporting components and for the remaining components, we performed further analytical review procedures as considered appropriate.

This together with additional procedures performed at the group level, including testing of consolidation journal entries and inter-company eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network teams or firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We met with certain of the component auditors in the Poultry and Feed operating segments and attended divisional audit committee meetings for all components as part of planning the audit as well as part of the completion of the audit work performed.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How our audit addressed the key audit matter
GOODWILL IMPAIRMENT ASSESSMENT	
Refer to accounting policies, (Impairment of non-financial assets) and note 15 (Goodwill). Management tested goodwill for impairment and concluded that there is no impairment as the recoverable amount based on "value-in-use" calculations exceeded the carrying amounts of the individual cash generating units (CGUs) to which goodwill has been allocated. In assessing goodwill for impairment, management applied judgement and assumptions in determining the "value-in-use". These included the following: • Forecasting future volumes when determining future cash flows based on normalised operations, which is influenced by factors that are difficult to predict; • Growth rates; • Discount rates; • Broiler feed costs; and • Selling prices of poultry products. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the significant judgement and assumptions applied by management in determining the "value-in-use" and the magnitude of the goodwill balances allocated to the following CGUs: • R106 020 000 for the Goldi/Festive CGU • R15 599 000 for the Mountain Valley CGU	We obtained an understanding of the process and procedures applied by management during their impairment assessment of goodwill. For the Goldi/Festive and Mountain Valley CGU, which represents a significant balance of goodwill, we performed the following procedures: • We evaluated management's future cash flow forecasts, which were based on budgets and forecasts approved by the board of directors. We agreed the amounts used in the future cash flow forecasts to the budgets and forecasts approved by the board of directors. No material differences were noted. • We assessed management's assumptions such as net realisations of poultry products, broiler feed prices, sales volumes, working capital movements and capital expenditures for reasonability by comparing the assumptions to information obtained from the South African Poultry Association, Nedbank's forecast of key economic variables for 2020 and Gross Domestic Product forecasts obtained from the Industrial Development Corporations forecasts. We found the assumptions applied by management to be reasonable. We compared the group's 2018 and 2019 actual results to the forecasts for these years, to identify any situations where actual results achieved were significantly different from the forecast results. We discussed with management the rationale for the differences identified and they provided us with corroborating evidence, indicating that the differences were reasonable. We tested the discount rates and growth rates applied by management in their impairment assessment of goodwill by performing the following procedures: • As a reasonability test, we utilised our valuation expertise to independently calculate the discount rates applied, taking independently obtained market data into account. We found the discount rates applied by management to be within a reasonable range. • We assessed the reasonableness of the long-term growth rate used by management by comparing it to the long-term consensus on the South African CPI. We found the growth rate applied by management to be reasonable. We tested the mathematical accuracy of management's impairment assessment and utilised our valuation expertise to assess whether generally accepted valuation methodology was applied. No material differences were noted and we found the methodology applied by management to be reasonable. We performed our own independent sensitivity calculations on management's impairment assessments, with respect to key assumptions which included the discount rate, sales volumes, net realisations of poultry products and broiler feed prices. We discussed these with management and considered the likelihood of such changes occurring. We concurred with management on their conclusion that the key assumptions applied in the models were reasonable.

Independent auditors' report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Astral Foods Limited Group Annual Financial Statements for the year ended 30 September 2019" and the document titled "Astral Foods Limited Annual Financial Statements for the year ended 30 September 2019", which includes the Directors' Report, the Audit and Risk Management Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Astral Integrated Report for the year ended 30 September 2019", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Astral Foods Limited for 19 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: EJ Gerryts
Registered Auditor

Johannesburg
15 November 2019

Consolidated statement of comprehensive income

for the year ended 30 September 2019

		Notes	2019 R'000	2018 R'000
Revenue		1	**13 485 475**	12 978 561
Cost of sales		2	**(10 856 468)**	(9 304 535)
Gross profit			**2 629 007**	3 674 026
Administrative expenses		2	**(723 290)**	(817 013)
Distribution costs		2	**(833 734)**	(733 738)
Marketing expenditure		2	**(201 848)**	(185 404)
Other income		5	**15 126**	15 441
Other losses		6	**(2 982)**	(11 751)
Profit before interest and tax			**882 279**	1 941 561
Finance income		7	**41 286**	62 903
Finance expense		7	**(10 914)**	(10 376)
Profit before tax			**912 651**	1 994 088
Tax expense		8	**(265 116)**	(559 738)
Profit for the year			**647 535**	1 434 350
Other comprehensive income for the year, net of tax			**(1 300)**	(10 836)
Items that will not be reclassified to profit or loss			**(2 178)**	2 598
Remeasurement of post-employment benefit obligations (note 24)			**(3 025)**	3 609
Deferred tax on remeasurement of post-employment benefit obligations			**847**	(1 011)
Items that may subsequently be reclassified to profit and loss			**878**	(13 434)
Currency (loss)/gain on investment loans to foreign subsidiaries			**(414)**	5
Foreign currency translation adjustments			**1 292**	(13 439)
Total comprehensive income for the year			**646 235**	1 423 514
Profit for the year attributable to:				
Equity holders of the company			**643 653**	1 431 076
Non-controlling interest			**3 882**	3 274
Profit for the year			**647 535**	1 434 350
Total comprehensive income attributable to:				
Equity holders of the company			**642 353**	1 420 240
Non-controlling interest			**3 882**	3 274
Total comprehensive income for the year			**646 235**	1 423 514
Earnings per share attributable to the equity holders of the company during the year:				
– basic	(cents)	9	**1 659**	3 691
– diluted	(cents)	9	**1 658**	3 687

Consolidated balance sheet

at 30 September 2019

	Notes	2019 R'000	2018 R'000
Assets			
Non-current assets			
Property, plant and equipment	12	**2 462 918**	2 212 205
Intangible assets	13	**59 183**	61 159
Goodwill	15	**136 135**	136 135
		2 658 236	2 409 499
Current assets			
Biological assets	16	**758 721**	770 461
Inventories	17	**691 058**	836 690
Trade and other receivables	18	**1 512 398**	1 328 418
Current tax asset		**19 717**	7 303
Cash and cash equivalents	19	**598 989**	821 843
		3 580 883	3 764 715
Total assets		**6 239 119**	6 174 214
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	20	**429**	429
Share premium	20	**89 971**	86 322
Other reserves	21	**(40 573)**	(41 451)
Treasury shares		**(204 435)**	(204 435)
Retained earnings		**3 938 835**	3 886 057
		3 784 227	3 726 922
Non-controlling interest		**11 408**	10 496
Total equity		**3 795 635**	3 737 418
Liabilities			
Non-current liabilities			
Deferred tax liabilities	22	**539 421**	481 732
Employee benefit obligations	23	**166 179**	168 247
		705 600	649 979
Current liabilities			
Trade and other payables	25	**1 411 135**	1 360 469
Employee benefit obligations	23	**254 107**	373 195
Current tax liabilities		**25 772**	17 480
Borrowings	26	**44 115**	33 277
Shareholders for dividend		**2 755**	2 396
		1 737 884	1 786 817
Total liabilities		**2 443 484**	2 436 796
Total equity and liabilities		**6 239 119**	6 174 214

Consolidated statement of changes in equity

for the year ended 30 September 2019

	Attributable to ordinary shareholders of Astral Foods Limited						
	Share capital and premium R'000	Treasury shares R'000	Other reserves (note 21) R'000	Retained earnings R'000	Total R'000	**Non-controlling interests R'000**	**Total equity R'000**
2018							
Balance at 1 October 2017	81 463	(204 435)	(28 017)	3 179 299	3 028 310	10 522	3 038 832
Profit for the year				1 431 076	1 431 076	3 274	1 434 350
Other comprehensive income for the year, net of tax			(13 434)	2 598	(10 836)		(10 836)
Shares issued – share options exercised	5 288				5 288		5 288
Dividends declared				(726 916)	(726 916)	(3 300)	(730 216)
Balance at 30 September 2018	86 751	(204 435)	(41 451)	3 886 057	3 726 922	10 496	3 737 418
2019							
Balance at 1 October 2018	**86 751**	**(204 435)**	**(41 451)**	**3 886 057**	**3 726 922**	**10 496**	**3 737 418**
Change in accounting policy#				**3 059**	**3 059**		**3 059**
Profit for the year				**643 653**	**643 653**	**3 882**	**647 535**
Other comprehensive income for the year, net of tax			**878**	**(2 178)**	**(1 300)**		**(1 300)**
Shares issued – share options exercised	**3 649**				**3 649**		**3 649**
Dividends declared				**(591 756)**	**(591 756)**	**(2 970)**	**(594 726)**
Balance at 30 September 2019	**90 400**	**(204 435)**	**(40 573)**	**3 938 835**	**3 784 227**	**11 408**	**3 795 635**

Restated: The impact of the adoption of an expected credit loss model for impairments of financial assets in terms of IFRS 9, using the modified retrospective approach – refer note 28.1.

Consolidated statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash operating profit	A	**936 440**	2 156 086
Changes in working capital	B	**257 308**	(425 201)
Cash generated from operations		**1 193 748**	1 730 885
Tax paid	C	**(213 907)**	(516 236)
Cash generated from operating activities		**979 841**	1 214 649
Cash used in investing activities		**(615 982)**	(254 708)
Purchases of property, plant and equipment	D	**(653 444)**	(346 551)
Costs incurred on intangibles		**(4 141)**	(11 391)
Proceeds on disposal of property, plant and equipment		**317**	331
Finance income		**41 286**	62 903
Payment received on investment sold			40 000
Cash flows to financing activities		**(595 871)**	(729 577)
Dividends paid to the company's shareholders	E	**(591 397)**	(726 452)
Dividends paid to non-controlling shareholders		**(2 970)**	(3 300)
Proceeds from shares issued		**3 649**	5 288
Finance expense		**(5 153)**	(5 113)
Net inflow of cash and cash equivalents		**(232 012)**	230 364
Effects of exchange rate changes		**(1 680)**	5 627
Cash and cash equivalents at beginning of year		**788 566**	552 575
Cash and cash equivalents at end of year	19	**554 874**	788 566

Notes to the consolidated statement of cash flows

for the year ended 30 September 2019

		2019 R'000	2018 R'000
A.	**Cash operating profit**		
	Profit before interest and tax	**882 279**	1 941 561
	Adjustments for:		
	Depreciation and amortisation	**176 230**	151 762
	Scrapping of property, plant and equipment	**8 364**	10 891
	(Profit)/loss on disposal of property, plant and equipment	**(74)**	417
	Change in provision for employee benefit obligations	**(129 942)**	57 047
	Fair value adjustments	**(417)**	(5 592)
	Cash operating profit	**936 440**	2 156 086
B.	**Changes in working capital**		
	Decrease/(increase) in inventories	**146 428**	(351 919)
	Decrease/(increase) in biological assets	**8 854**	(109 790)
	Decrease/(increase) in trade and other receivables	**47 980**	(86 201)
	Increase in trade and other payables	**54 046**	122 709
	Total change in working capital	**257 308**	(425 201)
C.	**Tax paid**		
	Balance at beginning of year	**(10 177)**	(14 084)
	Normal tax provision	**(207 671)**	(512 486)
	Translation differences	**138**	157
	Provision against recoverability of tax receivable balance of a foreign subsidiary	**(2 252)**	
	Net balance at end of year	**6 055**	10 177
	Total tax paid	**(213 907)**	(516 236)
D.	**Purchases of property, plant and equipment**		
	Purchase of property, plant and equipment to improve and/or expand operations	**(265 331)**	(150 021)
	Purchase of property, plant and equipment to maintain operations	**(162 671)**	(194 539)
	Total purchases	**(428 002)**	(344 560)
	(Increase)/decrease in advance capital expenditure payments	**(225 608)**	2 494
	Increase/(decrease) in outstanding capital expenditure payments	**166**	(4 485)
	Purchases of property, plant and equipment	**(653 444)**	(346 551)
E.	**Dividends paid**		
	Balance at beginning of year	**(2 396)**	(1 932)
	Per statement of changes in equity	**(591 756)**	(726 916)
	Balance at end of year	**2 755**	2 396
	Total dividends paid	**(591 397)**	(726 452)

Notes to the financial statements

for the year ended 30 September 2019

1. Segment information

Astral is an integrated poultry producer whose process starts with broiler genetics in its breeding operations through the selling of day-old chicks and hatching eggs, broiler production and the processing of broilers through four abattoirs, and ends with the marketing, selling and distribution of poultry products. Alongside the entire process, feed is produced in nine feed mills of which about 60% is for own internal requirements, with the balance sold to external commercial farmers. Two of the feed mills and three poultry breeding and hatchery operations are situated in African countries outside South Africa. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The activities have been divided into three operating segments, Poultry, Feed, and Other Africa. The business activities are largely grouped in these segments based on the nature of their business and in the case of Other Africa, the geographical area in which they conduct their business activities. Transactions between reportable segments are conducted on similar terms as other external transactions of this nature. All revenue between segments are at market related prices.

Adoption of and transition to IFRS 15 – Revenue from contracts with customers

The group applied the modified retrospective transition approach in the adoption of IFRS 15.

The adoption of IFRS 15 had no impact on the revenue recognition for the group and as result no adjustments to prior periods were required.

Revenue per segment

Revenue in respect of all three segments comprises of the following:

- The sales of product net of value-added tax (where applicable), normal discounts, rebates and returns.
- Revenue is recognised at the point in time when control has passed to the customer. This is when delivery of the product is made to the customers, or when customers collect the product from one of the group's locations.
- Payment terms for non-cash sales are generally 30 days from date of statement.
- A receivable is recognised in respect of non-cash sales in the Balance Sheet as an unconditional right to receive payment exist.

Poultry: External revenue comprises the sale of poultry related products for human consumption as well as day-old broilers, hatching eggs and day-old parent stock.

