Astral

Integrated Report 2018

for the year ended 30 September 2018

Astral

A leading Southern African integrated poultry producer

Overview

Our Performance in 2018

Our Governance

Financial Statements

Administration

Overview

Our **business**

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 3 200 shareholders. Astral has also been recognised by the 2016 Business Report's Most Empowered Survey as being the 75th most empowered company on the JSE Limited and a leader amongst food producers.

NAVIGATION

Website

Page reference

OUR SIX CAPITALS

Financial Capital

Intellectual Capital

Natural Capital

Human Capital

Social and Relationship Capital

Manufactured Capital

STAKEHOLDERS

Staff

Clients

Shareholders

Industry

Regulators

Communities

Suppliers

Overview

Astral is a leading Southern African integrated poultry producer


County Fair
SCHNITZELS
County Fair
CORDON BLEU
County Fair
BURGERS
County Fair
NUGGETS
County Fair
STRIPS
County Fair

Overview

Financial **highlights**

Revenue

▲

5%

Operating profit

▲

79%

Total dividend for the year of

▲

2 050 cents

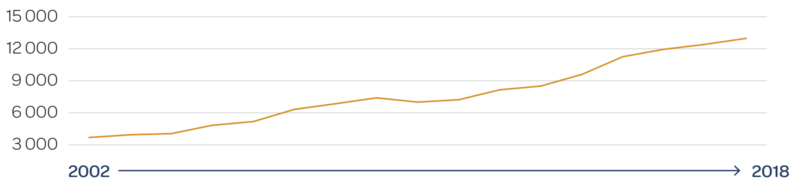
per share

Headline earnings per share

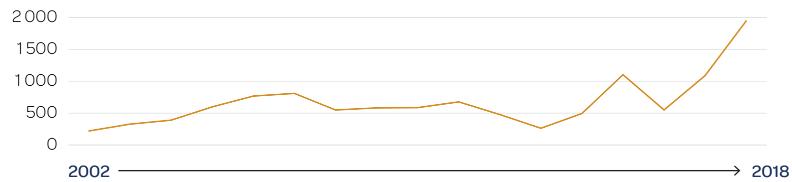
▲

94%

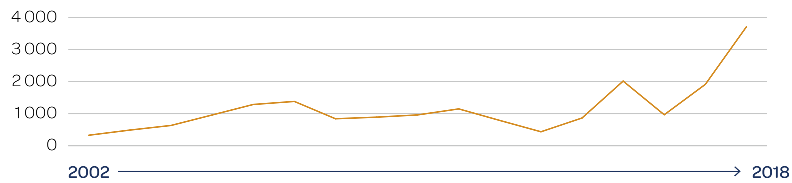
Revenue



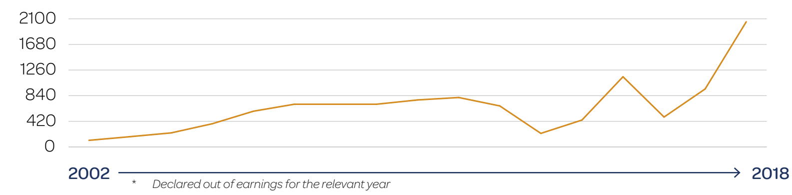
Operating profit



Headline earnings per share

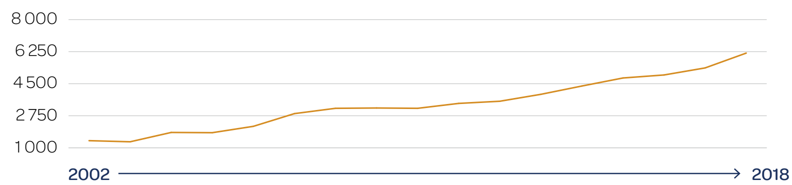


Dividends per share*

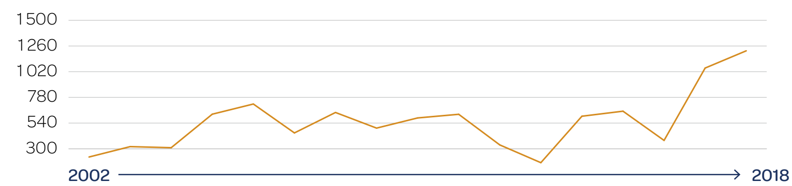


* *Declared out of earnings for the relevant year*

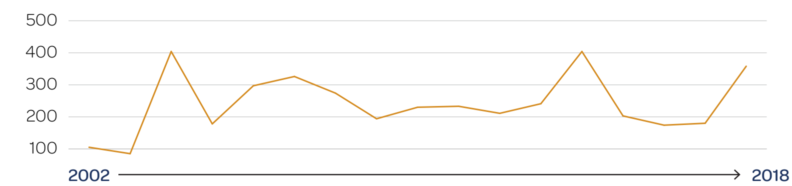
Total assets



Cash generated from operating activities



Capital investment



Report **overview**

Astral is pleased to present our Integrated Report for the period 1 October 2017 to 30 September 2018.

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 2018. It aims to provide a broad range of stakeholders with a transparent and an 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 2017 to 30 September 2018. This report was approved by the board on 14 November 2018.

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 Report on Corporate Governance for South Africa, 2016.

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 2018 audited financial statements and the Integrated Report on 14 November 2018.

Theuns Eloff
Chairman

Diederik Fouché
Chairman: Audit and Risk Management Committee

Chris Schutte
Chief Executive Officer

Daan Ferreira
Chief Financial Officer

14 November 2018

Contact

For questions regarding this report contact:

Maryna Eloff – Group Company Secretary

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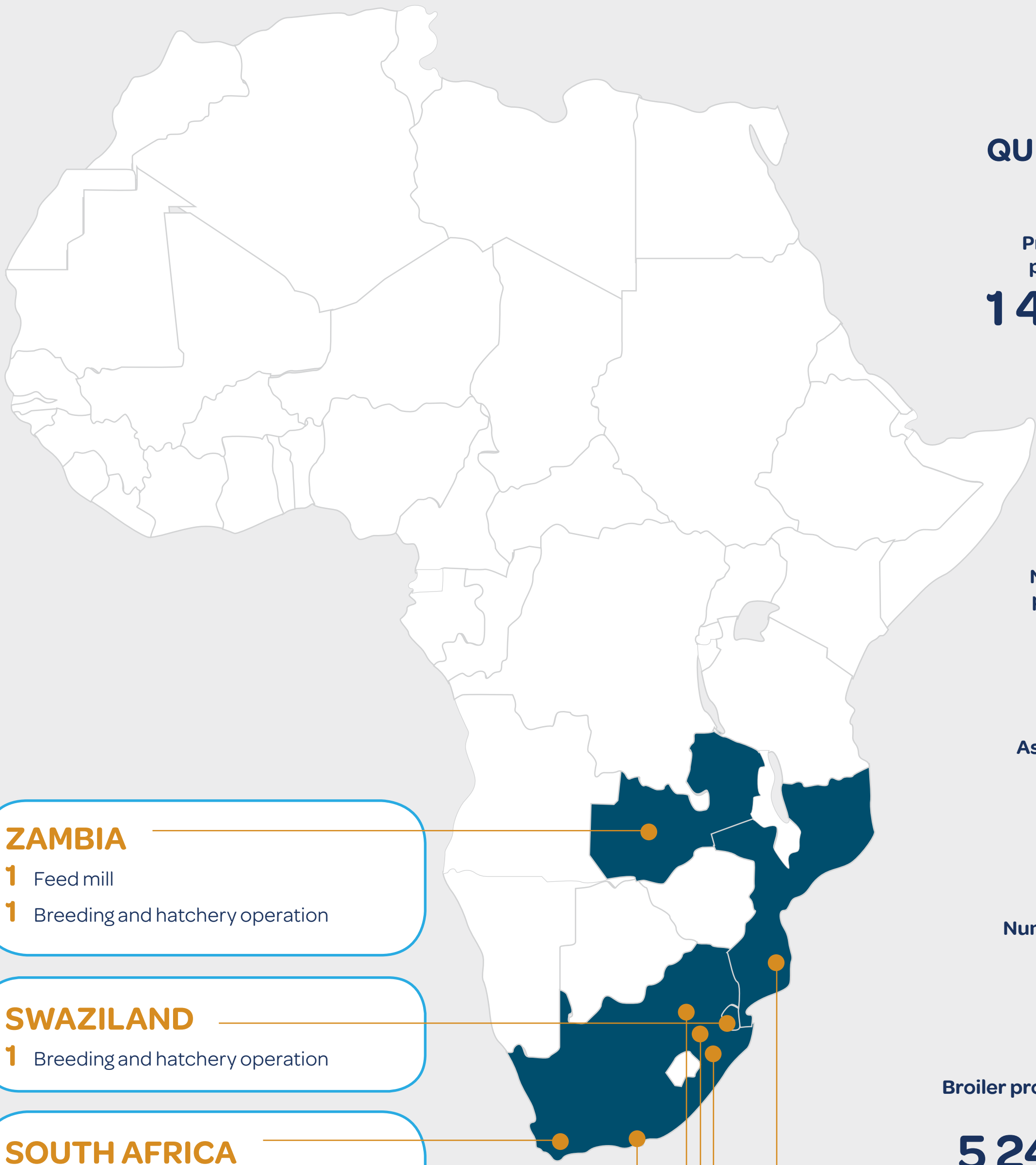
(012) 667 5468

Overview

Where we **operate**



ZAMBIA
1 Feed mill
1 Breeding and hatchery operation

SWAZILAND
1 Breeding and hatchery operation

SOUTH AFRICA
7 Feed mills
1 Genetic operation
1 Day-old chick and hatching egg supplier
4 Integrated broiler operations
1 Laboratory

MOZAMBIQUE
1 Feed mill
1 Hatchery operation

QUICK FACTS

Production of feed per annum in tons
1 410 283

Number of feed mills
9

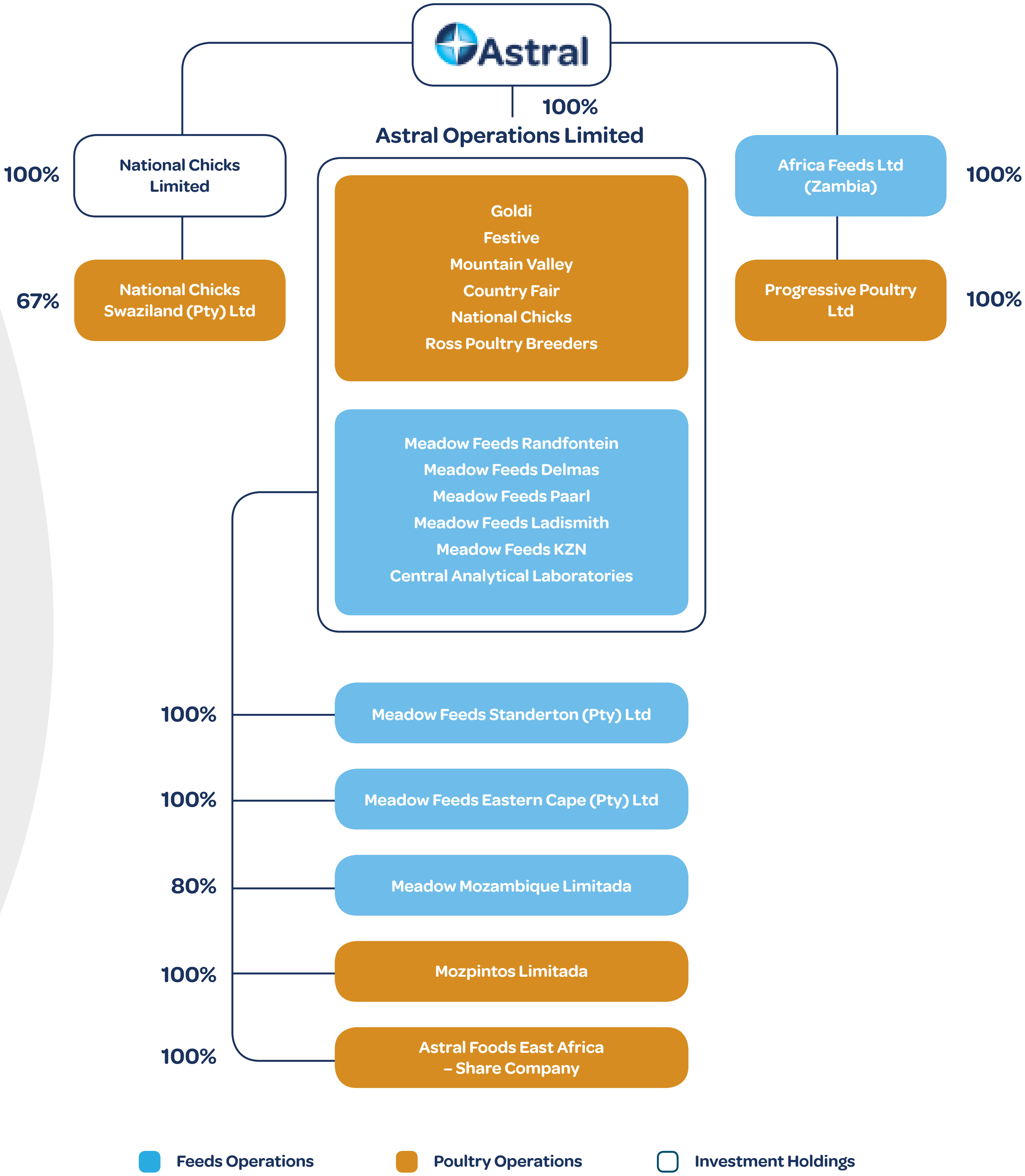
Number of broiler processing plants
4

Astral employment count
11 543

Number of countries operating in
4

Broiler processing capacity per week
5 240 000

Group **structure**



Overview

Board of **directors**

NON-EXECUTIVE DIRECTORS

Theunis Eloff (63)

(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 minister of religion in Pretoria since 1983. 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.

External appointments: Chairman of Die Dagbreek Trust, the Trust vir Afrikaanse Onderwys and Chief Executive Officer of the FW de Klerk Foundation. Past President of the Afrikaanse Handelsinstituut (AHI).

Diederik Johannes Fouché (64)

(Lead Independent Non-executive Director)

M Comm, CA(SA), H Dip 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 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.

Marthinus Theunis Lategan (61)

(Independent Non-executive Director)

B.Acc (Hons), M.Compt, D.Comm, CA(SA), Adv. Dip. Banking
Director of companies

Appointed to the board on 21 September 2016

Member of the Audit and Risk Management Committee from September 2016

Experience: He joined Rand Merchant Bank's Structured Finance team in 1994 and in 1999, following the formation of the FirstRand Banking Group, became the Chief Executive Officer of the Corporate and Commercial Banking division of First National Bank.

In 2005 he was appointed as the Chairman of the Divisional Board of First National Bank and served on various other FirstRand group committees. He retired from the FirstRand Group at the end of 2010 to pursue private interests.

External appointments: He serves on the Council of the University of Witwatersrand and chairs its Finance Committee. Joined Barclays Africa Corporate and Investment Banking division in 2013 as Non-executive Vice Chairman.

Takalani Patricia Maumela (50)

(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

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.

Tshepo Monica Shabangu (47)

(Independent Non-executive Director)

BProc, LLB, LLM
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 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 has recently been appointed as Officer of the Bar Issues Commission and the African Regional Forum of the IBA. Member of the Policy and Credentials Committee of the IBA. Appointed as Council member of the Law Society of the Northern Provinces, a statutory body governing the attorneys profession.

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

EXECUTIVE DIRECTORS

Christiaan Ernst Schutte (58)

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 (62)

BCom, B Compt (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 (46)

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 April 2017 he was appointed to his current position as Managing Director of the Agriculture division.

External appointments: None.

Andrew Barry Crocker (47)

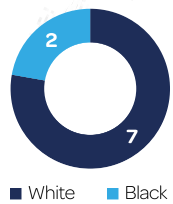
BSc Agric, MBA, PrSci.Nat.
Managing Director: Commercial
Appointed to the board on 1 April 2016

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.

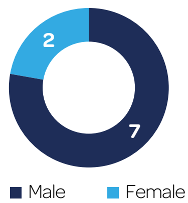
Appointed as Managing Director of the Feeds division in February 2012 and in April 2017 he was appointed to his current position as Managing Director of the Commercial division.

External appointments: None.

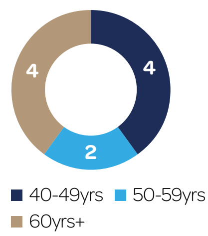
Demographics



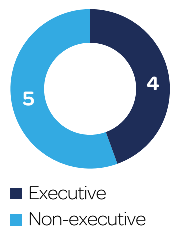
Gender



Age



Executive vs non-executive



Refer to the web for full CV's

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.

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.

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, Swaziland, Botswana and Mozambique. National Chicks supplies small hatcheries in Africa with fertile eggs and has a technical team servicing its customer base.

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.

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).

Laboratory services

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

Strategic focus

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

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), feed pre-mixes (Provimi), 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

FESTIVE

This processing facility is located in Olifantsfontein (Gauteng). It has its own breeding and hatching operation and processes approximately 1.45 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 their work force.

GOLDI

This processing facility is located in Standerton (Mpumalanga). It has its own breeding and hatching operation and processes approximately 2 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.

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.

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 is 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 as well as producing other top quality formats such as frozen and value-added products to the local Western Cape market and to the other regions nationally giving it an expansive distribution footprint.

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 staff 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 recently completed 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 newly opened ISO 17025 accredited Serology laboratory utilises international kits in a custom designed automated laboratory.

Business **overview** (continued)

OUTSIDE SOUTH AFRICA

TIGER CHICKS Zambia

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.

TIGER ANIMAL FEEDS Zambia

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..

MOZPINTOS Mozambique

This is a greenfield broiler hatchery, established in 2012 in the Goba District, 54 kilometers 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 in September 2014.

MEADOW Mozambique

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 wider area has been successful in establishing new business and brand awareness.

NATIONAL CHICKS Swaziland

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

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.

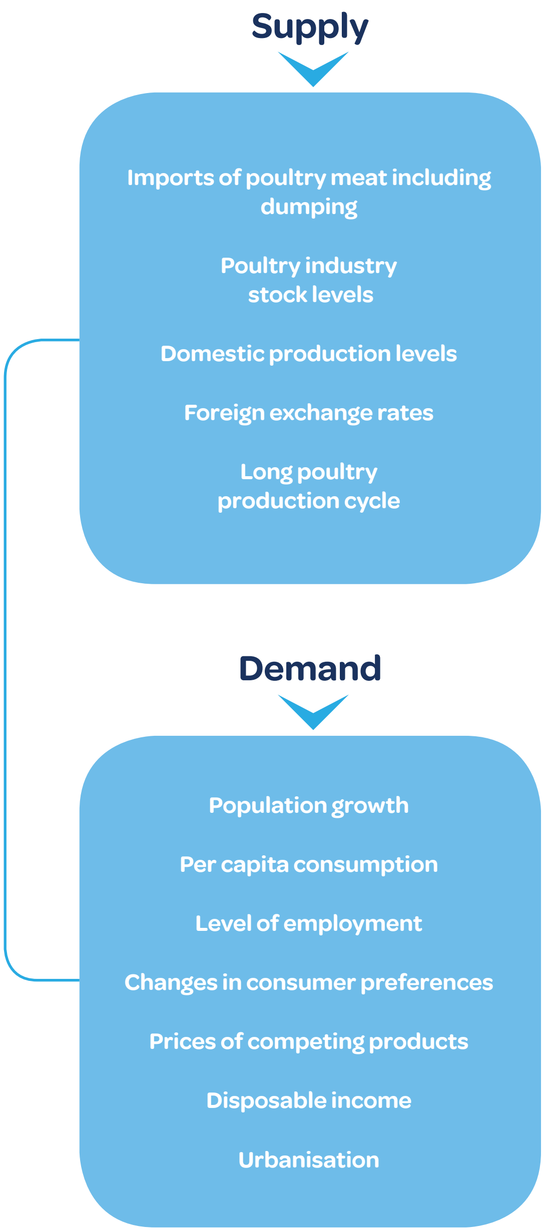
Product mix

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

Poultry imports from Brazil, the United States of America and the European Union continue to have an impact on the local poultry industry, which has been borne out by the closure of a number of small local producers.

Total poultry imports increased by 5% year-on-year to 579 661 tons per annum, an average of 48 305 tons per month or 8.6 million birds per week. This equates to approximately 45% of local production during Astral's 2018 financial year.



Overview

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

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

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

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

- Compliance policies
- Code of Ethics
- Skills development – CEO Pinnacle Programme
- Staff retention
- Preferential procurement
- Overall BBBEE rating

Requirements

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

Overview

Value **sustained**

RESOURCES	INPUTS
Financial capital • Competent finance 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
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	• Procurement of goods and services from previously disadvantaged South Africans • Appointment of contract growers • Membership of industry organisations • Playing active role in communities in which we operate • Developing and empowering emerging farmers through training
Natural capital • 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	• We have appointed an Energy Management Team which 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
Manufactured capital • 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	**Capital expenditure** 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

VALUE SUSTAINED	2018 OUTCOME
• 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
• 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
• 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	• Electricity savings of 31% were achieved • We have embarked on a waste recycling trial project to wash and bale contaminated waste plastic onsite, for delivery to waste recyclers • Expect to be self-sufficient for electricity at Festive • Cleaner effluent disposal • Lower coal consumption
Delivering value • 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	**Capital expenditure approval** • Festive Environmental Impact Assessment (pending) • Mountain Valley Environmental Impact Assessment (pending) • Additional capacity due in F2020

Overview

Chairman's **statement**

The excellent performance

must be attributable to superior efficiencies, a low cost culture and good management and leadership

2018 – A year of two halves

The year under review reminds one of the well-known quote of Charles Dickens from *A Tale of Two Cities*: "It was the best of times, it was the worst of times..."

Politically, it was a year of two halves, the first bad, the second better. The country literally changed from the time that Mr Cyril Ramaphosa was elected as president of the ANC in December 2017. And this change was solidified when he also became president of South Africa in February 2018.

For Astral as a company, the first part of the year was also good in terms of sales, but it changed around June 2018.

The past and the present

South Africa's political scenario

Our political situation has hugely improved since the end of 2017, mainly because of the election of Mr Cyril Ramaphosa, first as president of the ANC, and then president of the country from February onwards. Despite this, his relatively small margin of victory at Nasrec (2 440 votes out of around 4 700), is causing a heavy burden, as his enemies within the ANC are holding this against him. The divisions in the ruling party (with some still loyal to former President Jacob Zuma) do not make President Ramaphosa's job easier.

Despite this, he is slowly but surely consolidating his support, inside his own party and in the wider South African society, including business. To start the clean-up around state capture and corruption, he has opted to appoint a number of commissions of enquiry and investigation. Through the reports of these commissions, the guilty are increasingly being exposed. The one ingredient that is still needed in this recipe, is an honest and able National Director of Prosecutions. This appointment will probably only be made late in 2018 or early in 2019, and only then serious prosecution of those involved in endemic corruption and state capture could begin. South Africans are realising that it will not be a quick and easy task to rid the country of this cancer.

The fact that President Ramaphosa appointed a high level team to seek foreign (and local) investments is a good thing, but their task is made more difficult by the shadow of expropriation without compensation (EWC) hanging over property rights and economic certainty. At the recent investment summit, the president spoke the language that potential investors would like to hear: property rights, policy certainty, growth possibilities.

South Africa's economic scenario

After a bullish outlook early in the year, with some predicting even a 2% GDP growth, a number of factors led to a more pessimistic outlook for the rest of the year, with even the Reserve Bank now predicting only 0.7% for the full year.

The medium-term budget expenditure framework by Finance Minister Tito Mboweni, confirmed the bad condition of the country's finances. The financial situation of the state-owned entities (such as SAA, SABC and Eskom) is still a major cause for concern. And the country needs SARS to be revived and built up again, if we stand any chance to emerge from the economic morass.

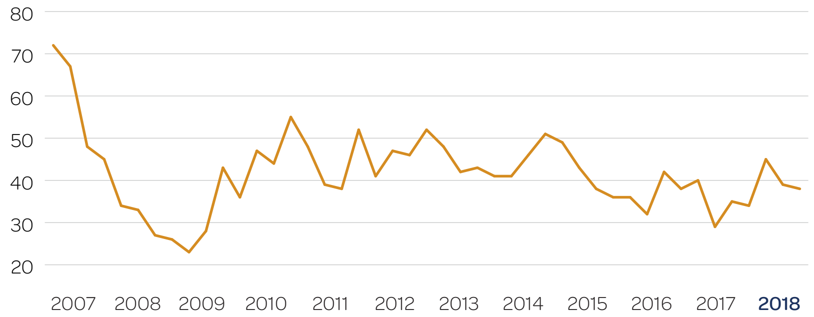
Even with the new political leadership, the economy remains sluggish and with policy uncertainty in a number of key areas, business confidence is not much better. The graph below shows the business confidence index and the fact that "Ramaphoria" couldn't sustain higher levels (yet). The consumer remained under pressure, as Astral's sales figures since June 2018 indicate.

Overview

Chairman's **statement**

(continued)

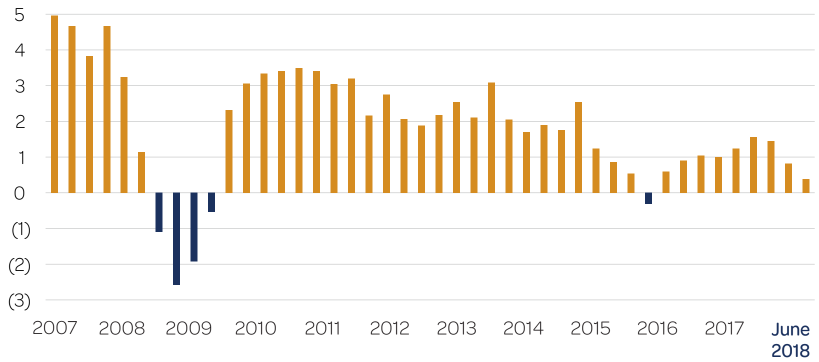
RMB/BER Business confidence Index



Source: IRESS South Africa

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

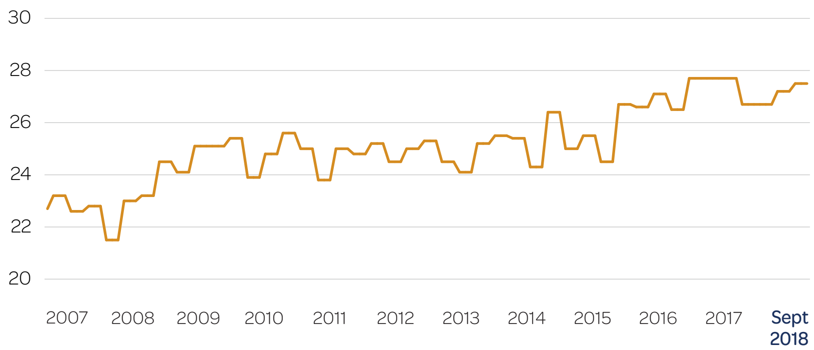
Year-on-year real economic growth in South Africa



Source: IRESS South Africa

As a result, the unemployment rate has steadily crept higher:

Official unemployment rate in South Africa



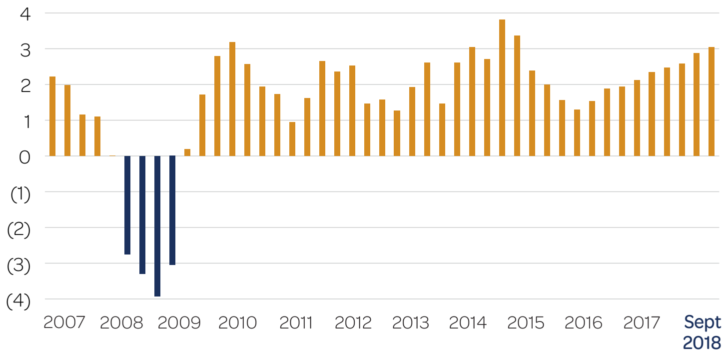
Source: IRESS South Africa

The graphs above show not only the damage wrought by the almost ten years of Zuma government, but also the country's inability to follow any global economic recovery.

Global situation

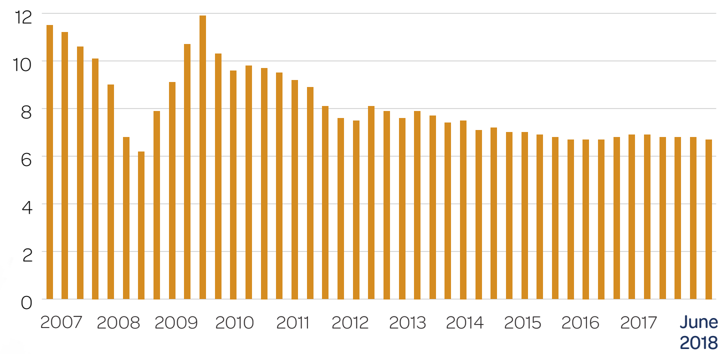
The GDP growth in the United States of America stands in stark contrast to that of South Africa. China, even while showing a downward trend, has still been growing at 6% for the last year.

Year-on-year real economic growth in United States



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 stabilised from very high levels in 2015-16 to the present average levels. Indications are that despite sizeable crops globally, the increase in global demand will outstrip the increase in production, which will lead to a sizeable reduction in global stock levels (even though there was a 30% increase since the beginning of 2018).Indications are that sizeable crops globally still imply a surplus of maize and sustained lower prices for the short- to medium-term.

Chairman's **statement** (continued)

Yellow maize price

Source: IRESS South Africa

Highlights of Astral's past year

During the past year, Astral continued with its long-standing and effective strategy of being the best low cost producer of protein in selected African countries. We are grateful for the fact that, following on one of the better years in its history in F2017, Astral was able to post its best results ever: profit before interest and tax (PBIT) at R1 942 million. We could achieve this, despite the fact that from around June 2018, consumer demand dropped sharply. This could possibly be attributed to the effect of the 1% VAT increase that came into effect in March, monthly higher fuel prices and the lower price of pork (caused by the widespread listeriosis in that market). There was some recovery towards the end of the financial year, but not enough to even remotely reach the levels of sales achieved in the first half of the financial year.

It is also important to note that the biggest input cost factor of our agricultural division, yellow maize, was relatively high and kept rising towards the end of the financial year. On the other hand, we could ensure that no outbreak of listeriosis occurred at any of our plants, and we did not experience any outbreak of H5N8 (Avian Influenza) virus.

In the end, this excellent performance must be attributed to superior efficiencies, a low cost culture and good management and leadership – and abiding by the strategy of being the best low cost producer of protein.

Corporate governance

The Astral board continued to function at an optimal level. The annual performance assessment by each director of the Board, Board committees, the Chairman, the Chief Executive and the Company Secretary were completed. Board meetings also continued to have open and robust discussions on a variety of issues, including the King IV principles.

There were no changes to the board composition during the period under review.

One issue that did impact on corporate governance, is that during the annual general meeting in February 2018, only 72% of shareholders voted in favour of the Chairman's 6% increase in remuneration (75% was required and the base fee was R1.1 million, as agreed by the shareholders the previous year). Consequently, another general meeting was called for 19 April 2018, and it was proposed that the chairman receive no increase. This time, less than 50% of shareholders participating voted in favour of the resolution. This left Astral effectively without a Chairman, as no fee was agreed by the shareholders. Astral was therefore placed in a position whereby it was in contravention of the JSE Listings Requirements (not having a Chairman), while adhering to the prescripts of the Companies Act (not paying a Chairman if that remuneration had not been agreed by the shareholders).

