ASTRAL

A leading Southern African integrated poultry producer

Integrated Annual Report 2012

for the year ended 30 September

Table of contents

Profile

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, **abattoirs and further processing operations,** sales and distribution of various **key poultry consumer brands.**

Strategic focus

To be the best cost integrated poultry producer and to grow the business organically through selective investments.

This report

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 2012. It aims to provide a broad range of stakeholders with a transparent, balanced and holistic view of the group's performance.

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 2011 to 30 September 2012. No limitations were placed on the company.

We considered the following in compiling this report:

- The Companies Act
- The JSE Listings Requirements
- King III Report
- International Financial Reporting Standards (IFRS) relating to financial statements
- Sustainability Reporting Guidelines as published by the Global Reporting Initiative (GRI)

The front section summarises key aspects of the group and provides a strategic overview of our activities. Salient indicators, an overview of operations and a strategic framework are underpinned by a commitment to corporate governance and ethical behaviour.

The chairman's review and chief executive's report give oversight of the business, addressing past performance, covering important aspects, indicating strategic direction and future opportunities. The chief executive's report also provides detail of the divisions and insight into performance.

The chief financial officer's review highlights the financial performance of the group over the past financial period.

The governance follows covering legal and ethical corporate conduct.

Sustainability issues are dealt with throughout the report.

The section on sustainability highlights and consolidates information required to provide an overall perspective of the group's value creation activities to all stakeholders.

Contact

For questions regarding this report contact:
Maryna Eloff – Group Company Secretary
maryna.eloff@astralfoods.com
(012) 667 5468

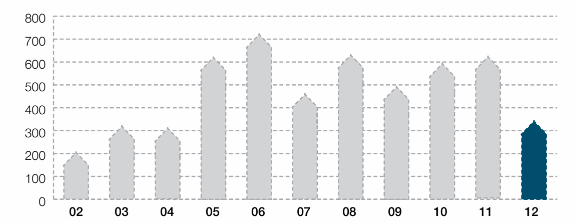
www.astralfoods.com

Financial highlights

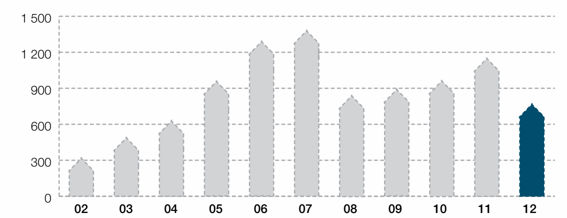
Revenue (Rm)	8 160
Operating profit (Rm)	477
Operating profit margin (%)	5.8
Net debt (Rm)	106
Earnings per share (cents)	865
Dividends per share (cents)	672
Total assets (Rm)	3 565
Net asset value per share (R)	41,65

Group revenue **increased by 12,9%** from **R7 227 million** to **R8 160 million**, due to higher sales realised by both the poultry and feed segments

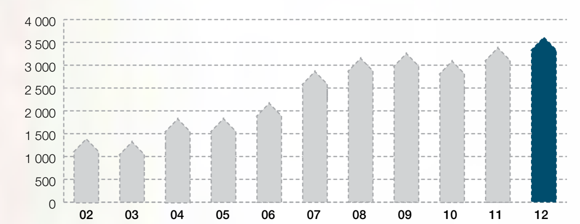
Cash generated from operating activities



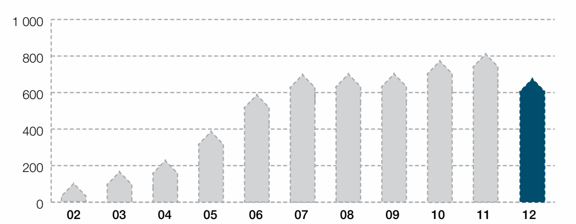
Headline earnings per share



Total assets

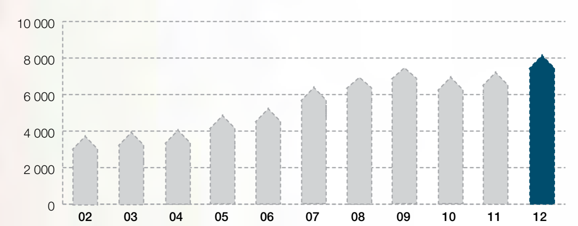


Dividends per share (*)

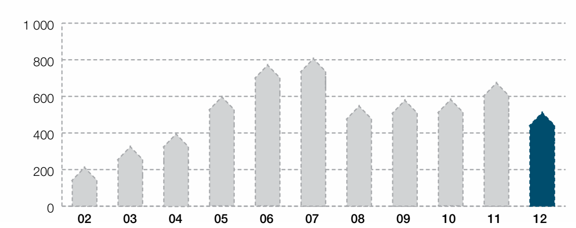


*declared out of earnings for the relevant year

Revenue



Operating profit



Astral as an investment

1. **Largest integrated poultry producer in Southern Africa**

   The leading low cost producer of feed pre-mixes, 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), animal pre-mixes (NuTec), day-old chicks (National Chicks), laboratory services (CAL), TigerChicks Zambia and Mozpintos in Mozambique, and strong poultry meat consumer brands (Goldi, County Fair, Festive, Mountain Valley and SupaStar).

3. **People skills**

   Experienced, long-serving employees with strong backup and industry-leading track record, succession, value systems, integrity and consideration for the environment.

4. **National and regional footprint**

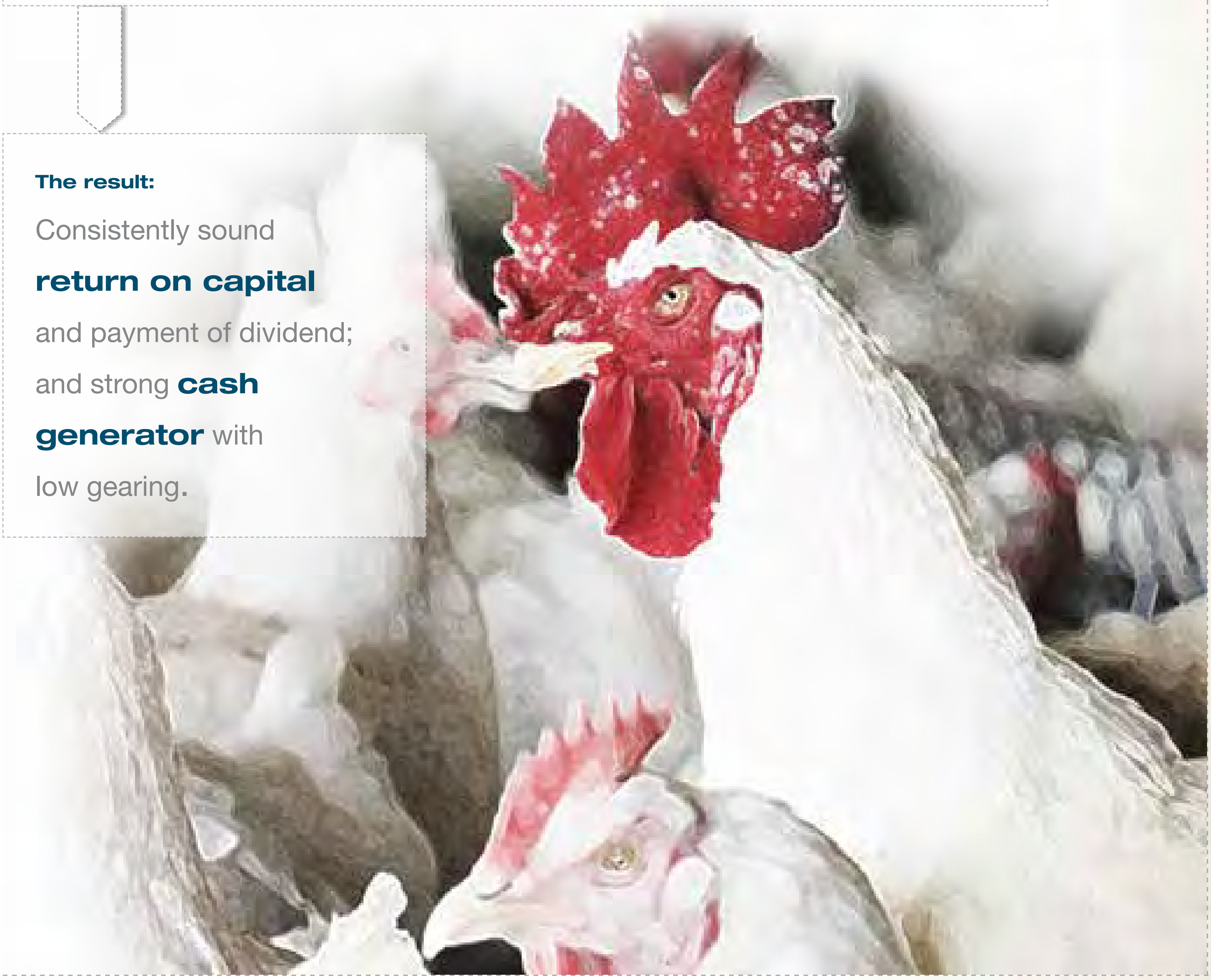
   Well positioned in the major growth areas close to strategic and infrastructural transport hubs.