The customer profile for poultry products is mainly wholesale and retail outlets, which includes the major national food retailers in South Africa

Sales of day-old broilers, hatching eggs and day-old parent stock are mainly to external poultry producers.

Inter-segment revenue consists of poultry by-products sold to the Feed segment as a source of protein for feed.

Feed: External revenue comprises the sale of a wide range of specialised feed products for commercially farmed animal species.

The customer profile for feed products are mainly external poultry producers and commercial farmers farming with other animal species.

Inter-segment sales consist of feed to the Poultry segment

Other Africa: Revenue comprises the sale of animal feed and day-old broilers to external customers.

Notes to the financial statements
continued

for the year ended 30 September 2019

	External customer Revenue R'000	Inter-segment Revenue R'000	Total segment Revenue R'000
2018			
Poultry	10 398 486	205 241	10 603 727
– Poultry products	9 920 350		
– Day-old broilers, hatching eggs and day-old parents	478 136		
Feed	2 169 288	4 028 914	6 198 202
Other Africa	410 787		410 787
– Feed products	243 202		
– Day-old broilers, and hatching eggs	167 585		
	12 978 561	4 234 155	17 212 716
2019			
Poultry	**10 698 577**	**178 558**	**10 877 135**
– Poultry products	**10 056 987**		
– Day-old broilers, hatching eggs and day-old parents	**641 590**		
Feed – Feed products	**2 307 253**	**4 266 485**	**6 573 738**
Other Africa	**479 645**		**479 645**
– Feed products	**309 709**		
– Day-old broilers, and hatching eggs	**169 936**		
	13 485 475	**4 445 043**	**17 930 518**

	2019 R'000	2018 R'000
The group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	**13 005 830**	12 567 774
Revenue denominated in foreign functional currencies	**479 645**	410 787
	13 485 475	12 978 561
Revenue from the top five customers are all from the Poultry segment.		
Customer 1	**3 798 663**	4 341 378
Customer 2	**1 369 765**	1 753 588
Customer 3	**560 821**	572 101
Customer 4	**530 966**	546 957
Customer 5	**520 209**	526 064

Revenue from customer 1 and 2 individually exceeds 10% of total revenue.

	2019 R'000	2018 R'000
Operating profit per segment		
Contribution to the group profit is as follows:		
Poultry	**370 977**	1 452 762
Feed	**489 483**	456 622
Other Africa	**21 819**	32 177
Profit before interest and tax	**882 279**	1 941 561
Finance income	**41 286**	62 903
Finance expense	**(10 914)**	(10 376)
Profit before tax	**912 651**	1 994 088
Tax expense	**(265 116)**	(559 738)
Profit for the year	**647 535**	1 434 350

	Depreciation, amortisation and impairment		Capital expenditure	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Poultry	**148 223**	124 620	**372 081**	318 019
Feed	**22 623**	21 659	**56 617**	27 621
Other Africa	**5 288**	5 288	**3 381**	9 904
Corporate	**96**	195	**64**	407
	176 230	151 762	**432 143**	355 951

	Inventory		Trade receivables	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Poultry	**337 220**	532 113	**904 469**	980 644
Feed	**291 179**	255 002	**224 107**	203 997
Other Africa	**62 659**	49 575	**23 785**	19 612
	691 058	836 690	**1 152 361**	1 204 253

Notes to the financial statements
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for the year ended 30 September 2019

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2. Expenses by nature					
2018					
Cost of raw material	6 128 934				6 128 934
Inventory written-down and losses	15 098				15 098
Fair value adjustment to biological assets	(5 149)				(5 149)
Operating lease costs	78 777	8 806	208 680	617	296 880
Amortisation of intangibles		6 048			6 048
Depreciation on property, plant and equipment	137 505	5 035	3 067	107	145 714
Repairs and maintenance	429 511	11 569	6 619	218	447 917
Water	90 354	217	28		90 599
Energy	537 306	4 494	6 005	2 792	550 597
Information technology related costs	17	55 546	26	23	55 612
Advertising, marketing, promotional related costs				83 038	83 038
Transport and distribution costs	39 702		408 769		448 471
Employee benefit expense (note 4)	1 168 590	436 223	43 928	60 982	1 709 723
Directors' remuneration (note 31)		65 329			65 329
Auditors' remuneration and related expenses		7 681			7 681
Other	683 890	216 065	56 616	37 627	994 198
	9 304 535	817 013	733 738	185 404	11 040 690
2019					
Cost of raw material	**7 191 194**				**7 191 194**
Inventory written down and losses	**17 757**				**17 757**
Fair value adjustment to biological assets	**3 108**				**3 108**
Operating lease costs	**75 162**	**10 175**	**219 579**	**1 032**	**305 948**
Amortisation of intangibles		**6 092**			**6 092**
Depreciation on property, plant and equipment	**160 498**	**6 646**	**2 885**	**109**	**170 138**
Repairs and maintenance	**458 561**	**10 640**	**6 548**	**130**	**475 879**
Water	**117 004**	**86**	**78**		**117 168**
Energy	**604 437**	**4 557**	**8 068**	**2 811**	**619 873**
Information technology related costs	**47**	**63 202**	**19**	**15**	**63 283**
Advertising, marketing, promotional related costs				**128 615**	**128 615**
Transport and distribution costs	**27 481**		**440 864**		**468 345**
Employee benefit expense (note 4)	**1 350 305**	**337 409**	**59 626**	**48 617**	**1 795 957**
Directors' remuneration (note 31)		**62 005**			**62 005**
Auditors' remuneration and related expenses		**7 681**			**7 681**
Other	**850 914**	**214 797**	**96 067**	**20 519**	**1 182 297**
	10 856 468	**723 290**	**833 734**	**201 848**	**12 615 340**

	2019 R'000	2018 R'000
3. Future operating lease commitments		
The group leases various property, plant and equipment and vehicles under non-cancellable operating leases. Future lease payments are as follows:		
Not later than one year	**224 296**	295 562
Later than one year and not later than five years	**491 367**	514 042
Later than five years	**77 397**	264 790
	793 060	1 074 394

Leases are contracted for periods ranging up to ten years with no renewal options. Rental escalations vary from nil to prime interest rate linked escalations.

The group entered into agreements whereby some of its transport requirements have been outsourced to a third party. The fixed cost portion of these arrangements have been disclosed as operating leases. The arrangements are for an initial periods of 10 years with options to renew the agreements. Lease escalations are linked to inflation. Expiry date of initial lease periods is 1 October 2021.

4. Employee benefit expense

	2019 R'000	2018 R'000
Cost of employment of permanent employees	**1 360 621**	1 168 607
Performance incentives	**77 352**	198 893
Long-term retention benefits	**44 195**	45 790
Termination benefits	**2 475**	1 995
Post-employment benefits	**8 434**	8 740
	1 493 077	1 424 025
Cost of contracted labour	**302 880**	285 698
	1 795 957	1 709 723
Number of employees at 30 September:		
– Permanent employees	**9 047**	6 694
– Contracted labour	**2 452**	4 849
	11 499	11 543

Notes to the financial statements
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for the year ended 30 September 2019

	2019 R'000	2018 R'000
5. Other income		
Scrap sold	**1 008**	1 191
Amounts written off recovered	**888**	2 901
Storage fee income	**4 344**	4 808
Insurance recoveries related to costs incurred	**3 894**	1 324
Rental received	**4 953**	4 594
Rebates received	**39**	623
	15 126	15 441
6. Other (losses)/gains		
Foreign exchange gains on financial instruments and monetary items	**1 161**	(443)
Profit/(loss) on sale of property, plant and equipment	**74**	(417)
Assets scrapped	**(8 364)**	(10 891)
Trade receivables written off	**(1 869)**	
Fair value adjustment to outstanding receivables – gain	**1 939**	
Fair value adjustment to outstanding payables – gain	**4 077**	
	(2 982)	(11 751)
7. Finance income and expense		
Interest income		
Bank balances	**38 981**	58 736
Other	**2 305**	4 167
	41 286	62 903
Interest expense		
Bank borrowings	**4 398**	3 671
Interest accrued on outstanding long service awards	**5 761**	5 263
Other	**755**	1 442
	10 914	10 376
Net finance income	**30 372**	52 527

8. Tax expense

	2019 R'000	2018 R'000
Current tax	**206 378**	516 213
Deferred tax	**53 960**	44 447
	260 338	560 660
Current tax – prior year	**417**	(4 723)
Deferred tax – prior year	**3 485**	2 805
Withholding tax	**876**	996
	265 116	559 738
The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of South Africa:		
Profit before tax	**912 651**	1 994 088
Tax calculated at a tax rate of 28% (2018: 28%)	**255 542**	558 345
Effect of different tax rates in other countries	**(1 368)**	1 807
Training allowances received	**(1 512)**	(981)
Non-trading related expenses	**1 993**	1 498
Legal expenses	**992**	1 133
Donations and social investments not tax deductible	**465**	
Costs incurred by foreign subsidiaries not tax deductible	**1 523**	
Other expenses not deductible for tax purposes	**943**	1 319
Temporary differences on which no deferred tax is recognised	**141**	(1 072)
Adjustments to prior year's normal tax provision	**417**	(4 723)
Adjustments to prior year's tax base used for calculating deferred tax	**3 485**	2 805
Withholding tax paid	**876**	996
Tax losses not utilised/(utilised) to reduce current and/or deferred tax	**1 619**	(1 389)
Tax charge per income statement	**265 116**	559 738

Further information about deferred tax is presented in note 22.

Notes to the financial statements
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for the year ended 30 September 2019

	2019 R'000	2018 R'000
9. Earnings per share		
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	**643 653**	1 431 076

	cents	cents
Basic earnings per ordinary share	**1 659**	3 691
Diluted earnings per share	**1 658**	3 687

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	**38 806 070**	38 774 025
Adjustments for share options	**10 846**	35 418
Weighted average number of ordinary shares for calculating diluted earnings per share	**38 816 916**	38 809 443

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares during the year, reduced by ordinary shares purchased and held as treasury shares.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the exercise of share options. The number of shares that could have been issued at fair value (determined as the average annual market share price of the company's shares) to equal the monetary value of the subscription rights attached to the outstanding share options, are calculated. A higher number of shares that would have been issued in the event the share options were exercised, versus the number of shares that could have been issued at fair value, have a dilutive effect on the earnings per share. No adjustment is made where the issue of share options have no dilutive effect on the number of shares in issue.

	Gross R'000	Net R'000

10. Headline earnings

	Gross R'000	Net R'000
2018		
Net profit attributable to shareholders		1 431 076
Adjusted for:		
Loss on sale of property, plant and equipment	417	301
Loss on assets scrapped	10 891	7 859
Headline earnings		1 439 236
2019		
Net profit attributable to shareholders		**643 653**
Adjusted for:		
Profit on sale of property, plant and equipment	**(74)**	**(38)**
Loss on assets scrapped	**8 364**	**6 023**
Headline earnings		**649 638**

		2019 cents	2018 cents
Headline earnings per share			
Headline earnings per share	(cents)	**1 674**	3 712
Diluted headline earnings per share	(cents)	**1 674**	3 708

11. Dividends

	R'000	R'000
The following dividends (net of treasury shares) were declared in respect of the current year's profits:		
Interim dividend (Dividend number 36) – declared on 7 May 2019: 475 cents per share (2018: 1 000 cents per share)	**184 337**	387 732
Final dividend (Dividend number 37) – declared on 13 November 2019: 425 cents per share (2018: 1 050 cents per share)	**165 043**	407 387
Total dividends declared in respect of the year ended 30 September 2019: 900 cents per share (2018: 2 050 cents per share)	**349 380**	795 119

The current financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2019.

Notes to the financial statements
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for the year ended 30 September 2019

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
12. Property, plant and equipment				
2018				
Net book amount at 1 October 2017	872 073	1 125 473	38 487	2 036 033
Changes for the year:				
Exchange translation changes	(5 691)	(5 203)	(141)	(11 035)
Additions – Expansion/improvement	50 426	98 980	615	150 021
Additions – Replacement	23 888	161 095	9 556	194 539
Disposals	(11)	(677)	(60)	(748)
Assets scrapped	(301)	(10 407)	(183)	(10 891)
Reclassification	35	(49)	14	
Depreciation charge	(26 793)	(110 899)	(8 022)	(145 714)
Closing net book amount	913 626	1 258 313	40 266	2 212 205
Balance at 30 September 2018				
Cost	1 359 419	2 409 527	142 655	3 911 601
Accumulated depreciation	(445 793)	(1 151 214)	(102 389)	(1 699 396)
Closing net book amount	913 626	1 258 313	40 266	2 212 205
2019				
Net book amount at 1 October 2018	**913 626**	**1 258 313**	**40 266**	**2 212 205**
Changes for the year:				
Reclassifications	**757**	**(763)**	**6**	
Exchange translation changes	**881**	**362**	**172**	**1 415**
Additions – Expansion/improvement	**171 071**	**93 661**	**599**	**265 331**
Additions – Replacement	**43 433**	**114 850**	**4 388**	**162 671**
Disposals	**(61)**	**(18)**	**(123)**	**(202)**
Assets scrapped	**(2 780)**	**(5 578)**	**(6)**	**(8 364)**
Depreciation charge	**(30 769)**	**(132 175)**	**(7 194)**	**(170 138)**
Closing net book amount	**1096 158**	**1 328 652**	**38 108**	**2 462 918**
Balance at 30 September 2019:				
Cost	**1 569 147**	**2 558 336**	**144 958**	**4 272 441**
Accumulated depreciation	**(472 989)**	**(1 229 684)**	**(106 850)**	**(1 809 523)**
Closing net book amount	**1096 158**	**1 328 652**	**38 108**	**2 462 918**

Details of the individual properties are on record, which are open for inspection by members or their nominees at the registered office of the company.

Certain assets at a Zambian subsidiary stand as security for bank facilities – refer note 28.5.