During the investigation of the reasons for the actions of the majority of the shareholders, a number of possibilities arose: It seemed that some foreign shareholders (as well as a few South African shareholders) acted on the advice of a London-based consultancy which advised them to vote against the resolution because the remuneration "seemed high". A second possibility was that this vote was part of a worldwide "shareholders' revolt" against what is perceived as excessive remuneration of executives and non-executives alike. A third possibility is that Astral's decision to pay the chairman an inclusive fee (expecting him/her to attend all meetings of all committees) was misunderstood, because this fee structure was not comparable to companies in the sector which paid a composite fee.

The Astral board then called and held a further general meeting on 14 June 2018, where it was proposed that the Chairman should receive a composite fee (of which only a percentage would be for his duties as Chairman), and that the total of the composite fee would be R951 000 for the year. This resolution was passed by more than 90% of the shareholders who participated in the voting process.

During this whole process, the Astral board was unanimous in its commitment to resolve this issue, and we believe it was done in a transparent, acceptable and amicable manner. We are, however, concerned that this unprecedented series of events could have taken place at all. Two issues that need attention are the fact that shareholders leave important decisions that could impact good corporate governance to third parties to advise them on, with these not knowing South African conditions or the impact that their recommendations may have. The second is the fact that the Companies Act has no remedy for such a situation – unless it is to diminish remuneration to nonsensical or unfair levels.

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

South Africa's political prospects

The biggest political event in the near future is the general election that will probably take place in May 2019. Even though President Ramaphosa, through numerous commissions and panels, is trying to consolidate his power base by rooting out corruption and state capture and is endeavouring to attract foreign and domestic investments, very little of political significance will happen before the election. A milestone will be the appointment of a new, capable and honest National Director of Public Prosecutions - without which there will be no consequences for those involved in corruption and state capture.

The 2019 general election is probably the most significant election since the dawn of democracy. Outcomes are totally unpredictable, but it can be assumed that, despite its internal squabbles and poor track record under the Zuma administration, the ANC would win with a majority, albeit a reduced one. A good margin of victory will consolidate President Ramaphosa's power base inside and outside the ruling party and could prompt him to act more decisively on a number of fronts.

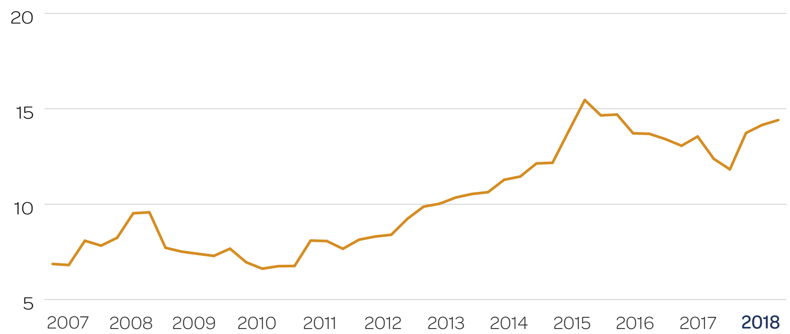
South Africa's economic prospects

An issue that would have both political and economic implications is the outcome of the process around the possible amendment of section 25 of the Constitution, allowing for expropriation of land without compensation. Without certainty on property rights and their protection, there would be no large-scale investment in the South African economy.

The graph above shows that business confidence in South Africa has picked up somewhat from that of mid-2017, which was the lowest level since the financial crisis in 2009. Although the latest IMF forecast reflects a modest upgrading of growth prospects for South Africa in 2019 from the disappointing expected growth rate of only 0.7% in 2018, the outlook for South Africa remains difficult, with elevated political uncertainty and weak consumer and business confidence. Even the projected growth rate for 2020 is still below 2.0%.

In the wake of this, the Rand will remain volatile, driven by global as well as domestic developments. The Rand (see the graph below) will again be effected by political developments, both positive and negative. Furthermore, one should expect the Rand to underperform other emerging markets, driven primarily by South Africa's poor economic growth outlook, political uncertainty and pressure on the balance of payments.

SA: ZAR/US$



(Source: IRESS)

In Sub-Saharan Africa, the outlook remains challenging. Growth is projected to rise in 2018 and 2019, but will barely return to positive territory in per capita terms for the region as a whole and is expected to remain negative for about a third of the countries in the region (source: IMF).

Global economic prospects

Global growth is projected at 3.7 % for 2018/2019 and 3.0% for 2020 (see table below).

In the United States, momentum is still strong as fiscal stimulus continues to increase, but the forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on $200 billion of US imports from China. U.S. growth projections at 2.2% in 2017 and 2.9% in 2018 are more subdued, reflecting the assumption that fiscal policy will be less expansionary going forward than previously anticipated.

Growth projections have been marked down for the Euro area and the United Kingdom, following surprises that suppressed activity in early 2018. Growth is expected to decline to 1.7% in 2020 as the US fiscal stimulus begins to unwind and Euro area growth moderates toward its medium-term potential. Growth in advanced economies will remain well above trend at 2.4% in 2018, before softening to 2.1% in 2019.

Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for Argentina and Brazil. China and a number of Asian economies are also projected to experience somewhat weaker growth in 2019 in the aftermath of the recently announced trade measures.

In the medium-term, risks to the growth outlook remain skewed to the downside. These risks stem from a continued build-up of financial vulnerabilities, the implementation of unsustainable macroeconomic policies in the face of a subdued growth outlook, rising inequality, and declining trust in mainstream policies. A range of other non-economic factors continue to cloud the outlook. If any of these risks materialise, the likelihood of other destabilising developments could increase, amplifying negative growth consequences. The limited policy space to counteract downturns in advanced and emerging market economies further exacerbates concerns about these undesirable possibilities (source: IMF).

Chairman's statement (continued)

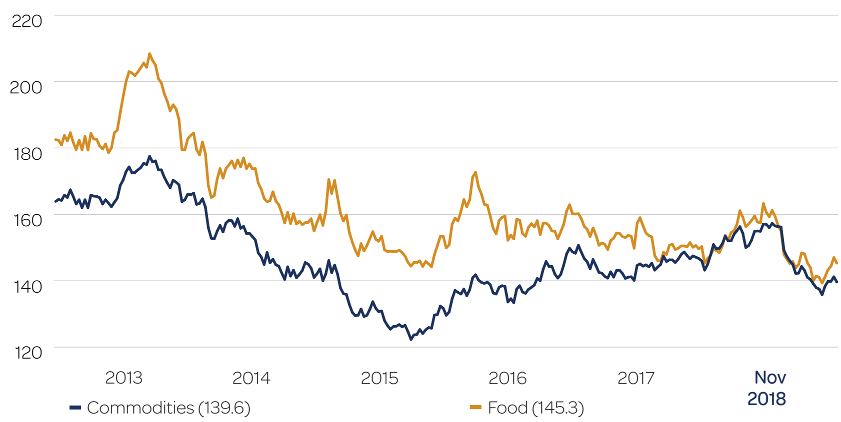
Real GDP Growth Projections (YoY % change)

	2016	2017	2018E	2019F	2020F
World Output	2.7	3.7	**3.7**	**3.7**	**3.0**
Advanced Economies	1.7	2.3	**2.4**	**2.1**	**1.7**
United States	1.6	2.2	**2.9**	**2.5**	**1.8**
Euro Area	1.9	2.4	**2.0**	**1.9**	**1.7**
Germany	2.2	2.5	**1.9**	**1.9**	**1.6**
France	1.1	2.3	**1.6**	**1.6**	**1.6**
Italy	0.9	1.5	**1.2**	**1.0**	**0.9**
Spain	3.2	3.0	**2.7**	**2.2**	**1.9**
United Kingdom	1.8	1.7	**1.4**	**1.5**	**1.5**
Japan	1.0	1.7	**1.1**	**0.9**	**0.3**
EM and Developing Economies	4.2	4.7	**4.7**	**4.7**	**4.9**
China	6.7	6.9	**6.6**	**6.2**	**6.2**
India	7.1	6.7	**7.3**	**7.4**	**7.7**
Brazil	-3.5	1.0	**1.4**	**2.4**	**2.3**
Russia	-0.2	1.5	**1.7**	**1.8**	**1.8**
South Africa	0.6	1.3	**0.8**	**1.4**	**1.7**
Mexico	2.9	2.0	**2.2**	**2.5**	**2.7**
Nigeria	-1.6	0.8	**1.9**	**2.3**	**2.5**

(source: IMF)

The graph below shows the All Commodities index and the Food index over the past five years. Since April/May 2018 there has been a steady decrease in commodity prices through to mid-September, including food prices. The short-term trend however is up. Although agricultural market fundamentals remain solid, the IMF's Agricultural Price index decreased between February 2018 and August 2018 by 6.4% on trade tensions and concerns over global growth. Wheat prices increased by 22.6% between February 2018 and August 2018 following adverse weather conditions during spring and summer in Russia and western Europe, respectively. Soybean prices fell sharply, however, in June and July after China announced a 25% retaliatory tariff on US soybean imports and US production, numbers for 2018 were revised upward.

All Commodities and Food Indices



(Source: IRESS)

Food prices are projected to increase in 2018 by 2.3%, and by a further 1.7% in 2019 (see table below for specific commodity price projections). Weather disruptions are an upside risk to the forecast. As of 9 August 2018, the National Oceanic and Atmospheric Administration puts the chances of El Niño during winter 2018–19 at 70%. A deepening of the trade conflict between the United States, the world's largest food exporter, and several of its key trading partners constitutes a major downside risk.

Commodity Price Baseline Projections

Commodity	Units	2016	2017	2018E	2019F	2020F
Brent crude	$/bbl	45.16	54.81	**73.45**	**77.12**	**78.43**
Maize	$/MT	155.51	147.76	**158.75**	**163.19**	**167.39**
Wheat	$/MT	194.34	210.69	**209.08**	**213.75**	**219.15**
Soybean	$/MT	403.60	399.70	**393.71**	**409.07**	**416.56**
Soymeal	$/MT	312.10	310.60	**312.92**	**323.85**	**332.98**
Fishmeal	$/MT	1 501.00	1 365.00	**1 475.75**	**1 507.22**	**1 507.54**
Vegetable oils	$/MT	798.00	812.60	**828.62**	**829.05**	**829.90**
Rice	$/MT	406.58	412.04	**412.30**	**410.61**	**409.95**
Sheep (cwe)	$/kg	3 557.89	3 975.09	**3 870.55**	**3 791.25**	**3 840.46**
Poultry (rtc)	c/kg	1 532.00	1 653.00	**1 586.11**	**1 633.36**	**1 666.80**

Source: OECD-FAO Agricultural Outlook 2018-2027

From the table above it is clear that the annual average Brent oil prices have increased 34% in 2018 from the levels in 2017. Maize prices in 2018 are also up from the 2017 levels (+7.4%) whereas 2018 soybean and soymeal prices are slightly down to flat from the 2017 levels. The 2018 meat prices are lower than 2017 across the board.

Conclusion

Politically, South Africa is in a much better position than this time last year. Our political future depends on what President Ramaphosa gets done by the general election, what the outcome of that would be for the ruling party and what the president does with that mandate in the last part of 2019.

Economically, we are potentially in a better position, but we now know the full extent of the damage done by the Zuma years. There is very little room for manoeuvring for the President – unless investment increases, state economic stimulation is effective, state expenditure can be brought under control and business confidence increases.

The coming year will therefore not be an easy one, both politically and economically, including the fact that the consumer will continue to be under pressure.

As a board, however, we remain confident that Astral's management, under the leadership of Chris Schutte, will be up to the task. They will be guided and supported by Astral's strategy of being the best cost integrated poultry producer in selected African countries. We as a board will support them in this endeavour.

Theuns Eloff
Chairman

14 November 2018

Overview

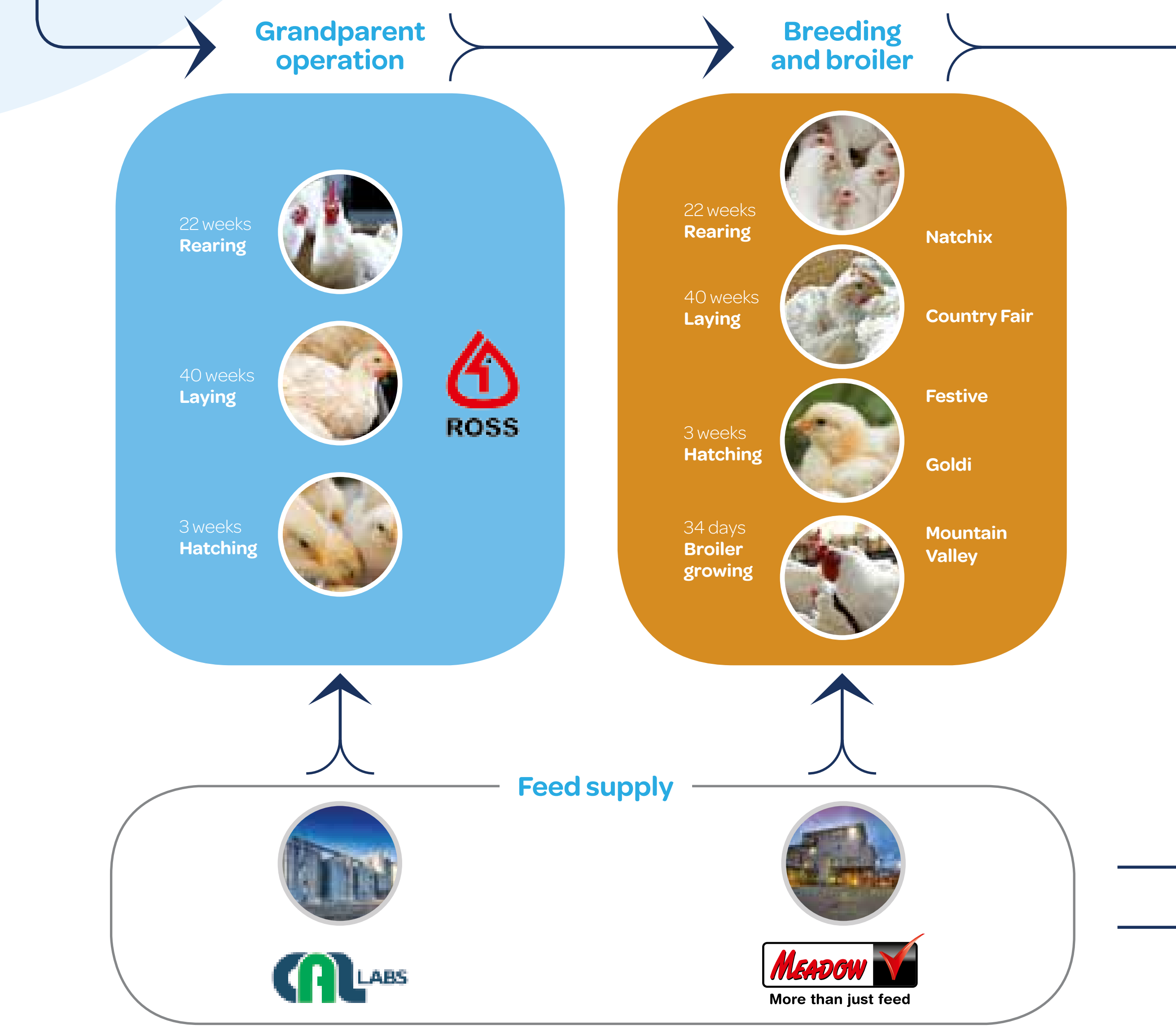
Business **process model**

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



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.**

Overview

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

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	• Increase in earnings per share of 3 691 cents • Currently in the process of major expansion of business • Stringent bio-security measures implemented to reduce the possibility of Listeriosis in abattoirs • Ongoing 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	• 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 2018 R6 209 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. Recently we have also gained customers 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 local 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 BBBEE policies	• Major expansion of business under way • Stringent bio-security measures implemented • Ongoing 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 continuously seeking opportunities to expand contract growers, especially those that have a BBBEE component

Overview

Stakeholder **engagement**

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 R17 million on corporate social investment initiatives throughout South Africa • We invest in 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


festive
festive
FRESH CHICKEN
Breast Fillets

Our Performance

The group has posted a further improvement in profitability through continued lower feed input costs, together with favourable poultry pricing and market conditions

Our performance

Chief executive officer's **report**

Introduction

Astral's 18th integrated report provides an overview of the results for the year under review, illustrating the group's financial and operational performance and achievements.

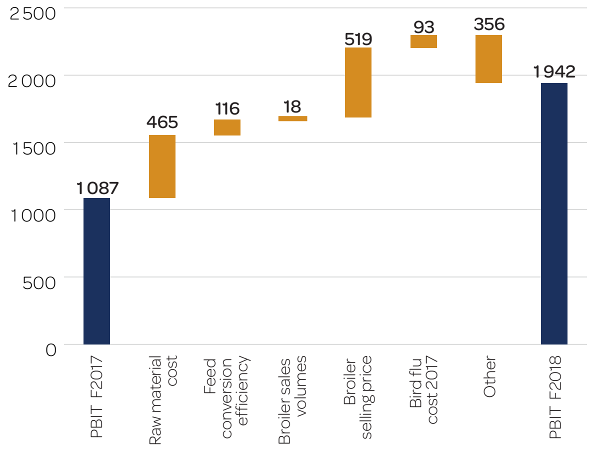
Astral's record earnings for the period under review, an operating profit of R1 942 million, were underpinned by the favourable alignment of most of the key drivers of profitability. Substantially lower raw material costs, higher poultry selling prices and broiler performance efficiency benefits culminated in an improved margin contribution.

Cash flow generation from operations resulted in net surplus cash on hand of R789 million at the end of F2018, leaving Astral with a strong balance sheet. The company is well-positioned to fund the planned expansion of its operations over the next three years, which will see an additional 20% in poultry processing capacity added at a cost of R1.1 billion.

The Period in Perspective

Off what were already record earnings for Astral in F2017, the group has posted a further improvement in profitability through continued lower feed input costs, together with favourable poultry pricing and market conditions.

Astral PBIT – Relative Movement F2017 vs. F2018 (R million)



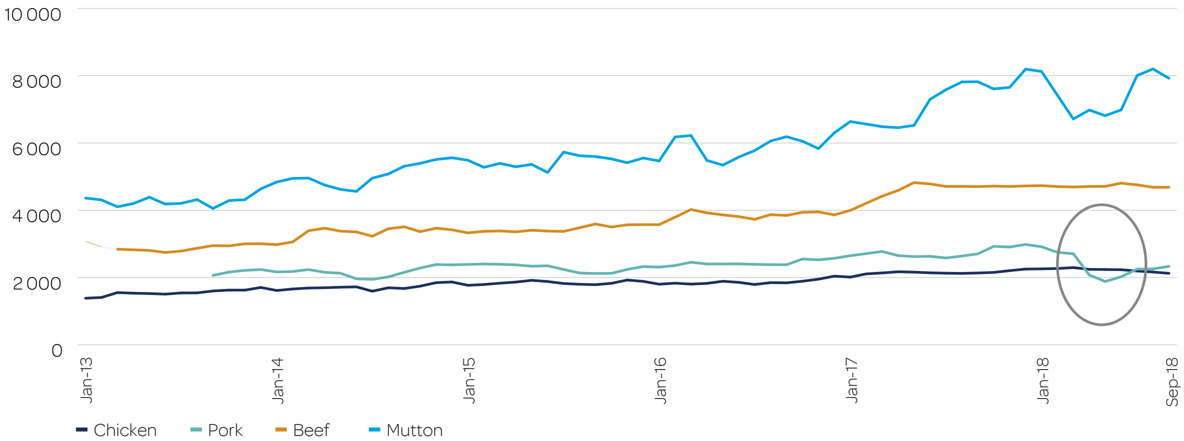
Source: Own Data

The positive trading environment that continued from the second half of F2017 well into the reporting period, was mainly driven by record maize crop conditions leading to significantly lower pricing levels. During 2016 / 2017, South Africa harvested a record maize crop of 16.8 million tons, followed by an above average crop of 12.9 million tons in 2018. High stock levels of maize resulted in lower local maize prices in a global market characterised by an adequate supply of corn. Feed costs reduced markedly in the second half of F2017, and this continued throughout the period under review, significantly assisting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 67% of the live cost of a broiler chicken.

Based on our own calculations, we estimate that the number of birds slaughtered in South Africa over the past year has increased from an average of approximately 18.5 million in 2017 to 19.1 million birds per week in 2018. Astral reared and processed approximately 5.0 million birds per week for F2018, up from the 4.8 million birds per week processed in the prior year. However, poultry sales volumes increased marginally by 0.2% for the period under review, impacted by lower sales for frozen chicken in the second half of the period, exacerbated by high stock levels of pork on the back of the Listeria crisis that hit the country, resulting in pork prices dropping below that of poultry for a period of time.

Chief executive officer's **report** (continued)

South African protein price comparison (cents/kg)



Source: SAPA, FNB, Red Meat Industry Forum

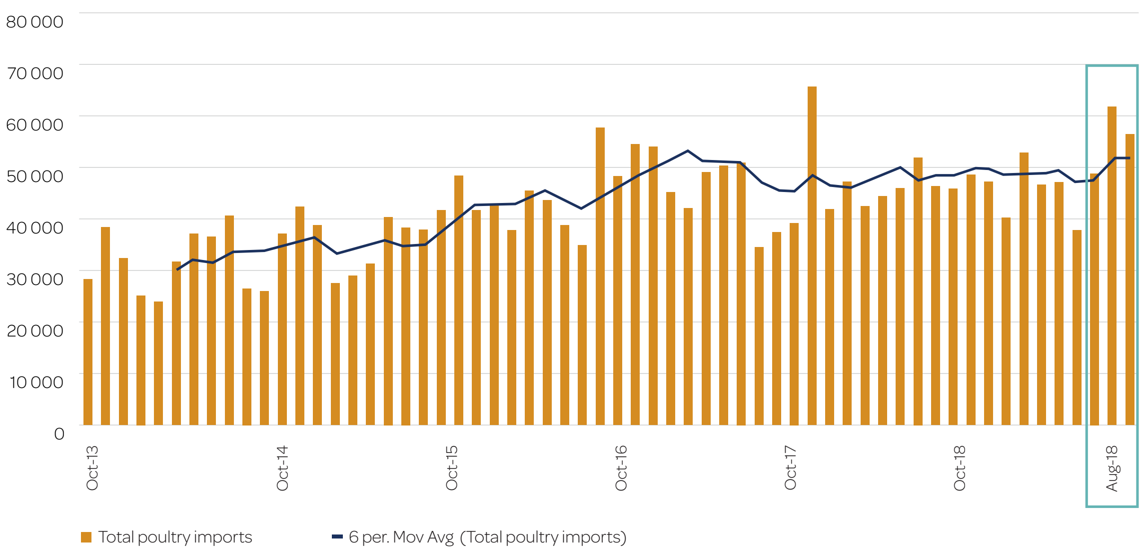
Average sales realisations increased by 7.1 % for the period under review, with a first half year-on-year increase of 11.2%, which dropped to an increase in the second half of only 3.7% on the comparable period. The first half of the reporting period was characterised by a well-balanced poultry market, with demand for product buoyant off the back of the bird flu crisis and production cutbacks in the local poultry industry.

On-farm bird performance again delivered positive results during the period, with considerably less feed being used to achieve the target broiler slaughter weights in F2018, as the feed conversion rate improved. This contributed to a significant reduction in the total feeding cost (a combination of feed price and feed conversion rate). The benefit of enhanced nutritional programmes and the focus on farming results is reflected in the broiler performances achieved over the year.

The highly pathogenic bird flu strain known as H5N8 was experienced for the first time in South Africa during 2017, and impacted most producers with long lived poultry stock such as broiler breeders and commercial layers. Astral, through various contingency plans, was able to avert a short supply of broilers, and continued to produce just over 5 million broilers per week. During the period under review, capital was allocated to various on-farm improvements that have enhanced bio-security practices in a number of areas. In addition, stringent bio-security protocols that have become the new norm were strictly enforced. The local poultry industry has not seen any incidents of bird flu since May 2018, and Astral experienced no losses due to the disease during the period under review.

The flood of poultry imports into the country continued unabated, increasing by 5% year-on-year. Imports from the European Union (EU) over the past 18 months have been substantially lower than historical levels, from a time where record EU imports were reported in November 2016. This is due to the prevalence of highly pathogenic bird flu in many EU countries, affecting EU trade with South Africa. Import volumes previously supplied by the EU have simply switched to Brazil, which is currently the largest exporter of poultry products to South Africa. Total poultry imports averaged 48 300 tons per month (up from an average of 46 000 tons per month in the prior year), or the equivalent of 8.6 million birds per week being approximately 45% of local production.

Total imports in tons per month

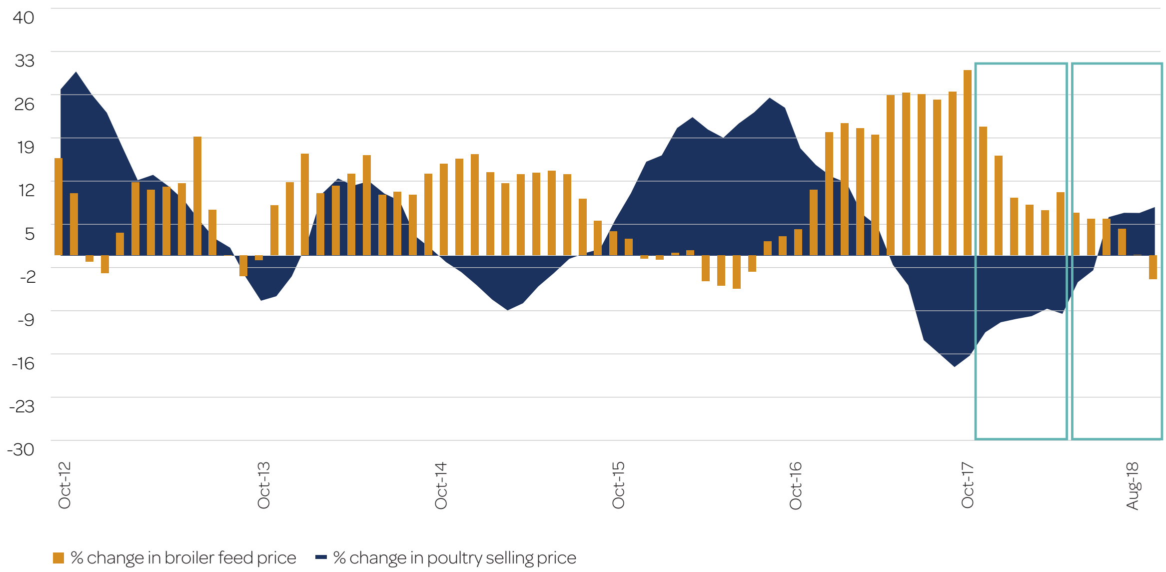


The EPA (SADC-EU Economic Partnership Agreement) safeguard for poultry imports from the EU was published on 28 September 2018. Under this provision, the safeguard duty on EU frozen bone-in portions will be as follows:

- **35.3% from 28 September 2018 up to and including 11 March 2019;**
- **30% from 12 March 2019 up to and including 11 March 2020;**
- **25% from 12 March 2020 up to and including 11 March 2021; and**
- **15% from 12 March 2021 up to and including 11 March 2022.**

This duty levels the playing field with imports from Brazil and the US that are subject to the 37% import duty currently in place for those exporting countries (plus an anti-dumping duty on the USA – from which the AGOA 65 000 ton annual quota is exempt). The poultry industry has worked tirelessly for the introduction of this safeguard duty over the past two years, and is satisfied that the duty will go some way in preventing opportunistic dumping from the EU. As mentioned earlier, this duty does however come at a time when the import levels from the EU are lower due to their bird flu issues.

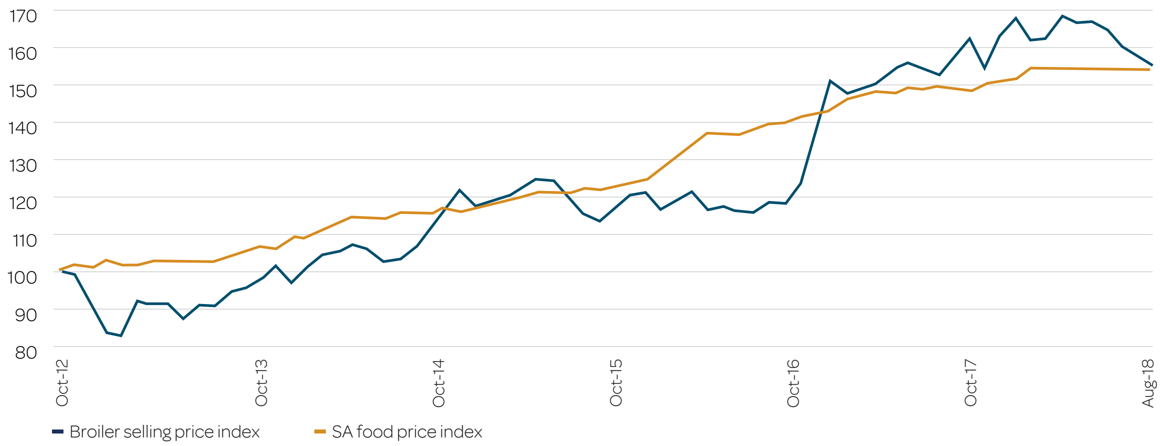
Year-on-year change in broiler selling price vs. change in feed price



Source: Own Data

As mentioned earlier, lower local maize prices reflected in poultry feed costs that reduced markedly in the second half of F2017, and this continued throughout much of the period under review, significantly assisting Astral's earnings for the full year. Towards the end of F2018 maize prices have started to increase resulting in higher feed costs, and this together with softer poultry selling prices placed pressure on poultry margins towards the end of the second half of the reporting period.

SA food price index versus broiler selling price index



Source: Own Data and CJA Strategic Risk Brokers

Chief executive officer's **report** (continued)

Local food inflation continued its upward trend, with poultry prices tracking these increases, albeit at a slightly higher level for a period of time, following the correction in prices on the change in legislated brining levels. The unemployment rate in South Africa rose to 27.5% in the third quarter of 2018 from 27.2% in the prior period, continuing to undermine the purchasing power of the broader population. Those who are employed have seen an erosion of disposable income from the increase in VAT and rampant increases in fuel prices over the reporting period. As a result, retailers have reported a change in buying patterns, with the frequency of store visits decreasing in response to higher transport costs, but the number of stores visited to fill the consumer's basket has increased as they actively pursue promotional opportunities, particularly at month end.

During the past year, the availability of water in the Western Cape due to the drought conditions was a risk to Astral's poultry operations in that region. In May 2017, the City of Cape Town and surrounds were declared a disaster region after the worst water crisis in recorded history hit the province. As "Day Zero" approached, Astral was faced with the prospect of a significant negative impact on its poultry integration in the Western Cape, not only from a production and processing perspective, but also from a bird welfare point of view. Astral had to ensure that the business is prepared to deal with a future where the impact of tighter water restrictions and possible water shedding are a reality in the Western Cape. The provision of water from alternative sources was deemed a critical part of the continuity plans should "Day Zero" ever become a reality. In this instance, groundwater sources have been credibly sourced and accessed, reverse osmosis and wetland water purification systems for waste water have been implemented and water saving initiatives implemented.

The risk of interruption in electricity supply to the poultry and feed operations in Standerton was negated in May 2017, when Astral received a High Court order guaranteeing the business uninterrupted electricity supply, which includes a provision for the direct payment of the electricity bill to Eskom and not the local municipality. Unfortunately, the lack of maintenance of municipal infrastructure for electrical reticulation is now regarded as an increasing risk in most municipalities in which Astral operates. Astral will continue to use all legal avenues in an endeavour to ensure uninterrupted services to all its facilities, and has already instituted legal action against the Standerton municipality in this regard, which has elicited a direct reaction from the Municipal Infrastructure Support Agent (MISA), who are allocating technical personnel to ailing municipalities where deemed necessary.