5. **Generation of strong cash flows**

   Proven record with the ability to meticulously manage working capital and generate strong cash flows.

The result:

Consistently sound **return on capital** and payment of dividend; and strong **cash generator** with low gearing.



Astral Foods at a glance

Astral Foods was established and listed in April 2001 on the JSE Limited, after Tiger Brands unbundled its agricultural operations. Currently Astral Foods is **ranked in the top 100 companies** listed on the JSE Limited with some **7 000 shareholders** and in excess of **11 000 full-time and contract employees.**

Our operations are strategically located within Southern Africa with poultry operations in **South Africa, Mozambique, Swaziland and Zambia, and feed mills in South Africa, Mozambique and Zambia.**

Group activities

POULTRY – Contribution to group revenue: R5 858 million (2011: R5 257 million)

Integrated broiler operations

We have four fully integrated broiler production, processing, distribution, sales and marketing operations. The combined production capacity of 4 325 million processed broilers per week is made up as follows:

Earlybird Standerton	1 600 000
Earlybird Olifantsfontein	1 300 000
Earlybird Camperdown	125 000
County Fair Foods	1 300 000

Both Earlybird Olifantsfontein and County Fair market and distribute a full range of fresh and frozen poultry products whereas Earlybird Standerton's primary products are in the form of individually quick frozen (IQF) products. Earlybird Camperdown, previously known as Mountain Valley, produces both fresh and frozen poultry products.

County Fair and Earlybird market and distribute a full range of value-added products comprising: frozen reformed filled products, ready to eat chicken products and a dedicated range of emulsified products.

Day-old broiler and hatching egg supplier

The National Chicks operation 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 is the sole distributor and supplier of Ross 308 parent stock to the South African broiler industry. The company has a technical agreement with Aviagen Limited, a multi-national company that holds the world-wide proprietary rights to the "Ross" brand. The company has entered into an agreement with Aviagen Limited for the exclusive rights to the International Ross 308 broiler/breeder that is world-renowned for its superior broiler and breeder performance.

FEED – Contribution to group revenue: R2 157 million (2011: R1 778 million)

Feed

The South African operations consist of mills located in Randfontein, Delmas, Welkom, 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 comprise a feed mill in Lusaka (Zambia) and an 80% shareholding in a mill in Maputo (Mozambique).

SERVICES AND VENTURES – Contribution to group revenue: R144 million (2011: R191 million)

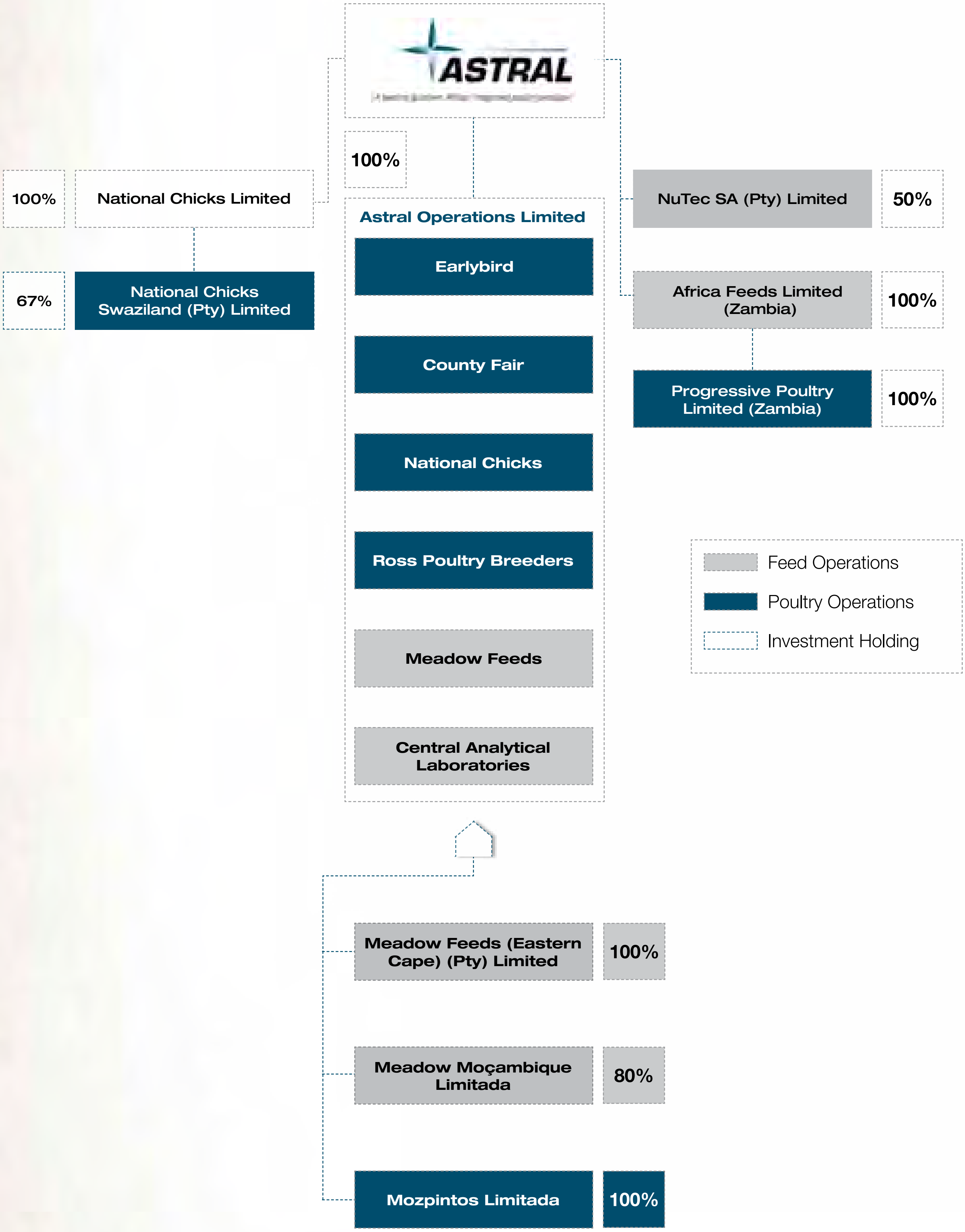
Animal feed pre-mix

NuTec, a 50% joint venture with Provimi Holdings based in Holland, manufactures and markets vitamin and mineral pre-mixes for animal feed and distributes a wide range of feed additives, and commodity and speciality raw materials.

Analytical Laboratories

Central Analytical Laboratories analyses animal feed and water samples for the agricultural sector.

Group structure



Business overview

Earlybird comprises three broiler processing facilities located in Olifantsfontein (Gauteng), Standerton (Mpumalanga) and Camperdown (KwaZulu-Natal). Earlybird, with its own breeding and hatching operations, processes approximately 3 025 million broilers per week. Earlybird makes use of a large number of contract growers to rear birds for slaughter. Various well-known consumer brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Earlybird supplies products to the quick-service restaurant industry most notably Spur and the Famous Brands group (Wimpy, Steers). The Mountain Valley abattoir, situated in Camperdown, provides Earlybird with a strategic processing presence in KwaZulu-Natal. Meadow Feeds – situated in Randfontein, Delmas and Pietermaritzburg – supplies poultry feed to the three integrated broiler operations.

Located in the Western Cape, County Fair is a fully integrated broiler producer processing 1.3 million birds per week. The abattoir located in Agter Paarl supplies birds to a fresh and frozen further processing facility in Epping Industria, Cape Town. County Fair markets products under the County Fair brand with a wide product range. 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.

Conducts business as an international supplier of day-old chicks and hatching eggs to the Astral Group and to non-integrated independent operations in South Africa, Swaziland, Botswana and Mozambique. Plays a key role in every step in the supply chain, whether from chicken to egg or from egg to chicken.

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 generic material to the South African poultry industry.

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, and production standards in feed safety and production methods, ensure that Meadow delivers what farmers require most – good value, safe feed and superior yields.