Determination of useful life and annual depreciation

- Buildings, plant and equipment are of a specialised nature and the expected useful lives at initial recognition are based on past experience of deployment of similar assets in the group.
- Subsequent to the initial determination of useful lives, the remaining useful life is assessed annually, taking into account the physical condition of the asset item and how long it can still be operational without incurring excessive repairs and maintenance costs. When the cost of repairs and maintenance reaches such a level where it is not feasible to continue to use a particular plant item, it is replaced. Continuous technology changes could also have a bearing on the economic life of existing assets. The impact of lower operating costs of using the latest technology in processes thereby warranting investment in such assets could make the use of existing assets uneconomical and have an impact on their useful economic lives. Due to the above variable factors, predictions of future replacement dates are based on subjective assessments, and remaining life expectancies are therefore subject to variability.
- Depreciation on specialised buildings, plant and equipment is calculated on the basis that they will have no residual value when they reach the end of their estimated economical lives.
- Depreciation on vehicles is calculated on the basis that it will have residual values of between 10% and 20% of the original cost when they reach the end of their estimated economic lives.
- Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its estimated useful life. The estimated life of assets per asset category falls within the following ranges:
  - Buildings 50 years
  - Plant and equipment – poultry 8 to 25 years
  - Plant and equipment – feed 5 to 50 years
  - Vehicles 5 to 10 years
  - Intangible assets – software 5 to 15 years

	2019 R'000	2018 R'000
13. Intangible assets		
Software		
Opening net book amount	**61 159**	55 884
Changes for the year:		
Exchange translation changes	**16**	(68)
Capitalisation of costs incurred	**4 141**	11 391
Disposals	**(41)**	
Amortisation – included in administrative expenses	**(6 092)**	(6 048)
Closing net book amount	**59 183**	61 159
Cost	**96 792**	92 832
Accumulated amortisation	**(37 609)**	(31 673)
Closing net book amount	**59 183**	61 159
14. Capital commitments		
Capital expenditure approved not contracted for	**191 153**	1 267 807
Capital expenditure contracted but not recognised in the financial statements	**342 646**	127 012
Cost on intangibles contracted but not recognised in the financial statements	**2 906**	6 252

Capital expenditure commitments includes R435 million for production capacity expansion in the Poultry segment. This project is expected to be completed during 2021.

The capital commitments will be financed from a combination of operating cash flows, surplus cash and borrowings when required. No abnormal high debt levels are foreseen resulting from future capital expenditure.

Notes to the financial statements
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for the year ended 30 September 2019

15. Goodwill

Goodwill is allocated to the group's cash-generating units identified according to business segment. Goodwill is assessed for impairment at each reporting date. The recoverable amount of the relevant cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections as contained in the annual budget and business plan forecasts approved by the board of directors.

The discount rates used to determine values of individual cash-generating units are based on the weighted average cost of capital for these business units and incorporate specific business risks related to the industry as well as the different geographical and economical areas in which business activities are conducted.

The cash flow projections have been projected over five years. Abnormal trends in the forecasts, given the cyclical nature of the industry in which the businesses operate, for example the impact of abnormal weather patterns, are eliminated in the perpetuity calculations of future cash flows.

Feed costs for broilers and the selling prices for poultry products are regarded as the two most critical assumptions that impact the profitability of the relevant business units. These two key assumptions are also exposed to the most volatility compared to other assumptions used in the forecasts.

Broiler feed costs

The major components of the broiler feed ration are the cost of maize and soya. The cost of these two ingredients are influenced by a number of factors like weather patterns, the size of annual national and international crops, stock holdings and rate of consumption of these commodities. Market forces impact prices of these commodities and assumptions for future prices take into account most recent stock-to-use ratios and prices of futures traded for these commodities in the open market. Specific adjustments are made for known abnormal weather patterns such as droughts or above average rainfall periods which could impact prices. The feed cost also includes an allowance for the impact of inflation on the production cost of broiler feed.

Selling prices poultry products

Selling prices for poultry products are influenced by market forces which impact the supply and consumption thereof. Assumptions for future price levels take into account the most recent market conditions adjusted for known price volatility such as changes in regulations, periods of over and short supply conditions, and forecast trends in consumer spending. Long-term pricing assumes normalised market conditions and any prolonged period of over or under food inflationary increases in poultry products, are normalised in the long-term outlook for selling prices.

The perpetual growth rate is based on the group's assessment of the long-term economic outlook and takes into account a view on market conditions and the strategic positioning of the business units within the markets in which they operate. The valuations, using a perpetuity growth rate of 5% accounts for the impact of inflation on future cash flow streams only, and does not take into account further expansion. It is also expected that the businesses will maintain their respective market positioning and no reduction of volumes are assumed in the calculation of the valuation of the business units.

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
2018				
Poultry				
Goldi/Festive	13,8%	5	5,0%	106 020
Mountain Valley	13,8%	5	5,0%	15 599
National Chicks	13,8%	5	5,0%	3 749
County Fair	13,8%	5	5,0%	2 559
Feed				
Meadow – South African operations	13,8%	5	5,0%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	16,7%	5	5,0%	2 560
				136 135
2019				
Poultry				
Goldi/Festive	**13,1%**	**5**	**5,0%**	**106 020**
Mountain Valley	**13,1%**	**5**	**5,0%**	**15 599**
National Chicks	**13,1%**	**5**	**5,0%**	**3 749**
County Fair	**13,1%**	**5**	**5,0%**	**2 559**
Feed				
Meadow – South African operations	**13,1%**	**5**	**5,0%**	**5 648**
Other Africa				
Africa Feeds Limited (Zambia)	**17,0%**	**5**	**5,0%**	**2 560**
				136 135

The pre-tax discount rates are as follows:

Goldi/Festive (15,4%), Mountain Valley (16,1%), National Chicks (16,6%), County Fair (16,1%), Meadow (15,4%) and Africa Feeds Limited (Zambia) (20,3%).

Sensitivity analysis	**2019 R'000**	2018 R'000
Changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and consumers' behaviour in response to the economic environment, may affect the assumptions used in the calculation of the recoverable amounts.		
The percentages indicated below are regarded as reasonably possible changes to the long-term assumptions used for the more critical assumptions.		
In the event that any one of the critical assumptions should change without compensating changes in the other assumptions, the impact on the carrying value of goodwill could be as follows:		
Potential impairment if the discount rates are increased by 1%	**(666)**	Nil
Potential impairment if the net realisations of poultry products decrease by 1%	**(15 599)**	Nil
Potential impairment if the net realisations of poultry products decrease by 3%	**(15 599)**	Nil
Potential impairment if the net realisations of poultry products decrease by 5%	**(15 599)**	Nil
Potential impairment if the broiler feed price increased by 1%	**(484)**	Nil
Potential impairment if the broiler feed price increased by 3%	**(15 599)**	Nil
Potential impairment if the broiler feed price increased by 5%	**(15 599)**	Nil

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16. Biological assets

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2018				
Fair value at 1 October 2017	83 461	256 935		340 396
Amortised cost at 1 October 2017			317 651	317 651
Increase due to establishment costs	516 161	5 032 778	605 019	6 153 958
Decrease due to harvest/sales	(509 596)	(4 983 353)	(93 662)	(5 586 611)
Decrease due to amortisation			(457 861)	(457 861)
Fair value adjustment	1 374	1 554		2 928
Closing balance	91 400	307 914	371 147	770 461
Balance at 30 September 2018:				
At fair value	91 400	307 914		399 314
At amortised cost			371 147	371 147
2019				
Fair value at 1 October 2018	**91 400**	**307 914**		**399 314**
Amortised cost at 1 October 2018			**371 147**	**371 147**
Increase due to establishment costs	**616 785**	**5 251 188**	**605 833**	**6 473 806**
Decrease due to harvest/sales	**(619 702)**	**(5 255 423)**	**(112 846)**	**(5 987 971)**
Decrease due to amortisation			**(496 029)**	**(496 029)**
Fair value adjustment	**(190)**	**(1 356)**		**(1 546)**
Closing balance	**88 293**	**302 323**	**368 105**	**758 721**
Balance at 30 September 2019:				
At fair value	**88 293**	**302 323**		**390 616**
At amortised cost			**368 105**	**368 105**

The quantity of egg, broiler and breeding stock is based on the number of eggs and bird placements at the beginning of each production cycle adjusted for mortalities.

Egg stock

The carrying value of egg stock is based on fair value, and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of eggs are capitalised during their growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment of eggs is determined as the price difference between the sum total of the capitalised cost at point of sale and the price at which the hatching eggs are sold in the external market.

Broiler stock

The carrying value of broiler stock is based on fair value and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of broiler stock are capitalised during its growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment for live broiler birds is based on the ratio at which the cumulated costs per kilogram of live broilers at point of harvest differs with the bought-in price per live kilogram paid for broiler birds delivered by outside contract growers for processing through the abattoirs. This adjustment ratio is applied to the sum of costs of the total broiler stock holding.

Breeder stock

The carrying value of breeder stock is based on amortised cost.

The cost of breeding stock includes the cost of the day-old chick, feeding and other related costs, which are capitalised during its rearing cycle of approximately 22 weeks. The capitalised costs are then amortised during its productive (laying) cycle of approximately 40 weeks, to a cull value at the end of its productive life cycle. There is no market for breeder birds, except for when sold as a day-old chick, and when sold at its cull value at the end of its productive cycle. In the absence of any fair value indicators for mature breeder birds, the carrying value of the breeding stock, as calculated on the basis of amortised costs, is regarded as an accurate indicator of the fair value thereof in the integrated poultry producing process.

	2019 R'000	2018 R'000
17. Inventories		
Feed raw materials	**258 784**	216 270
Feed finished goods	**43 424**	43 094
Poultry products	**255 141**	446 092
Consumable stores	**133 709**	131 234
	691 058	836 690

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R7 191 million (2018: R6 129 million)

Certain inventories at a Zambian subsidiary serve as security for bank facilities – refer note 28.5.

18. Trade and other receivables

	2019 R'000	2018 R'000
Financial instruments		
Trade receivables	**1 152 983**	1 208 403
Provision for loss allowance/doubtful debts	**(622)**	(4 150)
Trade receivables – net	**1 152 361**	1 204 253
Other receivables	**38 879**	28 138
Receivable in respect of investment sold	**16 000**	16 000
Non-financial instruments		
Prepayments	**17 845**	15 688
Advance capital expenditure payments	**255 991**	30 782
VAT recoverable	**30 569**	32 243
Other receivables	**753**	1 314
	1 512 398	1 328 418

The fair values of trade and other receivables approximate their carrying value.

	2019 R'000	2018 R'000
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:		
SA Rand	**1 489 485**	1 307 701
Zambian Kwacha	**19 737**	13 541
Mozambican Meticais	**3 176**	7 176
	1 512 398	1 328 418

Certain trade receivables at a Zambian subsidiary serve as security for bank facilities – refer note 28.5.

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18. Trade and other receivables continued

Categories

Trade receivables are categorised according to the different business segments as the profiles of trade receivables differ between the operating segments, and credit risks within these categories are therefore reviewed separately.

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

	2019 R'000	2018 R'000
Poultry	**904 469**	984 210
Farming	**23 166**	23 962
Retail and wholesale	**881 303**	960 248
Feed	**224 729**	204 329
Farming	**197 475**	188 115
Retail and wholesale	**27 254**	16 214
Other Africa	**23 785**	19 864
Farming	**22 391**	18 193
Retail and wholesale	**1 394**	1 671
	1 152 983	1 208 403

	2019 R'000	2018 R'000
19. Cash and cash equivalents		
Cash at bank and in hand	**598 989**	821 843
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	**598 989**	821 843
Bank overdrafts (note 26)	**(44 115)**	(33 277)
Cash and cash equivalents per the statement of cash flow	**554 874**	788 566
20. Share capital		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each (2018: 75 000 000 ordinary shares of 1 cent each)	**750**	750
Issued share capital		
42 922 235 ordinary shares of 1 cent each (2018: 42 887 385 ordinary shares of 1 cent each)	**429**	429
Share premium	**89 971**	86 322
Total issued share capital and premium	**90 400**	86 751

All issued shares are fully paid.

Number of shares effectively in issue	Number of shares	Number of shares
Issued shares	**42 922 235**	42 887 385
Treasury shares held by subsidiary	**(4 088 577)**	(4 088 577)
	38 833 658	38 798 808
Unissued share capital		
The number of shares available to be utilised for purposes of the share option scheme:		
Number of share options available at beginning of year	**4 255 900**	4 209 300
Number of share options exercised	**34 850**	46 600
Number of share options forfeited	**1 650**	
Number of share options available at end of year	**4 292 400**	4 255 900
The number of share options outstanding at end of year		36 500
Number of shares under the control of directors for the purpose of the share option scheme at the end of the year	**4 292 400**	4 292 400

Share options forfeited were in respect of employees who left the employment of the group.

21. Other reserves

-	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/ (losses) on investment loans R'000	Total other reserves R'000
2018				
Balance at 1 October 2017	782	(21 094)	(7 705)	(28 017)
Currency loss on investment loans to foreign subsidiaries			5	5
Currency translation differences arising in year		(13 439)		(13 439)
Balance at 30 September 2018	782	(34 533)	(7 700)	(41 451)
2019				
Balance at 1 October 2018	**782**	**(34 533)**	**(7 700)**	**(41 451)**
Currency loss on investment loans to foreign subsidiaries			**(414)**	**(414)**
Currency translation differences arising in year		**1 292**		**1 292**
Balance at 30 September 2019	**782**	**(33 241)**	**(8 114)**	**(40 573)**

The non-distributable legal reserve relates to a foreign statutory requirement whereby a portion of reserves of a foreign subsidiary is regarded as non-distributable.

The movement in the currency translation reserve relates to the fluctuations of the functional currencies in which the Other African subsidiaries conducts their business activities, against the South African Rand.