Astral 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 improved their results year-on-year, supported by a turnaround in the profitability of the Mozambican operations and a good performance from Swaziland.

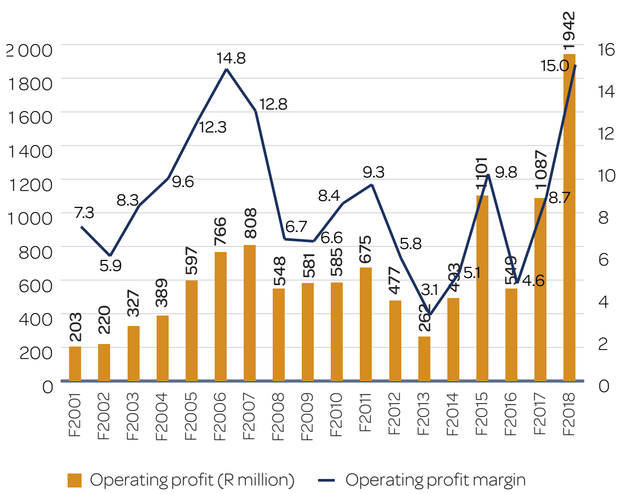
Salient points

- **Feed sales volumes increased** due to higher internal broiler production as well as higher external feed sales
- **Feed costs dropped off dramatically** in the reporting period on the back of two consecutive good maize crops
- **Increased poultry placements** averaging approximately 220 000 broilers per week together with higher live weights for the same slaughter age
- Continued **improvement in farm production results** and in particular feed conversion rate due to a nutritionally improved feeding program
- Astral experienced **no outbreaks of highly pathogenic bird flu** in its operations in 2018
- **Poultry sales realisations increased year-on-year** on better supply and demand to recover inflationary non-feed costs
- **Poultry imports remained at high levels**, with average monthly volumes for the period under review being approximately equal to 45% (≈ 48 300 tons per month) of local production
- **Cash flow** generated from operations for the year of R1 731 million, resulted in a strong balance sheet with net surplus cash on hand of R789 million

Financial overview of operations

External revenue for the group increased by 4.5% to R13.0 billion (2017: R12.4 billion) supported by higher poultry selling prices as well as higher volumes across all divisions. This together with materially lower feed raw material costs, were the main drivers of profitability for the year. Operating profit increased by 78.7% to a record level of R1 942 million (2017: R1 086 million), resulting in an operating profit margin of 15.0% (2017: 8.7%).

Operating profit history (R million)



Source: Own Data

Poultry Division

Revenue increased by 6.9% to R10.6 billion (2017: R9.9 billion) impacted predominantly by an increase in poultry sales realisations of 7.1%, largely attributable to the favourable trading conditions experienced in the first half of the year.

Poultry sales volumes were marginally up by 0.2% (811 tons), notwithstanding an increase in broiler weights, and higher broiler production numbers for the year, which increased year-on-year by an average of just over 220 000 birds per week.

Trading conditions deteriorated in the second half, as imports and local supply increased; whilst consumer disposable income was adversely affected by the impact of higher fuel prices and the increase in VAT. Weaker demand through the winter trading period, coupled with higher production, resulted in above average poultry stock levels at year end.

Broiler feed prices decreased versus the prior year due to lower raw material costs over the reporting period. Feed costs reduced notably in the second half of F2017, and this continued throughout the period under review, contributing significantly to Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 67% of the live cost of a broiler.

On-farm bird performance again delivered improved results during the period, with considerably less feed being used to achieve the targeted broiler slaughter weights, due to further improved feed conversion efficiency. This contributed to a substantial reduction in the total feeding cost.

Operating profit for the poultry division increased by 127.7% to R1 453 million (2017: R638 million). Non-feed expenses in the division increased year-on-year by 6.2%, with an operating profit margin improvement to 13.7% (2017: 6.4%).

Feed Division

Revenue declined by 5.8% to R6.2 billion (2017: R6.6 billion) as a direct result of lower selling prices on the back of significantly lower raw material costs. Volumes increased by 6.1% due to higher inter-group volumes as a result of increased broiler production numbers, and higher external sales volumes following a general improvement in the commercial animal feed market. The split between internal and external feed sales volumes remained at 60:40 for the period under review.

Operating profit increased by 16.7% to R457 million (2017: R391 million) with an improvement in the operating profit margin to 7.4% (2017: 5.9%). Rand per ton margins increased relative to the prior year due to the improved recovery of fixed costs through higher volumes.

Expense increases (Rand per ton) were contained to 4.7% year-on-year across all feed mills. Efficiencies from the Standerton feed mill again supported the group's focused efforts towards continuous poultry live cost improvement.

During 2016 / 2017 South Africa harvested a record maize crop of 16.8 million tons followed by an above average crop of 12.9 million tons in 2018. High stock levels of maize resulted in lower local maize prices in a global market characterised by an adequate supply of coarse grains, which was beneficial to the cost of animal feed.

Other Africa Division

Revenue for the division decreased by 3.7% to R411 million (2017: R427 million) due to lower selling prices attributable to a decrease in feed raw material costs. Sales volumes improved by an average of 4.0% across all countries, with the operating profit increasing to R32 million (2017: R27 million). This was largely driven by a good performance from National Chicks Swaziland and a turnaround in the profits of the Mozambican operations, albeit a small contribution to group profitability.

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. Ross Poultry Breeders posted an improved result due to a satisfactory increase 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 Swaziland, experienced an increase in demand for broiler day-old chicks following the 2017 bird flu outbreaks. Hatching egg sales were higher than the prior year, as a result of higher export volumes into the rest of Africa.

Broiler operations

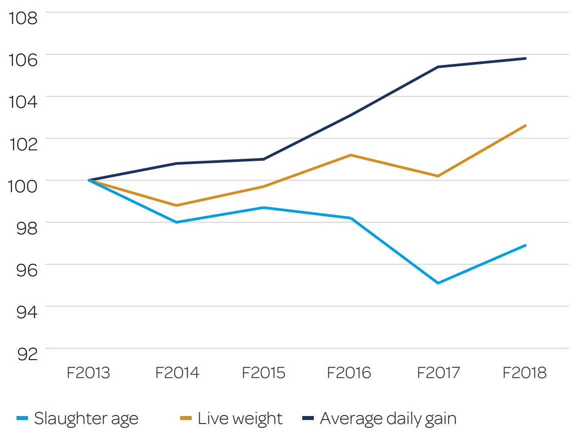
The four integrated broiler operations are strategically located in the major growth areas of Gauteng, Mpumalanga, the Western Cape and KwaZulu-Natal. The broiler operations reared and processed approximately 5.0 million birds per week for F2018, up from the 4.8 million birds per week processed in the prior year.

Birds per week	F2018	F2017
Festive (Olifantsfontein)	**1 455 000**	1 347 000
Goldi (Standerton)	**1 843 000**	1 723 000
Country Fair (Agter-Paarl)	**1 566 000**	1 559 000
Mountain Valley (Camperdown)	**176 000**	189 000
Total	**5 040 000**	**4 818 000**

Chief executive officer's **report** (continued)

Continuous improvement in nutrition and on-farm management practices resulted in better expression of the Ross birds' genetic potential, with emphasis on feed conversion efficiency.

Broiler production performance



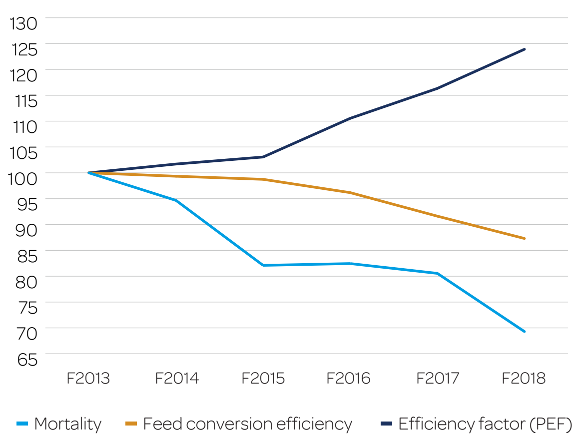
Source: Own Data

The changes made to the group's operational structure during 2016, aimed at better aligning the organisation within the primary activities of its integration, saw the introduction of a division with specialised focus around the agricultural activities of the business. This decision has continued to pay dividends for the group, with on-farm bird performances again improving year-on-year.

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.

The average broiler mortality rate through the growing cycles for F2018, was at its lowest point in five years. This, together with the benefits achieved from a new feeding programme implemented in October 2017, has resulted in less feed required per kilogram of body weight gain, as evidenced by the lower feed conversion rate for the year.

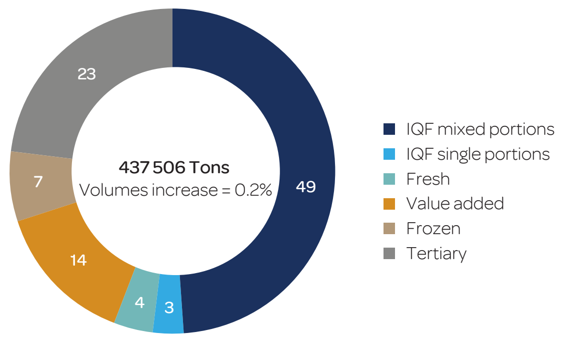
Broiler production performance



Source: Own Data

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.

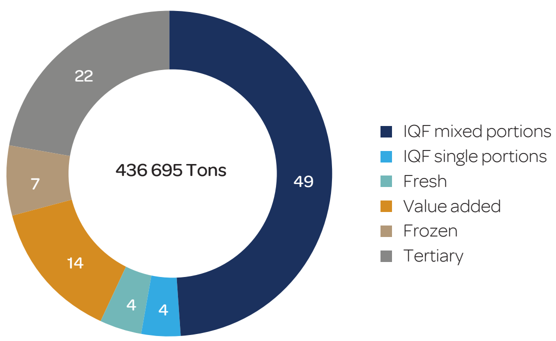
F2018 Product mix



Source: Own Data

Sales product mix was relatively stable year-on-year with individually quick frozen products (IQF) making up 53% of total sales in F2018. The value added segment maintained sales of 7% of the total mix in F2018, off marginally higher total sales volumes for the year.

F2017 Product mix



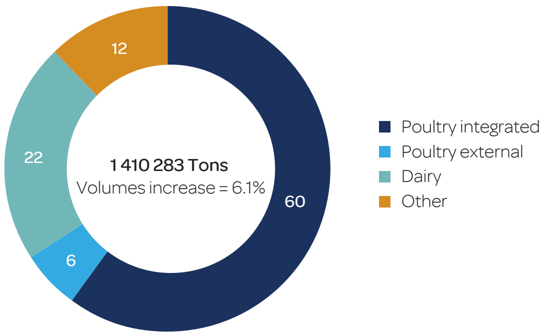
Source: Own Data

Feed division

Meadow Feeds continued to supply 60% of its total volume to the group's downstream poultry operations in F2018. Total sales volumes increased year-on-year to 1.4 million tons per annum (2017: 1.3 million tons). Increased sales were experienced in the dairy and pig sectors for the year.

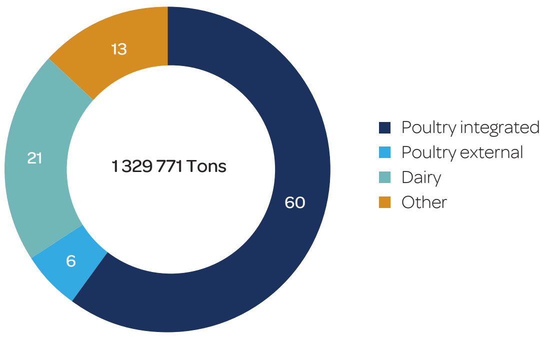
Plant utilisation for the period under review improved to 71% from 66% reported in the comparative period, on a national production capacity of approximately 1.96 million tons per annum.

Meadow sales F2018



Source: Own Data

Meadow sales F2017



Source: Own Data

The price of maize, the key driver of input costs into feed and the production cost of poultry meat decreased for the period under review. With adequate local supply, the SAFEX yellow maize price decreased by 15% (an average of R366 per ton) in F2018 relative to the comparable period.

With local maize exports estimated at 2.6 million tons for this season, a maize carry-out of approximately 2.3 million tons is expected, resulting in a reduction in the stock-to-use ratio to 17.4% for South Africa. This does not justify further exports into the latter half of the current marketing year, and as a result, SAFEX continues to trade above export parity. The weakening of the Rand relative to the US Dollar has further resulted in a relative increase in parity prices.

The crop estimates committee's planting intentions forecast is anticipating that an additional planting area (6%) 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 El Niño conditions for the year ahead, but it is yet to be seen if this will have an impact on crop planting and growing conditions.

Global corn stocks are expected to decrease, with the world corn stock-to-use ratio projected at below 19.9% (prior year 23.9%), whereas the USA forecast is projected at 12% (prior year 14.5%). 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 R220 per ton), but with the local market focussing on weather conditions for the upcoming planting season, prices are expected to remain at current levels.

Imported soya oilcake prices were higher for the year; however 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 company recently renewed its maize supply contract with Senwes for a second two-year period, and the services afforded by Senwes to the procurement team continue to provide valuable insight into local weather patterns and crop-related statistics.

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 would be motivated and approved by the board, and 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 flat for the period under review, as any growth in the market for broiler feed was constrained by a shortage of broiler day-old chicks during the year. Year-on-year, the profitability of Tiger Chicks improved markedly, following a re-alignment of the business to contend with volatile market demand. Tiger Chicks reported a 6% decrease in day-old chick sales, but with an improvement in sales realisations.

Mozambique

Feed sales by Meadow Mozambique increased by 44% for the period under review. A business restructuring process and improved sales, coupled to the availability of well-priced local raw materials, has resulted in a turnaround in the performance of the business over the past year. Day-old chick sales increased by 1% over the period under review, with Mozpintos benefiting from a well-balanced market in supply and demand.

Swaziland

The good performance of the Swaziland hatchery and broiler breeder operation was supported by an increase of 16% in higher sales for broiler day-old chicks.

Chief executive officer's **report** (continued)

Key investments

Capital expenditure for the period under review of R356 million is a significant increase on the prior year's R180 million. This amount represents not only expenditure on normal ongoing replacement and improvement items (R146 million for F2018), but also a number of key projects aimed at efficiency improvements, volume growth and risk mitigation in the following areas:

- Processing plant equipment R113 million
- HPAI mitigation project R42 million
- Breeder farm refurbishment R22 million
- Listeria mitigation project R17 million
- Water augmentation project Western Cape R16 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

Astral resigned from the South African Poultry Association (SAPA) effective end July 2017. Producer membership of SAPA was not representative of the local poultry industry, and the high cost burden left with the remaining members was intolerable for Astral. Following Astral's resignation from SAPA and the threat of ongoing industry challenges, the major broiler producers undertook to re-join SAPA on new terms, in an effort to restructure the activities of the association and work on industry matters of common interest.

SAPA has over the past year undergone a restructuring exercise, reflecting a better organised association more reflective of the industry. Both the broiler and commercial layer organisations in this structure will be independently headed up by newly appointed general managers who will spearhead specific interests in all areas of the industry.

Both organisations are managed by appointed boards consisting of member representatives, the general manager and a nominated chairman. SAPA is governed by an appointed board comprising members of both organisations and led by an appointed chairperson.

Membership of both organisations has improved markedly following the restructuring process, with the broiler membership representing approximately 73% of the local weekly broiler production numbers. A statutory levy has been approved for the table egg industry, and together with the improved membership of both organisations, SAPA is in a better position to attend to important matters affecting the industry.

Avian Influenza

The Highly Pathogenic Avian Influenza (HPAI) outbreak in South Africa caused significant damage to the local poultry industry in 2017. The virus impacted virtually all producers, with long-lived birds such as broiler breeders and commercial laying hens being particularly affected. The impact of the virus has been felt for a long period of time, particularly in the table egg industry as producers saw significant losses caused by this highly contagious disease.

The impact on Astral in F2017 was significant with the group losing approximately 18% of all broiler parent breeding stock, valued at approximately R54 million. Through Astral's contingency plans, the group was able to avert a short supply of broiler hatching eggs, and continued to slaughter just over 5.0 million broilers per week into F2018.

In South Africa, just over 193 cases of HPAI cases have officially been reported across eight provinces (Mpumalanga, Limpopo, Gauteng, KwaZulu-Natal, Free State, North West, Eastern Cape and Western Cape) over a 14-month period from the 21st of June 2017 to the end of September 2018.

The number of H5N8 outbreaks in South Africa has been reported as 33 in commercial chickens (broiler breeders, commercial layers and commercial ducks), 47 on ostrich farms, 80 in wild birds (finches, sparrows, yellow-billed ducks, penguins, terns, white-faced duck, gannets and black swans), 23 cases in birds kept for hobby purposes (and in zoos) and 10 in backyard chickens.

Avian influenza remains a global challenge. However, world-wide outbreaks of HPAI experienced in 2018 were much lower than when compared to 2017. Astral experienced no HPAI outbreaks during F2018. Following the 2017 outbreak a number of key actions were implemented, which supplemented Astral's AI preparedness plan.

Listeriosis

On 5 December 2018, the Minister of Health announced a Listeriosis outbreak in South Africa. This outbreak would eventually be declared the world's worst Listeriosis outbreak on record, with the death toll tragically exceeding 200 people. The ensuing crisis adversely affected the local poultry industry because of premature and unfounded speculation about poultry meat being the possible origin of Listeria Monocytogenes bacteria. The specific outbreak strain was eventually traced to polony that originated from a processed meat production facility in Polokwane.

The identification of the outbreak strain in polonies negatively affected both the demand for pork, and the sale of poultry products from producers involved in the production of polony products. Pork prices dropped by a reported 40%, to levels below poultry selling prices, as a result of the rapidly increasing stock levels of pork which lead to consumers substituting other proteins, in particular poultry, with pork. Poultry supply was furthermore distorted by the release of surplus frozen products by the affected poultry producers, leading to a vicious price cutting cycle.

Astral was not directly affected by the Listeriosis outbreak in South Africa. During this period, the company strengthened its food safety management systems, ensuring that its hygiene and quality management protocols effectively manage the risk of food-borne pathogens within Astral's processing plants.

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 identified include the following:

- HPAI outbreak impact on operations;
- Poultry products contaminated with bacterium that cause serious infections, e.g. Listeriosis;
- Energy and electricity security of supply and pricing;
- Water supply and quality;
- Prolonged high levels of feed ingredient costs;
- Prolonged imbalance in the supply of, and demand for poultry;
- Breakdown in bio-security and threat of new diseases;
- Premix micro ingredient deficiency and / or contamination with an undesirable substance;
- Raw material price volatility;
- Non-conformance to final feed specifications and impact on the breeding programme; and
- Lack of continuous genetic improvement.

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

Astral's focus is to maintain a balance in the wholesale and retail market segments of 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. This is being achieved by developing a more focused approach to the sales and marketing departments, where additional resources have been allocated to support these key functions.

Astral's sales model is 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 quick service restaurant (QSR) channels. Fresh and further processed product sales have grown considerably, but have plateaued due to fresh processing capacity now being fully utilised. QSR volumes continued to grow, largely due to the incremental new business volumes from Nando's, KFC and Hungry Lion. Astral has announced an expansion plan 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. To date 127 employees were enrolled as students, with a representation of 48% of the designated groups. The group endeavours to promote these students within their respective fields.

Transformation update

The introduction of an amended AgriBEE sector code in December 2017 has resulted in a number of changes in the way that agricultural enterprises, such as Astral, will be rated with regard to its empowerment and transformational progress in the future. Astral under the past AgriBEE codes was rated as a level 3 contributor, however, the introduction of the amended AgriBEE sector code will see Astral being re-rated as a level 7 contributor.

The introduction of supplier development as a new element of the amended sector code, plus the increase in the target weight allocation of enterprise and supplier development to 40% of the scorecard, will substantially contribute to the lowering of Astral's rating. 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.

Chief executive officer's **report** (continued)

Alliances

Key alliances continue 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 include:

- 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 and live bird transport to the poultry division;
- Hestony Transport, providing primary refrigerated transport to the poultry division;
- Imperial Cold Logistics, which provides 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 are on an upward trend and will impact Astral's largest input cost, namely feed making up 67% of broiler live cost.
- The negative impact of high fuel prices on consumer disposable income, with continued pressure on poultry selling prices over the short term.
- The impact of the proposed minimum wage legislation will increase poultry production costs, however, as a corollary this could positively support higher levels of consumer discretionary spend.
- High levels of poultry imports from Brazil and the USA, the major exporters to South Africa at present, are expected to continue.
- The ongoing risk of bird flu is continuously monitored, and prevention strategies are in place to manage this threat, albeit at an additional associated cost.
- Policy uncertainty around land expropriation without compensation, and the potential negative impact on property rights and further capital investment.
- A more "business friendly" environment in South Africa is being experienced, with key government departments engaging with the poultry industry.
- The European Partnership Agreement (EPA) safeguard duty finally imposed on poultry imports into South Africa from the EU is a positive development.
- Progressive genetic improvement of the Ross broiler breed will continue to support the group's best cost strategy.
- The expansion in Astral's poultry production capacity (an estimated 20% increase in current production levels) over the next three years for an approved capital expenditure amount of R1.1 billion, supports the President's investment drive and stimulus plan announced during the year.

Stated strategy

Astral remains committed to its strategy of being the best cost integrated poultry producer, embarking on capital projects which will support this strategy, as well as organic growth and efficiency improvement opportunities.

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; I thank you.

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 circmstances and challenges. I trust that we will all remain humble on the back of these record results, and will continue to strive for further improvement. *We did not come this far, to only come this far!*

I express my sincere appreciation to all members of the Astral Foods board for their commitment, advice and positive contributions during the year.

Chris Schutte
Chief Executive Officer

14 November 2018

Our performance

Chief financial officer's **report**

The announced capacity expansion programme is regarded as an

investment in the future

profitability of the group

Financial results

	2018 R'000	Restated* 2017 R'000	% change
Revenue	**12 979**	12 417*	+5
Gross profit	**3 674**	2 578*	+43
Cost of raw materials	**6 129**	6 771	-9
Total expenses (excluding cost of raw materials)	**4 912**	4 624	-16
Profit before interest and tax (PBIT)	**1 942**	1 086*	+79
Operating profit margin	**15%**	8.7%	
Net finance income/(cost)	**52**	(15)	
Profit for the year	**1 434**	761*	+89

* Refer to note 35 on page 168.

Overview

Astral's financial results for 2018 are the group's best performance since its unbundling from Tiger Brands in 2001. Operating profit margin of 14.8% was achieved in 2006, with operating profits at R766 million. Post the 2008/09 world-wide financial crisis, profitability was reduced to margins well below 10%, however good operating profits were reported in 2015 at R1 100 million (9.8% profit margin) and R1 086 million (8.7% profit margin) for the prior year (2017).

In contrast, the 2018 financial year was a record year for both operating profit at R1 942 million and profit margin at 15%. This was largely achieved from a 6.9% increase on the prior year in Poultry revenue, whilst feed costs decreased by 3.2% compared to the previous year with further improvements in live bird production/performance efficiencies.

The Feed division continued with its consistent profit performance achieving an increase of 16.7% on the previous year's operating profit. Feed's contribution to the group's revenue was 3.7% lower which was the result of lower raw material costs that impacted lower feed selling prices.

Total expenses (excluding costs for raw material) increased by 6.2% on the previous year. It includes increased provision for incentive bonuses payable to all employees of R215 million (2017: R173 million) following the further improvement on 2017 profits and calculated in terms of the Remuneration Policy on annual incentive bonuses.

Following the outbreak of Avian Influenza during the fourth quarter of the 2017 financial year, further preventative operating costs were incurred during 2018 totalling R34 million (2017: R93 million, which included the write-off of breeding stock to the value of R53 million). The outbreak of Listeria in South Africa also resulted in additional costs of R25 million, as a precaution and to reduce the risk of a Listeria outbreak in the processing plants, having been incurred.

Contribution to the group's profits from the Other African operations remained relatively small compared to the rest of the group.

Chief financial officer's **report** (continued)

The group earned net interest income of R52 million following the strong cash inflow which started in the second half of 2017, resulting in a net cash surplus situation throughout the 2018 year.

Tax was provided at 28% for the South African operations and at the official tax rates of the tax jurisdictions in which foreign operations conduct their business activities. The total tax charge represents a combination of normal and deferred tax provision. 99% of the total provision was in respect of South African business units (F2017: 95%).

Profit for the year at R1 434 million (F2017: R761 million) was mainly contributed by South African business units (R1 413 million). Contribution from the Zambian and Mozambican operations remained limited which was an indication of the ongoing challenging trading conditions in those countries.

Statement of financial position

	2018 R'000	2017 R'000	% change
Non-current assets	**2 409**	2 228	+8
Current assets (excluding cash)	**2 943**	2 469	+19
Total assets (excluding cash)	**5 352**	4 697	+14
Non-current liabilities	**(650)**	(610)	+6
Current liabilities (excluding borrowings)	**(1 754)**	(1 601)	+10
Net cash	**789**	553	
Net assets	**3 737**	3 039	+23
Financed by:			
Equity	**3 737**	3 039	+23

The increase in net assets of 23% to R3 737 million (2017: R3 039 million) was as a result of a R236 million increase in surplus cash, and increases in both non-current assets (plant and equipment) and current assets.

Purchases of property, plant and equipment totalled R345 million (2017: R128 million) which included amongst others, capital expenditure on the following items:

- Automation of certain processes in the Poultry Processing plants R113 million
- Boreholes in the Western Cape R16 million
- Listeria mitigation capital expenditure R17 million
- Avian Influenza mitigation capital expenditure R42 million
- Breeder farm refurbishment capital expenditure R22 million

The main contributors to the current assets increase of R474 million were higher biological assets (R112 million) and higher inventories (R343 million). Whereas the biological assets were impacted by the culling of breeder stock as a result of Avian Influenza in 2017, the levels of breeder stock have been restored during 2018. Broiler stock levels were also increased due to the higher weekly slaughter volumes. Poultry finished goods stock levels were R257 million higher than the previous year as a result of a slow-down in sales towards the end of the financial year. The balance of trade receivables was impacted by the year-end close on a weekend resulting in some debtors paying their accounts only on the first day of the new month.

Cash flow was positive for the year in spite of higher capital expenditure and increased dividend payouts following the recovery in profits during the second half of the 2017 financial year.

Net cash balance was in surplus throughout the year, and increased further to close at R789 million (2017: R553 million).

Conclusion

The group announced during the year a capacity expansion programme whereby slaughter capacity will be increased by 20% and which is estimated to be completed during the 2021 financial year. The surplus cash accumulated during the past 18 months will finance a large portion of the expansion project, and together with access to short-term funding, will ensure sufficient liquidity to absorb possible volatility in profits during this expansion programme period. On completion of this project Astral will be well positioned to take advantage of any improvements in trading conditions and consumer spending.

Daniel Ferreira
Chief Financial Officer

14 November 2018

Our performance

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
↑ 5%
to R12 979 million

Operating profit
↑ 79%
to R1 942 million

HEPS
↑ 94%
to 3 712 cents

Total dividends per share
↑ 94%
to 2 050 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.

262 064 million **broilers** processed per week during the year

7 strategically placed **feed mills** in South Africa

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 1 684

Total amount paid for **skills development** R7.6 million

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** owned 225

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 increased from 422 tons in 2017 to 486 tons in 2018

Electricity saved reduced from 1 619 ('000) kWh in 2017 to 2 124 ('000) in 2018

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 R15 million 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.

R15 million towards **enterprise development initiatives** aimed at developing and empowering emerging farmers through training and development initiatives, preferred procurement and capital investment

Our performance

Financial **capital**

Distribution of economic value generated for stakeholders.

Value added statement

	2018 R'm	2018 %	2017 R'm Restated	2017 %
Value added				
Sales of goods and services	**12 979**		12 417	
Less cost of materials and services	**(9 099)**		(9 574)	
Value added from trading operations	**3 880**	**98.4**	2 843	99.8
Income from investments	**63**	**1.6**	5	0.2
Total value added	**3 943**	**100.0**	2 848	100.0
Value distributed				
To labour	**1 775**	**45.0**	1 598	56.1
To government	**572**	**14.5**	321	11.3
Income tax	**560**		311	
Skills development levies	**12**		10	
To providers of capital	**740**	**18.8**	128	4.5
Dividends to shareholders	**730**		108	
Interest on borrowings	**10**		20	
Total distributions	**3 087**	**78.3**	2 047	71.9
Income retained in the business	**856**	**21.7**	801	28.1
Depreciation/amortisation	**152**		149	
Retained profit for the year	**704**		652	
Total value distributed and reinvested	**3 943**		2 848	100.0

	2018 %	2017 %
Revenue generated in South Africa	**97**	97
Net profit after tax generated in South Africa	**99**	99
Total taxes paid in South Africa	**99**	97

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.

1. 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 Quick Service Restaurant (QSR) customers who rely on us for the timely supply of quality chicken to the trade.

The need for manufacturers to market products that meet the required food safety standards has resulted in a number of ongoing 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	Approved	MJC
Mountain Valley	Certified	N/A	Not required	Not required	Not required	Not required	SANHA
County Fair – Hocroft	Certified	Approved	Approved	Not required	Not required	Approved	MJC
County Fair – Epping	Certified	N/A	Not required	Not required	Not required	Not required	MJC

FSSC – Certification Scheme for Food Safety Systems including ISO 22000
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

The 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.

Manufactured **capital** (continued)

2. 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 monitors 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 22000:2005	ISO 9001:2015	AFRI-compliance
Meadow			
Randfontein	✓	✓	✓
Delmas	–	✓	✓
Standerton	✓	✓	✓
Pietermaritzburg	✓	✓	✓
Paarl	✓	✓	✓
Port Elizabeth	–	✓	✓
Ladismith	–	✓	✓

ISO 22000:2005 – Food Safety Management Systems certification
ISO 9001:2015 – Quality Management Systems certification (Replaces ISO 9001:2008) in 2018
AFRI-COMPLIANCE – Compliance to Afri-compliance Protocol – Legal Focus viz Act 36 of 1947

The manufacturing of animal feed is governed by the Farm Feeds Act – Act 36 of 1947 (Fertilizers, 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.

Supplier of the year

Meadow Feeds Paarl was awarded the Kaap-Agri Supplier of the year 2018 under the category Animal Health and Feeds.

The award was presented by Kaap-Agri CEO, Sean Walsh to Tiaan Auret, COO Meadow Feeds Western Cape.

Left: Sean Walsh Right: Tiaan Auret

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 (BBBEE)

We support and are committed to the concept of broad-based black economic empowerment and actively promote the empowerment of staff members and the communities in which we operate. We have a 100% score on enterprise development, mainly as a result of our strategy to use contract growers with a black ownership component. We also scored 100% in socio-economic development as a result of our wellness programme. Our rating improved to a level AA, which is an improvement of 140.09% since our first rating.

Equality

We are committed to gender equality and the removal of any discrimination based on gender, race, religion or disability.

Employees

Our long-term success rests on our ability to attract, develop and retain globally competitive employees. We have strategies and initiatives in place, mainly through our 20 keys workplace improvement programme, to ensure value creation by and for employees. This facilitates individual and collective wisdom within the operations, encourages employee participation and enables employees to share in the value created for stakeholders.