Range of high-quality standard vitamin/mineral pre-mixes enables the agricultural industry to optimise livestock nutrition. Key to NuTec's operations is providing a comprehensive feed solution involving feed formations and modern husbandry practices.

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.

A breeder farm and hatchery producing day-old broiler chicks for the Zambian and future export markets. TigerChicks has introduced a new broiler breed, the Lohmann Meat, into the African market. This is the first slow feathering broiler bird to be bred in Africa.

Tiger Animal Feeds has been the leading 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.

A newly constructed hatchery south of Maputo in Mozambique with an initial capacity to hatch 60 000 day-old broiler chicks per week and a footprint to expand to 158 000 day-old chicks by adding additional incubation equipment. A fully fledged breeder farm will be built within the next 12 months to supply the hatchery with broiler hatching eggs.

Chairman's review

The **combined pressures** of weak prices and **high input costs**, beyond the **control** of management, continued during 2012.

Jurie Geldenhuys Chairman

Highlights

Investment in human capital in the form of the chief executive officer's Pinnacle Programme, addressing middle and advanced management, was rewarded by good results from a group of enthusiastic participants.

Excellent progress with turning Earlybird Camperdown abattoir into a valuable adjunct to the group's activities, in line with the strategy of establishing a footprint in the KwaZulu-Natal area.

Signing of an all-inclusive agreement with the Competition Commission to settle all previous and current matters and investigations.

Achievements

- Trimming of operational expenditure during the latter half of the year to ensure a healthy survival.
- Skilful marketing achieved an acceptable balance between stock levels and prices.
- The Feed division improved operating profit by 11% compared to the previous year.

Retrospective

"Survival of the fittest", were words of caution in my 2010 review. During 2011 it regrettably proved to be well founded, with smaller poultry producers going out of business and/or being consolidated into the majors. Sadly the pattern has continued. The combined pressures of weak prices and high input costs, those beyond the direct control of management, continued during 2012. Other smaller producers have been unable to make the grade and some majors had to take serious contingency action to survive resulting in further industry consolidation taking place.

Without detracting from the efforts of Astral's management during the year, the board can only regard a 31% reduction in headline earnings as very disappointing. Shareholders should take some comfort though from Astral's performance relative to its competitors during this period in an extremely distressed industry.

At the half-year mark headline earnings lagged those of the previous year by 18% and then the real crunch came as second half headline earnings reduced to a level of 52% of the comparable 2011 period as lack of demand, evidenced in low prices, high feed costs and continued cheap imports really took their toll. Risk management was prominent in the minds of the directors throughout this period. Deliberations regarding appropriate levels of necessary expenditure on human and physical capital maintenance, in the interest of a healthy survival, whilst trimming operating expenditure were an ongoing feature during the latter half of the year. At the risk of being presumptious I believe that executive management succeeded in this regard. In addition skilful marketing achieved an acceptable balance between stock levels and prices. Cash management and gearing was under constant scrutiny, with year-end gearing, in anticipation of possible further stress ahead, at an acceptable 7%.

In this context I would be remiss not to pay tribute to the Feed division for an outstanding performance. This division has often in the past displayed a degree of counter-cyclicality to the Poultry division and with astute management improved operating profit by 11% compared to the previous year.

Corporate Governance

The annual self audit of compliance with King III guidelines indicated meaningful improvement in the areas of stakeholder relationships, information technology governance and compliance monitoring and reporting.

The statutory Social and Ethics board committee has been established under the eminent chairmanship of Dr Theuns Eloff. The composition and structure of the prescribed advisory panel has been addressed and three members for each of the categories employees, members of registered professions and members representing community and public interest have been identified. All panellists have accepted their appointments and we look forward in anticipation to the work that the committee will do in the forthcoming year.

Sustainability remains a cornerstone of our management philosophy, as reflected in this annual report.

Safety and health is integral to this. The board regrets to advise of the death in service of Ernest Suliman Liwewe at Earlybird Camperdown. Rigorous investigations into the cause of this unfortunate accident was conducted and the necessary corrective actions taken. The measurement and reporting of the disabling frequency rate (DIFR) has been standardised in order to properly assess progress in safety management. The DIFR serves as an indicator of inadequate safety management and will be closely monitored.

Regarding the environment, specific weaknesses in the areas of soil and water contamination and excessive boiler stack emissions are being addressed.

Investment in human capital in the form of the Chief Executive Officer's Pinnacle Programme at the Potchefstroom Business School, addressing middle and advanced management, is being rewarded by good results from a group of enthusiastic participants. Mentors have been selected from senior management to further motivate and develop this pool of management talent.

To ensure that directors have first hand exposure to local management and "coal face" knowledge of the group's operations, site visits were arranged to the Meadow Feeds and NuTec facilities at Pietermaritzburg as well as the recently acquired Earlybird Camperdown abattoir. Excellent progress has been made with turning this latter operation into a valuable adjunct to the group's activities, in line with the strategy of establishing a footprint in this geographical area, which has to date not been exploited by the group.

Following on the success of the 2010 strategic review, a similar two-day exercise was conducted during March of this year. Board participants were given in-depth briefings by leading economists, a political analyst and the Poultry division's sales and marketing executive. The outcome of the exercise was consensus between executive and non-executive directors alike regarding medium and long-term strategic imperatives and initiatives. This will greatly facilitate quality decision-making in the uncertain economic and political environment in which we conduct our business.

Directors again had the opportunity for self-assessment of performance, assessments of fellow directors, board committees and their chairmen, the functioning of the board itself as well as the chairman, chief executive and company secretary. The results of these assessments will be reported back to the board, with the chairman personally interacting with individuals as may be deemed necessary. A panel consisting of the chairmen of the Audit, and Social and Ethics Committees and the chief executive officer will address the chairman's performance.

Chairman's review (continued)

Substantial progress has been made regarding resolution of all Competition Commission litigation. The protracted process is due to many detailed issues being resolved to the satisfaction of all parties concerned. The Settlement Agreement will become effective upon confirmation as an order by the Tribunal. The events leading to the various actions by the Commission against Astral are regrettable and unfortunate. Executive management are to be commended, however, for the nature of the settlement, following many months of transparent procedures and bold and honest disclosure.

2013?

The question mark is deliberate, emphasising successive years of continued uncertainty.

The South African economy and ultimately its impact on the purchasing power of our customer base has to be seen in its global context. In the advanced economies, growth is now too small to make a substantial dent in unemployment. In major emerging market economies, growth that had been strong has also decreased. Forecasts for 2013 growth have been revised down from 2,0% to 1,5% for advanced economies, and down from 6,0% to 5,6% for emerging market and developing economies. The forces generally acting as a drag in advanced economies are fiscal consolidation and inefficient and weak financial systems. Low growth results in many borrowers facing tight borrowing conditions.

The countries, or blocs, with the most significant global economic influence at this stage are the USA, Europe, Japan and China. A major upset in the economies of any of these will have a mutual impact on each other and likely severe consequences for the global economy. Some economists warn of another recession, similar to or worse than that of 2007 – 2008. Latest IMF estimates suggest that recession probabilities in 2013 are about 15% in the United States, above 25% in Japan (the world's third largest economy) and above 80% in the Euro area.

The USA is by far the largest economy and still the holder by virtue of its size and influence, of the only really global currency, the greenback. Faint signs of a recovery are visible but most commentators agree that the US still has a long tough haul ahead of it. The much discussed "fiscal cliff" will not be addressed until after the election, with growing doubts about an expedient and expeditious solution, considering the extremely partisan current political approach to the nation's economic problems.

In Europe it could be true to say that the slow pace of economic and political reform probably allows time for the countries and their citizens to better come to grips with reality. Resolution of the pre-conditions relating to further grants of funds to assist those countries deemed to be most seriously distressed is a highly politicised issue. The man in the street is feeling the pain and is objecting. The European economic outlook probably has the highest global uncertainty attached to it and any serious upset is likely to have a most significant impact on the international economy.

For many years, China, the world's second largest economy, has been an unstoppable and undeniable underpin of global economic growth. It should be remembered that during 2007 it grew at an estimated 14,2%. This year, after many years of plus 8,0% growth it appears to have slowed down to an expected 7,5%, the lowest in about 22 years. Whilst still a pretty solid figure, the slowdown has already impacted severely on the volumes and prices of some of its imports, especially iron ore and coal, much of it supplied from South Africa.