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22. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2018: 28%)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

Deferred tax liabilities

	2019 R'000	2018 R'000
Movement on the deferred tax liability account is as follows:		
At beginning of year	**481 732**	433 469
Change in accounting policy#	**1 091**	
	482 823	
Charge related to items in Other Comprehensive Income	**(847)**	1 011
Charge to profit and loss	**57 445**	47 252
Originating and reversal of temporary differences	**53 960**	44 447
Adjustment to amounts recognised in prior year	**3 485**	2 805
At end of year	**539 421**	481 732

 # Restated: The impact of the adoption of an expected credit loss model for impairments of financial assets in terms of IFRS 9.

Analysis of deferred tax liabilities:

	Opening balance R'000	Charge to profit and loss R'000	Charged/(release) to other comprehensive income R'000	Closing balance R'000
2018				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	435 567	31 716		467 283
Temporary difference on livestock and farming consumables	156 442	33 194		189 636
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 218)	(825)	1 011	(26 032)
Provision for long-term retention payments	(32 693)	(3 118)		(35 811)
Provision for outstanding leave pay	(21 406)	(2 546)		(23 952)
Rental equalisation reserve	(2 378)	1 147		(1 231)
Provision for incentive bonuses	(49 064)	(10 992)		(60 056)
Provision for claims and trade discounts	(10 916)	335		(10 581)
Provision for long service awards	(5 787)	34		(5 753)
Other	(10 078)	(1 693)		(11 771)
	433 469	47 252	1 011	481 732

	Opening balance R'000	Charge to profit and loss R'000	Charged/ (release) to other compre-hensive income R'000	Closing balance R'000
2019				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	467 283	30 770		498 053
Temporary difference on livestock and farming consumables	189 636	(8 092)		181 544
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 032)	(737)	(847)	(27 616)
Provision for long-term retention payments	(35 811)	(2 890)		(38 701)
Provision for outstanding leave pay	(23 952)	(1 953)		(25 905)
Rental equalisation reserve	(1 231)	896		(335)
Provision for incentive bonuses	(60 056)	37 958		(22 098)
Provision for claims and trade discounts	(10 581)	2 686		(7 895)
Provision for long service awards	(5 753)	2 393		(3 360)
Other	(10 680)	(3 586)		(14 266)
Other – previous year closing balance	(11 771)			
Change in accounting policy#	1 091			
	482 823	57 445	(847)	539 421

A deferred tax liability of R18 985 000 (2018: R18 452 000) has not been recognised in respect of withholding tax in the event of future dividend distributions by the foreign subsidiaries.

Restated: The impact of the adoption of an expected credit loss model for impairments of financial assets in terms of IFRS 9.

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for the year ended 30 September 2019

23. Employee benefit obligations

	Post-employment medical benefits (note 24) R'000	Long-term retention benefits R'000	Performance incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
2018					
Balance at 1 October 2017	93 636	121 648	191 008	76 449	482 741
Payments against provision		(56 608)	(186 427)		(243 035)
Increase/(decrease) in provision	(665)	71 400	221 906	9 095	301 736
Balance at 30 September 2018	92 971	136 440	226 487	85 544	541 442
Non-current provision	92 971	67 776	7 500		168 247
Current provision		68 664	218 987	85 544	373 195
	92 971	136 440	226 487	85 544	541 442
2019					
Balance at 1 October 2018	**92 971**	**136 440**	**226 487**	**85 544**	**541 442**
Payments against provision		**(70 919)**	**(210 021)**		**(280 940)**
Increase in provision	**5 657**	**72 697**	**74 455**	**6 975**	**159 784**
Balance at 30 September 2019	**98 628**	**138 218**	**90 921**	**92 519**	**420 286**
Non-current provision	**91 719**	**67 460**	**7 000**		**166 179**
Current provision	**6 909**	**70 758**	**83 921**	**92 519**	**254 107**
	98 628	**138 218**	**90 921**	**92 519**	**420 286**

The amounts provided for payment in respect of long-term retention benefits have been discounted at rates varying between 7,0% and 8,2%.

The long-term retention benefits are based on achieving certain performance conditions over a three-year vesting period from the date of allocation of the benefit. Allocations are made every year effective 1 October. The provision is based on an assessment to the extent that performance targets will be achieved. It is estimated that all performance targets will be achieved, except for one target with a vesting date of 30 September 2021, which is expected not to be met.

The decrease in the employee benefit obligations is mainly as result of a decrease in short-term incentives, following the lower profits for the year.

24. Post-employment medical benefits

The group provides post-retirement healthcare benefits to some of its current and retired employees – refer to paragraph 18 of the accounting policies for more detail regarding the post-employment medical plan. Benefits paid and the movement in the provision are charged against profits in the current period. Remeasurements are charged to other comprehensive income.

		2019 R'000	2018 R'000
Present value of funded obligations per actuarial valuation at 30 September			
Balance at beginning of year		**92 971**	93 636
Current service cost		**466**	491
Interest costs		**8 752**	8 786
Remeasurement		**3 025**	(3 609)
Benefits payments		**(6 586)**	(6 333)
Balance at end of year		**98 628**	92 971
Amounts recognised in the profit and loss:		**9 218**	9 277
Current service costs		**466**	491
Interest costs		**8 752**	8 786
Amounts recognised in other comprehensive income:			
Remeasurement		**3 025**	(3 609)
Arising from changes in financial assumptions		**(2 000)**	(1 367)
Arising from changes in demographic assumptions		**4 532**	(2 492)
Miscellaneous		**493**	250
Estimated employer benefits payable during next 12 months		**6 909**	6 584
The liability recognised in the financial statements was actuarially valued at 30 September 2019 (previous valuation date: 30 September 2018). The liability was valued using the Projected Unit Credit valuation method which is the same method used in the prior year.			
Discount rate	(%)	**9,91**	9,78
Healthcare cost inflation:			
In-service members	(%)	**7,71**	7,97
Continuation members	(%)	**7,71**	7,97

Pre-retirement mortality rates as per SA 85-90 (Light) ultimate table

Post-retirement mortality rates as per PA (90) ultimate table rated down two years plus an improvement of 0,75% per annum from a base year of 2006.

Sensitivity analysis	Accrued liability	% change
Discount rate increases by 1% per annum	**89 449**	**-9**
Discount rate reduces by 1% per annum	**109 602**	**11**
Subsidy inflation increases by 1% per annum	**103 711**	**5**
Subsidy inflation reduces by 1% per annum	**90 436**	**-8**
Mortality rate decreases by one year	**102 147**	**4**

A deterministic model has been used to calculate the projected cash flows and the corresponding sensitivity results. The results are point estimations and a limitation of this model is that a limited range of results is available for the sensitivity results.

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24. Post-employment medical benefits continued

The present values of the defined benefit obligation and the experience adjustment were as follows:

	R'000	Experience adjustment
28 September 2019	**98 628**	**-3,1%**
29 September 2018	92 971	+3,9%
30 September 2017	93 636	+5,4%
30 September 2016	95 522	+0,9%

	2019 R'000	2018 R'000
25. Trade and other payables		
Financial instruments		
Trade payables	**1 133 002**	1 105 959
Outstanding payment in respect of capital expenditure incurred	**2 784**	2 618
Accruals and other payables	**213 253**	215 805
Non-financial instruments		
VAT payable	**19 066**	14 009
Operating lease equalisation	**1 197**	4 396
Other	**41 833**	17 682
	1 411 135	1 360 469
Payment terms for trade payables are usually 30 days from date of statement.		
The carrying amounts of the group's trade and other payables are denominated in the following currencies:		
SA Rand	**1 376 931**	1 323 983
Zambian Kwacha	**19 023**	27 914
Mozambican Meticais	**4 113**	5 837
US Dollar	**11 068**	2 735
	1 411 135	1 360 469
26. Borrowings		
Current borrowings		
Bank overdrafts	**44 115**	33 277
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**9 236**	1 186
Zambian Kwacha	**34 879**	32 091
	44 115	33 277

27. Financial instruments

	Loans and receivables R'000	Amortised cost R'000	Financial liabilities at amortised costs R'000	Total on balance sheet R'000
2018				
Current receivables				
Trade receivables	1 248 391			1 248 391
Cash and cash equivalents				
Cash and bank	821 843			821 843
Current borrowings				
Bank overdrafts			33 277	33 277
Shareholders for dividend			2 396	2 396
Current financial liabilities				
Trade payables			1 105 959	1 105 959
Accruals			218 423	218 423
2019				
Current receivables				
Trade receivables		**1 207 240**		**1 207 240**
Cash and cash equivalents				
Cash and bank		**598 989**		**598 989**
Current borrowings				
Bank overdrafts			**44 115**	**44 115**
Shareholders for dividend			**2 755**	**2 755**
Current financial liabilities				
Trade payables			**1 133 002**	**1 133 002**
Accruals			**216 037**	**216 037**

Trade receivables represents the payment of principal amounts and interest, are held for contractual cash flows and are therefore, accounted at amortised costs.

28. Financial risk management

The responsibility of the overall financial risk of the group vests with the board of directors which has an overall responsibility to ensure the group operates within acceptable risk parameters.

In exercising this responsibility, the board assesses amongst others, the appropriate levels of capital investment on expansion projects, the quantum of dividend payments, and strategy on procurement of raw materials against the outlook of near and longer-term trading conditions.

The board is assisted in this function by the Audit and Risk Management Committee which also assesses the business risks, as identified by management from time to time, and the appropriate compensating controls to manage and mitigate the impact of the risks.

The group is exposed to the following major financial risks:

28.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Trade receivables and deposits with banks are subject to credit risk and are managed by the Group Credit Executive and Chief Financial Officer.

TRADE RECEIVABLES

The group's main credit risk is concentrated in the aggregate balance of trade receivables.

Trade receivables are categorised according to the different business segments as the profile of customers differs between the operating segments.

The credit risks of each individual customer within these categories are reviewed annually.

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

The group assesses credit risk on initiation and continuously monitors exposure.

Initially: The granting of credit in relation to trade receivables is controlled by the application of a number of credit controlling procedures, namely:

- Credit risk insurance cover.
- Customers' credit risks are individually assessed and, where necessary, additional security is requested from the customer.
- Credit limits are set for customers and control procedures are in place to ensure adherence to those limits.
- Requirement that customers should provide updated statements of assets and liabilities.
- No credit terms to customers regarded as high risk as per the internal credit risk assessment.
- New credit terms are approved and signed off by the Chief Executive Officer.

Subsequently: The subsequent credit control procedures include:

- regular visits and communication with customers;
- annual re-assessment of the credit worthiness of customers;
- immediate follow-up on late payments;
- in the event a customer is unable to pay, further trading with the customer is suspended; and
- changes to existing credit terms are approved and signed off by the Chief Executive Officer.

Exposure to trade receivables comprise a large, widespread customer base within each business segment/category and is as follows at 30 September:

	2019 R'000	2018 R'000
Accounts receivable	**1 152 983**	1 208 403
Less: Loss allowance	**(622)**	
Less: Provision for doubtful debts		(4 150)
Net accounts receivable	**1 152 983**	1 204 253
Other receivables	**54 879**	44 138
	1 207 862	1 248 391
The table below sets out fully performing, past due but not impaired as well as the impaired receivables and the provision against such receivables:		
Fully performing – due by up to 30 days	**1 139 988**	1 187 546
Outstanding longer than 30 days	**12 995**	20 857
Past due by 31 to 60 days	**7 477**	7 292
Past due by more than 60 days	**5 518**	13 565
	1 152 983	1 208 403

The receivables outstanding longer than 30 days per category:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2018				
Past due by 31 to 60 days	7 042	250		7 292
Past due by more than 60 days	13 313		252	13 565
	20 355	250	252	20 857
2019				
Past due by 31 to 60 days	**7 205**	**52**	**220**	**7 477**
Past due by more than 60 days	**5 507**	**11**		**5 518**
	12 712	**63**	**220**	**12 995**

28. Financial risk management continued

28.1 Credit risk continued

LOSS ALLOWANCE

The trade receivables do not have a significant financing component and the simplified approach have been applied to calculated the loss allowance based on lifetime expected credit losses.

A loss allowance is calculated by each individual business unit in the group, based on its historical loss experience and its particular customer profile which represents trade receivables with shared characteristics and specific characteristics which are influenced by the geographical area where they operate as well as the nature of their businesses.

The following expected loss rates ranges were calculated by different business units:

		Current	30 days	60 days+
Ageing profile of the relevant trade receivables				
Value range of applicable trade receivable groupings	(R'000)	16 030 to 61 377	4 124 to 9 444	376
Expected credit loss rate range	(%)	0,06 to 0,10	4,19 to 4,28	nil
Loss allowance	(R'000)	49	573	nil

The movement in the impairment loss allowance in respect of trade receivables was as follows:

	2019 R'000	2018 R'000
Balance at the beginning of the year	**(4 150)**	(1 540)
Net movement for the year	**3 528**	(2 610)
Release as result of change in the calculation of the loss allowance	**4 150**	
Charge for the year	**(622)**	(2 610)
Balance at end of year	**(622)**	(4 150)

Movement in the loss allowance have been included in the profit and loss as part of administrative expenses under Other expenses.

The loss allowance is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2018				
Farming		332	252	584
Retail and wholesale	3 566			3 566
	3 566	332	252	4 150
2019				
Farming		**622**		**622**
Retail and wholesale				
		622		**622**

The group holds the following security over trade receivables in the form of bank guarantees, covering bonds over property and credit guarantee insurance cover:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2018				
Bank guarantees	9 500			9 500
Covering bonds over property		2 500		2 500
Credit Guarantee Insurance Cover	263 606			263 606
	273 106	2 500		275 606
2019				
Bank guarantees	**9 500**			**9 500**
Notarial bonds over moveable assets	**24 200**			**24 200**
Covering bonds over property		**2 000**		**2 000**
Credit Guarantee Insurance Cover	**316 815**			**316 815**
	350 515	**2 000**		**352 515**

Trade receivables are categorised into the following risk profiles:

- Low risk: National customers with a low risk profile
- General risk: All other customers not classified as low or high risk
- High risk: Customers with solvency and liquidity concerns, and existing customers in arrears as a result of financial difficulties.