African, Indian, Coloured (AIC) vs. White employees in our South African operations:

Category	2018 AIC	2018 White
Board (Non-executive directors)	2	3
Executive – F	–	5
Senior management – E	7	38
Middle management – D	40	100
Skilled upper/technical – C	248	332
Semi-skilled/apprentice/trainee – B	1 576	159
Labourers/unskilled – A	4 175	9
Total	6 048	646

Note 1: Employee categories are defined using the Patterson grading methodology (F-A)

Number of employees at the end of September – group

	Feed		Poultry		Other Africa		Corporate		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Permanent	**478**	533	**5 872**	6 551	**315**	345	**29**	29	**6 694**	7 458
Contract	**205**	228	**4 549**	5 072	**94**	101	**1**	1	**4 849**	5 402
Total	**683**	761	**10 421**	11 623	**409**	446	**30**	30	**11 543**	12 860

Group	%
Female employees	45.62
Workforce (employees and contractors operating in South Africa)	96.43
Management (top and senior) who are deemed Historically Disadvantaged South Africans (HDSA)	0.13
Employees who are deemed HDSA	90.35
Permanent employees	58
Employees belonging to a Trade Union	36.20
Employee turnover (number of persons who departed relative to the total number of employees at year end)	10.24
Employees trained in South Africa	25.16
Training spend in South Africa	1.72
Total CSI/SED spend in South Africa	100.00

Group	
Total number of person hours worked	16 861 644
Total number of employees trained including internal and external training interventions – skills development	1 684
Total person days lost due to industrial action	33 765

Value creation for employees

Our leadership within the group is inspirational. High but achievable standards are set, employees are motivated by realistic objectives and they are allowed to participate in setting those objectives.

We have a sound value system, based on integrity, openness honesty and accountability. Employees understand these values as management leads by example.

The benefits of employees are market related and all employees can benefit from incentive schemes by meeting set targets. All vacancies within the group are advertised internally, as we believe that employees should have the first opportunity to be promoted before we recruit externally.

A number of unions are represented in the company with a total membership of approximately 36.2% of bargaining units.

Unions are recognised at our different business units. We conduct collective bargaining on an annual basis and in most instances the outcome is to the satisfaction of both parties. Circulars and notice boards are used for basic communication with staff. Road shows are held twice a year in the different regions to communicate the results of the company and two multi-level meetings per annum are held with staff to communicate important matters relevant to each business unit.

Health and Safety

We comply with the Occupational Health and Safety Act or similar legislation in other countries.

Senior management within each operation is responsible for occupational health and safety and is committed to providing the necessary financial and human resources to ensure that the following 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 identify, 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' wellbeing.
- **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.

Human **capital** (continued)

Astral aims to minimise and prevent any injuries and accidents. The Lost Time Injury Frequency rate is calculated by all business units. This provides for accurate benchmarking between business units and a measuring tool to compare current and past performances. The group has set an Injury frequency rate target of 2.5 for the milling operations and 3.0 for the processing facilities

Operational targets were also set to reduce the recordable injuries by 10%.

Lost Time Injury Frequency Rate is calculated by taking the number of disabling injuries times 200 000 divided by the number of man hours worked by all employees and contractors.

	Agriculture		Commercial		Feed		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Number of fatalities	**–**	–	**–**	–	**–**	–	**–**	–
Number of first aid cases	**31**	13	**93**	247	**15**	25	**139**	285
Number of medical treatment cases	**5**	–	**65**	87	**12**	4	**82**	91
Number of disabling injuries	**79**	64	**167**	182	**24**	24	**270**	270
Number of recordable injuries	**115**	77	**325**	516	**51**	53	**491**	646
Injury frequency rate	**2.22**	1.53	**1.99**	2.13	**1.38**	1.66	**1.92**	1.97
Fatal Injury frequency rate	**–**	–	**–**	–	**–**	–	**–**	–
Total recordable injury frequency rate	**3.23**	2.32	**3.78**	4.07	**2.56**	3.20	**3.39**	3.58

Employment equity

All our operations comply with the Employment Equity Act and annual reports are submitted to the Department of Labour. Employment equity committees have been established at every business unit to set and monitor progress. The different occupational levels below management level reflect that between 83% and 99% of employees are from the designated groups. We believe that no unfair discrimination exists in the workplace.

Wellness programme

Our first initiative was to focus on HIV/AIDS.

We recognise the implications of the pandemic on the family structure, the community and long-term issues of sustainability. The reality is that the prevalence of HIV/AIDS among our workforce is currently estimated to be about 22% overall. This figure was determined through a voluntary counselling and testing update.

We have implemented a policy on HIV/AIDS focusing on:

- educational programmes at all operations;
- voluntary testing;
- counselling of affected employees; and
- training of peer educators.

A total of 79% of employees participated in the Wellness screening and 89% participated in voluntary counselling and testing.

We changed our strategy to a wellness programme during 2009 focusing on:

- height and weight (body mass index);
- blood pressure (hypertension);
- cholesterol;
- diabetes; and
- voluntary counselling and testing for HIV/AIDS.

The past financial year Astral spent R6.209 million on this programme.

Training

Much emphasis is placed on the development of technical skills, including training under our technical agreements with Provimi Holding BV of Holland, a world leader in animal nutrition solutions.

The "CEO Pinnacle Programme", which consists of management training and development interventions, was introduced during September 2011. The interventions focus on senior, middle and fundamental management levels as well as supervisory training. The management programmes are presented by the North West University (Potchefstroom Business School).

During the past year, 49 participants were enrolled in the Middle Management Programme (MMP) and Advanced Management Programme (AMP). Of these participants close to 54% were from the designated group.

Other training and development interventions that we focus on are:

- information technology skills;
- supervisory skills;
- sales;
- quality systems; and
- production and processing skills

We are committed to the Skills Development Act. Our submission of skills development plans and our implementation against targets have ensured the maximum benefit in this regard. We have appointed 30 apprentices (electricians, millwrights, fitters and turners) with assistance from the Sectorial Training Authority for Agriculture.

We have a study loan policy providing employees with financial assistance to further their academic qualifications in line with current and future job requirements.

Apart from the above initiatives, we spent R7.610 million on training and development of our employees.

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 for this year was close to 10.24% on average for the group.

The absenteeism rate increased from 1.10% (2016/2017) to 1.72% (2017/2018) which equates to a cost of R9 526 349 per annum.

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	2018	2017
Number of calls received	**42**	28
Number of reports generated	**26**	17
Number of reports investigated	**26**	17
Number of convictions	**3**	2

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	2018	2017
Theft	**1**	1
Human resource infringements	**17**	13
Fraud	**1**	2
Unethical behaviour	**7**	1
Customer complaints	**0**	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

Employee wellness programme

Astral employees are a key asset to our business and we are fortunate to have long-serving employees who are skilled and experienced. Protecting and enhancing employee health and wellbeing is an important focus that extends beyond our workforce to employees' families, their dependants and the communities in which we operate.

A comprehensive health and wellness programme has been offered for over a decade. The *Astral Health Link Employee Wellness Programme* is managed by KaeloXelus, a leading healthcare service provider. This approach ensures patient confidentiality, regulatory compliance and professional care provided through onsite clinics, wellness days, proactive patient management, mobile medical teams, health education and an online health portal.

Employee participation in the Astral Health Link programme is good and uptake has been excellent, making it one of the industry's most comprehensive and successful health screening and wellness programmes. In view of the HIV prevalence among employees and other health risks such as obesity, diabetes, high cholesterol, high blood pressure and tuberculosis, the Astral Health Link programme can be life-changing. It seeks to assist employees with regular health screenings, access to medication (including HIV ARV Treatment), face-to-face counselling, ongoing patient management and nursing care.

Since inception of the Astral Health Link programme in 2009, onsite services have been expanded, making it easier and more convenient for employees to seek help for health challenges. The programme addresses health concerns and also impacts employees positively through less illness and a better quality of life. Health education and access to professional care empowers employees with knowledge and motivation to live healthier and more productive lives.

Our performance

Human capital (continued)

For Astral, the Health Link programme enables management to assess the high level health status of employees and to mitigate any related business risks. Reduced absenteeism, increased productivity and proactive disease management ensure a positive return on investment, in addition to a healthier and happier workforce.

Patient management services

These include onsite clinics, onsite nursing teams, wellness centres, wellness days, health education campaigns and free and unlimited telephone counselling. A team of dedicated Patient Managers partner with employees as they journey through testing, diagnosis, counselling and treatment plans.

Employee participation

Employee buy-in to the Astral Health Link programme is strong. As many of our employees are sole breadwinners, enhanced health and wellness have a ripple effect on families and communities. Employees' dependants also have access to some healthcare services, so upliftment is not limited only to the Astral workforce.

Occupational health and safety

Onsite health professionals provide emergency medical care, disease treatment, primary healthcare and medication dispensing. Occupational health and safety medicals are conducted and checks and audits ensure Astral's compliance with prevailing regulations such as The Occupational Health and Safety Act, the National Health Act, the Food Handling Act and the Meat Safety Act. Onsite response capabilities, incident logs and fewer disability claims reflected improved occupational health and safety in 2017.

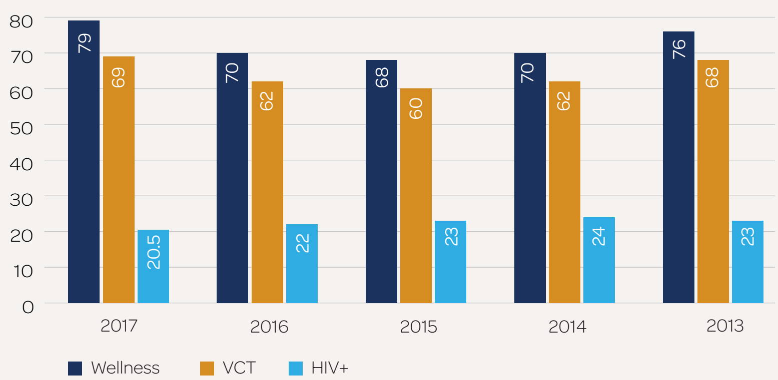
Health status of employees

- Since inception, 60 151 full wellness screenings have taken place.
- Permanent employees, contractors and casual staff can do a wellness screening; in 2017, 7 510 wellness screenings were conducted across Astral sites.
- The number of current permanent employees who have done a wellness screening is 79%.
- Since inception, 47 117 employees have done an HIV test; this is a voluntary HIV Counselling and Testing procedure.
- In 2017, 5 270 employees were tested for HIV/AIDS; 69% of employees know their HIV status; the prevalence rate reduced to 20.5%.
- HIV stigma has reduced; 89% of employees doing a wellness screening choose to test for HIV.

HIV Programme and Chronic Disease Patient Management

- Employees who test positive for HIV can enrol on the HIV management programme to receive counselling, support, education, ARV treatment and multivitamin supplements.
- Employees at risk of chronic illnesses such as diabetes, hypertension, high cholesterol and obesity get help from Patient Managers to manage their risks and improve their health status.
- Patient Management services include telephonic contact and face-to-face consultations.
- Support includes regular screening, pathology, medication and advice on lifestyle choices such as alcohol and drug use, stress management, HIV disclosure, smoking and risky sex.

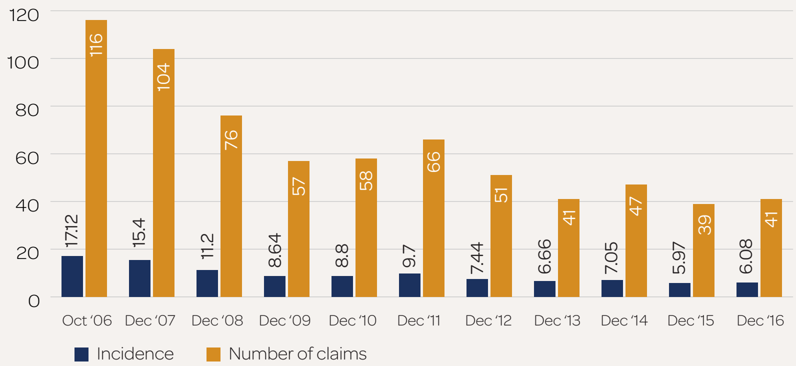
Annual screening results



Return on investment

The total value of treatment provided by the Astral Health Link programme in 2017 was R2.5 million, with total direct savings of R56.6 million. The estimated return on investment in the wellness programme was in excess of R59.2 million in 2017.

Group risk



County Fair Staff in the Western Cape visit their on-site clinic for a Women's Day Health Screening event.

Astral employees successfully complete their diploma course on feed manufacturing technology

Mr Maans Manuel and Mr Wolfgang Struckler, respectively from Meadow Feeds Paarl and Meadow Feeds Standerton embarked on and successfully completed the international leg of their training at the Swiss Institute of Feed Technology in Zurich. Switzerland to complete their Diploma (Intensive) Course on feed manufacturing technology.

The primary objectives of the course were:

Process technology and flow sheet design

Working principles of machinery

Electrical engineering, controls (Programmable Logic Controller (PLC) and relay systems) and automation.

Maans Manuel
Meadow Feeds Paarl

Wolfgang Struckler
Meadow Feeds Standerton

Empowering the disabled

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

Since the project was launched in 2015, over 240 learnerships have been sponsored by the various business units – including County Fair, Goldi, Festive, National Chicks, Mountain Valley, Ross, Meadow Feeds and CAL. 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 employed since 2015, impacting positively on the learners' families and society.

Through sponsoring these learners, we have become increasingly aware of the challenges associated with accommodating disabled persons in the work place, coupled with a commitment to improve society and inspire more lives.

Some of the disabled learners who studied at the Signa Bellville (Western Cape) campus and was sponsored by Astral.

Intellectual **capital**

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

We own a large number 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.

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	2018 actual	2019 target	Change
Stationary fuels			
Coal (GJ)	**1 565 122**	1 578 954	13 832
Coal saved due to conservation and efficiency improvements (GJ)	**8 580**	1 014	(7 566)
LPG (GJ)	**253 724**	256 502	2 778
LPG saved due to conservation and efficiency improvements (GJ)	**–**	–	–
Mobile fuels			
Diesel (GJ)	**114 255**	134 548	20 293
Biofuel (GJ)	**–**	–	–
Diesel saved due to conservation and efficiency improvements (GJ)	**914**	–	(914)
Energy			
Electricity (GJ)	**1 119 301**	1 137 132	17 831
Energy saved due to conservation and efficiency improvements (GJ)	**7 646**	8 034	388
Water			
Water consumption (kl)	**5 541 502**	5 640 887	99 385
From boreholes (kl)	**1 062 579**	1 062 430	(149)
From municipal sources (kl)	**4 478 923**	4 578 457	99 534
Water saved due to conservation and efficiency improvements(kl)	**41 882**	2 700	(39 182)
Recycled Water (kl)	**339 156**	408 446	69 290
Recycled water as a percentage of total water	**6%**	7%	1%
Materials			
Packaging Material (tons)	**11 400**	11 694	294
Recycled – Packaging material recycled (tons)	**486**	486	–
Effluents and Waste			
Waste to landfill (tons)	**6 639**	5 656	(983)
Hazardous waste disposed (tons)	**36**	36	–
Water discharged (kl)	**3 236 710**	3 302 256	65 546
Litter (m^3)	**415 974**	419 576	3 602
Number of significant spills	**–**	–	–
Recycled – Litter (m^3)	**402 458**	406 712	4 254
Recycled waste as a percentage of total waste	**95%**	96%	1%
Other			
Number of environmental non-compliance prosecution and fines	**–**	–	–

- Sustainability projects implemented are aligned with our vision and strategic goals.
- Operational 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 strategic alliances with key stakeholders, such as the National Cleaner Production Centre South Africa (NCPC-SA).

Our performance

Natural **capital** (continued)

In conjunction with the NCPA-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 implemented	Comments
NC001	Poultry	National Chicks – Hatchery (KZN)	Waste heat recovery from compressor	R43 560	4 150 litres of paraffin		Cost ±R270 000 – Capex – Not budgeted
NC002			Solar energy for water	R9 250	7650 kWh	Done	Implemented – F2015
NC003			Power Factor Correction	R59 100	636 kVA of maximum demand	Done	Implemented – F2016
NC004			VSD on air compressor	R21 000	17 400 kWh		Capex – Not budgeted
NC005			Fixing compressed air leaks	R18 300	15100 kWh	Done	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		To investigate further in F2019
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 Pietermaritzburg	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 palleting 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	R67 250	340 tons of steam	Aug-14	Repaired leaks in Aug – 14 – ongoing.

Alternate Energy Solutions

Beneficiation of Waste Project at Festive

Typical waste to energy plant

Negotiations are currently taking place with a supplier for the beneficiation of waste at Festive

The plan is for waste water and condemned organic waste to be transferred from Festive to a central thermal plant, operated by the supplier in exchange for treated water and steam. The treated water will be reused in production and 12 megawatt turbines will be used to convert steam into electricity at Festive. In addition, the secondary heat from the turbine will be recycled to reduce coal-based energy usage at the abattoir.

Solar Photovoltaic Energy Solution – National Chicks Boschkop

Typical photovoltaic energy solution

Investigations are under way to source a solar photovoltaic energy solution for 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 that has the potential of securing electricity utilising gas as an alternative source of energy.

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.

Plans are in place to obtain quotations from suppliers to construct a water treatment plant at Goldi in Standerton.

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.

Astral continues to support the Cancer.vive initiatives namely the Cancer.vive Ride and the Astral Cargill Cancer.vive Golf Classic.

World of Birds

The World of Birds Wildlife Sanctuary is located in Hout Bay and has been rehabilitating birds and animals for the past 38-odd years.

Since the arrival of the Highly Pathogenic Avian Influenza (HPAI) in South Africa during the winter of 2017, the health of all bird species were at heightened risk. The World of Birds has been under quarantine since October 2017 after testing positive for the virus in a number of its bird species. This has curtailed revenue earnings from the daily entrance fees as a sceptical public, uneducated and full of false perception, stayed away from one of the landmark and premier tourist attractions in Cape Town.

After reading about the financial crisis that resulted, Astral decided to become involved in an endeavour to ease the financial burden of the World of Birds by donating feed and using our extensive experience in eradicating and managing HPAI at our farming operations. We will supply bio-security advice and suggestions regarding the implementation of controls to mitigate the risk of HPAI as far as possible.

Astral donates goods and services of approximately R100 000 per month in an endeavour to assist Africa's largest bird park to continue to perform an important community service as a haven for sick and injured birds and small wildlife.

Makhaseh Children's Village

Makhaseh Children's Village is situated in the community of Richmond in KwaZulu-Natal. As a result of the political violence of the 1990's that saw hundreds of people murdered in the area, thousands displaced and more are still affected today by a ruined local economy, high, ongoing unemployment and a continuing lack of basic services.

The aim of Makhaseh is to raise children that will become successful adults. This means that each adult will be able to commit to healthy relationships and become effective citizens in their community.

Mahkaseh plans to construct a children's village that will ultimately accommodate some 200 HIV/AIDS orphans that have no other means of shelter or care.

Astral closed the feed mill situated in Richmond some five years ago whereafter the premises have been made available to Makhaseh.

Choc and Choc Cows

We continued our support of Choc during the past year. The Choc houses are homes for those children who do not have to stay in hospital whilst receiving treatment but are unable, for various reasons, to return to their homes. They are also able to remain there whilst they are recovering after treatment. The Poultry division donates chicken to the houses every month. The Choc houses were chosen as our Mandela Day project this year. Meadow Feeds Pietermaritzburg assisted to fill up the swimming pool and created a Garden of Remembrance at the Pietermaritzburg home. Meadow Feeds Paarl assisted with the repairs and maintenance at the houses in Plumstead and Wynberg in Cape Town. Choc in Pretoria moved to their new house in Lyttleton. Meadow Feeds, Ross, National Chicks and the Poultry division, purchased the furniture and bedding for the six rooms in the new house. The Astral staff raised R60 460 by taking part in the Valentine blue Choc-o-heart campaign in February 2018.

We sponsored an ice cream bike for the 94.7 cycle race and with the help of our cyclists, over R100 000 was raised for the Cows. We hosted a water point on the route for the Choc cyclists. We also joined the Cows and visited the Charlotte Maxeke and Donald Gordon children's cancer units over Easter taking colouring books, crayons and Easter eggs to both the patients and the out-patients.

People living with cancer (PLWC)

Janie du Plessis, CEO of PLWC, and her team moved into bigger offices at Century City to include the additional staff member running Cancer Buddies. We continued to support them by sponsoring their rental for the year.

Astral Cargill Annual Cancer.vive Golf Day

The fourth annual Cancer.vive golf day was held on 20 April 2018 in conjunction with Cargill at Copperleaf. A great day of golf was enjoyed by the full field. Willis Tower Watson and Nutri Feeds, who came first and second respectively, donated their winnings to Cancer.vive. An amazing R272 100 was raised for Cancer.vive from the golf day.

NSPCA

In July 2018, we assisted the National Council of SPCA's (NSPC) in supplying the feed for the 69 horses that had been confiscated from the Potchefstroom base of the South African National Defence Force. Although the horses were severely under nourished and reluctant to be touched, the Astral team who worked with them were able to change their behaviour. We supplied hundreds of bales of Eragrostis, Teff and Meadow Lick Blocks for the horses over a 12-week period who all made a full recovery and were all adopted by new families.

Drought relief Steytlerville

Parts of the Eastern Cape have been crippled by drought over the past three years of which Steytlerville has been one of the worst hit areas. Astral, along with Gillyn Boeremakelaars, donated 34 tons of drought pellets to the farmers in the Steytlerville area, which were kindly transported by Midlands Logistics.

Cancer.vive ride

The annual Cancer.vive ride was held in September, visiting the areas around the West Coast and in Cape Town. We sponsored a survivor on the trip and joined the ride for part of the trip. Cancer survivors and supporters visited schools, factories and companies to educate and create awareness and hand out information pamphlets. The message is shared through song and dance and the audience is left with the message that cancer can be beaten if detected early and that "You are not alone" because there are support groups to assist you. County Fair Hocroft and the School for the Deaf in Worcester, were among the companies and schools that were visited.

As part of the awareness campaign, Astral invited the Cancer.vive trained staff to visit our operations in Pietermaritzburg, Standerton and Olifantsfontein to share the message with our staff.

Our performance

Financial ratios and **statistics**

		2018	2017	2016	2015	2014	2013	2012	2011	2010
Profit information										
Revenue	R million	**12 979**	12 417#	11 954	11 266	9 602	8 509	8 160	7 227	7 006
EBITDA	R million	**2 093**	1 235#	693	1 254	627	384	600	793	694
EBITDA margin	%	**16.1**	9.9	5.8	11.1	6.5	4.5	7.4	11.0	9.9
Operating profit	R million	**1 942**	1 086#	549	1 100	493	262	477	675	585
Operating profit margin	%	**15.0**	8.7	4.6	9.8	5.1	3.1	5.8	9.3	8.4
Profit for year	R million	**1 431**	761#	372	780	341	211	333	435	364
Headline earnings for year	R million	**1 439**	736	373	780	330	165	300	437	365
Financial position information										
Total assets	R million	**6 174**	5 364#	4 979	4 814	4 375	3 921	3 544	3 425	3 157
Total equity	R million	**3 737**	3 039#	2 373	2 372	1 945	1 695	1 596	1 586	1 446
Total liabilities	R million	**2 437**	2 325#	2 607	2 442	2 430	2 227	1 947	1 839	1 711
Net assets	R million	**3 443**	2 935#	3 060	2 843	2 566	2 375	2 107	2 012	1 950
Profitability and asset management										
Return on total assets	%	**33.8**	21.0	11.3	24.1	11.9	7.0	13.8	20.7	18.6
Return on equity	%	**42.4**	28.0	15.8	36.3	18.7	12.7	20.8	28.6	25.8
Return on net assets	%	**60.9**	36.0	18.6	40.7	20.0	11.7	23.2	34.1	30.3
Net asset turn	times	**4.1**	4.1	4.1	4.2	3.9	3.8	4.0	3.7	3.6
Shareholders' ratios										
Earnings per share	cents	**3 691**	1 948	964	2 013	884	545	865	1 128	940
Headline earnings per share	cents	**3 712**	1 899	965	2 016	864	434	787	1 148	960
Dividend per share	cents	**2 050**	1 055	490	1 150	440	222	672	810	760
Dividend cover	times	**1.8**	1.8	2.0	1.8	2.0	2.0	1.2	1.4	1.3
Stock exchange statistics										
Market value per share										
– At year end	cents	**24 658**	17 208	11 775	17 414	15 225	9 500	10 400	11 700	11 150
– Highest	cents	**33 519**	17 634	18 490	20 679	16 000	10 900	13 200	13 956	11 939
– Lowest	cents	**16 850**	11 600	8 820	14 051	7 950	8 530	10 100	10 811	9 400
Closing dividend yield	%	**8.3**	6.1	4.2	6.6	2.9	2.3	6.5	6.9	6.8
Closing earnings yield (*)	%	**15.1**	11.0	8.2	11.6	4.8	4.6	7.6	9.8	8.6
Closing price/earnings ratio	times	**6.7**	8.8	12.2	8.7	20.7	21.4	13.2	10.2	11.6
Number of shares issued	'000	**42 887**	42 841	42 775	42 761	42 723	42 149	42 149	42 149	42 136
Number of shares issued net of treasury shares	'000	**38 799**	38 752	38 686	38 672	38 634	38 060	38 060	38 060	38 047
Number of transactions		**280 590**	122 620	156 224	179 049	54 683	45 653	40 209	37 385	20 613
Number of shares traded	'000	**47 981**	32 276	34 453	36 676	26 440	21 922	24 820	17 890	18 873
Number of shares traded as a percentage of issued shares	%	**123.7**	83.0	81	86	62	52	59	42	45
Value of shares traded	R million	**12 586**	4 697	4 277	6 405	2 947	2 064	2 912	2 214	2 007
Closing market capitalisation based issued shares	R million	**10 575**	7 372	5 037	7 446	6 505	4 004	4 383	4 931	4 698
Closing market capitalisation based issued shares net of treasury shares	R million	**9 567**	6 668	4 555	6 734	5 882	3 616	3 958	4 453	4 242

(*) *Based on headline earnings per share*

(#) *Restated – refer note 35*

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.

Our performance

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 crop harvested for the 2016/2017 marketing year was only 7.8 million tons following the worst drought since 1904. Against this backdrop, the record crop of 16.8 million tons harvested in the 2017/18 marketing year resulted in a rapid move from import to export parity based pricing, with low prices benefiting livestock producers. Maize producers, assisted by various silo owners, managed to retain stocks in South Africa and avoid excessive exports in the hope that a lower harvest in the following year may lead to higher prices. This resulted in a 3.7 million ton carry out contributing to a comfortable stock-to-use ratio of 28%. As a result maize prices have remained low throughout the reporting period.
- This record crop was followed up by another above average crop estimated at 12.9 million tons for the 2018/19 marketing year. This crop was achieved despite delayed planting in the North West and the Eastern Free State due to dry conditions, which was fortunately rescued by good summer rains between January and March. Exports were re-initiated over this period with export forecasts of up to 2.6 million tons projected, which could result in a lower stock to use ratio of approximately 17% most likely leading to higher prices. An increasing probability of an El Niño appears to be leading to a risk premium on new season contracts as planting commences for the next crop, despite good soil moisture and some early rains. Higher prices, currently above export parity, are likely to slow down exports over the back-end of the 2018/19 marketing season. The crop estimates committee's planting intentions forecast is anticipating that additional planting area (6%) will be allocated to maize this season. Given normal weather, South Africa should produce in excess of its local consumption and with normal regional exports projected for the 2018/19 production season, prices should then remain at current levels.
- Global corn stocks are expected to decrease, with the world corn stock-to-use ratio projected at below 11.9% (prior year 16.7%), whereas the United States forecast is projected at 12.0% (prior year 14.5%). In the medium-term, international maize prices are expected to move upward on the back of lower stock levels and increased demand.
- Global Soya stocks are expected to increase to exceed a billion tons and prices should remain low over the medium-term. However the current trade war between the United States of America and China is resulting in volatile Soya prices, and causing a shift in countries of origin to South America for China's Soya requirements.

Topic: Commercial Division Outgoing Logistics

- During the reporting period Astral decided to review its relationships with current suppliers of primary and secondary logistics, as well as merchandising services. A consultant was used to evaluate the current solutions and compare these against alternative options in these markets. 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.

Topic: New Processing Technologies

- A team of Astral representatives, along with various processing equipment suppliers, visited poultry processing facilities in Holland, Poland, Italy and the United Kingdom to identify suitable technologies for incorporation into the company's expansion plans. Areas of interest included live-bird handling, slaughtering and evisceration, and, most importantly, automation of the processes required for producing fresh poultry products. Automated cut-up and deboning technologies have matured considerably and will undoubtedly provide opportunities for Astral in the future. Technology and equipment used for the rendering of offal products have also advanced with increasing pressure on European producers, which is likely to come to bear on South Africa in the future.

2. Customers

Topic: Listeria

- The outbreak of Listeriosis in South Africa during the reporting period adversely affected the local poultry industry following premature and unfounded speculation about the possible origin being poultry meat. The outbreak strain was ultimately traced to a processed meat production facility in Polokwane. The identification of the outbreak strain in polonies, negatively affected both pork demand, and the sale of poultry products from producers involved in the production of these products. Pork prices dropped by a reported 40%, to levels below poultry prices, as a result of the rapidly increasing stock levels of pork in the pork supply chain leading to substitution of other proteins, in particular poultry. Poultry supply was furthermore distorted by the release of surplus IQF products from affected poultry suppliers leading to a vicious price cutting cycle.
- Astral was not directly affected by the Listeriosis outbreak and was adequately protected by the internationally accepted FSSC 22000 food safety management system that it adopted more than ten years ago to manage the risk of food-borne pathogens.

Topic: Supply and Demand

- The first half of the reporting period was characterised by strong demand while local supply was constrained by the lag effect of bird flu on day old chick supply and the disrupted supply of live birds to the informal sector.

Imports remained high, but constant over this period. Diligent demand planning was required in order to maintain adequate supply to loyal customers, particularly over the festive season.

- Trading conditions deteriorated in the second half as imports and local supply increased. Supply side dynamics were furthermore disrupted by the Listeriosis crisis, firstly through the supply of cheap pork products leading to substitution of poultry products, and secondly due to the sudden oversupply of IQF products by poultry producers which had been implicated in the crisis by association with processed products. Consumer disposable income was adversely affected by the impact of fuel price increases on both transport, and heating costs over what was a more conventional winter period. Retailers are also reporting a weaker demand with consumer behaviour changing as a result of financial constraints.

3. Agriculture

Topic: Highly Pathogenic Avian Influenza

The Highly Pathogenic Avian Influenza (HPAI) outbreak in South Africa caused significant damage to the local poultry industry from the time that the H5N8 bird flu strain was first isolated on a farm in Mpumalanga during June 2017. The virus impacted virtually all producers, with long lived birds particularly affected, such as broiler breeders and commercial laying hens. The impact of the virus will be felt for a long period of time, particularly in the table egg industry as producers count the losses caused by this highly contagious disease. It is foreseen that a number of smaller commercial producers will not return to production in the table egg industry.

The impact on Astral in F2017 was significant with the group losing approximately 18% of all broiler parent breeding stock valued at approximately R54 million. Through Astral's contingency plans the group was able to avert a short supply of broiler hatching eggs to the broiler supply chain, and continued to slaughter just over 5.0 million broilers per week into F2018.

In South Africa, just over 193 cases of HPAI H5N8 have officially been reported across 8 provinces (Mpumalanga, Limpopo, Gauteng, KwaZulu-Natal, Free State, North West, Eastern Cape and Western Cape) over a 14-month period from the 21st of June 2017 to the end of September 2018.

The number of HPAI H5N8 outbreaks in South Africa has been reported as 33 in commercial chickens (broiler breeders, commercial layers and commercial ducks), 47 on ostrich farms, 80 in wild bird (finches, sparrows, yellow-billed ducks, penguins, terns, white-faced duck, gannets and black swans), 23 cases in birds kept for hobby (and zoos) purposes and 10 in backyard chickens.