This brings us back to our own country. Ironically, because of the international liquidity of its currency and a healthy financial infrastructure, any global upset is usually rapidly followed by withdrawal of funds to "safer havens". This leaves South Africa "poorer" and with less spending power. For reasons that are difficult to deny, this situation has been aggravated by downgrades by various international rating agencies of our sovereign credit rating, with a negative spinoff on the ratings of parastatals and the major banks. Lastly, South Africa has the highest, therefore the worst Gini-coefficient in the economic environment in which it finds itself. The buying power of between 70% and 80% of our population is negligible and in 2011, Statistics South Africa released its General Household Survey 2010, concluding that about 60% of South African children live in households with a combined income of less than R575 per month.

The table below indicates the relatively slow rate of growth in the non-durable consumer sector on which Astral depends for its growth.

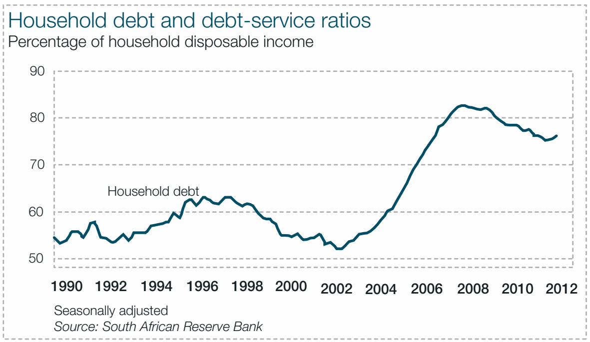
Real final consumption expenditure by households

Percentage change at seasonally adjusted annualised rates:

Component	2011					**2012**	
	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Year	**1st qtr.**	**2nd qtr.**
Durable goods	19,6	13,5	17,5	16,6	15,7	**8,2**	**8,1**
Semi-durable goods	12,5	7,8	6,7	7,3	7,0	**2,9**	**7,8**
Non-durable goods	5,0	2,1	2,0	2,2	2,9	**3,5**	**3,8**
Services	2,9	1,0	1,4	2,9	3,8	**1,6**	**(0,3)**
Total	6,2	3,4	3,8	4,6	5,0	**3,1**	**2,9**

Source: South African Reserve Bank Quarterly Bulletin

The graph below further indicates the position in which South African households, throughout the wealth spectrum, find themselves, with debts at a disturbing 75% to 80% of their disposable incomes:



The latest country-wide industrial unrest, and a perceived lame-duck government by virtue of the schisms in its power base, exacerbates the economic situation.

Astral's shareholders, and indeed all stakeholders, should thus appreciate that we will for the foreseeable future continue to operate in a highly uncertain and challenging environment. Regrettably, still a matter of "survival of the fittest". This is particularly tough to swallow after the six years of booming economic conditions between 2002 and 2007, with a give-or-take 30% annual increase in earnings per share for Astral.

Astral, in facing these challenges, has some powerful resources to fall back on. The superior genetics of the birds underpinning our business is indisputable. Disciplined, top quality farm and abattoir management assists to make us competitive, efficient and cost-wise – a critical pre-requisite for survival and continued profitability. The last six months has tested and honed our marketing skills, especially regarding the very delicate balance between excessive stock levels and unacceptably low prices. Reduced imports and a further reduction in supply due to the failure of some smaller operators should also assist in this regard. Prices at this juncture in our industry are extremely sensitive to small variations in supply and stocks. Last, but not least, we start the new financial year with a level of debt which may be regarded as too low in good times, but surely must give great comfort in these uncertain and tough times.

In conclusion, our physical resources, our human resources and our financial resources are in excellent shape and the board is confident that the seasoned executive and operational management will steer Astral profitably through a challenging 2013.

Jurie Geldenhuys
Chairman

7 November 2012

Chief Executive Officer's report

New **challenges** that arose during the period under review **severely tested Astral's** as well as the poultry industry's ability to shield itself against **extreme market conditions**.

Chris Schutte Chief Executive Officer

Highlights

- Astral continued to produce good on-farm production results achieving an average broiler performance efficiency factor (PEF) for the Group of 294 for the past year;
- A commendable performance was achieved by the Group's Feed division under difficult trading conditions;
- The Group's other Africa operations performed well, posting improved results;
- Astral BEE rating improved further with the Group achieving 51,8% towards the employment equity targets as stipulated in the Department of Trade and Industry's Code of Good Practice; and
- A net debt position at year-end of 6,6% was achieved, reflecting Astral's ability to maintain a strong balance sheet amid lower margins and a high dividend pay-out ratio.

Achievements

- The construction works for the new broiler hatchery situated in the Maputo Province in Mozambique were completed;
- The bedding down of the Mountain Valley acquisition and positioning this business for future growth in the KwaZulu-Natal market;
- The successful launch of a new free range chicken product range and brand; and
- The CEO Pinnacle Programme, an Astral employee skills development programme, has been expanded to include three tiers of management development courses.

Focus

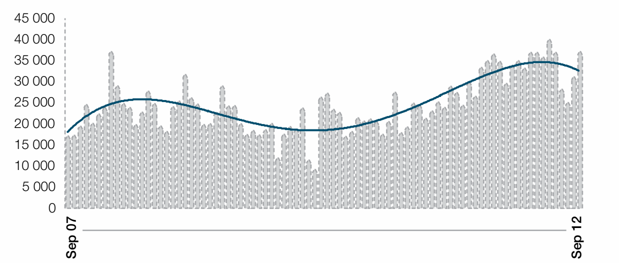
- To remain a low-cost producer of poultry meat;
- To maintain the excellent on-farm production results whilst extracting all possible cost efficiencies;
- To focus on key projects in the coming year that will leverage expansion opportunities through organic growth and acquisitions in target markets, particularly in other African countries; and
- To support the low cost structure through the construction of a broiler feed mill in Standerton to integrate with the broiler operation in Mpumalanga.

Introduction

Astral's 12th annual report provides an overview of the results for the year under review, to illustrate not only the Group's financial and operational performance and achievements, but also to highlight how the business has performed within the macro-environment in which it operates.

As was highlighted in last year's annual review, the global economic turmoil had not shown any signs of abating, and the impact of this continued to be felt during the period under review. Together with the downstream effects thereof, new challenges that arose during the period under review severely tested Astral's, as well as the poultry industry's, ability to shield itself against extreme market conditions.

Total imports in tons per month

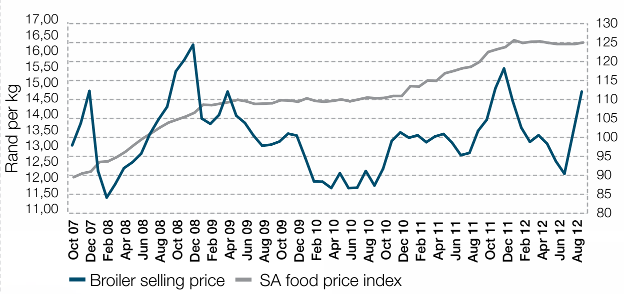


Source: South African Poultry Association (SAPA)

The tough trading conditions this past year were compounded by macro-economic factors including, amongst others, record levels of poultry imports, the injudicious export of maize from South Africa, escalating international prices of maize and soya as a result of the extreme drought conditions in the United States, both of which are major cost drivers in the production of poultry. Energy costs also continued to escalate sharply way beyond inflationary increases.

The country's inability to create more jobs, linked to already high unemployment, depressed discretionary household spend as a result of reduced per capita disposable income. This was further impacted by the widespread strike action across various sectors of the economy that had a direct bearing on the ability of various communities to spend. Global and local food inflation continued, however locally chicken prices did not follow the same upward trend, and lagged both inflation and the recovery of escalating input costs.

Broiler selling price vs Food price inflation



Source: SAPA and CJA Strategic Risk Brokers

Record high feed prices, together with higher local poultry production, exacerbated by high poultry imports in a depressed consumer environment, culminated in a severe overstock situation with no spare storage capacity available throughout the cold chain network. This set the scene for a disastrous winter sales period in which product was sold below the cost of production.

Against this backdrop, Astral experienced a margin squeeze in its Poultry division as it was unable to maintain its margins as pricing power shifted away from the producers, which favoured the retail market sector who used chicken as a loss leader and promotional draw card.

Salient points

- The poor market conditions brought about by macro-economic factors over which management had little or no control, and the negative impact thereof on Astral's financial performance over the past year, management took a decision to freeze this year's salary increases. This decision was not taken lightly and we will be evaluating this from time-to-time. Astral has thoroughly investigated every possible alternative to avoid retrenchments as a result of cutbacks in its operational activities, and it was felt that, by not increasing salaries, it will assist in preventing further job cuts.