The credit quality of the trade receivables can be illustrated according to the different risk profiles:

	2019 R'000	2018 R'000
Low risk	**645 799**	767 886
General risk	**501 666**	426 952
High risk	**5 518**	13 565
	1 152 983	1 208 403

The largest single credit risk amounts to R231 million (2018: R316 million) in the Poultry segment which has a low credit risk profile.

CASH AND CASH EQUIVALENTS

Dealings with counterparties arising from derivative instruments are limited to well-established financial institutions of high credit standing.

Cash at bank represent surplus funds on current bank and overnight call accounts. These funds are held by financial institutions of good standing with Standard & Poor's ratings for short-term local currency of B.

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28. Financial risk management continued

28.2 Market risk – interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group's interest rate risk is limited to surplus funds on cash deposits, loan liabilities and funds borrowed on bank overdrafts.

Interest is at variable rates which are linked to money market related rates and the bank prime lending rates.

Interest rate risk is managed by the Chief Financial Officer considering the group's net borrowings and surplus funds, as well as considering forward levels of interest rates from time-to-time.

Based on the financial instruments as at 30 September 2019, the after tax effect of a 1% movement in the interest rates on the statement of comprehensive income would be R3 995 000 (2018: R5 678 000).

The group's main income and operating cash flows are substantially independent of changes in the market interest rates.

28.3 Market risk – foreign exchange rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group enters into transactions from time to time in currencies which are different from the functional currencies in which it conducts its business activities, which result in exposure to foreign exchange rate fluctuations.

Exposure to exchange rate fluctuations is managed by utilising forward exchange contracts and currency option contracts in consultation with the Chief Financial Officer when management regards it prudent. Forward exchange contracts entered into are related to specific statement of financial position items.

The following rand value items reported in the financial statements are exposed to foreign exchange rate fluctuations at 30 September:

	US Dollar R'000
2018	
Financial assets – cash and cash equivalents	3 828
Financial assets – Trade and other receivables	359
Financial liabilities – Trade and other payables	(2 735)
	1 093
2019	
Financial assets – cash and cash equivalents	**2 087**
Financial liabilities – Trade and other payables	**(7 160)**
	(5 073)

A 10% movement in the ZAR against the US Dollar, which causes most of the movement, will result in a R365 000 after tax effect in the profits of the group (2018: R79 000).

There were no open foreign exchange contracts at 30 September 2019 (2018: nil).

28.4 Market risk – price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

COMMODITY PRICE RISK

The prices of commodities used by the group fluctuate widely and in a competitive market it is not always possible to recover material commodity price increases from broiler customers. This impacts on the group's profitability. Commodity price fluctuations are normally caused by factors such as supply conditions, weather, exchange rate fluctuations and other economic conditions which are outside the control of Astral.

These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Decisions on the procurement of raw materials as well as the utilisation of derivative instruments to hedge against these risks are taken by executive management within board approved mandates. Detailed statements of raw material contracts and hedging positions are prepared and submitted on a monthly basis to the Chief Executive Officer.

POULTRY PRODUCTS PRICE RISK

Poultry producers have limited influence over prices of broiler products in the retail market. These prices are highly sensitive to the supply and demand balance for broiler products. Imbalances in supply and demand are caused by a combination of a number factors; the uncontrolled import and dumping of chicken products on to the South African market, production levels and supply from local producers, and the financial strength of the local consumer are the more important factors.

The management of this risk is done by the poultry management team through appropriate production planning, cost control, improvement in efficiencies and reduction of costs through continuous upgrading of processes, equipment and facilities.

28.5 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The group has borrowings and other financial liabilities.

The group has good cash flow generation capabilities. During periods of normalised profit margins, i.e. when there are no prolonged adverse movements in the cost of commodities and/or prices of poultry products, surplus cash is generated and accumulated in the business. During periods of lower profit margins, both working capital requirements as well as capital expenditures on property, plant and equipment, are financed from cash generated from business activities and available short-term bank facilities.

28. Financial risk management continued

28.5 Liquidity risk continued

The following table compares the contractual cash flows of debt owed at 30 September 2019, with the carrying amount in the consolidated balance sheet, in Rands. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt, remain constant.

	Within one year R'000	Between one and five years R'000	More than five years R'000	Total R'000
2018				
Trade and other payables	1 324 382			1 324 382
Shareholders for dividend	2 396			2 396
Bank overdraft	33 277			33 277
	1 360 055			1 360 055
2019				
Trade and other payables	**1 349 039**			**1 349 039**
Shareholders for dividend	**2 755**			**2 755**
Bank overdraft	**44 115**			**44 115**
	1 395 909			**1 395 909**

The following table sets out the contractual terms of the borrowings and other financial liabilities:

	Repayment date	Fixed/ variable interest	Interest rate	Security or other relevant terms
Trade payables	**current**	**n.a.**	**n.a.**	**none**
Accruals	**current**	**n.a.**	**n.a.**	**none**
Bank overdrafts – ZAR denominated	**current**	**variable**	**10%**	**none**
Bank overdraft – Kwacha denominated	**current**	**variable**	**16,5% to 19%**	**Mortgage bond over property and floating charge over inventory and trade receivables**

The liquidity risks are managed by the Chief Financial Officer on a group level through a combination of the following:

- Monitoring of trading stock levels.
- Monitoring of outstanding trade receivables.
- Monitoring of daily bank balances.
- Calculating an eight-week rolling forecast of bank balances on a weekly basis.
- Conducting long-term cash flow forecasts at regular intervals.
- The arrangement of access to short- and long-term borrowing facilities from financial institutions.
- Financing of major capital expenditure items are done from a combination of borrowed funds as well as from surplus cash when accumulated over a period of time.

The general borrowing facilities from the banks, together with cash generated from operating activities are utilised to finance the normal ongoing operating requirements of the group, which include working capital requirements, normal capital expenditure and payment of dividends.

	2019 R'000	2018 R'000
Borrowing facilities		
The borrowing facilities are reviewed on an annual basis.		
The group has the following general borrowing facilities at floating interest rates:		
– Denominated in SA Rand		
Total facilities	**1 091 000**	1 166 000
Unutilised facilities at year-end	**1 091 000**	1 166 000
– Denominated in Zambian Kwacha		
Total facilities	**36 488**	44 444
Unutilised facilities at year-end	**1 610**	12 35
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying value:		
Land and buildings	**2 085**	2 119
Inventory	**56 844**	43 700
Trade debtors	**12 169**	7 590

28.6 Capital risk

The group manages its capital in order not to have exposure to abnormal high debt position and to provide adequate return on capital employed.

The board of directors mandates the long-term capital structure of the group with debt to equity not to exceed a target of 43%.

The group continuously monitors its net debt to equity ratio.

Debt incurred from time to time by the group consists mainly of the following:

- bank overdrafts; and
- long-term loans for the financing of specific major expansion projects when required.

Surplus cash situations occur from time to time as result of cyclicality in profits.

Equity comprises all components of equity as disclosed in the statement of financial position.

The group is in a net surplus cash position with the net surplus cash relative to equity as at 30 September as follows:

	2019 R'000	2018 R'000
Cash and cash equivalents – refer note 19	**598 989**	821 843
Total debt – refer note 26	**(44 115)**	(33 277)
Net surplus cash	**554 874**	788 566
Total capital		
Equity	**3 795 635**	3 737 418

Notes to the financial statements
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for the year ended 30 September 2019

29. Share-based payments

SHARE OPTION SCHEME

The share option scheme which is equity settled, provides the right to purchase shares in Astral Foods Limited at a set exercise price. The exercise price of the granted options is equal to the market price of the shares on date of the grant.

The contractual life of options granted is seven years. The options vest one third after each of the third, fourth and fifth year date of granting the option.

The fair value of share options on grant date is recognised as an expense in profit and loss over the vesting period. The fair value calculations are performed by external consultants and are not re-measured at subsequent dates.

Movement during the year in the number of options is as follows:

Date	Exercise price	Number of options outstanding at beginning of year	Number of options exercised during the year	Number of options forfeited during the year	Number of options outstanding at end of the year
28 September 2012	R104.71	36 500	(34 850)	(1 650)	

The service cost recognised by the group in the current year in return for the cumulative share options granted to date to employees and directors for the group amounts to Rnil (2018: nil).

30. Related party transactions

DIRECTORS' REMUNERATION

Details of directors' remuneration is given in note 31. Executive Directors are eligible for an annual performance related bonus payment linked to appropriate group targets. The structure and payment of bonuses are decided by the Human Resources, Remuneration and Nominations Committee.

Details of share options granted to directors are given note 31.

KEY MANAGEMENT

Employees fulfilling the role of key management are the Executive Directors and the prescribed officers as listed in note 31.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of subsidiaries in the group are set out in notes 33 to the financial statements.

CROSS GUARANTEES

A cross guarantee incorporating a pledge and cession of loan funds between the bank and group companies has been given by Astral Foods Limited, Astral Operations Limited, Meadow Feeds Eastern Cape (Pty) Limited, and Meadow Feeds Standerton (Pty) Limited in respect of borrowing facilities.

31. Directors' and prescribed officers' remuneration

	Directors' fee/salary R'000	Travelling allowance and other payments R'000	Long-term incentives R'000	Short-term incentives R'000	Other R'000	Total 2019 R'000	Total 2018 R'000
Non-executive directors' fees							
For services as directors (excluding VAT)	**3 457**					**3 457**	3 435
T Eloff	**993**					**993**	1 004
DJ Fouche	**906**					**906**	900
MT Lategan#	**164**					**164**	448
T Maumela	**579**					**579**	465
TM Shabangu	**646**					**646**	618
S Mayet*	**87**					**87**	
WF Potgieter*	**82**					**82**	
Executive directors' remuneration							
For managerial services	**20 478**	**138**	**22 741**	**15 009**	**182**	**58 548**	61 894
CE Schutte	**7 912**	**31**	**10 043**	**5 672**		**23 658**	25 211
GD Arnold^	**3 807**	**39**	**3 792**	**3 756**		**11 394**	10 394
AB Crocker	**3 807**	**63**	**3 792**	**2 425**	**182**	**10 269**	11 699
DD Ferreira	**4 952**	**5**	**5 114**	**3 156**		**13 227**	14 590
Total directors' fees and remuneration	**23 935**	**138**	**22 741**	**15 009**	**182**	**62 005**	65 329
Prescribed officers' remuneration							
For managerial services	**8 784**	**112**	**3 418**	**4 431**		**16 745**	23 544
MA Eloff	**1 772**	**9**		**941**		**2 722**	3 287
E Potgieter	**2 515**	**51**	**1 914**	**1 336**		**5 816**	6 173
MJ Schmitz	**3 032**	**35**	**1 504**	**1 932**		**6 503**	8 079
G Jordaan*	**417**	**2**		**222**		**641**	
FM Snyman#	**1 048**	**15**				**1 063**	6 005
Total directors' and prescribed officers' remuneration	**32 719**	**250**	**26 159**	**19 440**	**182**	**78 750**	88 873
			(note 1)	(note 2)	(note 3)		

Director's fee/salary paid to date of resignation as director/prescribed officer

* *Director's fee/salary paid from date of appointment as director/prescribed officer*

^ *Includes a merit award for successfully managing the risks posed by the first break-out of bird flu in the South African poultry industry which is a major risk to the industry.*

Prescribed officers of the group consist of the Company Secretary and employees who fulfil key roles in the management of the group.

Notes to the financial statements
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for the year ended 30 September 2019

31. Directors and prescribed officers remuneration continued

Note 1 – Long-term incentives

The Executive Directors and prescribed officers participate in a Long-Term Retention Incentive scheme.

Two performance conditions are set for 75% of the amounts allocated on 1 October 2016 and 1 October 2017. Payment of the remaining 25% of the amounts is guaranteed.

Three performance conditions are set for 100% of the amounts allocated on 1 October 2018.

The performance conditions relate to above-threshold production performance conditions (PEF), earnings per share (EPS) growth and return on net assets (RONA) which must be achieved over a three-year period for vesting of the allocated amounts. Refer to the Remuneration Policy for more detail on the scheme.

The amounts listed above are in respect of allocations made effective 1 October 2016 and which have vested on 30 September 2019. The performance conditions were measured over three years ending 30 September 2019. Both the PEF and EPS performance conditions were achieved during the vesting period and payment of the full amounts will be made during January 2020.

Indicative long-term incentives payable

Effective dates of allocation	**1 Oct 2016**	**1 Oct 2017**	**1 Oct 2018**		
Vesting dates of performance conditions	**30 Sep 2019**	**30 Sep 2020**	**30 Sep 2020**	**Total**	Total
Payment dates	**25 Jan 2020**	**25 Jan 2021**	**25 Jan 2022**	**2019**	2018
	R'000	**R'000**	**R'000**	**R'000**	R'000
Executive directors					
CE Schutte	10 043	10 682	7 157	**27 882**	27 305
GD Arnold	3 792	4 371	3 061	**11 224**	10 493
AB Crocker	3 792	4 371	3 061	**11 224**	11 793
DD Ferreira	5 114	5 687	3 982	**14 783**	14 951
Expected payments on condition performance targets are achieved	22 741	25 111	17 261	**65 113**	64 542
Liability included in Employee benefit obligations (note 23)	(22 741)	(15 429)	(4 843)	**(43 013)**	(37 773)
Contingent liability – included in contingencies (note 32)		9 682	12 418	**22 100**	26 769
Prescribed officers					
E Potgieter	1 914	2 396	1 685	**5 995**	5 650
MJ Schmitz	1 504	3 482	2 437	**7 423**	6 456
FM Snyman					5 490
Expected payments on condition performance targets are achieved	3 418	5 878	4 122	**13 418**	12 106
Liability included in Employee benefit obligations (note 23)	(3 418)	(3 612)	(1 156)	**(8 186)**	(9 609)
Contingent liability – included in contingencies (note 32)		2 266	2 966	**5 232**	2 497

It is expected that not all performance conditions in respect of the 1 October 2018 allocation will be achieved, and a lower payment is forecast.