Avian influenza remains a global challenge. However, world-wide outbreaks of HPAI experienced in 2018 were much lower when compared to 2017. Astral experienced no HPAI H5N8 outbreaks during F2018. Following the 2017 outbreak a number of key actions were implemented supplementing Astral's AI preparedness plans.

Topic: Western Cape Water Crisis

In May 2017 the City of Cape Town and surrounds were declared a disaster region after the worst water crisis in recorded history hit the province. Astral responded to this crisis as water restrictions were placed on users from the various irrigation schemes and municipalities. The procurement, licensing and commissioning of water augmentation projects was undertaken, comprising both airborne and land based geological and groundwater surveys, the drilling of boreholes and the provision of additional storage capacity.

As "Day Zero" approached Astral was faced with a prospective and likely devastating impact on our poultry integration in the Western Cape, not only from a production and processing perspective but from a bird welfare perspective as well. Astral was forced to make sure that the business is prepared to deal with a future where the impact of tighter water restrictions and possible water shedding are a reality in the Western Cape. The provision of water from alternative sources was deemed a critical part of the continuity plans should Day Zero ever become a reality.

In this instance groundwater sources have been credibly sourced and tapped into, reverse osmosis and wetland water purification systems for waste water have been implemented and water saving initiatives implemented. The total capital outlay in County Fair during F2018 that will allow the business to reduce its dependence on municipal and irrigation scheme sources amounted to R15.6 million.

Topic: South African Poultry Association (SAPA)

SAPA has over the past year undergone a restructuring exercise reflecting a better organised association more reflective of the industry. Both the broiler and layer organisations in this structure will be independently headed up by newly appointed General Managers spearheading specific interests in both areas of the industry.

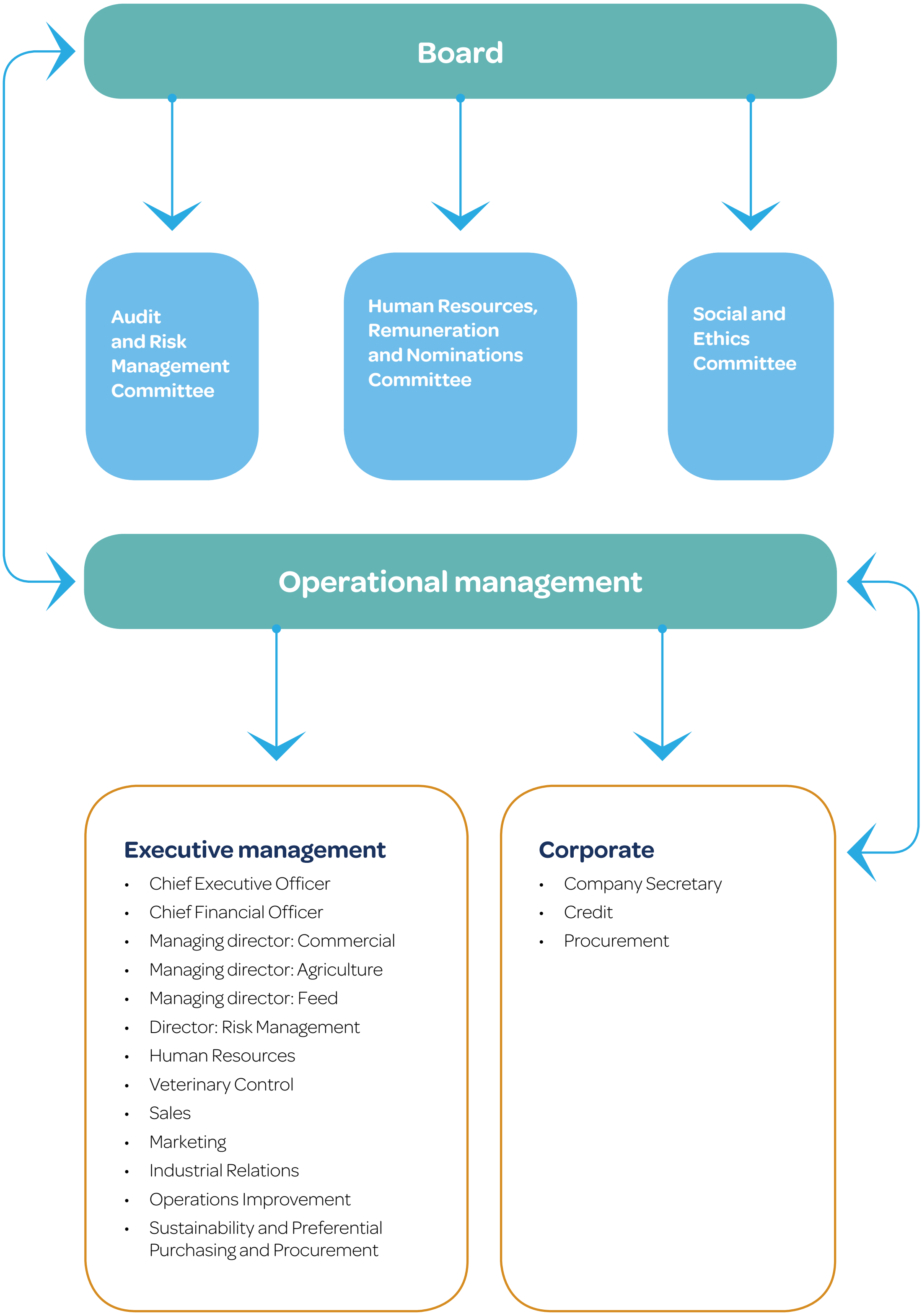
Both organisations are managed by appointed boards consisting of member representatives, the General Manager and a nominated Chairman. SAPA is governed by an appointed board comprising members of both organisations and led by an appointed Chairperson.

Membership of both organisations has improved markedly following the restructure, with the broiler membership representing approximately 73% of the local weekly broiler production numbers. A statutory levy has been approved for the table egg industry, and together with the improved membership of both organisations SAPA is in a better position to lead important matters of industry interest.

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 (58)

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 2009.

Daan Ferreira (62)

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 (46)

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 Feeds 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 (47)

Managing Director: Commercial

Appointed as General Manager of the Port Elizabeth mill in 2005, he later became Chief Operating Officer of the Eastern 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. Currently he heads the Commercial division of Astral and is responsible for all abattoir operations as well as sales and marketing.

Michael Schmitz (57)

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.

Nikki Moodley (48)

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.

Obed Lukhele (43)

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. Spent six years in the veterinary pharmaceutical industry as Poultry Technical and Export Manager from 2001 to 2007. During mid-2007, joined Astral as Veterinary Technical Manager and two years later was appointed as Group Veterinary Director, a position that he resigned from on 11 February 2016 to concentrate his efforts on the overall veterinary function of the group.

Faan Greyling (66)

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..

Evert Potgieter (48)

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 (42)

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 (46)

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 (57)

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

Our governance

Executive **committee** (continued)

Chief Operating Officer of Festive. Currently he is the head of the Marketing Division of Astral.

Mike Snyman (44)

Human Resources Executive

Started his career in 1998 as a recruitment specialist at Team Dynamics. Joined Transman (Pty) Limited in 2003 as Operations Manager for the KwaZulu-Natal region and was promoted to the position of National Labour Relations Manager. He joined Astral in 2006 as a generalist in the position of Human Resources Manager: Poultry Division and was subsequently appointed as Group Human Resources Manager for the Astral group in 2016.

Daniel Tshabalala (66)

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 25 years' experience in an unionised environment.

Louis Vermaas (46)

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. He currently holds the position of Sales Executive in the group.

Gerrit Visser (60)

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 (65)

CSSA (Int.)
Group Company Secretary

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.

Braam Spies (61)

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 (61)

BSc Agric (Hons)
Group Procurement Manager

Appointed in February 2001

Obtained a B.Sc. 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 Feeds 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 nine directors, including five 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.

Demographics

Gender

Age

Split between executive and independent non-executive

Corporate **governance** (continued)

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 166 of this report. Astral's memorandum of incorporation specifies that Non-executive Directors do not have a fixed term appointment.

We currently have two (22%) 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. The Race and Gender Diversity Policy is available on our website, www.astralfoods.com.

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.

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;
- 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.

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 recuse themselves from discussions in meetings.

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 and 9 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. This evaluation supported the board's decision to endorse all retiring Directors standing for re-election.

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					**STRATPLAN MEETING**
	2017		**2018**		2018
DIRECTOR	15.11	**08.02**	**09.05**	**16.08**	19.04
GD Arnold	√	√	√	√	√
AB Crocker	√	√	√	√	√
T Eloff	√	√	√	√	√
DD Ferreira	√	√	√	√	√
DJ Fouché	√	√	√	√	√
MT Lategan	√	√	√	√	√
TP Maumela	√	√	√	√	√
CE Schutte	√	√	√	√	√
TM Shabangu	√	√	√	√	√

√ Present

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.

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

	Fixed fee per annum R'000
Chairman of the board	450
Lead Independent Non-executive Director	200
Member of the board	315
Chairman of the Audit and Risk Management Committee	256
Member of the Audit and Risk Management Committee	133
Chairman of the Human Resources, Remuneration and Nominations Committee	170
Member of the Human Resources, Remuneration and Nominations Committee	96
Chairman of the Social and Ethics Committee	150
Member of the Social and Ethics Committee	90

The remuneration is payable on a monthly basis.

Corporate **governance** (continued)

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 and 9 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. Copies of board committee Mandates and Terms of Reference are available on our website, www.astralfoods.com.

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.

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.

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.

A copy of the abridged Code is available on our website, www.astralfoods.com.

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. The Information Policy is available on our website, www.astralfoods.com.

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 to 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 fulfill 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 78.

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 which provides for prudent management and oversight of the business and adequately protect 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.

A copy of the Corporate Governance Framework is available on www.astralfoods.com.

A copy of the Overview of King IV Principles is available on www.astralfoods.com.

Business **risk report**

Risk Management

Astral is committed to the following risk management action plan:

- Identifying the risks to which the group is exposed;
- Identifying the most effective ways of eliminating or mitigating the risk exposure as far as reasonably practical; and
- 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 from consultants for assessing insurable risk. The senior management at each operation is responsible for the development and implementation of a sound risk control program based on the group's risk control standards.

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

Risk Management Framework

Board
Overall responsibility of group strategy and managing risk

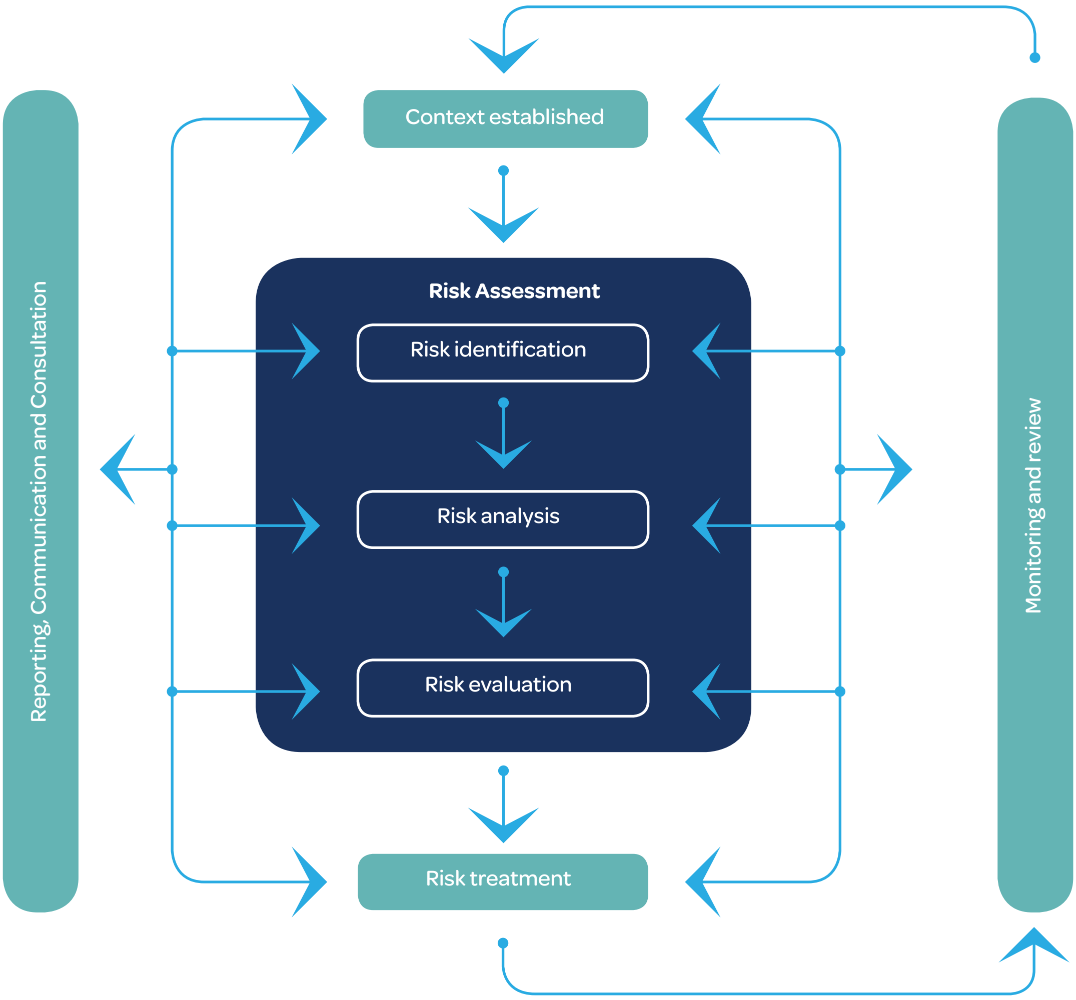
Audit and Risk Committee
Oversight of the group's material risks and sustainability strategy

Corporate Risk Management Committee
Developing and enhancing risk management practices and systems to ensure that risks are managed with acceptable tolerance levels

Divisional Sub-risk Committee
Review and monitor risk management action plans, policies and procedures

Operational units
Responsible for risk assessment and implementing of risk management policies and procedures

Risk Management Process



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;
- 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.

Risks are then ranked utilising the residual risk status. This is the value of risks 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.

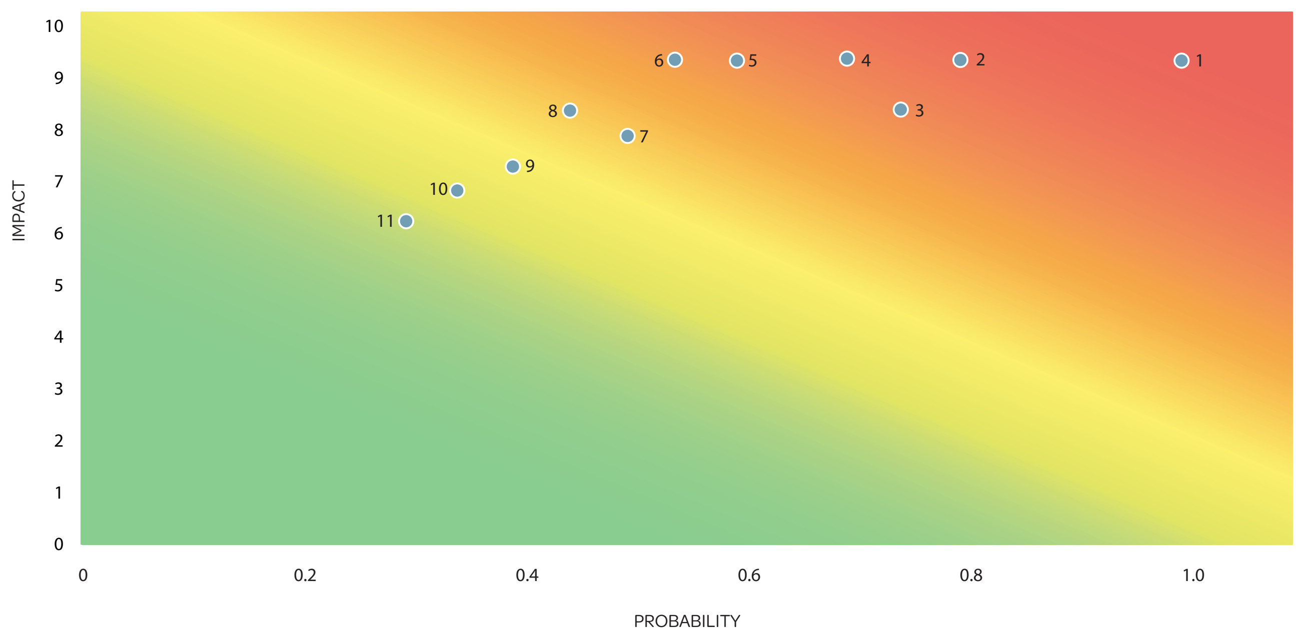
Business **risk report** (continued)

Business risks

BUSINESS RISK	RISK MITIGATION PLANS
1. HPAI outbreak impact on operations HPAI outbreak can adversely impact our ability to conduct our operations and supply of products.	• Best practice in bio-security protocols. • Heating breeder laying houses. • Production contingency plans. • Potential vaccination strategy.
2. Poultry products contaminated with bacterium that cause serious infections e.g. Listeriosis.	• Increased monitoring and testing. • Enhanced cleaning programmes. • Traceability/Product recall exercises. • Hygiene awareness programme. • Consumer awareness programme. • Additional Repair and Maintenance projects – hygiene. • Additional capital expenditure projects.
3. Energy and electricity security of supply and pricing • Regional and seasonal shortages of specifically liquefied petroleum gas are experienced • Cost and availability of electricity • Unscheduled power interruptions • Cable theft resulting in business interruption	• Alternative energy sources identified and utilised. • Centralised procurement. • Planned production runs.
4. Water supply and quality • Drought • 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.
5. 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.
6. 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.
7. Breakdown in bio-security and threat of new 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 programmes. • Contingency plan formulated in case of outbreak.

BUSINESS RISK	RISK MITIGATION PLANS
8. 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 micronutrient 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.
9. 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.
10. Non-conformance to final feed specifications impact on the breeding program 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.
11. Lack of continuous genetic improvement Genetic improvement programmes 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.

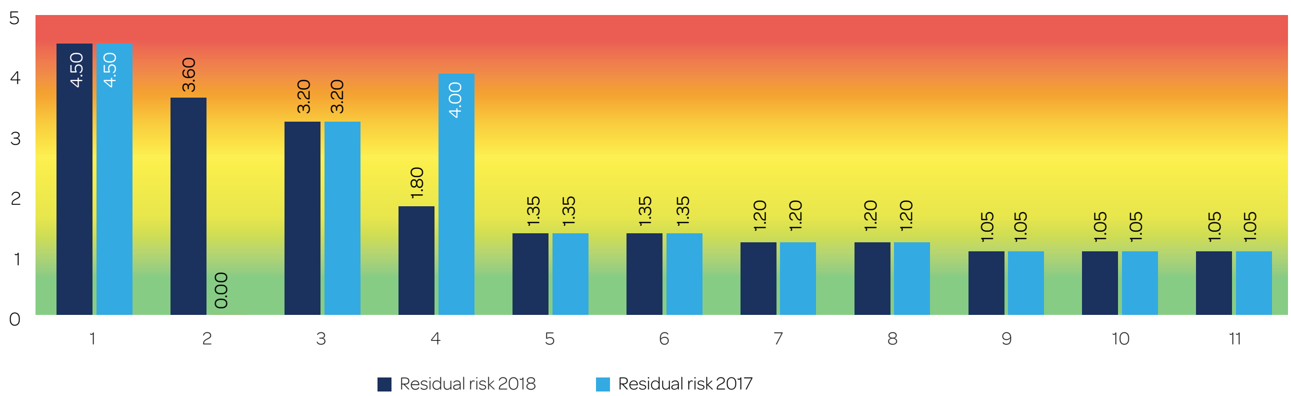
Inherent risk rating



Business **risk report** (continued)

	Risk
1	HPAI outbreak impact on operations
2	Poultry products contaminated with bacterium that cause serious infections
3	Energy and Electricity security and pricing
4	Water supply and quality
5	Prolonged high raw material cost
6	Prolonged imbalance in supply and demand
7	Breakdown in bio-security 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

Annual screening results



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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Remuneration **policy**

Dear shareholders

On behalf of the Human Resources, Remuneration and Nominations Committee and the board, I take pleasure in presenting the 2018 Remuneration Policy and Remuneration 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 commend the Chief Executive Officer for not accepting the offer of an annual inflationary increase of 4.5%. We thank him for his exemplary leadership and performance during Astral's best ever year.

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.

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

The committee has a responsibility to ensure that the principles of accountability, transparency, sustainability and good governance are applied in all remuneration-related matters. The committee implemented the remuneration policy and is satisfied that the policy achieved its stated objectives for 2018. The 2019 policy has been appropriately broadened and the revised policy will be implemented in 2019.

On behalf of the Human Resources, Remuneration and Nominations committee.

Tshepo Shabangu
Chairman

14 November 2018

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

The committee operates under a mandate from the board and written terms of reference approved by the board. The board further considers the composition of the committee to be appropriate in terms of the necessary blend of knowledge, skills and experience of its members.

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:

Director	2017 25/10	2018 1/03	14/08
TM Shabangu	√	√	√
T Eloff	√	√	√
DJ Fouché	√	√	√

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 groups' 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;
- 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.

Shareholders representing 25% or more of the voting rights exercised by shareholders at the annual general meeting on 8 February 2018 voted against the Remuneration Policy, Implementation Report and the fee for the Independent Non-executive Chairman, and in line with the requirements of King IV, shareholders were subsequently engaged by management in good faith in order to determine the reasons for the dissenting votes.

Shareholders were formally invited to telephonically contact the company on a specific date and time in order to voice any concerns pertaining to the Remuneration Policy and Implementation Report and for Astral to attempt, where possible, to meaningfully engage with shareholders in order to determine the reasons for the dissenting votes.

Astral assessed the information available to it and subsequently proceeded to extensively broaden the content of both its Remuneration Policy and Implementation Report in an endeavour to better define our policy consideration for the benefit of all our shareholders.

The table below summarises the concerns identified and the response of the committee in addressing these possible concerns:

Concerns	Corrective actions
The annual fee for the Independent Non-executive Chairman of R1 100 000 (exclusive of VAT) was seen to be excessive.	Revised composite fee of R951 000 (exclusive of VAT) for the Independent Non-executive Chairman was proposed and accepted by shareholders at the general meeting held on the 14 June 2018.
Lack of specific performance conditions in 25% of the long-term incentive allocated to executive management.	The long-term incentive allocations made to all participants in 2019, will be 100% based upon specific performance conditions and any guaranteed portion has been removed.
High increases in guaranteed pay afforded to executive management in 2017, aimed at ensuring that executive management were being remunerated at market related rates, were not adequately explained to shareholders.	The committee extensively broadened the content of both its Remuneration Policy and Implementation Report, in an endeavour to better define and clarify policy considerations for the benefit of shareholders. Shareholders should note that increases in 2018 were restricted to inflationary increases.

The Group 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.

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

Remuneration **policy** (continued)

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 has during 2018 utilised the services of our advisors to advise on the appropriateness of the continued use of the Economic Value Added approach as a short-term incentive for senior and executive management. The services of independent advisors were also utilised to benchmark remuneration packages of executive management to ensure alignment with market rates, which included the composite fee of the Independent Non-executive Chairman.

The committee confirms that it is satisfied with the independence and objectivity of the remuneration consultants and advisors utilised during 2018, that they provided independent, non-biased advice and that all decisions taken were recommended by management and approved by the committee.

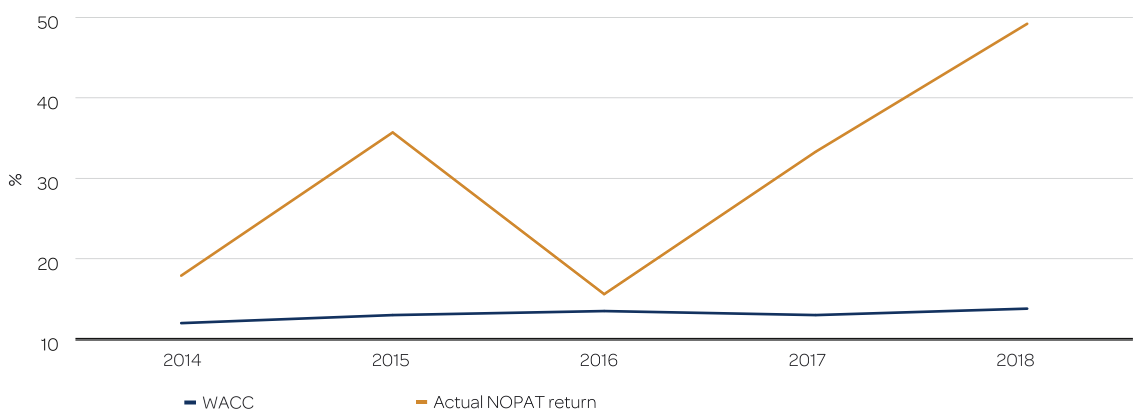
Part 1: Background statement

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 them in a transparent manner for consistent and sustainable individual and corporate performance.

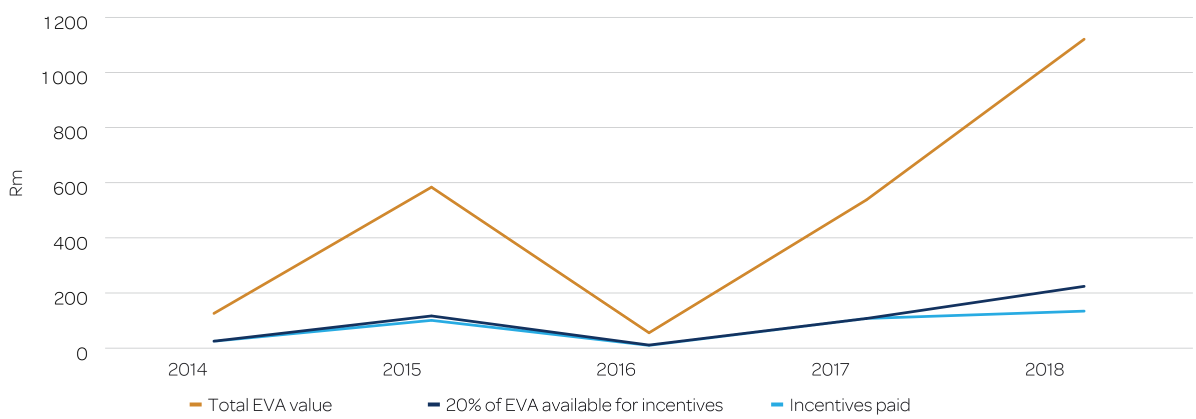
Astral's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the group and providing attractive and appropriate remuneration packages to employees, while at the same time taking cognisance 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 us 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 exceptional [(1)], due in part to what has proven to be exceptional trading conditions. The economic value added for Astral during the period 2014 to 2018 compared to STI allocations was as follows:

Actual NOPAT return v. WACC

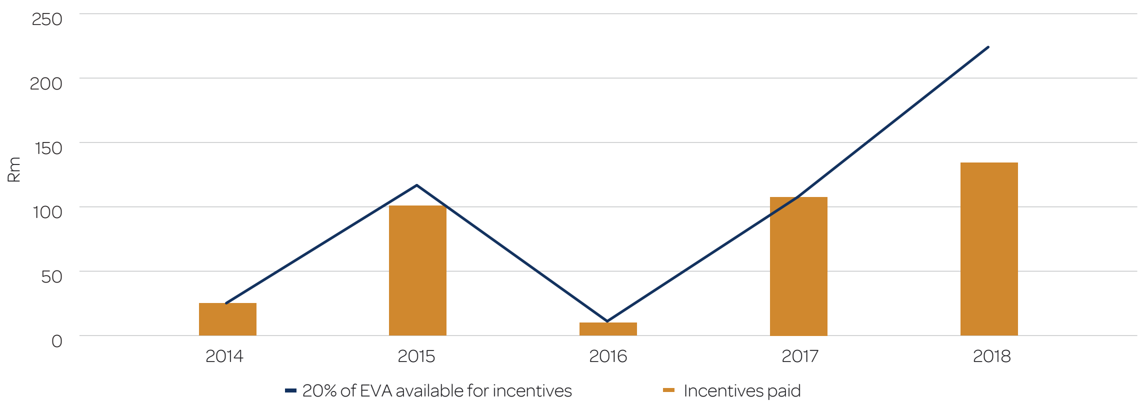


Total EVA v. actual incentives paid



(1) Refer to page 4 of Integrated Report for further detail pertaining to the overall financial performance of Astral.

20% of EVA v. actual incentives paid



This exceptional performance has inevitably had a direct impact upon the incentives paid to all employees, including executive management. The company excelled in 2018 and the group's financial performance is testament to the calibre of management and employees that we have in our employ.

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.

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.
- Review fee levels for Non-executive Directors for recommendation to the board as guided by input and benchmarking from independent advisors and a recommendation received from executive management.
- Review of the STI scheme and liaising with PricewaterhouseCoopers regarding the continued use of the Economic Value Added (EVA) approach in its current format in rewarding executive management and senior management for the achieving of short-term financial performance conditions.

  [(1)] Review and confirmation of the two STI safety conditions.
- Review and, where appropriate and in line with advice, adjust by either increasing or decreasing short-term incentive sharing percentages applicable to executive management and senior management.
- Review and update of the LTI policy document and vesting conditions.
- Approval of the 2018 LTI allocation.
- Design and secure shareholder approval for a new Forfeitable Share Plan (FSP) in order to further strengthen our attempts to attract and retain high value members of executive management and senior management.
- Review remuneration developments and compare to country best practice.

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 future focus areas for 2019 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.
- Implementation of the revised and broadened remuneration policy in 2019.

(1) Please see page 98 of the Remuneration Policy for details pertaining to the two applicable safety conditions.

Remuneration **policy** (continued)

Part 2: Remuneration policy

1. Introduction

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 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 holistically spreads the reward of its employees across the following areas:

- Total guaranteed pay.
- Short-term incentives.
- Long-term incentives.
- Recognition programmes including a Long Service Award programme.
- Learning and development opportunities including the Pinnacle Development Programme.
- Established and integrated employee wellness programme.

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	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) * Retention of skills and alignment with shareholders' interests	Long-term incentive (LRP)	Selected executives, senior management and professionals	Long-term focus upon implementation and achievement of group strategy
		Forfeitable share plan	Selected executives, senior management and professionals	Long-term focus upon implementation and achievement of group strategy

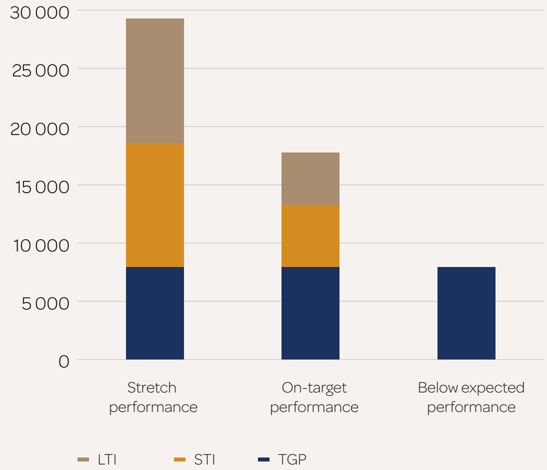
The guiding principle that Astral adheres to is to ensure that employees are fairly and responsibly rewarded for their individual contribution to the group's operational and financial performance in line with its corporate objectives and business strategy, and that this reward is aligned with industry and market benchmarks by focusing upon 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.
- The relative strategic and operational positioning of each job in contributing to the overall success of our business.