  This freeze on salary increases can be seen as management's and the employees' contribution in an endeavour to avoid more people losing their jobs. Inflationary-related increases for minimum wage earners will be considered on the merit of specific business unit performances. Management take cognisance of the fact that this bold decision may cause some disagreement amongst parts of the labour force, and that this could lead to industrial action.

- An all-inclusive agreement with the Competition Commission has been negotiated to settle all previous and current matters and investigations and is in the final stages of conclusion, with the settlement value of R17 million having being fully provided for in the first half of the financial period under review. This agreement will have to be confirmed as an order by the Competition Tribunal.

Financial overview of operations

For 2012, a 23,3% reduction in earnings is reported. This is on the back of a reduction in operating profit of 17,0% in the interim results posted in March 2012, with second half earnings reducing by 31,2% relative to the comparable 2011 period. The second half of the year was severely impacted by high feed prices, high poultry stock levels in the industry, high levels of poultry imports and depressed poultry selling prices. It was evident during the second half of the reporting period that the poultry industry lacked pricing power, as can be intimated from the extensive promotional activity that was witnessed in order to manage stock levels at prices below cost.

Chief Executive Officer's report (continued)

Revenue for the Group increased by 12,9% to R8,2 billion (2011: R7,2 billion) on the back of an increase of 4,7% in poultry volumes, a 5,6% increase in poultry realisations and the increase in feed prices for the period under review.

Operating profit showed a disappointing decrease of 29,3% to R477 million (2011: R675 million) and the operating margin at 5,8% reflected a decrease (2011: 9,3%). The drop in profitability was impacted by poultry feed costs which increased by 23,0% year-on-year, whilst poultry realisations only increased by 5,6%, indicating an inability to recover input costs.

With the high price of maize and feed Astral maintained a strong focus on working capital during the period under review, and this contributed to an acceptable net debt position at year-end. Cash generated from operations decreased by 46,1% to R478 million (2011: R837 million), with net borrowings increasing from R39 million to R106 million. This increased Astral's gearing to 7% (2011: 3%).

Poultry division

Revenue for the division was up by 12,5% to R5,9 billion (2011: R5,3 billion) on the back of higher volumes (up 4,7%) and poultry selling prices. Profitability decreased significantly by 59% to R145 million (2011: R353 million), resulting in a net margin for the division of 2,5% (2011: 5,7%).

The lower profitability is attributable to increases in feed prices, the single biggest input cost, of 23% whilst poultry selling prices only increased by 5,6%. On-farm performances were impacted by higher broiler mortalities, and a slight deterioration in feed conversion rates, which impacted on the live cost of the birds sent to processing.

Our traditional successful stock management and pricing strategies could not compensate for the magnitude of the imbalance in local supply and demand, driven by weaker consumer demand and record high levels of poultry imports. This placed pressure on poultry pricing levels, and the increase in feed costs together with above inflationary increases in administered costs, culminated in a margin squeeze and a significant deterioration in the profitability of Astral's Poultry division.

Feed division

Revenue for the division increased by 24,1% to R4,6 billion (2011: R3,7 billion) as a direct result of the higher raw material and feed pricing, whilst sales volumes remained stable (up 0,1%). Operating profits increased by 11% to R313 million (2011: R282 million). This division showed robustness in its ability to successfully recover inflationary costs from the market, whilst maintaining an acceptable level of credit risk without sacrificing sales volumes.

Other Africa

The other Africa operations performed favourably, and with further investments in both Zambia and Mozambique it will become necessary to report these operations separately in their own segment in the future as the materiality of their contributions to Astral's results become more pertinent. If the results of the other Africa operations are extracted from the Group's results, these reflect an increase of 27,1% in revenue and an operating profit increase of 21,9%.

Services and Joint Ventures

Revenue for the division decreased by 13% to R240 million (2011: R276 million). Profitability decreased by 52% to R18,9 million (2011: R39,4 million). Excluded from the results for 2012 is a full year profit contribution from the East Balt SA operation, which was sold during the financial year. The provision for the Competition Commission settlement of R17 million also had a significant impact on this division.

Operational performance

Poultry division

Astral's Poultry division comprises three separate activities:

- Broiler operations.
- Day-old chicks and hatching eggs.
- Broiler and breeder genetics.

Broiler operations

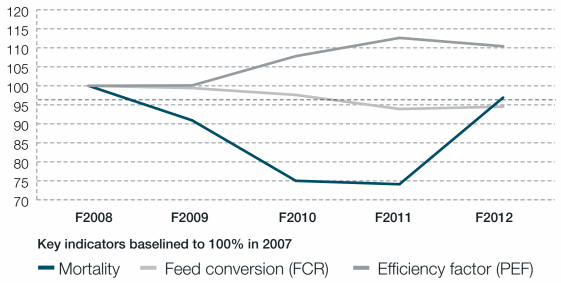
The four integrated broiler operations are strategically located in the major growth areas of Gauteng, Mpumalanga, the Western Cape and KwaZulu-Natal. The slaughter numbers for these operations total 4,3 million birds per week and are made up as follows:

Earlybird Farm Olifantsfontein	1 300 000	**4 325 000 birds per week**
Earlybird Farm Standerton	1 600 000	
Country Fair Agter Paarl	1 300 000	
Earlybird Farm Camperdown	125 000	

With the "new" Ross 308 genetic line fully integrated into all operations and now in its second year of production, the Poultry division continued to achieve good on-farm results, despite bird health challenges experienced by the poultry industry during the period under review.

In contrast to the prior three years, which was characterised by good bird health status in the poultry industry, the past year brought about new challenges in managing bird performance as an unfamiliar Infectious Bronchitis (IB) strain impacted on bird health. This resulted in higher mortalities and an overall drop of 2% in our production efficiency factor.

Poultry division combined broiler key indicators: September 2012 (%)

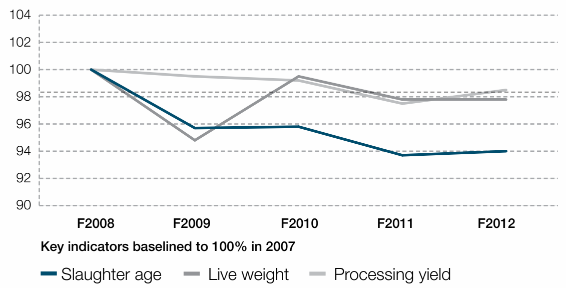


Source: Own data

Excluding the higher mortalities, farming results met expectations with the Ross 308 exhibiting outstanding production characteristics and robust performances reflected through the minimal impact on PEF and the overall feed conversion rate. The processing yield has increased by 1% for the period under review as a result of a workplace improvement programme.

The feeding cost to rear a broiler to slaughter age, made up 65% of the total live bird cost for the period under review, whilst the feed cost per kilogram of live weight produced increased by 23% over the prior period, due to escalating raw material costs, specifically in respect of maize and soya.

Poultry division combined broiler key indicators: September 2012 (%)



Source: Own data

Day-old chicks and hatching eggs

National Chicks, the Group's commercial hatching egg and day-old chick producer operating in South Africa and Swaziland, experienced lower egg sales to the Astral broiler operations. This was, however, offset by higher external day-old chick and hatching egg sales as a result of higher demand for the Ross 308 from the external market. An effort to develop the export market for eggs was successful, and hatching eggs were sold into several African neighbouring countries. National Chicks posted a good result for the year, despite tough market conditions on the back of spare hatching capacity in the industry.

Broiler and breeder genetics

The Group's genetic operation, Ross Poultry Breeders (Proprietary) Limited, operates in association with Aviagen Limited, a global leader in the development and genetic improvement of commercial chicken breeds. The Ross 308 performances are regarded as highly successful and will continuously be exploited to optimise the genetic potential of the breed.

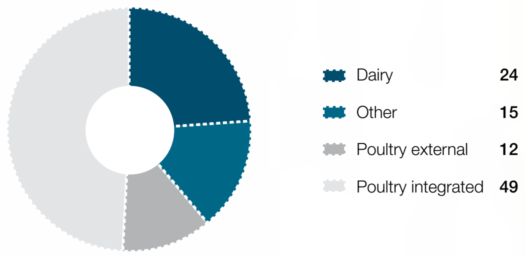
Feed division

The division comprises seven feed mills in South Africa, together with two mills located in Zambia and Mozambique (reference page 28 – map). Included in the division is the broiler breeder and hatchery operation in Zambia known as Tiger Chicks.

In addition to Astral's poultry operations in Zambia and Swaziland, a broiler hatchery in Mozambique has been constructed and recently commissioned, with a broiler breeder operation to be added during the next financial period.