Note 2 – Short-term incentives

The Executive Directors and prescribed officers participate in an annual performance based bonus scheme.

The bonus is calculated based on a *pro rata* share of 20% of the economic value added (EVA™) during the past year. The net operating profit after tax (NOPAT) must be in excess of a predetermined threshold before bonuses will be paid.

Note 3 – Long service award

Employees of the group are entitled to an award in recognition for each completed period of five years service. The amount is calculated as a percentage of the employee's salary, based on a sliding scale whereby the percentages increase the longer the period of uninterrupted service.

This scheme is in the process of being phased out with the last payments due during the financial year ending September 2020.

Directly held number of shares	2019	2018
Beneficial interests		
Non-executive directors		
DJ Fouche	**5 650**	5 650
Executive directors		
CE Schutte	**26 450**	24 700
DD Ferreira	**158 000**	158 000
AB Crocker	**3 725**	2 550
GD Arnold	**3 000**	2 500
	196 825	193 400

Note: There is no change in directors' shareholding up to date of publication of financial statements.

32. Contingencies and commitments

	2019 R'000	2018 R'000
Commitments		
Raw material contracted amounts not recognised in the statement of financial position	**1 376 532**	1 090 415
The group has contracted its raw material requirements from various suppliers in terms of future supply agreements.		
Orders placed for capital equipment included under capital commitments (note 14), payable in the following currencies;		
Euro	**49 248**	
British pound	**4 074**	
A 1% change in the ZAR exchange rate of both these currencies will have an impact on the amounts to be paid of R533 000.		
Contingencies		
Long-term retention incentives not recognised in the statement of financial position.	**76 220**	88 247

The payment of the future contingency is on condition of achieving performance targets.

Notes to the financial statements
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for the year ended 30 September 2019

33. Interest in subsidiary companies

Details of the principal subsidiary companies in the group are as follows:

		Issued ordinary capital		Effective percentage holding	
		2019 R'000	2018 R'000	**2019 %**	2018 %
Unlisted investments					
Astral Operations Limited	a	**12**	12	**100**	100
National Chicks Limited	b	**23 720**	23 720	**100**	100
Meadow Feeds Eastern Cape (Pty) Ltd	c			**100**	100
Meadow Feeds Standerton (Pty) Ltd	c			**100**	100
Africa Feeds Limited (Zambia)^	c	**24**	24	**100**	100
Meadow Moçambique Limitada*	c	**4 393**	4 393	**80**	80
Progressive Poultry Limited^	d	**10**	10	**100**	100
Mozpintos Limitada*	d	**100**	100	**100**	100
National Chicks Swaziland (Pty) Limited#	d	**1**	1	**67**	67

^ *Incorporated in Zambia*
* *Incorporated in Mozambique*
# *Incorporated in eSwatini*

Nature of business

a *Animal feed and pre-mix production, broiler genetics and broiler breeding production, broiler operations, production and sale of day-old broilers and hatching eggs and analytical services.*
b *Investment holding*
c *Animal feed production*
d *Production and sale of day-old broilers and hatching eggs.*

34. Events subsequent to balance-sheet date

A final dividend of 425 cents per share has been declared on 13 November 2019. The payment of the dividend will be on 21 January 2020.

No other events took place between year-end and the date of issue of these financial statements that would have a material effect on the financial statements as disclosed.

35. Change in accounting policies

The group adopted the following accounting policies for the 2019 financial year:

IFRS 15 Revenue

Due to the nature of the group's sales contracts with its customers the adoption of IFRS 15 resulted in no change in revenue recognition.

IFRS 9

The group adopted an expected credit loss model for impairments of financial assets using the modified retrospective approach.

The impact on the financial statements is a credit to the retained earnings opening balance of R3 059 000. This insignificant impact is as result of the group's historically low bad debts and successful credit control procedures. The interim results for the six months ending March 2019 was not adjusted with the impact of the change in calculation of the provision for possible impairment losses.

The classifications of trade receivables and cash and bank changed from "Loans and receivables" to "Amortised costs" – refer to note 27. The measurement at amortised costs as required by IFRS 9, remained unchanged form the previous year.

36. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

36.1 Basis of preparation

The consolidated financial statements of Astral Foods Limited group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The basis of preparation is consistent with the prior year, except for the mandatory adoption of IFRS15 (Revenue) and amendments to IFRS 9 (Financial instruments).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the relevant notes to the annual financial statements.

36.2 Interest in group entities

SUBSIDIARIES

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The group treats transactions with non-controlling interests as transactions with equity owners of the group.

36.3 Foreign currencies

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Rand, which is the company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other (losses)/gains – net'.

FOREIGN OPERATIONS

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different to the company's presentation currency, are translated into the presentation currency as follows:

- Assets and liabilities at the closing exchange rate at the reporting date;
- Income and expense items are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- Equity items are translated at the exchange rates ruling when they arose.

All resulting exchange differences are classified as a foreign currency translation reserve and recognised as a separate component of other comprehensive income.

36. Accounting policies continued

36.3 Foreign currencies continued

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings which are long-term investments in nature, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

36.4 Property, plant and equipment

Land and buildings comprise mainly of feed mills, poultry processing facilities, poultry farms and offices which are measured at historical cost.

Land is not depreciated and its carrying value is stated at historical cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 costs are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are included in profit or loss under other gains/losses.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technology developments and maintenance programmes.

36.5 Intangible assets

COMPUTER SOFTWARE

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software recognised as assets are amortised, using the straight-line method, over their estimated useful lives. The estimated useful lives are reassessed on an annual basis.

36.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises all purchase costs of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) incurred in bringing the inventories to their present location and condition. Borrowing cost is excluded.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

36.7 Biological assets

The value of live broiler birds and hatching eggs are assessed based on fair values less estimated point-of-sale costs at appropriate reporting dates. Gains and losses arising from changes in the fair values are recorded in cost of sales for the period in which they arise.

Breeding stock includes grandparent breeding and parent rearing and laying stock which are carried at amortised costs.

All the expenses incurred in establishing and maintaining the assets are recognised in cost of sales. All costs incurred in acquiring biological assets are capitalised to the cost of the biological assets.

36.8 Impairment of non-financial assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

36.9 Financial assets

Financial assets are recognised when the group becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset. Financial assets carried at reporting date include cash and bank balances, and receivables.

The group's financial assets are held to collect the contractual cash flows and are classified in the following category:

AMORTISED COSTS

Impairment

A loss allowance is calculated based on the lifetime expected credit losses of financial assets.

The group applies the IFRS 9 – Financial instruments simplified approach to measuring expected credit loss which uses a lifetime expected credit loss allowance for all trade receivables. At each reporting date, the group assesses whether there has been a significant change in credit risk since initial recognition.

36.10 Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial assets or to exchange financial instruments with another on potentially unfavourable terms.

All the financial liabilities have been classified as: Financial liabilities at amortised costs.

36.11 Trade receivables

In the prior year, trade receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. No fair value adjustment was made for the effect of time value of money where trade receivables have a short-term profile.

A provision for impairment of trade receivables was established when there was objective evidence that the group will would not be able to collect all amounts due according to the original terms of the receivables and thereby represent a risk of non-payment.

Adjustments in the provision for loss allowance and doubtful debts are recognised in the statement of comprehensive income under administrative expenses.

When a trade receivable is uncollectible it is written off in the statement of comprehensive income or when previously written off amounts are recovered, it is credited in the statement of comprehensive income, both within other gains/losses. A trade receivable is regarded as uncollectible when there is objective evidence that the group would not be able to collect all amounts due according to the original terms of the receivable and thereby represent a risk of non-payment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default on payments are considered indicators that the trade receivable is uncollectible.

36.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

36.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements
continued

for the year ended 30 September 2019

36. Accounting policies continued

36.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

36.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly incremental costs, is deducted from equity attributable to the company's equity holders until the shares are re-issued or disposed of.

36.16 Current and deferred tax

The charge for current tax is based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

36.17 Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately under other income/expenses in the statement of comprehensive income.

OVER-THE-COUNTER (OTC) CONTRACTS

The group enters into over-the-counter (OTC) forward purchases for the purchase of commodities for own use. These contracts are settled by taking physical delivery in the normal course of business and are therefore not regarded as financial instruments.

FAIR VALUE ESTIMATION

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

36.18 Employee benefits

PENSION OBLIGATIONS

The group operates defined contribution retirement schemes.

A defined contribution scheme is a pension plan under which the group pays fixed contributions into a separate entity. The group recognises the expense in the statement of comprehensive income as an employee benefit expense.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

POST-EMPLOYMENT MEDICAL BENEFITS

The group provides post-retirement healthcare benefits to some of its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefit are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income. These obligations are valued every year, and the assumptions are reviewed annually, by independent qualified actuaries.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

PROFIT-SHARING AND BONUS PLANS

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders. These profit sharing and bonus plans are approved annually by the board.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

LONG-TERM RETENTION BONUS SCHEME

The group has a long-term retention bonus scheme for certain employees. In terms of the scheme, 25% of the allocated amount is guaranteed, and for certain employees, 75% is subject to specified performance conditions measured over a three-year period being met. Allocations from 1 October 2018 onwards are 100% subject to performances conditions for all employees.

Once vested, amounts are paid at the end of the three year vesting period.

The fair value of the employees' service received in exchange for participation in the scheme, is recognised as an expense over the vesting period.

SHARE-BASED PLANS

The share option scheme which is equity settled, provides the right to purchase shares in the company at the exercise price. The contractual life of options granted is seven years. The options vest one third after each of the third, fourth and fifth year of date of granting the option. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market conditions. Non-market conditions are included in assumptions about the number of options that are expected to vest. The group recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The grant by the group of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts

The fair value calculations are done by external consultants.

Notes to the financial statements
continued

for the year ended 30 September 2019

36. Accounting policies continued

36.18 Employee benefits continued

LONG SERVICE REWARDS

Employees receives a reward when a five-year uninterrupted period of employment is completed. A liability is recognised in respect of partial completed five year periods.

36.19 Revenue recognition

The group has applied IFRS 15 with an initial date of application of 1 October 2018. This is the first year of adoption for IFRS 15 across all revenue streams. The group has applied IFRS 15 using the modified retrospective method. The net impact is immaterial, thus no adjustment was recorded to opening retained earnings.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Refer to note 1 of the financial statements for a description of the revenue streams of the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below:

- Poultry – sales are recognised when control of the products has transferred, being when the products are delivered at the premises of the customer;
- Feed – sales are recognised when control of the products has transferred, being when the feed is delivered at the farm as agreed with the customer or when a customer collects it from the feedmills.

In all instances, sales are recognised when upon delivery, the customer has accepted the products; and collectability of the related receivables is reasonably assured.

Volume rebates and settlement discounts are deducted from revenue where they can be reliably measured.

The group makes use of an intermediary company which purchases finished goods from the group and sell these to the retail market. Significant judgements are made by management when concluding whether the intermediary is transacting as an agent or as a principal. The assessment requires an analysis of key indicators, specifically whether the intermediary:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer;
- the entity has discretion in establishing the price for the specified good or service.

These indicators are used to determine whether control of the goods have passed to the intermediary company. Where control has transferred to the intermediary company, revenue is recognised when the goods are sold to the intermediary and not when they are on sold to the retail market.

36.20 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

36.21 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

36.22 New standards and interpretations

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards.

The following amendments will or may have an impact on the financial statements:

INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS ISSUED BUT NOT EFFECTIVE FOR THE 30 SEPTEMBER 2019 YEAR-END

IFRS 16 – Leases

The IASB and FASB decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

A lessee will be required to measure lease liabilities at the present value of future lease payments. The lessee will then also be required to measure lease assets, initially at the same amount as lease liabilities, and also include costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

Effective date: 1 January 2019

Extensive calculations have been done to calculate the potential impact on the financial statements based on the current operating leases that will still be in operation on the group's implementation date of 1 October 2019. A right of use asset and a corresponding liability of approximately R750 million will have to be recognised in the opening balance sheet of the September 2020 financial year. The impact on operating profit for the September 2020 financial year is expected to be an increase of R26 million, whilst finance costs of approximately R68 million will have to be recognised. The net impact on earnings is expected to be a reduction of approximately R30 million. There will be no impact on cash flow.

The group will comply with the standard in the 2020 annual financial statements.