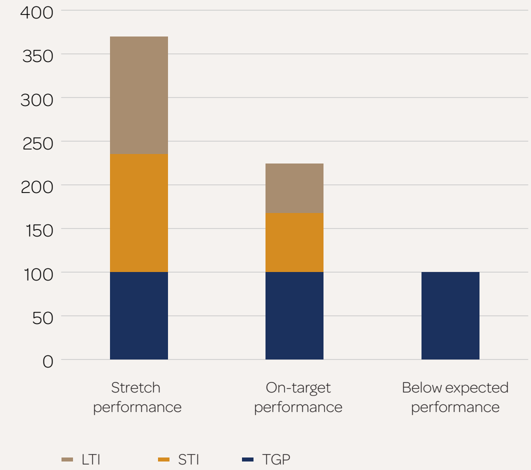
2. Executive management remuneration

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 2018 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 three performance scenarios [(2)] are illustrated below.

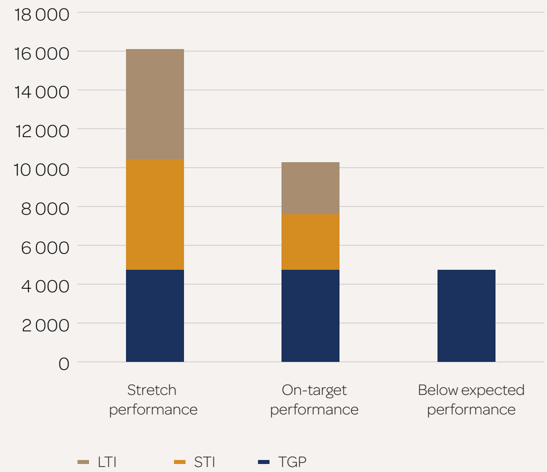
CEO
(R'000 remuneration earned)



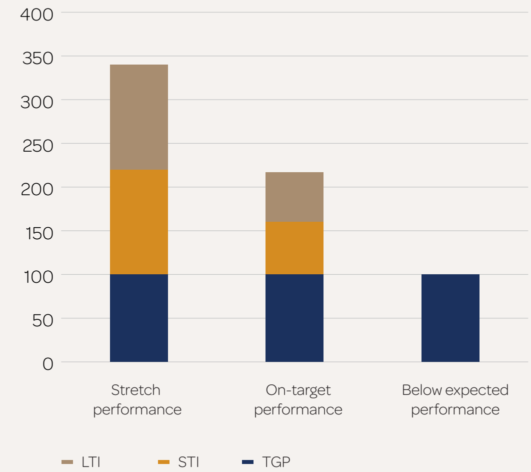
CEO
(% of total guaranteed package)



CFO
(R'000 remuneration earned)

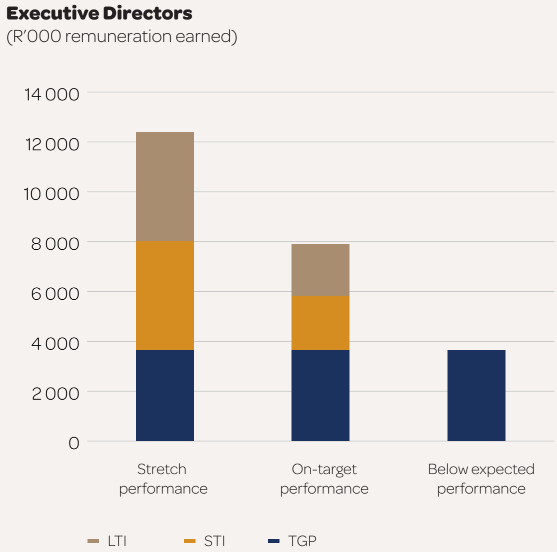


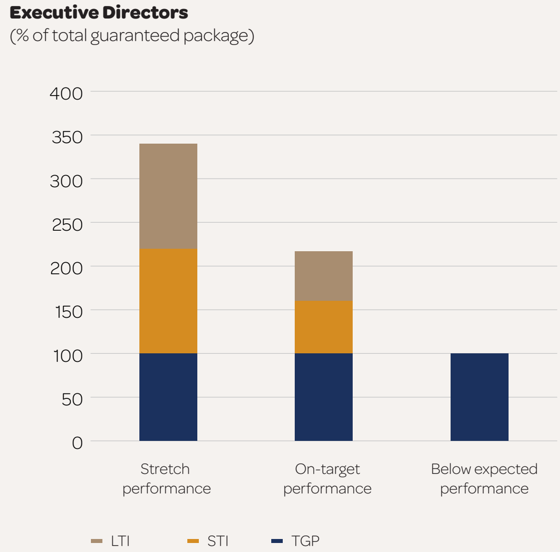
CFO
(% of total guaranteed package)

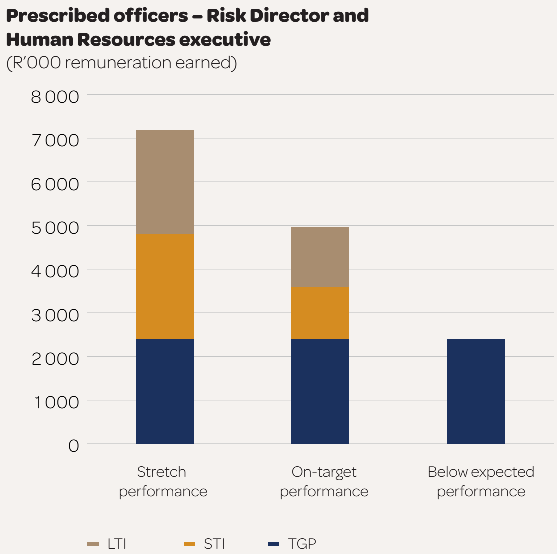


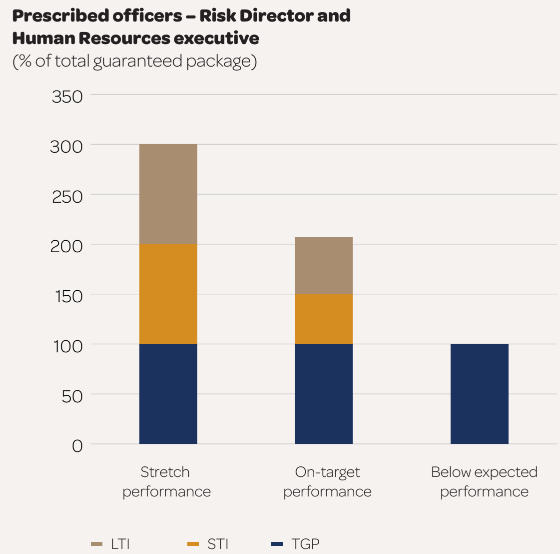
(2) On-target performance is reflected at 50% of "Stretch" performance

Remuneration policy (continued)







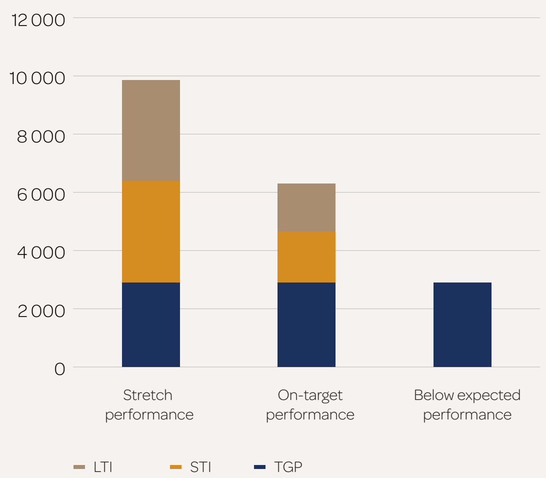


The three components of remuneration principles as applied across all levels of the organisation, including the executive management, can be summarised as follows:

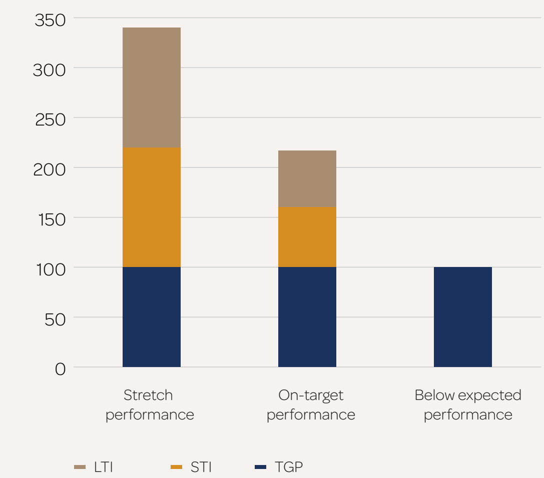
2.1. Total guaranteed package

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, as was the case in 2017 when executive management received above inflationary adjustments.

Prescribed officer – Managing Director
(R'000 remuneration earned)

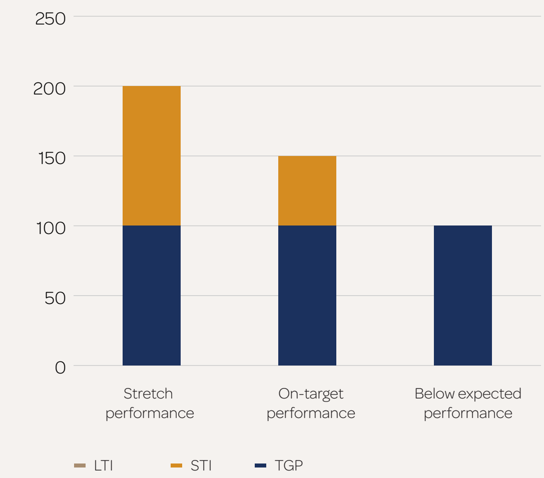


Prescribed officer – Managing Director
(% of total guaranteed package)



Prescribed officer – Company secretary
(R'000 remuneration earned)

Prescribed officer – Company secretary
(% of total guaranteed package)



Remuneration **policy** (continued)

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.

2.2. Short-term incentive

2.2.1. Introduction

The 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 EVA based calculated bonus, covering members of executive management and senior management (EVA Incentive Scheme).
- 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 has been met. The EVA must be in excess of an annual predetermined threshold before participants qualify for a bonus.

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 2 (two) safety conditions are to be considered in calculating the EVA bonus:

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

(b) 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).

Incentive bonuses of members of executive management are 100% based on achieving economic value added targets and for senior management are 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:

Managerial level	Maximum STI – % of TGP
Chief Executive Officer	135%
Chief Financial Officer	120%
Managing Director	120%
Executive Management	100%
Senior Management	80% – 100%
Middle Management	80%

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.

Benchmarking conducted by independent advisors have highlighted a need to rebalance the Chief Executive Officers' remuneration with that earned by Chief Executive Officers employed in similar comparator companies listed on the JSE Limited. The 15% increase, (135% – 2018; 120% – 2017) in the maximum short-term incentive of the Chief Executive Officer is in line with market benchmarks and is considered a fair and responsible reward to the Chief Executive Officer for his individual contribution to the groups' operational and financial performance.

An external consultant calculates the EVA incentive bonus payments whose calculation is then subject to a 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

2.3.1. Introduction

The LTI utilised by the company namely the Long-term Retention Plan (LRP) and 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 2018 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, is currently being phased out and is no longer available to be used for the making of future awards.

2.3.2. Long-Term Retention Plan

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:

Remuneration **policy** (continued)

- 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.

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 three 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; and
- 34% of the allocation is subject to achieving a predetermined performance condition of an average Performance Efficiency Factor (PEF) [(4)] over a three 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 72% of the live cost of a broiler).
  - 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.
  - 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).
- 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.

(4) 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 formula used to calculate PEF is:

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

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*

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

The FSP has been implemented with effect from 2018 but to date 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[5] are exactly the same as that applied to the LRP[5] namely:

	Performance condition
PEF	33.0%
HEPS	34.0%
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 103 to 108.

(5) Details of LRP / FSP performance criteria are detailed on page 105 of this report.

Implementation **report**

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. In line with our group policy, no Director is compensated for the loss of office and none of the [(6)] 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

During the year, contributions are made on a salary sacrifice basis for Paterson D, E and F employees to the Alexander Forbes Retirement Fund (AFRF) – (Provident Section) – Astral Operations Limited – Management. The rate of contribution is 18% based on the pensionable salary of these individuals.

At its meeting in March 2018, the committee assessed the levels of funding and benefits of the AFRF Provident Funds and is satisfied that the Funds were solvent and did not pose a risk to any of the group's employees or retirees.

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 will be 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 Director's 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 2019 were reviewed by the committee and the board in August 2018 and will be put to shareholders for approval at the annual general meeting in February 2019.

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 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.

Shareholders will be required to vote on the Non-executive Directors fees set out in the notice of the annual general meeting on page 182 of this Integrated Report at the annual general meeting to be held on 8 February 2019.

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 81.

(6) Refer to point 2.3.1 at page 99 of this report for further detail on variable pay in the event of termination of employment of Executive Directors, 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 2018. 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 group 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 2018, 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 STI scheme and liaise with PricewaterhouseCoopers (PwC) regarding the continued use of EVA approach in its current format in rewarding executive management and senior management for the achievement of short-term financial performance conditions.

2.6. Review and confirm 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 LTI policy document and vesting conditions.

2.9. Approve the 2018 LTI allocation.

2.10. Design and secure shareholder approval for a new FSP in order to further strengthen attempts to attract and retain high value members of executive management and senior management.

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

Implementation **report** (continued)

3. Total guaranteed package adjustments 2018

The TGP of the Executive Directors and prescribed officers as base pay was benchmarked by external service providers as referred to on pages 90 to 92 of the Remuneration Policy, 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 2017 to 30 September 2018:

	2018 TGP % adjustments
Executive directors	
CEO	5.5%
CFO	5.5%
Managing Director: Commercial	5.5%
Managing Director: Agriculture	5.5%
Prescribed officers	
Company secretary	6.0%
Director: Risk	6.0%
Human Resources Executive	6.0%
Managing Director: Feed	6.0%
Senior management	
D band management	6.0%
E band management	6.0%
Employees	
C band employees	6.5%
A & B band employee	7.5%

The annual salary review process undertaken by the committee in 2017 critically analysed and benchmarked TGP against market trends and it was found that the executive management of Astral were being remunerated well below similar sized comparator companies listed on the JSE Limited. In order to retain key skilled employees, the committee approved a correction to the TGP earned by executive management in 2017. The committee has however applied an inflationary linked adjustment for all executive management, prescribed officers and senior management in 2018.

4. Short-term Incentive 2018

The short-term incentive bonus for Executive Directors and prescribed officers is based upon sharing in EVA achieved during the year[1]. The economic value added graphs on pages 92 and 93 is illustrative of the exceptional financial performance achieved by Astral in 2018. The level of participation in the STI by the Executive Directors and prescribed officers was capped through the application of both the [2]safety conditions in 2018 thereby restricting the Executive Directors and prescribed officers to the individual target bonuses[3].

1. *Refer to page 98 of the Remuneration Policy for a detailed description of EVA.*
2. *Refer to "EVA Incentive bonus Scheme" on page 98 of this report.*
3. *Refer to page 99 of the Remuneration Policy for individual annual target bonuses as determined per different managerial levels.*

The STI paid to Executive Directors and prescribed officers in 2018 were as follows:

Name	2018 STI R'000	STI as % of TGP
Executive director		
CE Schutte	10 682	135%
GD Arnold	4 371	120%
AB Crocker	4 371	120%
DD Ferreira	5 687	120%
Prescribed officers		
MA Eloff	1 640	100%
E Potgieter	2 396	100%
MJ Schmitz	3 481	120%
FM Snyman	2 396	100%

The award of annual short-term incentive bonuses for the year ended 30 September 2018 was in line with Astral's Remuneration Policy and the allocation levels stipulated therein and as approved by the committee.

5. Long-term incentives 2018

In 2018, the company utilised a deferred cash scheme as a LRP scheme[4]. The LRP has at its core the following weighted performance conditions and performance periods:

		Vesting %			Vesting date	
Performance conditions	**Weight**	**Threshold**	**Target**	**Effective date of allocation**	**Vesting date of performance conditions**	**Payment date**
HEPS[5]	37%	Average annual growth in HEPS over three years equal to CPI	Average annual growth in HEPS equal to CPI + 5%	1 October 2014	30 September 2018	25 January 2019
		18% would vest	37% would vest			
PEF[6]	38%	Annual average of 100% of Turkey, Middle East and Africa (TMEA) over three years is achieved	Annual average of 106% of TMEA is achieved	1 October 2014	30 September 2018	25 January 2019
		11% would vest	38% would vest			
No performance conditions	25%			1 October 2014	30 September 2018	25 January 2019

The LTIs reflected in the unvested LTI table, vested as follows:

	LTI performance conditions	
	Weight	**Vested**
Performance condition		
HEPS	37%	100%
PEF	38%	100%
No performance condition	25%	100%

4. *Please refer to page 99 of the Remuneration Policy for further details.*
5. *Annual growth in HEPS is averaged over 36 months.*
6. *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.*

Implementation **report** (continued)

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

Name	LTIs payable 2018 R'000	LTIs payable 2017 R'000	LTIs earned 2018 R'000	LTIs earned 2017 R'000
Executive Director				
CE Schutte	6 580	6 180	7 606	7 146
GD Arnold	2 330	2 190	2 840	2 591
AB Crocker	3 630	3 770	3 815	3 776
DD Ferreira	4 150	3 900	4 534	4 204
Prescribed officers				
MA Eloff [11]		500	–	–
E Potgieter	1 340	1 260	1 604	1 424
MJ Schmitz	1 470	1 380	1 973	1 411
FM Snyman	1 180	480	1 484	839

5.1 **LTIs vesting in 2018**

Refer to note 31 on page 165 for LTIs that have vested and are payable. Payment of these vested LTIs occurs during January of the following year.

5.2 **Outstanding LTIs**

Outstanding LTIs relating to Executive Directors and prescribed officers are detailed in note 31 on page 165.

6. Total cost of employment 2018

Total remuneration for Executive Directors and prescribed officers for 2018 was as follows:

6.1 Remuneration paid and payable to Executive Directors and prescribed officers for the 12 months ended 30 September 2018

Names	Total guaranteed package[7] R'000	Short-term incentives[8] R'000	Long-term incentives[9] R'000	Other[10] R'000	Total single figure of remuneration R'000
Executive directors					
CE Schutte	7 912	10 682	6 580	37	25 211
DD Ferreira	4 739	5 687	4 150	14	14 590
GD Arnold	3 643	4 371	2 330	50	10 394
AB Crocker	3 643	4 371	3 630	55	11 699
Prescribed officers					
MA Eloff[11]	1 640	1 640		7	3 287
E Potgieter	2 396	2 396	1 340	41	6 173
MJ Schmitz	2 901	3 481	1 470	227	8 079
FM Snyman	2 396	2 396	1 180	33	6 005

7. *2018 TGP reflected includes base salary, retirement fund and medical aid.*
8. *Short-term incentive bonus linked to EVA in 2017 and 2018.*
9. *The value of the LRPs awarded in 2015 and 2016 that have vested at the end of 2017 and 2018 respectively.*
10. *"Other" includes the variable portion of traveling allowance and long service awards.*
11. *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.*

6.2. Remuneration paid and payable to Executive Directors and prescribed officers for the 12 months ended 30 September 2017

Names	Total guaranteed package[12] R'000	Short-term incentives R'000	Long-term incentives R'000	Other[13] R'000	Total single figure of remuneration R'000
Executive directors					
CE Schutte	7 413	7 747	6 180	265	21 605
GD Arnold	3 413	3 567	2 190	209	9 379
AB Crocker	3 413	3 567	3 770	59	10 809
DD Ferreira	4 440	4 640	3 900	18	12 998
T Delport[14]	2 065	1 200		16	3 281
Prescribed officers					
MA Eloff[15]	1 530	1 332	500	10	3 372
E Potgieter	2 163	2 334	1 260	85	5 842
MJ Schmitz	1 358	1 997	1 380	20	4 755
FM Snyman	2 234	1 945	480	41	4 700

Refer to schedule of unvested LTIs and awards settled on our website www.astralfoods.com

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 2018. The annual adjustment that will be requested for approval from the shareholders at the annual general meeting in February 2019 will be based upon the considerations as set out in the Remuneration Policy.

12. *2017 TGP reflected includes base salary, retirement fund and medical aid.*
13. *"Other" includes the variable portion of traveling allowance and long service awards.*
14. *T Delport resigned in March 2017.*
15. *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.*

Implementation **report** (continued)

[16]Payments made to Non-executive Directors in 2018 were as follows:

	T Eloff R'000[17]	DJ Fouché R'000	MT Lategan R'000	TP Maumela R'000	TM Shabangu R'000
Director fee	202	315	315	315	315
Independent Non-executive Chairman (01/10/2017 – 08/2/2018)	393				
Independent Non-executive Chairman	289				
Lead Independent Non-executive Director					
(01/08/2017 – 30/09/2017)		33			
(01/10/2017 – 30/09/2018)		200			
Audit and Risk Management Committee Chairman		256			
Audit and Risk Management Committee Member			133		133
Human Resources, Remuneration and Nominations Committee Chairman					170
Human Resources, Remuneration and Nominations Committee Member	62	96			
Social and Ethics Committee Chairman				150	
Social and Ethics Committee Member	58				
Other fees					
Total	**1 004**	**900**	**448**	**465**	**618**

16. *Please refer to note 31 at page 164 of the Integrated Report for further details on Non-executive Director fees in 2018.*
17. *Chairman's fee as prorated for period 1 October 2017 to 8 February 2018.*

Social and ethics **committee report**

Dear shareholders

I have pleasure in presenting to you the 2018 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 2018 financial year.

On behalf of the Social and Ethics Committee

TP Maumela

Taki Maumela
Chairman

14 November 2018

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	2017 26/10	2018 01/03	25/07
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 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.

Social and ethics **committee report**

(continued)

- **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.

Key focus areas – 2018

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.

The committee authorised that a further Employee Engagement Survey be conducted 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.

With regard to labour and employment matters, the committee noted that the absenteeism rates had decreased by 1.1% which equated to a saving of R5.165 million per annum in 2017.

Since inception of the Wellness programme, a total of 52 641 full wellness screenings have taken place and over 70% of all permanent employees underwent wellness screenings. Employees at risk of other chronic illnesses were enrolled on a Patient Management Programme whereby they were supported and assisted to set goals to manage Tuberculosis risks, diet, weight, blood sugar, blood pressure, cholesterol, stress, smoking, alcohol consumption and sexual risks.

The committee noted that the Kaelo Xelus HIV programme, utilised throughout the group, was still compliant with the latest World Health Organisation's updated guidelines for the prevention, diagnosis and treatment of HIV.

Astral spent R6.209 million on the wellness programme during the past year and the return on investment was more than R59.201 million from inception of the programme. The programme has a huge motivational effect on our employees.

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 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.

The Empowerdex BEE rating for Astral Operations Limited had been completed in December 2017 and the score achieved was a Level Three Contributor with an AA score.

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 six 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; and
- ethics.

Financial Statements

Astral's 2018 financial results are its best since unbundling from Tiger Brands in 2001

Financial Statements

Approval of the annual **financial statements**

The group annual financial statements of Astral Foods Limited for the year ended 30 September 2018 set out on pages 114 to 178, were approved by the board of directors on 14 November 2018 and signed on its behalf by:

CE Schutte
Chief Executive Officer

DD Ferreira
Chief Financial Officer

14 November 2018

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 2018 and that all such returns are true, correct and up to date.

MA Eloff
Group Company Secretary

14 November 2018

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 114 to 178 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 for the year and the financial position of the group at year-end.

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

Astral Foods Limited group operated in an established control 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 company and the group.

The consolidated financial statements have been audited by the independent auditors, PricewaterhouseCoopers Incorporated, 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.

Preparation and publication of **annual financial statements**

The annual financial statements for the year ended 30 September 2018 were published on 14 December 2018.

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

Directors' **report**

The Directors' report forms part of the group annual financial statements for the year ended 30 September 2018.

1. 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.

2. 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.

3. Registered address

The holding company's registered address is:

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

4. 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, 46 600 (2017: 64 900) options were exercised during the year. Refer to note 29.

5. Dividends

The following ordinary dividends were declared:

	2018 R'000	2017 R'000
Interim dividend (No. 34) of 1 000 cents per share (2017: 180 cents per share)	**428 618**	77 094
Less: Dividends received on treasury shares held by a subsidiary	**(40 886)**	(7 359)
Final dividend (No. 35) of 1 050 cents per share declared post year-end (2017: 875 cents per share)	**450 317**	374 959
Less: Dividends receivable on treasury shares held by a subsidiary	**(42 930)**	(35 775)
Total dividend at 2 050 cents per share (2017: 1 055 cents per share)	**795 119**	408 919

6. Property, vehicles, plant and equipment

Refer to note 12 of the financial statements for details.

7. Directors

The names of the Directors who currently hold office are set out on pages 8 and 9 of this report. The Directors beneficially and non-beneficially hold 193 400 (2017: 194 200) 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 2018 and the date of approval of the financial statements on 14 November 2018.

8. Share incentive scheme

As at 30 September 2018 options in respect of 36 500 shares remained outstanding, being 0.09% of the issued share capital.

Details of the dates and prices at which the options were granted are given in note 29 to the financial statements.

9. Shareholders

Details of shareholders are set out on page 182 of the annual financial statements.

10. Repurchase of shares

The company has not requested shareholders to grant a general authority to buy back its issued ordinary shares.

11. Events subsequent to balance sheet date

A final dividend of 1 050 cents per share has been declared on 14 November 2018. The payment of the dividend will be on 21 January 2019. 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.

12. 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.

13. Date for authorisation for issue of financial statements

The financial statements have been authorised for issue by the board of directors on 14 November 2018. No authority was given to anyone to amend the financial statements after the date of issue.

14. Financial statements of holding company

The financial statements of the holding company for the year ended 30 September 2018 are available for inspection at Astral's registered address.

15. 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 2018 financial year.

On behalf of the Audit and Risk Management Committee

Diederik Fouchè
Chairman

14 November 2018

Composition

Members of the Audit and Risk Management Committee are:

Member	Independent Non-executive	Period
DJ Fouché (Chairman)	Yes	November 2015 to date
MT Lategan	Yes	September 2016 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; and
- 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.

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 program based on the group's risk control standards. The integrity of the risk control program 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; and
- 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.

Audit and risk **management committee report** (continued)

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:

	2017	2018	
	18.10	14.11	08.05
DJ Fouché (Chairman)	√	√	√
MT Lategan	√	√	√
TM Shabangu	√	√	√

√ Present

Key focus areas – 2018

Duties

In execution of its compliance duties during the 2018 financial year, the committee:

- nominated the re-appointment of PricewaterhouseCoopers Inc. as external auditors and EJ Gerryts as the designated auditor for the 2019 financial year, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. is independent as defined in terms of the Act. This will be EJ Gerryts' first year as designated auditor of the company;
- confirmed that PricewaterhouseCoopers Inc. and the designated auditor, EJ 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 121 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;
- 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.

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:

	2018 R'000	2017 R'000
Audit fees	**6 648**	6 098

Audit and risk **management committee report** (continued)

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 Foods Limited	2018 Chairman fee benchmarking	Tax consulting services
Astral Foods Limited	2017: EVA incentive review	Tax consulting services
Meadow Mozambique Limitada	Compilation of September 2018 financial statements	Financial statement compilation
Mozpintos, Limitada	Compilation of September 2018 financial statements	Financial statement compilation

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.

There were no significant changes in the management of Astral during the period that PricewaterhouseCoopers Inc. has been acting as external auditor that may mitigate the attendant risk of familiarity between the external auditor and management of Astral.

The committee, after discussion with management and the external audit, concurred with the key audit matters set out in the external auditors' report on the audit of the consolidated annual financial statements for the year ended 30 September 2018.

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.

Significant audit, accounting and financial reporting matters and management's response thereto are contained in the Independent Auditors' Report on pages 124 to 128.

Financial function and Chief Financial Officer review

In accordance with King IV principles, 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 2018 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.

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 practises 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:

- valuation of goodwill and impairment of assets;
- employee benefits (including post-retirement medical obligations);
- leave pay provisions;
- long service awards; and
- compliance with IFRS and JSE Limited Listings Requirements.

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 performance of recently implemented IT projects; and
- 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.

Financial Statements

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 2018, 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 129 to 178 comprise:

- the consolidated balance sheet as at 30 September 2018;
- 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; and
- the notes to the consolidated 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.

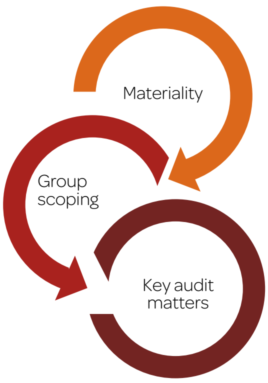
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview



Overall group materiality
- R51 500 000 which represents 5% of five-year average consolidated profit before tax.

Group audit scope
- Assurance procedures over the most significant components in South Africa.
- Components selected for assurance procedures addressed 97.75% of the group's revenue and 98.54% of the group's profit before tax

Key audit matters
- Goodwill Impairment Assessment
- Agent versus Principal treatment of sales to specific customer

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	R51 500 000
How we determined it	5% of 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 eleven for full scope audit testing due to their financial significance, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. 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 intercompany eliminations, gave us the evidence we needed for our opinion on the group 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 group financial statements as a whole.

We met with certain of the component auditors in the Poultry and Feed reporting 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.

Independent **Auditors' report** (continued)

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, page 171 (Impairment of non-financial assets) and note 15 (Goodwill) on page 143. Management tested goodwill for impairment and concluded that there is no impairment as the recoverable amounts 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 significantly influenced by factors that are difficult to predict; • Growth rates and discount rates; and • 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 CGU's: • R106 020 000 for the Goldi/Festive CGU and • 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. We evaluated management's future cash flow forecasts, which were based on budgets and forecasts approved by the board of directors, for the Goldi/Festive and Mountain Valley CGU's, as they represent a significant balance of goodwill. In doing so, 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 performing the following: • Comparing the assumptions to information obtained from the South African Poultry Association, Nedbank's forecast of key economic variables for 2019 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 2017 and 2018 actual results to the forecasts for these years, to identify any situations where actual results achieved were significantly different from the forecasted 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 experts 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 experts to assess whether generally accepted valuation methodology was applied. No material differences were noted and we found the methodology applied by management to be acceptable. 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.

Agent versus Principal treatment of sales to specific customer

Refer to accounting policies, page 176 (Revenue recognition)

Management applied judgement in determining the point in time of recognition of sales to a specific customer. The determination was influenced by whether the specific customer is seen as an agent or as a principal in the transactions.

Management determined that sales transactions to the specific customer represented sales to a Principal by consideration of the following:

- whether risks and rewards associated with inventory had passed;
- which party exercised control over inventory;
- the responsibility of receiving and successful execution of orders received; and
- who had influence over setting the price at which the product was sold to the consumers.

We consider the determination of agent versus principal to be a matter of most significance due to the significant judgements applied by management in determining that the relationship is one of principal rather than one of an agent.

We obtained an understanding of the nature of transactions with the specific customer by performing the following procedures:

- discussions with management; and
- evaluating relevant legal agreements.

We utilised our technical expertise to evaluate the assessment performed by management in determining when the risk and rewards associated with the transactions were transferred to the customer. In doing so we considered:

- whether risks and rewards associated with inventory had passed;
- which party had the inventory risk before and after the order;
- which party had the primary responsibility for providing the goods to the customers;
- which party bore the customer credit risk associated with the transaction; and
- who had influence over setting the price at which the product was sold to the customers.

We concurred with management on their assessment that sales to the specific customer should be treated as sales to a principal.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Financial Statements for the year ended 30 September 2018 and the Group Annual Financial Statements for the year ended 30 September 2018 which includes the Directors' Report, the Audit and Risk Management Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report and other sections of the Astral Integrated Report for the year ended 30 September 2018 which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report 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 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.