Meadow Feeds supplies 51% of its total volumes to the Group's downstream poultry operations. Total volumes remained unchanged year-on-year at approximately 1,3 million tons per annum, with a negligible increase of 0,1% driven by an increase in feed supply to Astral's poultry operations. Total plant capacity remained unchanged, with a plant utilisation of 78% for the period under review.

Meadow Feeds sales (%)

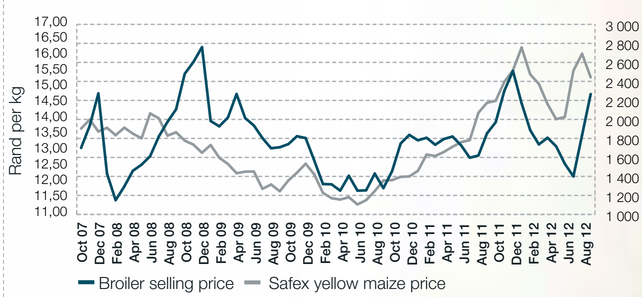


Source: Own data

The price of maize, as a key driver of input costs into feed and the production cost of poultry meat, increased significantly as a result of local shortages following the injudicious maize exports and later due to rocketing international prices, as the United States suffered its worst drought in more than 50 years.

Year-on-year maize prices on average increased by 42%, with extreme volatility in the market seeing maize prices trading between a low of R1 930 per ton in May 2012 and a high of R2 919 per ton in January 2012, reflecting a variance of 51%.

Broiler price vs Maize price



Source: SAPA and CJA Strategic Risk Brokers

Chief Executive Officer's report (continued)

Soya prices were similarly affected by the drought in the United States, despite a relatively healthy world soya balance sheet. The average price year-on-year increased by 20%, with prices ranging between R3 189 per ton and R6 200 per ton in F2012, representing a variance of 94%.

Due to the traditional lag in feed price movement relative to raw material pricing, together with an average increase of 30% in the prior year's maize cost, compounded with the current year's increases in raw material costs, these impacted on poultry feed prices, which increased by an average of 23% year-on-year.

Plans for the new feed mill in Standerton have been approved and earthworks have commenced. Commissioning of the plant is scheduled for early 2014, preceding the expiry of the ten-year feed supply agreement with Afgri, stemming from the sale of their 50% interest in Earlybird to Astral in 2004. The new mill's proximity to our poultry operations in Standerton, and to local maize, soya and sunflower production areas, will result in considerable savings for the Group.

Meadow's long-term technology agreement and alliance with Provimi, a global leader in animal nutrition, has been enhanced by Cargill's acquisition of the Provimi Group. As both Cargill and Provimi feature as strategic alliance partners, the above consolidation will further enhance Astral's ability to tap into world-class best practices in all areas of animal welfare, husbandry, feeding and nutrition.

Other Africa

Astral's African operations comprise animal feed production facilities in both Mozambique and Zambia, and two day-old chick broiler hatcheries with broiler breeder farms located in Zambia and Swaziland. A new broiler hatchery and broiler breeder operation in Mozambique will be operational during the course of the next financial period. The above complements Astral's stated intention to further expand and integrate its African operations.

Maize procurement for the Zambian and Mozambican feed mills is done locally in those countries. Both countries produced sufficient maize crops for domestic consumption over the past year, and Zambia became an exporter of maize.

Zambia

Tiger Animal Feeds (TAF) currently sells 51% of total feed sales as poultry feed, with 3% of the total sales supplied to the Astral poultry operations in that country. During the period under review, capital expenditure was approved to increase the capacity of this feed milling operation, whilst replacing ageing key equipment with the latest technology.

Day-old chick sales from the hatchery operation increased by 33% for the year, and sales will reach 100 000 chicks per week in late 2012. Capital expenditure of R23,5 million was approved during August 2012 to double the capacity of the hatchery and broiler breeder operation, and these works will be completed in late 2013.

Mozambique

Meadow Mozambique poultry feed sales were impacted by the effect of an outbreak of Newcastle disease in the Maputo poultry industry during the year, resulting in a decrease in volumes sold. The recent commissioning of the new hatchery, together with world-class poultry husbandry practices and vaccination programmes, will see the sale of quality day-old broiler chicks into the Mozambican market from November 2012.

Swaziland

The Swazi hatchery and broiler breeder joint venture with a recognised local broiler producer, increased day-old broiler chick sales by 5,1% on the prior year, further optimising the hatching capacity of this operation to a utilisation level of 92,0%.

Services and Joint Ventures

This division comprises two joint venture businesses, as well as a specialised feed and water analytical services operation. Central Analytical Laboratories (CAL), the Group's in-house laboratory service, performed well for the year under review after installing new equipment and bedding down additional testing procedures.

NuTec Southern Africa, a 50% joint venture with Provimi, specialises in the production of vitamin and mineral animal feed pre-mixes and the provision of feed formulation and technical expertise. NuTec performed well for the year under review and will expand its focus in the coming year on export opportunities offered by broadening African markets.

East Balt SA, a 50% joint venture with East Balt Inc., an industrial bakery Group based in the USA, reported satisfactory results, and the sale of Astral's 50% interest in this business was concluded in the year on the back of a previously stated exit strategy.

Key investments

Capital expenditure for the period under review of R211 million was up on the prior year's R151 million.

F2012 – R'million	Replacement	Expansion	Total
Poultry	75,8	76,4	152,2
Feed	22,8	8,4	31,2
Other Africa	6,9	14,3	21,2
Services and Ventures	5,4	1,4	6,8

The bulk of the increase in capital expenditure over the prior year is as a result of higher capital expenditure in the Poultry division on expansion projects at the abattoirs such as a refrigeration upgrade at County Fair, as well as the expansion capital expenditure on the hatchery project in Mozambique.

Key challenges going forward

Operationally, a key challenge for Astral and the industry will be to return to the good health status of the local poultry flock as enjoyed in the three years preceding the period under review. Astral will continue to exploit the inherent genetic potential of the new breed and, in this regard, sound farming methods and meticulous bird management practices will remain a vital focus area.

The rising cost of energy and specifically electricity and liquefied petroleum gas (LPG), has prompted the Poultry division to explore alternative heating and energy sources during the past year. In the year ahead, we will finalise a viable project proposal for a phased-in implementation at County Fair in the Western Cape, which will enable this operation to move away from costly LPG as a fuel used in heating the poultry houses.

The current higher feeding costs as a result of increasing global raw material prices and the traditional lag and impact thereof, will be felt in the coming year, and the key challenge will remain Astral's ability to recover increased costs in the chicken price against the backdrop of the industry's ability to regain a level of pricing power.

The South African Poultry Association (SAPA) continues with efforts in tackling unfair trade practices surrounding the high levels of poultry imports. Preliminary anti-dumping protection implemented in February this year on whole birds and boneless cuts from Brazil lapsed on 8 August 2012. The International Trade Administration Commission of South Africa (Itac) imposed these duties after it found injurious dumping in the local market during 2010. These duties are still to be finalised after they were referred back to Itac for review by the Department of Trade and Industry. Following the preliminary anti-dumping duties that were implemented on whole birds and bonus cuts from Brazil in February, Brazil laid a complaint with the World Trade Organisation.

SAPA is also currently working on submitting an action to Itac which will detail alleged dumping by a range of countries on bone-in portions. Recent evidence has shown that imports of bone-in portions from the European Union, on which no general import tariffs are imposed, have grown from 0,5% in 2009 to over 60,0% in 2012, The local poultry industry seeks a "level playing field" particularly on the back of escalating feed and energy costs increasing the cost of producing chicken in South Africa.

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:

- Non-conformance to feed pre-mix and final feed specifications;
- Prolonged imbalance in supply and demand of poultry;
- Avian diseases and lapses in bio-security measures;
- Loss of the superior genetic performance of the Ross 308; and
- Availability and cost of energy.

In the management and mitigation of these risks, Astral has set out particular action plans (see page 30), and management systems have been implemented to support the operations in managing critical risks that could impact on the sustainability of the Group's results.

Acquisitions and disposals

Disposals

East Balt SA

Astral's shareholding of 50% in East Balt SA was disposed of during the year under review. The transaction was concluded during the latter half of the reporting period, for an amount of R96 million realising a profit of R36 million.

NuTec Southern Africa

Negotiations and finalisation of the agreements for the disposal of half of Astral's 50% interest in NuTec to Cargill are well underway, with the agreements due to be signed during November 2012 with an effective date for the transaction of 1 June 2012. A purchase consideration of R61 million for 25% of the shares in NuTec was agreed upon. The decision to sell a portion of Astral's interest in this business was taken so as to allow Cargill to invest in the redevelopment of the NuTec facility, and simultaneously expand pre-mix sales into African markets. As a result Astral's remaining 25% interest will be in a larger speciality pre-mix business.