Analysis of ordinary shareholders

as at 30 September 2019

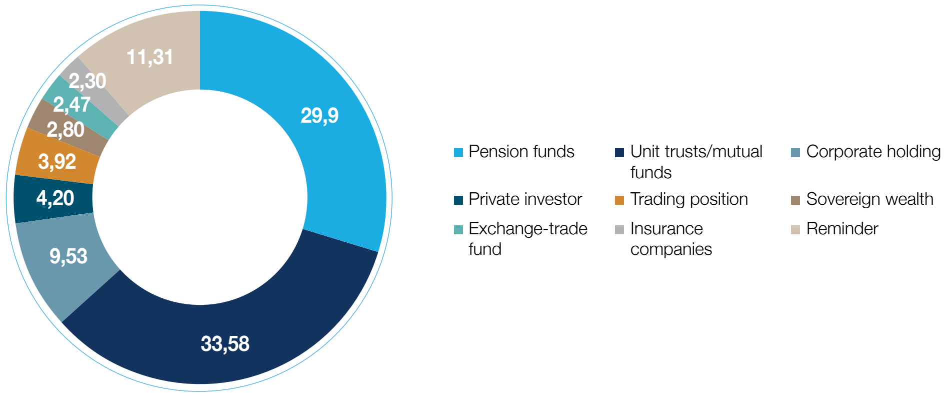
	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1 000 shares	2 861	74,60	795 678	1,85
1 001 – 10 000 shares	718	18,72	2 292 471	5,34
10 001 – 100 000 shares	190	4,95	6 121 620	14,26
100 001 – 1 000 000 shares	57	1,49	13 295 111	30,97
1 000 001 shares and above	9	0,23	20 417 355	47,57
Total	**3 835**	**100,00**	**42 922 235**	**100,00**

	Total shareholding	% of issued capital
DISTRIBUTION OF SHAREHOLDERS		
Unit trusts/mutual funds	14 412 961	33,58
Pension funds	12 832 380	29,90
Corporate holding	4 088 577	9,53
Private investor	1 801 771	4,20
Trading position	1 683 260	3,92
Sovereign wealth	1 201 196	2,80
Exchange-traded funds	1 062 250	2,47
Insurance companies	985 704	2,30
Custodians	619 801	1,44
Hedge funds	490 977	1,14
University	142 903	0,33
Investment trust	85 386	0,20
Local authority	23 505	0,05
Medical aid scheme	15 661	0,04
Remainder	3 475 903	8,10
Total	**42 922 235**	**100,00**

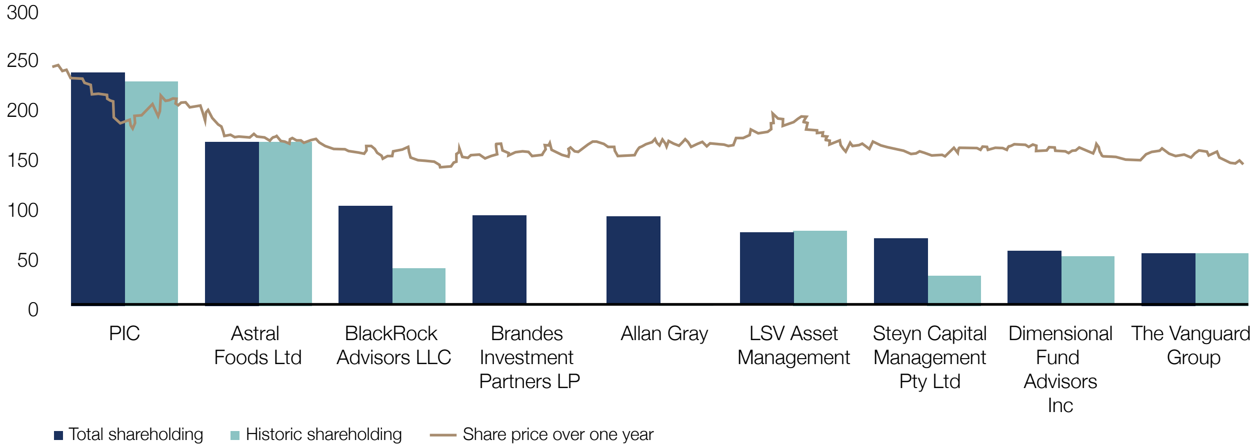
	Number of holders	% of total shareholders	Number of shares	% of issued capital
PUBLIC AND NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	6	0,16	4 479 402	10,44
Directors and associates	5	0,13	196 825	0,46
Astral operations	1	0,03	4 282 577	9,98
Public shareholders	3 829	99,84	38 442 833	89,56
Total	**3 835**	**100,00**	**42 922 235**	**100,00**

	Total shareholding	%
BENEFICIAL INTEREST ABOVE 3%		
Government Employees Pension Fund	5 815 486	13,55
Astral Operations Limited	4 088 577	9,53
BlackRock Advisors LLC	2 485 183	5,79
Brandes Investment Partners LP	2 247 897	5,24
Allan Gray	2 233 716	5,20
LSV Asset Management	1 825 386	4,25
Steyn Capital Management Pty Ltd	1 675 676	3,90
Dimensional Fund Advisors Inc	1 370 534	3,19
The Vanguard Group	1 331 739	3,10
Total	**23 074 194**	**53,76**

Beneficial shareholders split by category *%*



Investment management shareholding positions above 3% with 12-month Share price *(R)*



Notice of annual general meeting

Nineteenth annual general meeting

This document is important and requires your immediate attention

If you are in any doubt as to what action to take, please consult your stockbroker, Central Securities Depository Participant (CSDP), banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all your shares in the company please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Notice is hereby given that the nineteenth annual general meeting of members of Astral Foods Limited will be held in the boardroom, 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 6 February 2020 at 08:00, to transact the following business: (Salient dates for the meeting are listed on page 182 of the integrated report.)

Ordinary business

Consideration of annual financial statements

ORDINARY RESOLUTION NUMBER 1

Resolved to receive and consider the annual financial statements for the group for the year ended 30 September 2019, together with the directors' and auditors' reports.

Re-election of directors

ORDINARY RESOLUTION NUMBER 2

Resolved that in terms of article 34.3 of the company's memorandum of incorporation, Mr S Mayet and Mr WF Potgieter retire by rotation at the annual general meeting and being eligible, offered themselves for re-election by individual separate resolution.

Brief particulars of the qualifications and experience of Mr Mayet and Mr Potgieter are available on page 9 of the integrated report.

ORDINARY RESOLUTION 3

Resolved that in terms of article 34.4.1 of the company's memorandum of incorporation, Dr T Eloff and Mrs TM Shabangu retire by rotation at the annual general meeting and being eligible, have offered themselves for re-election by individual separate resolution.

It is proposed that any vacancies that occur as a result of the above directors not being available for re-election, will not be filled at the meeting and the normal nomination and selection processes as laid down by the company's Human Resources, Remuneration and Nominations Committee will be followed for the appointment of new directors.

Brief particulars of the qualifications and experience of the above directors are available on page 8 of the integrated report.

Re-appointment of members of the audit and risk management committee

ORDINARY RESOLUTION NUMBER 4

Resolved to appoint by way of individual separate resolution, the following Independent Non-executive Directors as members of the Audit and Risk Management Committee:

- Mr DJ Fouché
- Mr S Mayet
- Mrs TM Shabangu

The above members will hold office until the next annual general meeting and will perform the duties and responsibilities stipulated in section 94(7) of the Companies Act, 71 of 2008, as amended (the Act) and the King IV™ report and will perform such other duties and responsibilities as may from time to time be delegated by the board of directors of the company and all subsidiary companies.

Mrs Maumela, a member of the Audit and Risk Management Committee since February 2019, has decided to step down from her position on the committee with effect from the annual general meeting, due to personal reasons, and is therefore not available for re-election.

Brief particulars of the qualifications and experience of the above directors are available on pages 8 and 9 of the integrated report.

Re-appointment of members of the Social and Ethics Committee

ORDINARY RESOLUTION NUMBER 5

Resolved to appoint by way of individual separate resolution, the following directors/executives/consultants as members of the Social and Ethics Committee:

- Mr G D Arnold (Executive director)
- Dr T Eloff (Chairman of the board)
- Mr LW Hansen (Consultant)
- Mrs TP Maumela (Independent non-executive director)

The above members will hold office until the next annual general meeting and will perform the duties and responsibilities as may from time to time be delegated by the board of directors for the company and all its subsidiaries.

Brief particulars of the qualifications and experience of the above are available on pages 8 and 10 of the integrated report.

Appointment of auditors

ORDINARY RESOLUTION NUMBER 6

Resolved to appoint PricewaterhouseCoopers Incorporated, on the recommendation of the current Audit and Risk Management Committee, as independent registered auditor of the company (with Mr EJ Gerryts as the individual designated auditor) for the 2020 financial year.

Authority for determination of auditors' remuneration

ORDINARY RESOLUTION NUMBER 7

Resolved that the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors, be confirmed.

Approval of the remuneration policy

ORDINARY RESOLUTION NUMBER 8

Resolved to consider and approve the Remuneration Policy as contained in the Remuneration Report for the year ended 30 September 2019.

The company's Remuneration Report is set out on pages 86 to 98 of this integrated report which contains a summary of the company's remuneration policy.

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast be against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

Implementation of the remuneration implementation report

ORDINARY RESOLUTION NUMBER 9

Resolved to consider and approve the Remuneration Implementation Report for the year ended 30 September 2019, details of which are set out on pages 99 to 103 of this integrated report.

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast be against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

Signature of documentation

ORDINARY RESOLUTION NUMBER 10

Resolved to authorise and empower any one director or the Company Secretary, to do all such things and sign all such documents and take all such actions as they consider necessary to implement the resolutions set out in the notice convening the nineteenth annual general meeting of the company.

Notice of annual general meeting
continued

Special business

Resolved to consider and, if deemed fit, to pass, with or without modification, the following special resolutions in the manner required by the Act and subject to the Listings Requirements of the JSE Limited (JSE).

Fees payable to non-executive directors

SPECIAL RESOLUTION NUMBER 1

Resolved that the level of non-executive directors' fees be increased by 4,5% with effect from 1 October 2019 on the basis as set out as follows:

	2020 R'000	2019 R'000
Chairman of the board	**491**	470
Member of the board	**344**	329
Lead Independent Director	**218**	209
Chairman of the Audit and Risk Management Committee	**280**	268
Member of the Audit and Risk Management Committee	**145**	139
Chairman of the Human Resources, Remuneration and Nominations Committee	**186**	178
Member of the Human Resources, Remuneration and Nominations Committee	**105**	100
Chairman of the Social and Ethics Committee	**164**	157
Member of the Social and Ethics Committee	**98**	94

Special resolution number 1 is proposed in order to comply with the requirements of the Act and the company's memorandum of incorporation. An additional amount equal to the Value Added Tax amount (currently 15%), will be payable to directors earning non-executive director's fees in excess of R1 million per annum. The proposed remuneration is considered to be fair and reasonable and in the best interests of the company.

Percentage of voting rights required for special resolution number 1 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for proposing special resolution number 1 is to ensure that the level of fees paid to non-executive directors remain competitive to enable the company to attract and retain persons of the calibre required in order to make a meaningful contribution to the company, having regard to the appropriate capability, skill and experience required.

The effect of special resolution number 1 is the level of fees as set out above is increased with effect from 1 October 2019.

Authority to provide financial assistance to related and inter-related companies

SPECIAL RESOLUTION NUMBER 2

Resolved that in terms of section 45(3)(a)(ii) of the Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 45(1) of the Act, to any related or inter-related company or corporation as contemplated in section 45(2) of the Act, for such amounts and on such terms and conditions as the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company.

Percentage voting rights required for special resolution number 2 to be adopted: at least 75 percent of the voting rights exercised on this resolution.

Reasons for and effect of special resolution number 2

The reason for proposing special resolution number 2 is that the company is a listed holding company with a number of subsidiary companies which together comprise the Astral group of companies. Astral is not an operating company and all operations in the Astral group are conducted by subsidiary companies of Astral.

Astral is from time to time, as an essential part of conducting its business, required to provide financial assistance to its subsidiary companies including related and inter-related companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Act.

In terms of the Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subsidiaries and Astral seeks approval for the board of the company until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its memorandum of incorporation and the provisions of the Act.

The effect of special resolution number 2 is that the directors of the company will be granted the authority until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries.

Compliance with section 45(3)(b) of the Act

The Directors of Astral will, in accordance with section 45(3)(b) of the Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, *inter alia,* that immediately after providing the financial assistance, the company satisfies the solvency and liquidity test set out in section 4(1) of the Act.

Notice in terms of section 45(5) is hereby given that any financial assistance contemplated in special resolution number 2 will in all likelihood exceed one-tenth of one percent of the company's net worth at the date of adopting such a resolution. This notice is also relevant for any trade union representing any employees of the company.

GENERAL AUTHORITY TO REPURCHASE SHARES IN THE COMPANY

SPECIAL RESOLUTION NUMBER 3

Resolved that the company, or any of its subsidiaries, be and they are hereby authorised, by way of a general authority, to acquire ordinary shares in the company, subject to the provisions of the Act and the JSE Listings Requirements, provided that:

i. The general authority in issue shall be valid only until the company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this resolution;

ii. Any general repurchase by the company and/or any of its subsidiaries of the company's ordinary shares in issue shall not in aggregate in one financial year exceed 5% (five percent) of the company's issued ordinary share capital at the time that the authority is granted;

iii. No acquisition may be made at a price more than 10% above the weighted average of the market price of the ordinary shares for 5 (five) business days immediately preceding the date of such acquisition;

iv. The repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

v. The company may only appoint one agent at any point in time to effect any repurchase(s) on the company's behalf;

vi. The company or its subsidiary may not repurchase ordinary shares during a prohibited period unless it has in place a repurchase programme where the dates and quantities of securities traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

vii. The general authority may be varied or revoked by special resolution of the members prior to the next annual general meeting of the company; and

viii. Should the company or any subsidiary cumulatively repurchase 3% (three percent) of the initial number of the company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class thereafter in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Having considered the effect on the company of the maximum repurchase under this annual general authority, the directors are of the opinion that:

- The company shall meet the solvency and liquidity test as contemplated in the Act;
- The company and the group will be able to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- The assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of this notice of annual general meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited consolidated annual financial statements of the group for the year ended 30 September 2019;
- The share capital and reserves of the company and the group will be adequate for the ordinary course of business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and
- The working capital of the company and group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting.

Reason for and effect of special resolution number 3

The reason for proposing the special resolution number 3 is to grant the company a general authority or permit a subsidiary company to acquire ordinary shares in the company. The effect of this special resolution is to confer a general authority on the company or a subsidiary to repurchase ordinary shares in the company which are in issue from time to time.

The board has considered the impact of a repurchase of up to 5% (five percent) of the company's shares, being within the maximum permissible under a general authority in terms of the JSE Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the company to repurchase such shares, it is deemed appropriate that the company or a subsidiary be authorised to repurchase the company's shares. Any shares that may be repurchased for the time being shall be in connection with:

a) a general repurchase of shares by the company and/or any subsidiary; or

b) awards made in the normal course in respect of the company's Forfeitable Share Plan.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the audited annual financial statements and this integrated report as set out below:

Major shareholders Refer to page 172

Share capital

AUTHORISED

75 000 000 ordinary shares of 1 cent each

ISSUED

42 922 235 ordinary shares of 1 cent each

Directors' responsibility statement

The directors, whose names appear on pages 8 to 10 collectively and individually accept full responsibility for the accuracy of the information pertained to this special resolution and certify to the best of their knowledge and belief that there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and this special resolution contains all the information required by the JSE Listings Requirements.