Independent Auditors' report (continued)

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 18 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **DB von Hoesslin**
Registered Auditor

Johannesburg
16 November 2018

Consolidated statement of **comprehensive income**

	Notes	2018 R'000	2017 Restated R'000
Revenue	1	**12 978 561**	12 416 949#
Cost of sales	2	**(9 304 535)**	(9 838 374)#
Gross profit		**3 674 026**	2 578 575
Administrative expenses	2	**(817 013)**	(714 222)
Distribution costs	2	**(733 738)**	(673 805)
Marketing expenditure	2	**(185 404)**	(168 944)
Other income	5	**15 441**	61 788
Other (losses)/gains	6	**(11 751)**	3 186
Profit before interest and tax		**1 941 561**	1 086 578
Finance income	7	**62 903**	5 088
Finance expense	7	**(10 376)**	(19 927)
Profit before tax		**1 994 088**	1 071 739
Tax expense	8	**(559 738)**	(310 982)#
Profit for the year		**1 434 350**	760 757
Other comprehensive income for the year, net of tax		**(10 836)**	6 409
Items that will not be reclassified to profit or loss		**2 598**	3 742
Remeasurement of post employment benefit obligations (note 24)		**3 609**	5 197
Deferred tax on remeasurement of post employment benefit obligations		**(1 011)**	(1 455)
Items that may be subsequently reclassified to profit and loss		**(13 434)**	2 667
Currency gain on investment loans to foreign subsidiaries		**5**	5 747
Foreign currency translation adjustments		**(13 439)**	(3 080)
Total comprehensive income for the year		**1 423 514**	767 166
Profit for the year attributable to:			
Equity holders of the company		**1 431 076**	760 249#
Non-controlling interest		**3 274**	508
Profit for the year		**1 434 350**	760 757
Total comprehensive income attributable to:			
Equity holders of the company		**1 420 240**	766 636
Non-controlling interest		**3 274**	530
Total comprehensive income for the year		**1 423 514**	767 166
Earnings per share attributable to the equity holders of the company during the year:		**cents**	cents
– basic	9	**3 691**	1 963#
– diluted	9	**3 687**	1 962#

(#) Amounts restated – refer note 35

Financial Statements

Consolidated **balance sheet**

at 30 September 2018

	Notes	2018 R'000	2017 Restated R'000
Assets			
Non-current assets			
Property, plant and equipment	12	**2 212 205**	2 036 033
Intangible assets	13	**61 159**	55 884
Goodwill	15	**136 135**	136 135
		2 409 499	2 228 052
Current assets			
Biological assets	16	**770 461**	658 047
Inventories	17	**836 690**	493 571#
Trade and other receivables	18	**1 328 418**	1 286 863#
Current tax asset		**7 303**	30 579
Cash and cash equivalents	19	**821 843**	667 267
		3 764 715	3 136 327
Total assets		**6 174 214**	5 364 379
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	20	**429**	429
Share premium	20	**86 322**	81 034
Other reserves	21	**(41 451)**	(28 017)
Treasury shares		**(204 435)**	(204 435)
Retained earnings		**3 886 057**	3 179 299#
		3 726 922	3 028 310
Non-controlling interest		**10 496**	10 522
Total equity		**3 737 418**	3 038 832
Liabilities			
Non-current liabilities			
Deferred tax liabilities	22	**481 732**	433 469
Employee benefit obligations	23	**168 247**	176 230
		649 979	609 699
Current liabilities			
Trade and other payables	25	**1 360 469**	1 248 050
Employee benefit obligations	23	**373 195**	306 511
Current tax liabilities		**17 480**	44 663#
Borrowings	26	**33 277**	114 692
Shareholders for dividend		**2 396**	1 932
		1 786 817	1 715 848
Total liabilities		**2 436 796**	2 325 547
Total equity and liabilities		**6 174 214**	5 364 379

(#) *Amounts restated – refer note 35*

Consolidated statement of **changes in equity**

	Attributable to ordinary shareholders of Astral Foods Limited					Non-controlling interests	Total equity
	Share capital and premium R'000	Treasury shares R'000	Other reserves (note 21) R'000	Retained earnings R'000	Total R'000	R'000	R'000
2017							
Balance at 1 October 2016	73 957	(204 435)	(30 004)	2 523 024	2 362 542	9 992	2 372 534
Profit for the year				760 249[#]	760 249	508	760 757
Other comprehensive income for the year, net of tax			2 667	3 742	6 409		6 409
Non-controlling interest in translation differences			(22)		(22)	22	
Option value of share options granted			67		67		67
Transfer from other reserves			(725)	725			
Shares issued – share options exercised	7 506				7 506		7 506
Dividends declared				(108 441)	(108 441)		(108 441)
Balance at 30 September 2017	81 463	(204 435)	(28 017)	3 179 299[#]	3 028 310	10 522	3 038 832
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**

(#) Amounts restated – refer note 35

Consolidated statement of **cash flows**

for the year ended 30 September 2018

	Notes	2018 R'000	2017 Restated R'000
Cash flows from operating activities			
Cash operating profit	A	**2 156 086**	1 436 336#
Changes in working capital	B	**(425 201)**	(71 629)#
Cash generated from operations		**1 730 885**	1 364 707
Tax paid	C	**(516 236)**	(310 259)
Cash generated from operating activities		**1 214 649**	1 054 448
Cash used in investing activities		**(254 708)**	(145 256)
Purchases of property, plant and equipment	D	**(346 551)**	(157 606)
Costs incurred on intangibles		**(11 391)**	(22 492)
Proceeds on disposal of property, plant and equipment		**331**	1 510
Payment received on receivable in respect of investment sold		**40 000**	
Finance income		**62 903**	5 088
Costs incurred with disposal of investment			(624)
Government grant received			28 868
Cash flows to financing activities		**(729 577)**	(152 349)
Dividends paid to the company's shareholders	E	**(726 452)**	(108 429)
Dividends paid to non-controlling shareholders		**(3 300)**	
Proceeds from shares issued		**5 288**	7 506
Finance expense		**(5 113)**	(16 140)
Repayment of borrowings			(35 286)
Net inflow of cash and cash equivalents		**230 364**	756 843
Effects of exchange rate changes		**5 627**	476
Cash and cash equivalents at beginning of year		**552 575**	(204 744)
Cash and cash equivalents at end of year	19	**788 566**	552 575

(#) *Amounts restated – refer note 35*

Notes to the Consolidated statement of **cash flows**

for the year ended 30 September 2018

		2018 R'000	2017 R'000
A.	**Cash operating profit**		
	Profit before interest and tax	**1 941 561**	1 086 578#
	Adjustments for:		
	Depreciation and amortisation	**151 762**	148 733
	Scrapping of property, plant and equipment	**10 891**	3 572
	Loss/(profit) on disposal of property, plant and equipment	**417**	(753)
	Change in provision for employee benefit obligations	**57 047**	172 733
	Fair value adjustments	**(5 592)**	2 444
	Cost of equity compensation reserve		67
	Breeding and egg stock written off		53 512
	Profit on sale of investment		(30 550)
	Cash operating profit	**2 156 086**	1 436 336
B.	**Changes in working capital**		
	(Increase)/decrease in inventories	**(351 919)**	221 272#
	(Increase)/decrease in biological assets	**(109 790)**	26 865
	Increase in trade and other receivables	**(86 201)**	(135 536)#
	Increase/(decrease) in trade and other payables	**122 709**	(184 230)
	Total change in working capital	**(425 201)**	(71 629)
C.	**Tax paid**		
	Balance at beginning of year	**(14 084)**	28 213
	Normal tax provision	**(512 486)**	(352 540)#
	Translation differences	**157**	(16)
	Net balance at end of year	**10 177**	14 084#
	Total tax paid	**(516 236)**	(310 259)
D.	**Purchases of property, plant and equipment**		
	Purchase of property, plant and equipment to improve and/or expand operations	**(150 021)**	(61 943)
	Purchase of property, plant and equipment to maintain operations	**(194 539)**	(65 873)
	Total purchases	**(344 560)**	(127 816)
	Interest capitalised		807
	Decrease/(Increase) in advance capital expenditure payments	**2 494**	(27 082)
	Decrease in outstanding capital expenditure payments	**(4 485)**	(3 515)
	Purchases of property, plant and equipment	**(346 551)**	(157 606)
E.	**Dividends paid**		
	Balance at beginning of year	**(1 932)**	(1 920)
	Per statement of changes in equity	**(726 916)**	(108 441)
	Balance at end of year	**2 396**	1 932
	Total dividends paid	**(726 452)**	(108 429)

(#) *Amounts restated – refer note 35*

Notes to the annual financial statements

for the year ended 30 September 2018

1. Segment information

Astral is an integrated poultry producer which process starts with broiler genetics in its breeding operations, 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, whilst the balance of the feed production is 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.

Revenue per segment

Revenue comprises of the sales of products net of value-added tax, normal discounts and rebates, and returns.

Poultry: External revenue consists of the sale of poultry related products for human consumption as well as day-old broilers, hatching eggs and day-old parent stock to external poultry producers.
Intersegment 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.
Intersegment sales consist mainly of feed to the Poultry segment.

Other Africa: Revenue comprises the sale of animal feed and day-old broilers to external customers.
All revenue between segments are at market related prices.

	External customer Revenue R'000	Inter-segment Revenue R'000	Total segment Revenue R'000
2017			
Poultry	9 738 078#	178 094	9 916 172
Feed	2 252 341	4 330 843	6 583 184
Other Africa	426 530		426 530
	12 416 949#	4 508 937	16 925 886
2018			
Poultry	**10 398 486**	**205 241**	**10 603 727**
Feed	**2 169 288**	**4 028 914**	**6 198 202**
Other Africa	**410 787**		**410 787**
	12 978 561	**4 234 155**	**17 212 716**

(#) *Amounts restated – refer note 35*

1. Segment information (continued)

	2018 R'000	2017 R'000
The group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	**12 567 774**	11 990 419#
Revenue denominated in foreign functional currencies	**410 787**	426 530
	12 978 561	12 416 949
Revenue from the top five customers are all from the Poultry segment.		
Customer 1	**4 341 378**	3 916 646#
Customer 2	**1 753 588**	1 202 906
Customer 3	**572 101**	601 385
Customer 4	**546 957**	528 662
Customer 5	**526 064**	483 506
Revenue from customer 1 exceeds 10% of total revenue.		
Operating profit per segment		
Contribution to the group profit is as follows:		
Poultry	**1 452 762**	637 877#
Feed	**456 622**	391 376
Other Africa	**32 177**	26 775
Profit on sale of investment		30 550
Profit before interest and tax	**1 941 561**	1 086 578
Finance income	**62 903**	5 088
Finance expense	**(10 376)**	(19 927)
Profit before tax	**1 994 088**	1 071 739
Tax expense	**(559 738)**	(310 982)#
Profit for the year	**1 434 350**	760 757

	2018 R'000	2017 R'000	2018 R'000	2017 R'000
	Depreciation, amortisation and impairment		**Capital expenditure**	
Poultry	**124 620**	120 483	**318 019**	132 481
Feed	**21 659**	22 325	**27 621**	15 860
Other Africa	**5 288**	5 702	**9 904**	1 949
Corporate	**195**	223	**407**	18
	151 762	148 733	**355 951**	150 308
	Inventory		**Trade receivables**	
Poultry	**532 113**	258 418#	**980 644**	893 547#
Feed	**255 002**	185 498	**203 997**	202 850
Other Africa	**49 575**	49 655	**19 612**	18 954
	836 690	493 571	**1 204 253**	1 115 351

(#) Amounts restated – refer note 35

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

2. Expenses by nature

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2017					
Cost of raw material	6 770 971#@				6 770 971
Inventory written down and losses	16 150				16 150
Fair value adjustment to biological assets	(2 856)				(2 856)
Operating lease costs	95 353	9 409	193 256	1 319	299 337
Amortisation of intangibles		5 243			5 243
Depreciation on property, plant and equipment	133 998	5 873	3 480	139	143 490
Repairs and maintenance	376 933	11 174	13 423	287	401 817
Water	82 624	77	26		82 727
Energy	473 404	2 840	1 985	2 078	480 307
Information technology related costs		49 554	18		49 572
Advertising, marketing, promotional related costs				97 946	97 946
Transport and distribution costs	18 590		365 644		384 234
Employee benefit expense (note 4)	1 004 357	411 625	67 086	53 440	1 536 508
Directors' remuneration (note 31)		61 256			61 256
Auditor's remuneration and related expenses		7 277			7 277
Other	868 850@	149 894	28 887	13 735	1 061 366
	9 838 374#	714 222	673 805	168 944	11 395 345
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**
Auditor's 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**

@ *Reclassification of amounts previously disclosed under Other, of R154 978 000, in order to more accurately reflect the cost of raw materials. There is no effect on the total cost of sales.*

Amounts restated – refer note 35.

	2018 R'000	2017 R'000

3. Future operating lease commitments

The group leases various properties, plant and equipment and vehicles under non-cancellable operating leases. Future lease payments are as follows:

	2018 R'000	2017 R'000
Not later than one year	**295 562**	330 618
Later than one year and not later than five years	**514 042**	812 016
Later than five years	**264 790**	362 516
	1 074 394	1 505 150

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 initial periods of ten 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

	2018 R'000	2017 R'000
Cost of employment of permanent employees	**1 168 607**	1 081 127
Short-term incentives	**198 893**	162 842
Long-term incentives	**45 790**	40 176
Termination benefits	**1 995**	1 906
Post-employment benefits	**8 740**	6 723
	1 424 025	1 292 774
Cost of contracted labour	**285 698**	243 734
	1 709 723	1 536 508
Number of employees at 30 September:		
– Permanent employees	**6 694**	7 458
– Contracted labour	**4 849**	5 402
	11 543	12 860

5. Other income

	2018 R'000	2017 R'000
Scrap sold	**1 191**	702
Amounts written off recovered	**2 901**	879
Storage fee income	**4 808**	4 875
Insurance recoveries	**1 324**	13 476
Rental received	**4 594**	6 084
Rebates received	**623**	1 603
Profit on sale of investment		30 550
Other		3 619
	15 441	61 788

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
6. Other (losses)/gains		
Foreign exchange gains on financial instruments	**(443)**	3 681
(Loss)/profit on sale of property, plant and equipment	**(417)**	753
Assets scrapped	**(10 891)**	(3 572)
Fair value adjustment to outstanding payables – (loss)/gain		2 324
	(11 751)	3 186
7. Finance income and expense		
Interest income		
Bank surplus balances	**58 736**	3 848
Other	**4 167**	1 240
	62 903	5 088
Interest expense		
Bank borrowings	**3 671**	12 868
Loans		1 594
Interest accrued on outstanding long service awards	**5 263**	4 594
Other	**1 442**	1 678
	10 376	20 734
Less: Interest capitalised		(807)
	10 376	19 927
Net finance income/(expense)	**52 527**	(14 839)
8. Tax expense		
Current tax	**516 213**	352 808#
Deferred tax	**44 447**	(40 954)
	560 660	311 854
Current tax – prior year	**(4 723)**	(268)
Deferred tax – prior year	**2 805**	(604)
Withholding tax	**996**	
	559 738	310 982

Amounts restated – refer note 35.

	2018 R'000	2017 R'000

8. Tax expense (continued)

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:

	2018 R'000	2017 R'000
Profit before tax	**1 994 088**	1 071 739#
Tax calculated at a tax rate of 28% (2017: 28%)	**558 345**	300 087#
Effect of different tax rates in other countries	**1 807**	4 451
Training allowances received	**(981)**	(334)
Non-trading related expenses	**1 498**	1 366
Legal expenses	**1 133**	2 199
Other expenses not deductible for tax purposes	**1 319**	499
Temporary differences on which no deferred tax is recognised	**(1 072)**	1 910
Adjustments to prior year's normal tax provision	**(4 723)**	(268)
Adjustments to prior year's tax base used for calculating deferred tax	**2 805**	(604)
Withholding tax paid	**996**	
Utilisation of tax losses to reduce current tax	**(1 389)**	
Profit on sale of investment not subject to income tax		(8 554)
Capital gains tax on profit on investment sold		10 230
Tax charge per income statement	**559 738**	310 982

Further information about deferred tax is presented in note 22.

9. Earnings per share

	2018 R'000	2017 R'000
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	**1 431 076**	760 249#

	cents	cents
Basic earnings per ordinary share	**3 691**	1 963#
Diluted earnings per share	**3 687**	1 962#

	No of shares	No of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	**38 774 025**	38 724 902
Adjustments for share options	**35 418**	28 381
Weighted average number of ordinary shares for calculating diluted earnings per share	**38 809 443**	38 753 283

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.

Amounts restated – refer note 35.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

	Gross R'000	Net R'000
10. Headline earnings		
2017		
Net profit attributable to shareholders		760 249#
Adjusted for:		
Profit on sale of property, plant and equipment	(753)	(549)
Loss on assets scrapped	3 572	2 575
Profit on sale of investment	(30 550)	(20 627)
Insurance payments received in respect of assets lost and written off	(590)	(481)
Headline earnings		741 167#
2018		
Net profit attributable to shareholders		**1 431 076**
Adjusted for:		
Profit on sale of property, plant and equipment	**417**	**301**
Loss on assets scrapped	**10 891**	**7 859**
Headline earnings		**1 439 236**

	2018 cents	2017 cents
Headline earnings per share (cents)		
Headline earnings per share (cents)	**3 712**	1 914#
Diluted headline earnings per share (cents)	**3 708**	1 913#

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 no 34) – declared on 9 May 2018		
1 000 cents per share (2017:180 cents per share)	**387 732**	69 735
Final dividend (Dividend no 35) – declared on 14 November 2018		
1 050 cents per share (2017: 875 cents per share)	**407 387**	339 184
Total dividends declared in respect of the year ended 30 September 2018 – 2 050 cents per share (2017: 1 055 cents per share)	**795 119**	408 919

The current financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2018.

(#) Amounts restated – refer note 35

12. Property, plant and equipment

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
2017				
Net book amount at 1 October 2016	854 680	1 150 611	46 993	2 052 284
Changes for the year:				
Exchange translation changes	2 281	1 387	84	3 752
Additions – Expansion/improvement	25 531	35 757	655	61 943
Additions – Replacement	15 899	48 294	1 680	65 873
Disposals		(18)	(739)	(757)
Assets scrapped	(279)	(1 459)	(1 834)	(3 572)
Reclassification	(462)	461	1	
Depreciation charge	(25 577)	(109 560)	(8 353)	(143 490)
Closing net book amount	872 073	1 125 473	38 487	2 036 033
Balance at 30 September 2017:				
Cost	1 293 528	2 232 366	138 047	3 663 941
Accumulated depreciation	(421 455)	(1 106 893)	(99 560)	(1 627 908)
Closing net book amount	872 073	1 125 473	38 487	2 036 033
2018				
Net book amount at 1 October 2016	**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**

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.

Expansion additions for 2017 includes capitalised borrowing costs of R807 000 (2018: nil).

Certain assets at a Zambian subsidiary stand as security for bank facilities – refer note 28.5.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

12. Property, plant and equipment (continued)

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 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 – 25 years
• Plant and equipment – feed	5 – 50 years
• Vehicles	5 – 10 years
• Intangible assets – software	5 – 15 years

13. Intangible assets

	2018 R'000	2017 R'000
Software		
Opening net book amount	**55 884**	38 613
Changes for the year:		
Exchange translation changes	**(68)**	22
Capitalisation of costs incurred	**11 391**	22 492
Amortisation – included in administrative expenses	**(6 048)**	(5 243)
Closing net book amount	**61 159**	55 884
Cost	**92 832**	87 392
Accumulated amortisation	**(31 673)**	(31 508)
Closing net book amount	**61 159**	55 884

	2018 R'000	2017 R'000
14. Capital commitments		
Capital expenditure approved not contracted for	**1 267 807**	30 101
Capital expenditure contracted but not recognised in the financial statements	**127 012**	117 764
Cost on Intangibles contracted but not recognised in the financial statements	**6 252**	426

- Capital expenditure commitments includes amongst other amounts totaling R1 078 million for production capacity expansion in the Poultry segment. Cash outflow in respect of these projects will be incurred over the next three years, and the expansion which will add approximately 20% additional slaughtering and processing capacity, is expected to be completed during the 2021 financial year.
- Capital expenditure approved for expansion of the silo complex at the Standerton based feed mill of R56 million will be completed during 2019.
- Capital expenditure for the upgrade of the feed mill in Zambia totals R141 million. No commitments to third parties in respect of this project has been made and new alternatives are still being considered and assessed.
- The capital commitments will be financed from a combination of operating cash flows, surplus cash and borrowings. No abnormal high debt levels are foreseen resulting from these future capital expenditure projects.

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 reduction in the discount rates compared to the previous year assumes lower specific market risks based on the group's now established resilience against volatility in the industry.

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 forecasted 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.

15. Goodwill (continued)

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
2017				
Poultry				
Goldi/Festive	13.0%	5	5.5%	106 020
Mountain Valley	13.0%	5	5.5%	15 599
National Chicks	13.0%	5	5.5%	3 749
County Fair	13.0%	5	5.5%	2 559
Feed				
Meadow – South African operations	13.0%	5	5.5%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	17.0%	5	8%	2 560
				136 135
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

The pre-tax discount rates are as follows:

Goldi/Festive (17.2%), Mountain Valley (16.5%), National Chicks (17.6%), County Fair (17.2%), Meadow (17.3%) and Africa Feeds Limited (Zambia) (16.7%).

Sensitivity analysis	**2018 R'000**	2017 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%	**Nil**	15 599
Potential impairment if the net realisations of poultry products decrease by 1%	**Nil**	15 599
Potential impairment if the net realisations of poultry products decrease by 3%	**Nil**	15 599
Potential impairment if the net realisations of poultry products decrease by 5%	**Nil**	15 599
Potential impairment if the broiler feed price increased by 1%	**Nil**	15 599
Potential impairment if the broiler feed price increased by 3%	**Nil**	15 599
Potential impairment if the broiler feed price increased by 5%	**Nil**	15 599

16. Biological assets

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2017				
Fair value at 1 October 2016	94 086	290 144		384 230
Amortised cost at 1 October 2016			350 728	350 728
Increase due to establishment costs	502 430	4934 238	493 470	5 930 138
Stock written off	(4 126)		(49 386)	(53 512)
Decrease due to harvest/sales	(511 113)	(4 969 063)	(79 425)	(5 559 601)
Decrease due to amortisation			(397 736)	(397 736)
Fair value adjustment	2 184	1 616		3 800
Closing balance	83 461	256 935	317 651	658 047
Balance at 30 September 2017:				
At fair value	83 461	256 935		340 396
At amortised cost			317 651	317 651
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**	**5032 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**

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.

The egg and breeder stock written off in the prior year is in respect of the stock destroyed as result of being infected by the Avian Influenza virus.

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.

16. Biological assets (continued)

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 therefore in the integrated poultry producing process.

17. Inventories

	2018 R'000	2017 R'000
Feed raw materials	**216 270**	157 632
Feed finished goods	**43 094**	37 337
Poultry products	**446 092**	188 227[#]
Consumable stores	**131 234**	110 375
	836 690	493 571

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R6 129 million (2017: R6 771 million)

Certain inventories at a Zambian subsidiary serve as security for bank facilities – refer note 28.5.

[#] *Amounts restated – refer note 35.*

	2018 R'000	2017 R'000
18. Trade and other receivables		
Financial instruments		
Trade receivables	**1 208 403**	1 116 891#
Provision for impairment	**(4 150)**	(1 540)
Trade receivables – net	**1 204 253**	1 115 351
Other receivables	**28 138**	19 763
Receivable in respect of investment sold	**16 000**	56 000
Non-financial instruments		
Prepayments	**15 688**	7 851
Advance capital expenditure payments	**30 782**	33 276
VAT recoverable	**32 243**	51 073
Other receivables	**1 314**	3 549
	1 328 418	1 286 863

The fair values of trade and other receivables approximate their carrying value.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2018 R'000	2017 R'000
SA Rand	**1 307 701**	1 272 123
Zambian Kwacha	**13 541**	11 368
Mozambican Meticais	**7 176**	3 372
	1 328 418	1 286 863

Certain trade receivables at a Zambian subsidiary serve as security for bank facilities – refer note 28.5.

Categories

Trade receivables are categorised according to the different business segments as the profile of trade receivables differs between the operating segments and credit risks are reviewed separately within these categories.

- 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.

	2018 R'000	2017 R'000
Poultry	**984 210**	894 779
Farming	**23 962**	21 360
Retail and wholesale	**960 248**	873 419#
Feed	**204 329**	202 858
Farming	**188 115**	195 038
Retail and wholesale	**16 214**	7 820
Other Africa	**19 864**	19 254
Farming	**18 193**	7 414
Retail and wholesale	**1 671**	11 840
	1 208 403	1 116 891

(#) Amounts restated – refer note 35

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
19. Cash and cash equivalents		
Cash at bank and in hand	**821 843**	667 267
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	**821 843**	667 267
Bank overdrafts – (note 26)	**(33 277)**	(114 692)
Cash and cash equivalents per the statement of cash flow	**788 566**	552 575
20. Share capital		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each		
(2017: 75 000 000 ordinary shares of 1 cent each)	**750**	750
Issued share capital		
42 887 385 ordinary shares of 1 cent each	**429**	429
(2017: 42 840 785 ordinary shares of 1 cent each)		
Share premium	**86 322**	81 034
Total issued share capital and premium	**86 751**	81 463

All issued shares are fully paid.

Number of shares effectively in issue	No of shares	No of shares
Issued shares	**42 887 385**	42 840 785
Treasury shares held by subsidiary	**(4 088 577)**	(4 088 577)
	38 798 808	38 752 208

Unissued share capital
The number of shares available to be utilised for purposes of the share option scheme:

	No of shares	No of shares
Number of share options available at beginning of year	**4 209 300**	4 132 950
Number of share options exercised	**46 600**	64 900
Number of share options forfeited		11 450
Number of share options available at end of year	**4 255 900**	4 209 300
The number of share options outstanding at end of year	**36 500**	83 100
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

	Equity compensation reserve R'000	Available-for-sale investments R'000	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/ (losses) on investment loans R'000	Total other reserves R'000
2017						
Balance at 1 October 2016		658	782	(17 992)	(13 452)	(30 004)
Currency loss on investment loans to foreign subsidiaries					5 747	5 747
Currency translation differences arising in year				(3 080)		(3 080)
Non-controlling interest in translation differences				(22)		(22)
Option value of share options granted	67					67
Transfer to retained earnings	(67)	(658)				(725)
Balance at 30 September 2017			782	(21 094)	(7 705)	(28 017)
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)**

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.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

22. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2017: 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

	2018 R'000	2017 R'000
Movement on the deferred tax liability account is as follows:		
At beginning of year	**433 469**	473 572
Charge related to items in Other Comprehensive Income	**1 011**	1 455
Charge to profit and loss	**47 252**	(41 558)
Originating and reversal of temporary differences	**44 447**	(40 954)
Adjustment to amounts recognised in prior year	**2 805**	(604)
At end of year	**481 732**	433 469

Analysis of deferred tax liabilities:

	Opening balance R'000	Charge to profit and loss R'000	Charged to other comprehensive income R'000	Closing balance R'000
2017				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	404 619	30 948		435 567
Temporary difference on livestock and farming consumables	156 793	(351)		156 442
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 746)	(927)	1 455	(26 218)
Provision for long-term retention payments	(28 875)	(3 818)		(32 693)
Provision for outstanding leave pay	(19 469)	(1 937)		(21 406)
Rental equalisation reserve	(3 300)	922		(2 378)
Provision for incentive bonuses	(5 371)	(43 693)		(49 064)
Provision for claims and trade discounts	(9 319)	(1 597)		(10 916)
Provision for long service awards	(6 510)	723		(5 787)
Other	11 750	(21 828)		(10 078)
	473 572	(41 558)	1 455	433 469
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**

A deferred tax liability of R 18 452 000 (2017: R17 390 000) has not been recognised in respect of withholding tax in the event of future dividend distributions by the foreign subsidiaries.

23. Employee benefit obligations

	Post-employment medical benefits (note 24) R'000	Long-term incentives benefits R'000	Short-term incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
2017					
Balance at 1 October 2016	95 522	105 374	40 183	69 532	310 611
Payments against provision		(47 174)	(25 021)		(72 195)
Increase/(decrease) in provision	(1 886)	63 448	175 846	6 917	244 325
Balance at 30 September 2017	93 636	121 648	191 008	76 449	482 741
Non-current provision	93 636	66 815	15 779		176 230
Current provision	54 833	175 229	76 449	306 511	
	93 636	121 648	191 008	76 449	482 741
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**

The amounts provided for payment in respect of long-term incentives have been discounted at rates varying between 7.0% and 8.2%.

The increase in the employee benefit obligations is mainly as result of an increase in short-term incentives, following the achieving of performance targets for the year.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

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.

	2018 R'000	2017 R'000
Present value of funded obligations per actuarial valuation at 30 September		
Balance at beginning of year	**93 636**	95 522
Current service cost	**491**	639
Interest costs	**8 786**	8 272
Remeasurement	**(3 609)**	(5 197)
Benefits payments	**(6 333)**	(5 600)
Balance at end of year	**92 971**	93 636
Amounts recognised in the profit and loss:	**9 277**	8 911
Current service costs	**491**	639
Interest costs	**8 786**	8 272
Amounts recognised in other comprehensive income:		
Remeasurement	**(3 609)**	(5 197)
Arising from changes in financial assumptions	**(1 367)**	(7 031)
Arising from changes in demographic assumptions	**(2 492)**	1 654
Miscellaneous	**250**	180
Estimated employer benefits payable during next 12 months	**6 584**	6 335
The liability recognised in the financial statements was actuarially valued at 30 September 2018 (previous valuation date: 30 September 2017). The liability was valued using the Projected Unit Credit valuation method which is the same method used in the prior year.		
Discount rate	**9.78%**	9.73%
Health care cost inflation:		
In service members	**7.97%**	8.51%
Continuation members	**7.97%**	8.51%

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.

24. Post-employment medical benefits (continued)

Sensitivity analysis	Accrued liability	% change
Discount rate increases by 1% p.a.	**84 374**	(9%)
Discount rate reduces by 1% p.a.	**103 245**	11%
Subsidy inflation increases by 1% p.a	**98 749**	6%
Subsidy inflation reduces by 1% p.a	**85 110**	(8%)
Mortality rate decreases by 1 year	**96 340**	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.

The present values of the defined benefit obligation and the experience adjustment were as follows:	R'000	Experience adjustment
29 September 2018	**92 969**	**+3.9%**
30 September 2017	93 636	+5.4%
30 September 2016	95 522	+0.9%
30 September 2015	93 056	+1.2%

25. Trade and other payables

	2018 R'000	2017 R'000
Financial instruments		
Trade payables	**1 105 959**	920 887
Outstanding payment in respect of capital expenditure incurred	**2 618**	7 103
Accruals and other payables	**215 805**	222 634
Non-financial instruments		
VAT payable	**14 009**	52 702
Operating lease equalisation	**4 396**	8 493
Other	**17 682**	36 231
	1 360 469	1 248 050

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:

	2018 R'000	2017 R'000
SA Rand	**1 323 983**	1 215 099
Zambian Kwacha	**27 914**	27 721
Mozambican Meticais	**5 837**	1 448
US Dollar	**2 735**	3 782
	1 360 469	1 248 050

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

	2018 R'000	2017 R'000
26. Borrowings		
Current borrowings		
Bank overdrafts	**33 277**	114 692
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**1 186**	96 340
Zambian Kwacha	**32 091**	18 352
	33 277	114 692

27. Financial instruments

	Loans and receivables R'000	Available for sale R'000	Financial liabilities at amortised costs R'000	Total on Balance sheet R'000
2017				
Current receivables				
Trade receivables	1 135 114#			1 135 114
Cash and cash equivalents				
Cash and bank	667 267			667 267
Current borrowings				
Bank overdrafts			114 692	114 692
Shareholders for dividend			1 932	1 932
Current financial liabilities				
Trade payables			920 887	920 887
Accruals			229 737	229 737
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**

The fair value of the financial instruments approximates carrying value due to their short-term nature.