New developments

In line with our strategic intent, Astral will focus on certain key projects in the coming year:

New hatchery (Mozambique)

The purchase of a property near Maputo was concluded during the period under review, and the newly constructed hatchery was completed during September 2012 with a capacity of 158 000 day-old broiler chicks per week. The first chicks are expected to be hatched in November 2012. Capital expenditure in phase 1 of the integration with the construction of six broiler breeder sheds was recently committed, and these are due for completion in the new financial period.

Tiger Chicks expansion (Zambia)

Capital expenditure has recently been committed to double the capacity of the hatchery and broiler breeder operation in Zambia to 200 000 day-old broiler chicks per week, with completion of the expansion to be commissioned by the end of 2013.

Chief Executive Officer's report (continued)

New feed mill (South Africa)

The new Standerton broiler feed mill project is underway, with earthworks having commenced during late September 2012. This feed mill is planned for completion in January 2014, which will provide a two-month period for commissioning of the plant, prior to beneficial occupation on 1 March 2014.

County Fair processing expansion

A project to upgrade the Hocroft abattoir in the Western Cape during 2012, which would have seen processing capacity increasing by 10%, was downscaled due to prevailing economic conditions, and now only addresses areas of need such as an upgrade to the refrigeration plant room and related electrical equipment. This has laid the foundation for future expansions.

Earlybird Camperdown expansion

Following the bedding down of the Mountain Valley acquisition, this business is positioned for future growth in the KwaZulu-Natal market and, to this end, capital expenditure has been budgeted to double the capacity commencing in the new financial period.

Enterprise Resource Planning

An integrated standardised Enterprise Resource Planning (ERP) solution for Astral's Poultry division planned to replace the various software platforms that are currently utilised. A vendor has been selected to supply the new ERP software solution and this project will commence in November 2012 for implementation over two years. The ERP solution will address strategic functions that are critical to the farming, processing and distribution areas and will provide management with invaluable up-to-date business information.

Market developments

In line with Astral's objective to gain a larger share in the Quick Service Restaurant (QSR) market, sales to both Famous Brands and Spur have grown well, especially in value-added products. We continue to focus on gaining an increased share of the QSR bone-in-portion category with ongoing interactions taking place with key customer Groups.

A project to upgrade the crumbing lines supplying products to the QSR market from Astral's Further Processing Plant in Standerton has been undertaken, and will be completed in the early part of the new financial period. This will bring improved efficiencies and throughput capacity.

Astral recently launched a Free Range fresh chicken label to the retail market in the Gauteng region, and are in the process of launching this product line in the Western Cape under the Mountain Valley brand. This premium niche category is performing ahead of expectations.

Supply chain

Astral will investigate any opportunity to further secure the Poultry division's supply chain and route to market in the long term, and will focus on optimising the integration further in the key areas of cold storage as well as frozen and chilled distribution.

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. Each employee embarking on this "CEO Pinnacle Programme" is studying towards a specific diploma qualification and has been assigned a mentor from within the company for the duration of the year-long studies. This programme was expanded during the year to include three tiers of management development courses.

Transformation update

Astral received an updated BBBEE score (BB or Level 6 rating) during the period under review with the Group achieving 51,83% towards the employment equity targets as stipulated in the Department of Trade and Industry's Code of Good Practice. The Group reports positive progress in this area and its focus will remain on improving the company in those areas identified as lacking against targets set on the scorecard. Astral is an equal opportunity employer, committed to the principles and objectives of the Employment Equity Act.

Workplace improvement

During the period under review Astral embarked on a workplace improvement programme in the broiler operations targeting cost-saving initiatives and efficiency improvements. The programme is ongoing and aims to achieve agreed annual targets and savings. The programme also aims to install identified best practices throughout the broiler operations, to ensure standardisation of procedures and systems throughout these business units.

Alliances

Key alliances continue to play an important role in positioning Astral as a leading 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;
- Provimi, an international specialist in animal nutrition;
- Nutron, a Brazilian animal nutrition and poultry husbandry specialist;
- Cargill, the global leader in grain trading and shipping;
- Seaboard, a unique company with its roots in agriculturally-derived products; and
- Atlas, with a focus on sourcing and supplying protein-based soft commodities.

Local alliances 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.

Outlook

The business environment for the first half of the next reporting period is not expected to improve from prevailing conditions. Maize and soya pricing as key costs drivers in feed and poultry will remain at higher levels with limited ability to recover the increased production costs in a depressed consumer market, exacerbated by high levels of poultry imports and an imbalance in supply and demand. Expected higher grain and oilseed plantings and normal precipitation levels locally, could contribute to a reduction in feed input costs during the second half of the next financial year reporting period.

Appreciation

In closing, I extend my gratitude to all our loyal customers for their continued support this past year, and to all our suppliers and service providers; thank you for your continued support.

Thank you to my colleagues in management and staff, for your loyalty and support during arguably the most challenging of times. It is often quoted that people are an organisation's biggest asset. However, I would prefer to argue that it is rather the right people that become a company's biggest asset.

I am extremely appreciative to Astral's management at all levels for their world-class efforts over the past year that have clearly positioned us as the leading South African poultry producer.

I also wish to express my sincere appreciation to all members of the Astral Foods board for their unfailing commitment and support during the year. A special word of thanks to our Chairman, Jurie Geldenhuys, for his unwavering support and strategic leadership, which again proved invaluable to the success of the company in the past year.

Chris Schutte
Chief Executive Officer

7 November 2012

Chief Financial Officer's review

Good **operational** and **poultry farming efficiencies** together with the relative **low gearing** assisted the group to continue to invest in the business in order to **expand** and **improve efficiencies** in spite of the tough conditions experienced during the year.

Daan Ferreira Chief Financial Officer

Highlights

- Settlement with Competition Commission.
- Sale of East Balt bakery.

Achievements

- Low gearing.
- Good operational and poultry farming efficiencies.

Focus

- Continue to invest in the business in order to expand and improve efficiencies.

Financial results

	2012 Rm	2011 Rm	Change %
Revenue	**8 160**	7 227*	13
Operating profit	**477**	675	(29)
Operating profit margin (%)	**5,8**	9,3	
Profit before interest and tax	**513**	673	(24)
Net finance costs	**18**	15	
Tax	**163**	223	
Profit for the year	**333**	435	
Headline earnings	**300**	437	(31)

* *Restated*

The increase of 12,9% to R8 160 million in the group's external revenue was influenced by the following:

- The inclusion of Earlybird Camperdown for the full year.
- The inclusion of a 53rd trading week (2011: 52 weeks) by the Poultry division which financial year closes on the last Saturday of each year.
- The sale of East Balt during the year, resulting in a contribution to revenue for the first six months only.
- Substantially higher raw material costs in the Feed division which has filtered through to a 24% increase in revenue for the division.

Operating profit at R477 million was 29% down on the previous year and reflected a profit margin of 5,8% (2011: 9,3%). Whilst the Feed division was able to recover the increased cost of raw materials in its selling prices and posted an 11% increase in operating profit in the process, the Poultry division found itself in a market oversupplied with poultry products with limited ability to increase prices in order to recover increased input costs. Poultry profits declined by 59% to R145 million, which represented a historical low 2,4% profit margin.

The Services and Ventures segment's profits were impacted by the sale of East Balt and the inclusion of a R17 million Competition Commission settlement provision. The remaining businesses reported profits on par with the previous year. 2012 will be the last year for businesses in this segment to be reported as a separate segment, following the sale of East Balt and the decision to sell a 25% interest in NuTec, which will in future be equity accounted.

In addition to the reported R477 million operating profit, a profit on the sale of East Balt of R36 million was realised, increasing the profit before interest and tax to R513 million, 24% down on the previous year.

Net **finance costs** increased by R3 million to R18 million. The general level of borrowings was higher during the year compared to the previous year, however the increase in finance costs was stemmed by a lowering in the interest rate and the exclusion of the East Balt finance costs during the second half of the financial year.

Tax was provided at 28% for the South African operations and at the official tax rates of the tax jurisdiction in which the foreign operations conduct their business activities. The tax charge included R5 million Capital Gains Tax on the profit of the sale of the interest in East Balt and R19 million Secondary Tax on Companies (STC) which was replaced by a withholding tax on dividends paid post-April 2012.

Profit for the year at R333 million was 24% down on the previous year, while headline earnings at R300 million, which excluded amongst others the profit on sale of East Balt, was down 31%.