Material change

There has been no material change in the affairs of or financial position of the company and its subsidiaries since year-end.

Voting and proxies

All ordinary resolutions will, in terms of the Act, require the support of more than 50 percent of the voting rights of members exercised thereon at the annual general meeting to be approved.

On a show of hands, a member of the company present in person or by proxy shall have only 1 (one) vote irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of members he represents, have only 1 (one) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the company.

A member entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in place of that member. A proxy need not be a member of the company.

Registered holders of certificated Astral shares and holders of dematerialised Astral shares in their own name and who are unable to attend the annual general meeting and who wish to be represented at the annual general meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy. The completed forms of proxy must be lodged with the share registrars, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) by Tuesday, 4 February 2020, to be received by them not later than 08:00 (South African time) for administrative purposes, provided that any form of proxy not delivered to the share registrars by this time may be handed to the Chairman of the annual general meeting at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

Holders of Astral shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant (CSDP) or broker to enable them to attend and vote at the annual general meeting or to enable their votes in respect of their Astral shares to be cast at the annual general meeting by that nominee or a proxy or a representative. The completion of the form will not preclude the member from subsequently attending the annual general meeting.

Electronic communication and participation

Shareholders or their proxies may participate in the annual general meeting by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary: maryna.eloff@astralfoods.com or 012 667 5468 during business hours (08:00 to 16:30) on week days;
- Will be required to provide reasonably satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

By order of the board

Maryna Eloff
Company secretary

Pretoria
13 November 2019

Notice of annual general meeting
continued

Annual general meeting – explanatory notes

1. Annual financial statements

At the annual general meeting, the directors must present the annual financial statements for the year ended 30 September 2019 to shareholders, together with the reports of the directors and the auditors. There are contained within the Integrated Report.

2. Re-election of directors

Mr S Mayet and Mr WF Potgieter were appointed on 1 July 2019. They are required to retire in accordance with article 34.3 of the company's memorandum of incorporation and offer themselves for re-election. Dr T Eloff and Mrs TM Shabangu retire from the board in accordance with article 34.4.1 of the company's memorandum of incorporation and offer themselves for re-election.

Brief particulars of the qualifications and experience of the above directors are available on pages 8 to 10 of the integrated report.

The board of directors of the company has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed above. It is the view of the board that the re-election of the candidates referred to above would enable the company to:

- Responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- Comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent non-executive directors on the board.

Accordingly, the board recommends to shareholders the re-election of each of the retiring directors referred to in ordinary resolution number 2 and 3.

3. Election of Audit and Risk Management Committee members

At a recent meeting of the Human Resources, Remuneration and Nominations Committee the committee satisfied itself that, among others, the independent non-executive directors offering themselves for election as members of the Astral Audit and Risk Management Committee are independent as contemplated in King IV™ and the JSE Listings Requirements, and:

- are suitably qualified and experienced for Audit and Risk Management Committee membership;
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance processes (including information technology governance) within the company;
- collectively possess skills which are appropriate to the company's size and circumstances, as well as its industry;
- have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other financial and sustainability reporting standards, regulations and guidelines applicable to the company; and
- adequately keep up to date with key developments affecting their required skills set.

For further details regarding the performance of the Audit and Risk Management Committee, please refer to the report of the Audit and Risk Management Committee which appears on pages 113 to 118.

4. Reappointment of independent auditor

PricewaterhouseCoopers Incorporated has communicated its willingness to continue in office and resolution 5 proposes the reappointment of that firm as the company's external auditor until the next annual general meeting.

The Audit and Risk Management Committee has satisfied itself that PricewaterhouseCoopers Incorporated is independent as contemplated by the South African Independence laws and the applicable rules of the International Federation of Accountants (IFAC) and has, in terms of the JSE Listings Requirements, considered and satisfied itself that PricewaterhouseCoopers Incorporated are accredited to appear on the JSE List of Accredited Auditors.

5. Determination of auditors' remuneration

In terms of the Audit and Risk Management Committee's Mandate and Terms of Reference, the committee is responsible for the approval of the terms of engagement and remuneration for the external audit engagement.

6. Vote on remuneration policy/implementation report

Astral's Remuneration Policy as well as the Remuneration Implementation Report are contained on pages 86 to 103 of this integrated report.

Section 3.84(k) of the JSE Listings Requirements dealing with the Remuneration Policy and the Remuneration Implementation Report, calls for separate non-binding advisory votes at the annual general meeting on the approval of the Remuneration Policy and the Remuneration Implementation Report.

Ordinary resolutions number 8 and 9 are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing arrangements. However, the board will take the outcome of the vote into consideration when considering the company's Remuneration Policy and Remuneration Implementation Report. In the event that 25% or more votes cast vote against these resolutions, Astral will engage with shareholders as to the reasons therefore. Astral will address legitimate and reasonable objections and will publish details of such engagement in the following year's Integrated Report. Details of such engagement will be communicated in the voting results announcement.

7. Signature of documentation

Authority for any one director or the company secretary to sign documentation to give effect to all ordinary and special resolutions passed at the annual general meeting.

8. Fees payable to Non-executive Directors

Special resolution number 1 is required to obtain the approval of the company in General Meeting of the fees payable to the Non-executive Directors. Fee increases are only implemented after formal approval by shareholders.

This resolution is recommended by the company's board of directors. Full particulars of all fees for the past year as well as the process followed by the Human Resources, Remuneration and Nominations Committee on recommending board fees are contained on page 103 of the integrated report.

Astral's Human Resources, Remuneration and Nominations Committee is satisfied that having investigated the payment of Non-executive Directors' fees, these are relative to the median fees paid to Non-executive Directors of other similar-sized public listed companies in South Africa. The board has also consulted with external independent advisors on market information and remuneration trends.

Shareholders' diary

Annual general meeting	Thursday, 6 February 2020
Reports and accounts	
Interim report for the six months ending 31 March 2020	May 2020
Announcement of annual results for the year ending 30 September 2020	November 2020
Integrated Report	December 2020
Dividends	
Ordinary dividend number 37 of 425 cents per share	
Last date to trade *cum* dividend	Tuesday, 14 January 2020
Shares commence trading *ex* dividend	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Payment of dividend	Monday, 20 January 2020
Interim dividend	March 2020
Declaration	May 2020
Payment	June 2020
Final dividend	September 2020
Declaration	November 2020
Payment	January 2021

Important dates and times (notes 1 & 2)

Record date for determining which shareholders are entitled to receive the annual general meeting notice:

"Notice Record Date"	Friday, 6 December 2019
Notice posted to shareholders on (note 3)	Friday, 13 December 2019
Last day to trade in order to be eligible to participate and vote at the annual general meeting	Tuesday, 28 January 2020
Record date for attending and voting at annual general meeting "Meeting Record Date"	Friday, 31 January 2020
Last day for shareholders to lodge forms of proxy for the annual general meeting by 08:00	Thursday, 6 February 2020
Annual general meeting to be held at 08:00	Thursday, 6 February 2020
Results of annual general meeting to be released on SENS	Friday, 7 February 2020

NOTES

1. All times referred to in this notice are local times in South Africa.
2. Any material variation to the above dates and times will be announced on SENS and published in the press.
3. The board of directors of Astral has determined that the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the nineteenth annual general meeting is Friday, 6 December 2019 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday 31 January 2020. Accordingly, only shareholders who are recorded in the register maintained by the transfer secretaries of Astral on Friday 31 January 2020 will be entitled to participate in and vote at the annual general meeting.

Shareholders who find the cost of selling their shares exceeds the market value of their shares may wish to consider donating them to charity. An independent non-profit organisation called Strate Charity Shares has been established to administer this process. The South African Revenue Service has advised that the value of any shares donated may be deducted from taxable income, as the scheme is registered under Section 18a of the Income Tax Act. For further details, queries and/or donations contact the Strate Share care toll free help line on 0800 202 363 or +27 11 373 0038 if you are phoning from outside South Africa, or email charityshares@computershare.co.za

Form of proxy

Astral Foods Limited

(Incorporated in the Republic of South Africa)
(Registration number 1978/003194/06)
(Share code: ARL)
(ISIN code: ZAE000029757)

Form of proxy for the use of shareholders, registered as such and who have not dematerialised their shares or hold own-name dematerialised shares, at the 19th annual general meeting of the company to be held at 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 6 February 2020 at 08:00.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. Such shareholders must not return this form of proxy to the transfer secretaries.

I/We

of (address)

being the registered holder(s) of shares in the company and unable to attend the annual general meeting

of the company to be held on 6 February 2020, do hereby appoint (see note below):

or failing him/her

or failing him/her

the chairman of the meeting with the mandate to speak on my behalf, and to exercise my votes as instructed below, on the proposed resolutions and any amendments thereto that are within the scope of the notice convening the meeting.

Signature

Signed this day of 2019

*(*indicate instructions to proxy by way of a cross in the space provided below)*

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit or abstain from voting.

	*In favour	*Against	*Abstain
ORDINARY BUSINESS			
1. To adopt the annual financial statements for the year ended 30 September 2019			
2.1 To re-elect Mr S Mayet as Director			
2.2 To re-elect Mr WF Potgieter as Director			
3.1 To re-elect Dr T Eloff as Director			
3.2 To re-elect Mrs TM Shabangu as Director			
4.1 To appoint Mr DJ Fouché as member of the Audit and Risk Management Committee			
4.2 To appoint Mr S Mayet as member of the Audit and Risk Management Committee			
4.3 To appoint Mrs TM Shabangu as member of the Audit and Risk Management Committee			
5.1 To appoint Mr GD Arnold as member of the Social and Ethics Committee			
5.2 To appoint Dr T Eloff as member of the Social and Ethics Committee			
5.3 To appoint Mr LW Hansen as member of the Social and Ethics Committee			
5.4 To appoint Mrs TP Maumela as member of the Social and Ethics Committee			
6. To appoint PricewaterhouseCoopers Inc. as auditors for the 2020 financial year			
7. To confirm the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors			
8. To approve the company's Remuneration Policy			
9. To approve the company's Remuneration Implementation Report			
10. To authorise and empower any director or the company secretary to sign documentation necessary to implement the resolutions passed at the annual general meeting			
SPECIAL BUSINESS			
11. **Special resolution number 1:** To approve the fees payable to non-executive directors			
12. **Special resolution number 2:** To authorise the board to provide any direct or indirect financial assistance to related and inter-related companies as contemplated in Section 45(2) of the Act			
13. **Special resolution number 3:** To authorise the company, by way of general authority, to acquire ordinary shares in the company			

Notes to the form of proxy

A shareholder may insert the name or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.

A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.

If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

This form of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or electronically to proxy@computershare.co.za by Tuesday 4 February 2020, to be received by them not later than 08:00 (South African time) for administrative purposes, provided that any form of proxy not delivered to the transfer secretaries by this time may be handed to the Chairman of the meeting at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

Documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached hereto unless previously recorded by the company's transfer secretaries.

The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form.

Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

The chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat. This must be done by the cut-off time as requested by the CSDP or broker.

If you are in any doubt as to what action you should take in relation to this notice of meeting and form of proxy, please consult your CSDP, broker, banker, investment adviser or other professional adviser immediately.

Administration

ASTRAL FOODS LIMITED

(a limited liability company incorporated in the Republic of South Africa)
Registration number 1978/003194/06
Share code: ARL
ISIN number ZAE000029757

COMPANY SECRETARY AND REGISTERED OFFICE

MA Eloff
92 Koranna Avenue
Doringkloof
Centurion, 0157, South Africa

POSTAL ADDRESS

Postnet Suite 278
Private Bag X1028
Doringkloof, 0140, South Africa
Telephone (012) 667 5468
Telefax (012) 667 6665
Email: contactus@astralfoods.com

WEBSITE ADDRESS

www.astralfoods.com

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View, 2090, South Africa
Private Bag X36, Sunninghill, 2157
South Africa

PRINCIPAL BANKER

Nedbank Limited
135 Rivonia Road, Sandown, 2196
South Africa
PO Box 1144, Johannesburg, 2000
South Africa

SPONSOR

Nedbank CIB
135 Rivonia Road, Sandown, 2196
PO Box 1144, Johannesburg, 2000
Telephone (011) 295 8525

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196,
South Africa
PO Box 61051, Marshalltown, 2107,
South Africa
Telephone (011) 370 5000

MAJOR SUBSIDIARIES

Astral Operations Limited

Registration number 1947/027453/06
Directors:
DD Ferreira
OM Lukhele
N Moodley
E Potgieter
CE Schutte

Africa Feeds Limited (Zambia)

Registration number 36327
Directors:
GD Arnold
TD Banda*
NR Mwanyungwi*
H Nienaber
GNH Robinson*
**Zambian*

Meadow Feeds Eastern Cape (Pty) Limited

Registration number 2003/021458/07
Directors:
GD Arnold
DD Ferreira
CE Schutte
CL Sexton

Meadow Feeds Standerton (Pty) Limited

Registration number 2003/021462/07
Directors:
GD Arnold
DD Ferreira
CE Schutte

Meadow Moçambique Limitada

Registration number 5710/MP/G/2001
Directors:
D Arnold
GP de Witt
JR Tinga*
**Mozambican*

Mozpintos Limitada

Registration number 100228777
Directors:
GD Arnold
GP de Witt

National Chicks Swaziland

Registration number 94/63894/07
Directors:
GD Arnold
A Geldard
D Stock

Progressive Poultry Limited

Registration number 70163
Directors:
GD Arnold
TD Banda*
H Nienaber
**Zambian*

www.astralfoods.com