(#) *Amounts restated – refer note 35*

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 trade receivables differs between the operating segments and credit risks are reviewed separately within these categories.

- 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.
- Changes to existing credit terms are approved and signed off by the Chief Executive Officer.

28. Financial Risk Management (continued)

28.1 Credit risk (continued)

Exposure to trade receivables comprise a large, widespread customer base within each business segment/category and is as follows at 30 September:

	2018 R'000	2017 R'000
Accounts receivable	**1 208 403**	1 116 891[#]
Less provision for doubtful debts	**(4 150)**	(1 540)
Net accounts receivable	**1 204 253**	1 115 351
Other receivables	**44 138**	75 763
	1 248 391	1 191 114
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	**1 187 546**	1 105 289[#]
Outstanding longer than 30 days	**20 857**	11 602
Past due by 31 to 60 days	**7 292**	7 162
Past due by more than 60 days	**13 565**	4 440
	1 208 403	1 116 891

The receivables outstanding longer than 30 days per category:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2017				
Past due by 31 to 60 days	7 161	1		7 162
Past due by more than 60 days	4 140		300	4 440
	11 301	1	300	11 602
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**

	2018 R'000	2017 R'000
Provision for doubtful debts		
Balance at the beginning of the year	**(1 540)**	(1 220)
Charge for the year	**(2 610)**	(320)
Balance at end of year	**(4 150)**	(1 540)
Provision for doubtful debts ageing profile:		
30 days and longer	**(4 150)**	(1 540)

Movements in the provision for doubtful debts of trade and other receivables have been included in the profit and loss as part of administrative expenses under Other expenses.

(#) *Amounts restated – refer note 35*

28. Financial Risk Management (continued)

28.1 Credit risk (continued)

The provision for doubtful debts is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2017				
Farming		8	300	308
Retail and wholesale	1 232			1 232
	1 232	8	300	1 540
2018				
Farming		**332**	**252**	**584**
Retail and wholesale	**3 566**			**3 566**
	3 566	**332**	**252**	**4 150**

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
2017				
Bank guarantees	17 600			17 600
Covering bonds over property	3 200	2 500		5 700
Credit Guarantee Insurance Cover	761 484			761 484
	782 284	2 500		784 784
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**

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.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

28. Financial Risk Management (continued)

28.1 Credit risk (continued)

The credit quality of the trade receivables can be illustrated according to the different risk profiles:

	2018 R'000	2017 R'000
Low risk	**767 886**	754 271#
General risk	**426 952**	358 180
High risk	**13 565**	4 440
	1 208 403	1 116 891

The largest single credit risk amounts to R316 million (2017: R332 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.

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 2018, the after tax effect of a 1% movement in the interest rates on the statement of comprehensive income would be R 5 678 000 (2017: R3 979 000).

The group's main income and operating cash flows are substantially independent of changes in the market interest rates.

(#) *Amounts restated – refer note 35*

28. Financial Risk Management (continued)

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
2017	
Financial assets – cash and cash equivalents	4 116
Financial liabilities – trade and other payables	(3 782)
	334
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

A 10% movement in the ZAR against the US Dollar, which causes most of the movement, will result in a R79 000 after tax effect in the profits of the group (2017: R 24 000)

There were no open foreign exchange contracts at 30 September 2018 (2017: nil)

28. Financial Risk Management (continued)

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.

The following table compares the contractual cash flows of debt owed at 30 September 2018, 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.

28. Financial Risk Management (continued)

28.5 Liquidity risk *(continued)*

	Within 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000	Total R'000
2017				
Trade and other payables	1 150 624			1 150 624
Shareholders for dividend	1 932			1 932
Bank overdraft	114 692			114 692
	1 267 248			1 267 248
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**

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	10.25%	none
Bank overdrafts – Kwacha denominated	current	variable	26-29%	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 borrowing levels,
- conducting of short- and long-term cash flow forecasts at regular intervals, and
- the arrangement of short- and long-term borrowing facilities from financial institutions.

28. Financial Risk Management (continued)

28.5 Liquidity risk *(continued)*

The general borrowing facilities from the banks, together with cash generated from operating activities are utilised to finance the normal on-going operating requirements of the group, which include working capital requirements, capital expenditure and payment of dividends.

Borrowing facilities

	2018 R'000	2017 R'000
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	**1 166 000**	620 000
• Unutilised facilities at year end	**1 166 000**	620 000
• Denominated in Zambian Kwacha		32091
• Total facilities	**44 444**	48 530
• Unutilised facilities at year end	**12 353**	18 352
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying values:		
• Land and buildings	**2 119**	2 641
• Inventory	**43 700**	45 652
• Trade debtors	**7 590**	7 097

28.6 Capital risk

The group manages its capital not to have excessive debt levels 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
- 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:

	2018 R'000	2017 R'000
Cash and cash equivalents – refer note 19	**821 843**	667 267
Total debt – refer note 26	**(33 277)**	(114 692)
Net surplus cash	**788 566**	552 575
Total capital		
Equity	**3 737 418**	3 032 988

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 the 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	No of options outstanding at beginning of year	No of options exercised during the year	No of options forfeited during the year	No of options outstanding at end of the year	No of options exercisable at end of year
30 September 2011	R 118.00	30 700	(30 700)			
28 September 2012	R 104.71	52 400	(15 900)		36 500	36 500
		83 100	(46 600)		36 500	36 500

Value of share options outstanding at the end of the year at the exercise price amounts to R3 821 915 (2017: R9 109 404).

No share options were granted during the year (2017: none).

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 (2017: R67 000).

30. Related party transactions

	2017 R'000
Purchases of goods	232 563
Receivables outstanding	3 346
Trade payables outstanding	26 250

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 borrowings.

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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	Long service awards R'000	Total 2018 R'000	Total 2017 R'000
Non-executive Directors' fees							
For services as Directors (excluding VAT)	**3 435**					**3 435**	3 184
T Eloff	**1 004**					**1 004**	1 100
DJ Fouche	**900**					**900**	600
MT Lategan	**448**					**448**	405
T Maumela	**465**					**465**	410
TM Shabangu	**618**					**618**	512
N Tsengwa							157[@]
Executive Directors' remuneration							
For managerial services	**19 937**	**156**	**16 690**	**25 111**		**61 894**	58 072
CE Schutte	**7 912**	**37**	**6 580**	**10 682**		**25 211**	21 605
GD Arnold	**3 643**	**50**	**2 330**	**4 371**		**10 394**	9 379
AB Crocker	**3 643**	**55**	**3 630**	**4 371**		**11 699**	10 809
DD Ferreira	**4 739**	**14**	**4 150**	**5 687**		**14 590**	12 998
T Delport							3 281[@]
Total Directors' fees and remuneration	**23 372**	**156**	**16 690**	**25 111**		**65 329**	61 256
Prescribed officers' remuneration							
For managerial services	**9 333**	**115**	**3 990**	**9 913**	**193**	**23 544**	18 739
MA Eloff	**1 640**	**7**		**1 640**		**3 287**	3 372
E Potgieter	**2 396**	**41**	**1 340**	**2 396**		**6 173**	5 912
MJ Schmitz	**2 901**	**34**	**1 470**	**3 481**	**193**	**8 079**	4 755
FM Snyman	**2 396**	**33**	**1 180**	**2 396**		**6 005**	4 700
Total directors and prescribed officers remuneration	**32 705**	**271**	**20 680**	**35 024**	**193**	**88 873**	79 995
			(Note 1)	(Note 2)	(Note 3)		

Prescribed officers of the group consist of the Company Secretary and employees who fulfil key roles in the management of the group.

[@] *Director's fee paid to date of resignation as Director*

Note 1. – Long-term incentives

The Executive Directors and prescribed officers participate in a Long-Term Incentive scheme.

In terms of the scheme, above-threshold production performance conditions (PEF) and earnings per share (EPS) growth must be achieved over a three-year period for vesting of up to 75% of the allocated amount. The balance of 25% of the allocated amount is guaranteed. Allocated amounts vest at the end of the third year from the date of allocation. Refer to the remuneration report for more detail on the scheme.

The amounts listed above are in respect of allocations made in October 2015 and which have vested on 30 September 2018. The performance conditions were measured over three years ending 30 September 2018. Both performance conditions were achieved during the vesting period and payment of the full amounts will be made during January 2019.

31. Directors and prescribed officers remuneration (continued)

Allocation of Long-term incentives

Effective dates of allocation	1 October 2015 30 September 2018	1 October 2016 30 September 2019	1 October 2017 30 September 2020		
Vesting dates of performance conditions	25 January 2019	25 January 2020	25 January 2021		
Payment dates	R'000	R'000	R'000	**Total 2018 R'000**	Total 2017 R'000
Executive Directors :					
CE Schutte	6 580	10 043	10 682	**27 305**	22 803
GD Arnold	2 330	3 792	4 371	**10 493**	8 312
AB Crocker	3 630	3 792	4 371	**11 793**	11 192
DD Ferreira	4 150	5 114	5 687	**14 951**	13 164
Expected payments on condition performance targets are achieved	16 690	22 741	25 111	**64 542**	55 471
Liability included in Employee benefit obligations (note 23)	(16 690)	(13 973)	(7 110)	**(37 773)**	(32 734)
Contingent liability – included in Contingencies (note 32)		8 768	18 001	**26 769**	22 737
Prescribed officers :					
MA Eloff					500
E Potgieter	1 340	1 914	2 396	**5 650**	4 514
FM Snyman	1 180	1 914	2 396	**5 490**	3 574
MJ Schmitz	1 470	1 504	3 482	**6 456**	4 354
Expected payments on condition performance targets are achieved	3 990	5 332	8 274	**17 596**	12 942
Liability included in Employee benefit obligations (note 23)	(3 990)	(3 276)	(2 343)	**(9 609)**	(7 582)
Contingent liability – included in Contingencies (note 32)		2 056	5 931	**7 987**	5 360

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

31. Directors and prescribed officers remuneration (continued)

Note 2. – Short-term incentives

The Executive Directors and prescribed officers participate in an annual short-term incentive scheme.

The bonus is calculated based on a pro-rata share of 20% of the economic value added (EVA™) during the past year. The EVA must be in excess of an pre-determined threshold before bonuses will be paid.

Note 3 – Long service awards

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 processed of being phased out with the last payments due during the financial year ending September 2020.

Directly held number of shares	2018	2017
Directly held number of shares		
Beneficial interests		
Non-executive Directors		
T Eloff		1 500
DJ Fouche	**5 650**	5 650
Executive Directors		
CE Schutte	**24 700**	24 000
DD Ferreira	**158 000**	158 000
AB Crocker	**2 550**	2 550
GD Arnold	**2 500**	2 500
	193 400	194 200

Note: There is no change in Directors shareholding up to date of publication of financial statements.

	2018 R'000	2017 R'000
32. Contingencies and commitments		
Commitments		
Raw material contracted amounts not recognised in the statement of financial position	**1 090 415**	1 254 312
The group has contracted its raw material requirements from various suppliers in terms of future supply agreements.		
Contingencies		
Long-term retention incentives not recognised in the statement of financial position.	**88 247**	77 253

The payment of the future contingency is on condition of achieving performance targets.

33. Interest in subsidiary companies

Details of the principal subsidiary companies in the group are as follows:

		Issued ordinary capital		Effective percentage holding	
		2018 R'000	2017 R'000	**2018 %**	2017 %
Unlisted investments					
Astral Operations Limited	a	**12**	12	**100**	100
National Chicks Limited	b	**23 720**	23 720	**100**	100
Africa Feeds Limited (Zambia)^	c	**24**	24	**100**	100
Meadow Feeds Eastern Cape (Pty) Ltd	c			**100**	100
Meadow Feeds Standerton (Pty) Ltd	c			**100**	100
Meadow Moçambique Limitada*	c	**4 393**	4 393	**80**	80
National Chicks Swaziland (Pty) Limited#	d	**1**	1	**67**	67
Mozpintos Limitada*	d	**100**	100	**100**	100
Progressive Poultry Limited^	d	**10**	10	**100**	100

^Incorporated in Zambia. * Incorporated in Mozambique # Incorporated in Swaziland

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 1 050 cents per share has been declared on 14 November 2018. The payment of the dividend will be on 21 January 2019.

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.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

35. Restatement of comparative amounts

Following a re-assessment of management's judgement of the nature of certain sales transactions it was concluded that the risks and rewards of certain goods delivered during September 2017 had passed on to a customer who thereby acted as a principal as opposed to an agent. The revenue related to these transactions should have been recognised in the 2017 financial year.

The opening balance sheet has not been restated as the adjustment had no impact on the 2016 financial statements.

The following numbers in respect of the prior year have been restated:

	As previously reported R'000	Adjustment R'000	Restated R'000
Statement of comprehensive income			
Revenue	12 351 125	65 824	12 416 949
Cost of sales	(9 780 667)	(57 707)	(9 838 374)
Balance sheet			
Inventories	551 278	(57 707)	493 571
Trade and other receivables	1 221 039	65 824	1 286 863
Retained earnings	3 173 455	5 844	3 179 299
Statement of cash flow			
Cash operating profit	1 428 219	8 117	1 436 336
Changes in working capital	(63 512)	(8 117)	(71 629)
Cash generated from operations	1 364 707	nil	1 364 707
The restatement had the following impact on previously reported results			
Gross profit	2 570 458	8 117	2 578 575
Profit before interest and tax	1 078 461	8 117	1 086 578
Tax expense	308 709	2 273	310 982
Profit for the year	754 913	5 844	760 757
Earnings per share – cents per share	1 948	15	1 963
Diluted earnings per share – cents per share	1 947	15	1 962
Headline earnings per share – cents per share	1 899	15	1 914
Diluted headline earnings per share – cents per share	1 897	15	1 912

36. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

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, unless otherwise stated.

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.

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.

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'.

36. Accounting policies (continued)

3. FOREIGN CURRENCIES (continued)

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:

(i) Assets and liabilities at the closing exchange rate at the reporting date;

(ii) 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);

(iii) 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.

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.

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 programs.

36. Accounting policies (continued)

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 programs 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.

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.

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.

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.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

36. Accounting policies (continued)

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, investments, loans, derivatives and receivables.

The group's financial assets are classified in the following category:

- Loans and receivables

The classifications depend on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include, "trade and other receivables" and "cash and cash equivalents".

They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost less impairment losses which are recognised in profit or loss.

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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. Accounting policies (continued)

11. TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. No fair value adjustment is made for the effect of time value of money where trade receivables have a short-term profile.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables 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 or late payments are considered indicators that the trade receivable is impaired.

Adjustments in the provision for impairments 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.

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.

13. TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Notes to the annual financial statements (continued)

for the year ended 30 September 2018

36. Accounting policies (continued)

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.

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.

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. Accounting policies (continued)

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 benefits 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.

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.

36. Accounting policies (continued)

18. EMPLOYEE BENEFITS (continued)

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.

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.

19. REVENUE RECOGNITION

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 of poultry products are recognised when the products are delivered at the premises of the customer;
- Feed – sales of feed are recognised when the feed is delivered at the farm as agreed with the customer.

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:

- carries any inventory risk;
- has the primary responsibility for providing the goods or services to the retail market;
- has the latitude to influence pricing; and
- bears the credit risk of the customer.

These indicators are used to determine whether significant risks and rewards associated with the sale of goods have passed to the intermediary company. Where significant risks and rewards have 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. Accounting policies (continued)

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.

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.

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 2018 year-end

IFRS 9 – Financial Instruments

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Effective date: 1 January 2018

The group's financial instruments that will be impacted by IFRS 9 comprises mainly out of trade receivables (debt instruments) and cash and cash equivalents. These debt instruments are all held to collect the contractual cash and will therefore be classified as amortised cost. This classification will not have an impact on the reported numbers. Due to low historical bad debts, no provision for impairment losses will be required in terms of IFRS 9, as opposed to the impairment provision of R4 150 000 as at September 2018. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The group will comply with the standard for the first time in the 2019 annual financial statements.

IFRS 15 – Revenue from Contracts with Customers

The Financial Advisory Standards Board (FASB) and International Accounting Standards Board (IASB) issued their converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

Effective date: 1 January 2018

The group conducted a review of all the different types of revenue contracts with its customers, and assessed them against the requirements of IFRS 15 in terms of what to recognise as revenue, the timing of recognition and the allocation of revenue to different elements of goods and services delivered. The application of IFRS 15 is expected not to have a material impact on the revenue to be reported. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its revenue particularly in the year of the adoption of the new standard.

The group will comply with the standard for the first time in the 2019 annual financial statements.

36. Accounting policies (continued)

22. NEW STANDARDS AND INTERPRETATIONS (continued)

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 R635 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 R30 million, whilst finance costs of approximately R56 million will have to be recognised. The net impact on earnings is expected to be a reduction of R19 million. There will be no impact on cash flow.

The group will comply with the standard for the first time in the 2020 annual financial statements

International Financial Reporting Standards and amendments early adopted.

Amendment to IAS 7 – Cash flow statements

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that assist them to better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

Effective date: 1 January 2018

The group complied with the standard in the 2017 annual financial statements.


MEADOW
More than just feed
www.meadowfeeds.co.za
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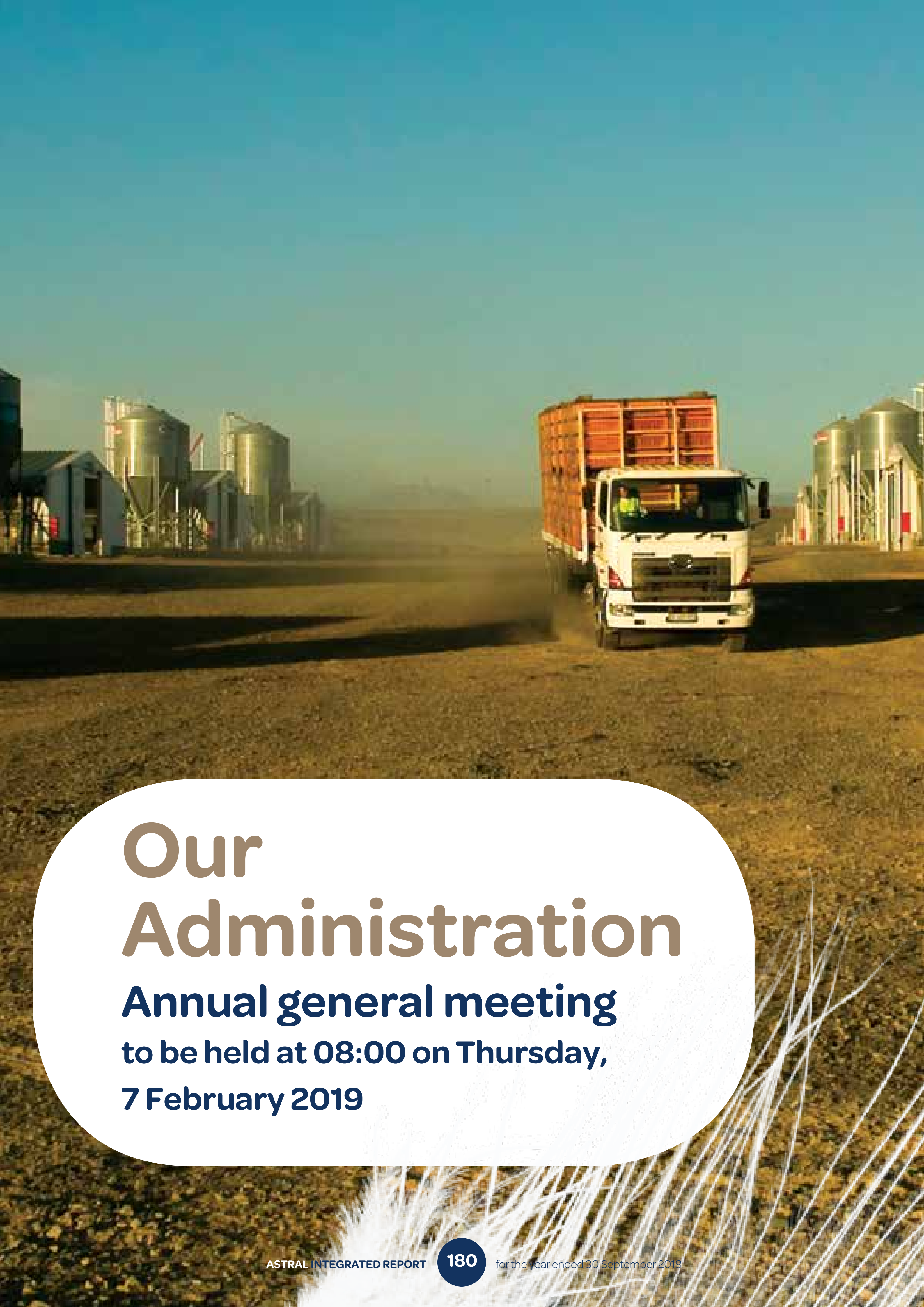


Our Administration

Annual general meeting

to be held at 08:00 on Thursday, 7 February 2019

Analysis of **ordinary shareholders**

Shareholder spread

	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 441	76.21	680 111	1.59
1 001 – 10 000 shares	539	16.83	1 641 692	3.83
10 001 – 100 000 shares	154	4.81	5 521 124	12.87
100 001 – 1 000 000 shares	60	1.87	15 729 433	36.68
1 000 001 shares and above	9	0.28	19 315 025	45.04
Total	3 203	100.00	42 887 385	100.00

Distribution of shareholders

	Total shareholding	% of issued capital
Unit trusts/mutual funds	14 503 486	33.82
Pension funds	11 847 537	27.62
Corporate holding	4 088 577	9.53
Trading position	3 549 055	8.28
Private investor	1 717 302	4.00
Insurance companies	1 587 000	3.70
Custodians	1 125 345	2.62
Hedge funds	763 867	1.78
Sovereign wealth	449 378	1.05
Exchange-traded fund	292 828	0.68
Investment trust	132 910	0.31
University	80 773	0.19
Foreign government	12 865	0.03
Remainder	2 736 462	6.38
Total	42 887 385	100.00

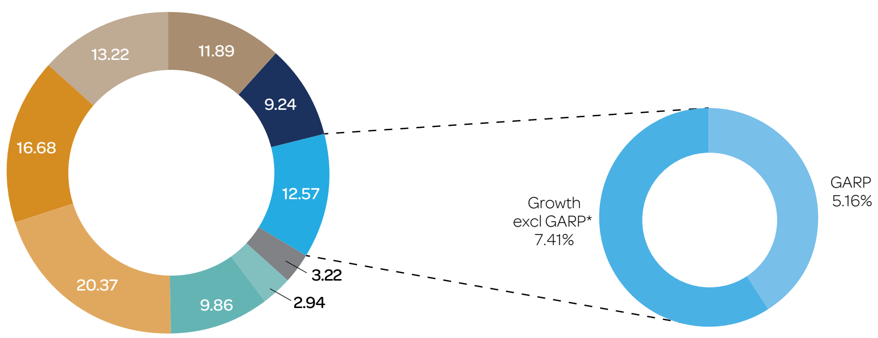
Public and non-public shareholders

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	6	0.19	4 475 777	10.44
Directors and associates	5	0.16	193 200	0.45
Astral Operations	1	0.03	4 282 577	9.99
Public shareholders	3 197	99.81	38 411 608	89.56
Total	3 203	100.00	42 887 385	100.00

Beneficial interest above 3%

	Total shareholding	%
Government Employees Pension Fund	5 597 917	13.05
Astral Operations Limited	4 088 577	9.53
Old Mutual	1 999 814	4.66
LSV Asset Management	1 873 614	4.37
State Street Global Advisors	1 361 112	3.17
The Vanguard Group	1 331 942	3.11
Acadian Asset Management	1 318 651	3.07
Total	17 571 627	40.97

Analysis of investment styles (%)



* *Growth at Reasonable Price*

Multiple · Trading position · Growth · Retail · Hedge Fund
Remaider · Index · Quantative · Value

Notice of **annual general meeting**

Eighteenth 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 eighteenth annual general meeting of members of Astral Foods Limited will be held in the boardroom, 92 Koranna Avenue, Doringkloof, Centurion on Thursday 7 February 2019 at 08:00, to transact the following business: (Salient dates for the meeting are listed on page 188 of this 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 2018, together with the Directors' and auditors' reports.

Re-election of Directors

Ordinary resolution number 2

Resolved to note that in terms of article 34.4.1 of the company's memorandum of incorporation, Mr DJ Fouché and Dr MT Lategan retire by rotation at the annual general meeting but, 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 are available on page 8 of this report.

Re-appointment of members of the Audit and Risk Management Committee

Ordinary resolution number 3

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
- Dr MT Lategan
- 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.

Brief particulars of the qualifications and experience of the above are available on page 8 of this report.

Appointment of auditors

Ordinary resolution number 4

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 2019 financial year.

Authority for determination of auditors' remuneration

Ordinary resolution number 5

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 6

Resolved to consider and approve the Remuneration Policy as contained in the Remuneration Report for the year ended 30 September 2018.

The company's Remuneration Report is set out on pages 90 to 108 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 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 7

Resolved to consider and approve the Remuneration Implementation Report as contained in the Remuneration Report for the year ended 30 September 2018, details of which are set out on pages 103 to 108 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 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 8

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 eighteenth annual general meeting of the company.

Special business:

Resolved to consider and, if deemed fit, to pass, with or without modification, the following 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 2018 on the basis as set out as follows:

	2019 R'000	2018 R'000
Chairman of the board	**470**	450
Member of the board	**329**	315
Lead Independent Director	**209**	200
Chairman of the Audit and Risk Management Committee	**268**	256
Member of the Audit and Risk Management Committee	**139**	133
Chairman of the Human Resources, Remuneration and Nominations Committee	**178**	170
Member of the Human Resources, Remuneration and Nominations Committee	**100**	96
Chairman of the Social and Ethics Committee	**157**	150
Member of the Social and Ethics Committee	**94**	90

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 Directors 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.

Notice of **annual general meeting**

(continued)

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 caliber 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 2018.

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 reasons for special resolution number 2 are 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 5 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 are 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, redeem or cancel 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 a 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 2018;
- 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 the special resolution 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 182

Share capital

Authorised

75 000 000 ordinary shares of 1 cent each

Issued

42 887 385 ordinary shares of 1 cent each

Notice of **annual general meeting**

(continued)

Directors' responsibility statement

The directors, whose names appear on pages 8 to 9 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 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 (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) by Tuesday 5 February 2019, 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

14 November 2018

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 2018 to shareholders, together with the reports of the Directors and the auditors. There are contained within the integrated annual report.

2. Re-election of Directors

Mr DJ Fouché and Dr MT Lategan 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 are available on page 8 of this 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 Non-executive Directors as contemplated in King IV and the Listings Requirements of the JSE Limited, and:

- are suitably qualified and experienced for Audit 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 118 to 123.

4. Reappointment of independent auditor

PricewaterhouseCoopers Incorporated has communicated its willingness to continue in office and resolution 4 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 charter the committee is responsible for the approval of the terms of engagement and remuneration for the external audit engagement.

Annual general meeting **explanatory notes** (continued)

6. Vote on remuneration policy/implementation report

Astral's Remuneration Policy as well as the Remuneration Implementation Report are contained on pages 90 to 108 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 6 and 7 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 endeavour to 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.

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.

These resolutions are 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 pages 107 and 108 of this 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 7 February 2019
Reports and accounts	
Interim report for the six months ending 31 March 2019	May 2019
Announcement of annual results for the year ending 30 September 2019	November 2019
Integrated Report	December 2019
Dividends	
Ordinary dividend number 35 of 1 050 cents per share	
Last date to trade cum dividend	Tuesday 15 January 2019
Shares commence trading ex-dividend	Wednesday 16 January 2019
Record date	Friday 18 January 2019
Payment of dividend	Monday 21 January 2019
Interim dividend – March 2019	
Declaration	May 2019
Payment	June 2019
Final dividend – September 2019	
Declaration	November 2019
Payment	January 2020
Important dates and times (notes 1 and 2)	
Record date for determining which shareholders are entitled to receive the annual general meeting notice:	
"Notice Record Date"	Friday 30 November 2018
Notice posted to shareholders on (note 3)	Wednesday 12 December 2018
Record date for attending and voting at annual general meeting "Meeting Record Date"	Friday 1 February 2019
Last day to trade in order to be eligible to participate and vote at the annual general meeting	Tuesday 29 January 2019
Last day for shareholders to lodge forms of proxy for the annual general meeting by 08:00	Thursday 7 February 2019
Annual general meeting to be held at 08:00	Thursday 7 February 2019
Results of annual general meeting to be released on SENS	Friday 8 February 2019

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 eighteenth annual general meeting is Friday 30 November 2018 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 Tuesday 29 January 2019. Accordingly, only shareholders who are recorded in the register maintained by the transfer secretaries of Astral on Friday 1 February 2019 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

Documents available on our website

www.astralfoods.com

1. Astral Foods Limited Board – Mandate and Terms of Reference
2. Human Resources, Remuneration and Nominations Committee – Mandate and Terms of Reference
3. Social and Ethics Committee – Mandate and Terms of Reference
4. Audit and Risk Management Committee – Mandate and Terms of Reference
5. Corporate Governance Framework
6. Detailed Corporate Governance Report – 2018
7. Detailed Sustainability Report 2018
8. Race and Gender Diversity Policy
9. Information Policy
10. Code of Conduct and Ethics
11. Overview of King IV Principles
12. Annual Report Questionnaire
13. Compliance with the JSE Listings Requirements – Annual Compliance Certificate
14. Detailed explanation of Performance Efficiency Factor (PEF)
15. Unvested Long-term Incentives and awards settled

Notes

Notes

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 eighteenth annual general meeting of the company to be held at 92 Koranna Avenue, Doringkloof, Centurion on Thursday 7 February 2019.

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 Thursday 7 February 2019, 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 ______________ 2018/19

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 2018			
2.1	To re-elect Mr DJ Fouché as Director			
2.2	To re-elect Dr MT Lategan as Director			
3.1	To re-elect Mr DJ Fouché as member of the Audit and Risk Management Committee			
3.2	To re-elect Dr MT Lategan as member of the Audit and Risk Management Committee			
3.3	To re-elect Mrs TM Shabangu as member of the Audit and Risk Management Committee			
4.	To re-appoint PricewaterhouseCoopers Inc. as auditors for the 2019 financial year			
5.	To confirm the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors			
6.	To endorse the company's Remuneration Policy			
7.	To endorse the company's Remuneration Implementation Report			
8.	To authorise any Director or the company secretary to sign documentation necessary to implement the ordinary and special resolutions passed at the annual general meeting			
SPECIAL BUSINESS				
9.	**Special resolution number 1** To approve the fees payable to Non-executive Directors			
10.	**Special resolution number 2** To authorise the Directors to approve actions related to transactions amounting to financial assistance to related and inter-related companies			
11.	**Special resolution number 3** To authorise the company, by way of general authority, to acquire ordinary shares in the company			

(indicate instructions to proxy by way of a cross in the space provided)*

Notes to 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 5 February 2019, 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 the 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.

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 initialed 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 code: 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
e-mail: 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 (Proprietary) 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
C E 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: GD Arnold
GP de Witt
JR Tinga*
* *Mozambican*

Mozpintos Limitada
Registration number 100228777
Directors: GD Arnold
AB Crocker

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*

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