Statement of financial position

	2012 Rm	2011 Rm
Non-current assets	**1 840**	1 877
Current assets (excluding cash)	**1 648**	1 366*
Assets held for sale (net)	**31**	–
	3 519	3 243
Equity	**1 596**	1 586
Non-current liabilities (excluding borrowings)	**502**	470
Current liabilities	**1 314**	1 148*
Net borrowings	**106**	39
	3 519	3 243

* *Restated*

The September 2012 statement of financial position was impacted by the exclusion from the consolidation of the two joint ventures, East Balt and NuTec:

- East Balt was sold effective 1 April 2012, for a consideration of R96 million. This resulted in a reduction of R120 million in non-current assets, and a reduction of R68 million in net borrowings, excluding the R96 million received.
- NuTec has been disclosed as an asset held for sale after a degree of certainty was reached at the end of May 2012 to sell a 25% interest in the business. NuTec was previously proportionally consolidated, and the remaining 25% interest will be equity accounted in future.

Chief Financial Officer's review (continued)

Non-current assets of R1 840 million included capital expenditure of R211 million of which R100 million was spent on expansion and improvement projects. After taking into account the disposal of East Balt and depreciation of R119 million for the year, the closing carrying value was 2% down on the previous year.

Current assets (excluding cash) increased to R1 647 million. Inventory, biological assets and trade and other receivables all closed at increased values. The higher cost of feed procured during the year together with high poultry finished goods stock levels are the main reasons for these increased values. The later close out of the poultry financial year compared to the previous year, also added another week's (53rd week) credit sales to the outstanding trade receivables.

Equity at R1 596 million increased marginally on the previous year as dividends paid almost equalled the profit for the year.

Non-current liabilities consisted of deferred tax and a provision for post-retirement medical aid assistance (PRMA). The deferred tax provision stemmed from the utilisation of tax allowances on capital expenditure and the lower tax value for biological assets. The PRMA is based on an actuarial valuation of the future obligations at September 2012. It is no longer a condition of employment for employees and this provision is in respect of employees prior to 2011.

Current liabilities increased to R1 315 million due to the increased value of raw materials procured towards the end of the year as well as the top-up of various provisions for future obligations.

Net borrowings increased to R106 million, which still represented a healthy 6,6% debt to equity ratio. The exclusion of the East Balt net debt of R68 million and the receipt of R96 million for the sale of East Balt, assisted in keeping net debt levels low against the background of reduced profits and an increase in working capital levels.

Net debt included a secured loan of R28 million by the Zambian operations to finance the capital investment in the breeding and hatchery operations. The balance of the net debt comprises cash and cash equivalents.

At year-end the group had access to R705 million short-term bank facilities, and was well-positioned to meet its payment obligations.

Restatement in respect of sales to contract growers

Sales of day-old chicks and feed to contract growers have been treated as third party sales in the past and have been recognised in revenue. The outstanding amount of these sales was disclosed as trade and other receivables.

Following a re-assessment of the interpretation of the above transactions, conclusion was reached that the contract growers should be regarded as suppliers rather than customers of the group. The impact of the revised interpretation is that no sale should be recognised in revenue on transfers to the contract growers and that the outstanding amount in respect of the transfers should be disclosed as biological assets and not as trade receivables.

The most notable impact of the restatement on the prior year's financial statements was as follows:

- 2011 revenue reduced by R1 379 million. A corresponding adjustment was made in cost of sales. The impact on reported profit was therefore nil.
- An increase in biological assets of R108 million.
- A reduction of R108 million in the net balance of contract grower debtor and creditor balances.
- The reclassification had no impact on the net working capital movement.

Cash flow

Cash flow for the year was characterised by the following:

- Lower cash operating profit of R597 million (2011: R809 million).
- Working capital outflow of R119 million.
- Investment of R211 million on capital equipment.
- Receipt of R96 million on the sale of East Balt.
- High dividend pay-out ratio – R324 million dividends paid versus R333 million profit for the year.

Ratios

Net **debt to equity** ratio of 6,6% at year-end was still low in spite of reduced profitability and the outflow into working capital. Middle of month debt levels increased to about 13% of equity.

The **return on net assets** (RONA) at 23,2% was low compared to historical returns. This reflected on the lower profitability in the 2012 financial year, with operating profit margins at 5,8% and net asset turn at 4,0 times.

Return on equity (ROE) at 20,8% was low compared to previous year's returns.

Historical dividend cover post the 2008 economic crisis remained low as the group did not reduce dividends in spite of lower profits compared to the pre-2008 period. The reduction in profits in 2012 together with the historical low dividend cover forced a reduced dividend for the year, which is 1,2 times covered.

Conclusion

The group remains exposed to changes in prices for raw material for feed and the limited ability to recover these price movements in the selling prices of poultry products. During 2012 the effect of adverse movements in the abovementioned dynamics were evident in the reduced profitability of the group.

Good operational and poultry farming efficiencies together with the relative low gearing assisted the group to continue to invest in the business in order to expand and improve efficiencies in spite of the tough trading conditions experienced during the year.

Daan Ferreira
Chief Financial Officer

7 November 2012

Seven-year financial ratios and statistics

		2012	2011	2010	2009	2008	2007	2006
Profit information								
Revenue	R million	**8 160**	7 227#	7 006#	7 407#	6 853#	6 329	5 184
EBITDA	R million	**600**	793	694	685	637	915	855
EBITDA margin	%	**7,4**	11,0	9,9	9,3	9,3	14,5	16,5
Operating profit	R million	**477**	675	585	581	548	808	766
Operating profit margin	%	**5,8**	9,3	8,4	7,8	8,0	12,8	14,8
Profit for year	R million	**333**	435	364	353	334	546	516
Headline earnings for year	R million	**300**	437	365	338	320	536	510
Financial position information								
Total assets	R million	**3 565**	3 425	3 157	3 174	3 157	2 867	2 172
Total equity	R million	**1 596**	1 586	1 446	1 366	1 328	1 308	1 121
Total liabilities	R million	**1 969**	1 839	1 711	1 807	1 829	1 559	1 051
Net assets	R million	**2 107**	2 012	1 950	1 918	1 791	1 663	1 240
Profitability and asset management								
Return on total assets	%	**13,8**	20,7	18,6	18,5	18,4	32,3	38,6
Return on equity	%	**20,8**	28,6	25,8	26,0	25,3	45,0	49,3
Return on net assets	%	**23,2**	34,1	30,3	31,3	31,3	54,8	64,7
Net asset turn	times	**4,0**	3,7	3,6	4,8	4,7	4,3	4,4
Shareholders' ratios								
Earnings per share	cents	**865**	1 128	940	906	858	1 387	1 285
Headline earnings per share	cents	**787**	1 148	960	890	840	1 381	1 286
Dividend per share	cents	**672**	810	760	700	700	700	585
Dividend cover	times	**1,2**	1,4	1,3	1,3	1,2	2,0	2,2
Stock exchange statistics								
Market value per share								
• At year-end	cents	**10 400**	11 700	11 150	10 399	9 650	12 100	8 650
• Highest	cents	**13 200**	13 956	11 939	11 200	15 490	14 347	10 400
• Lowest	cents	**10 100**	10 811	9 400	7 380	7 300	8 600	6 580
Closing dividend yield	%	**6,5**	6,9	6,8	6,7	7,3	5,8	6,8
Closing earnings yield (*)	%	**7,6**	9,8	8,6	8,6	8,7	11,4	11,9
Closing price/earnings ratio	times	**13,2**	10,2	11,6	11,7	11,5	8,8	6,7
Number of shares issued (@)	'000	**42 149**	42 149	42 136	42 136	42 136	42 728	43 277
Number of transactions		**40 209**	37 385	20 613	13 439	17 492	15 030	8 809
Number of shares traded	'000	**24 820**	17 890	18 873	18 411	23 646	25 027	22 317
Number of shares traded as a percentage of issued shares	%	**59**	42	45	44	56	59	52
Value of shares traded	R million	**2 912**	2 214	2 007	1 715	2 596	2 889	1 846
Closing market capitalisation	R million	**4 383**	4 931	4 698	4 382	4 066	5 170	3 743

Revenue restated – refer note 1 of the financial statements

* *Based on headline earnings per share*

@ *Refer to note 11 of the financial statements for the number of shares effectively in issue net of treasury shares*

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 or loss on sale of property, plant and equipment, and investments.

Dividend cover

Headline earnings per share divided by dividends per share declared out of earnings for the year.

Closing dividend yield

Dividends per share before deducting withholding tax as a percentage of market value per share at year-end.

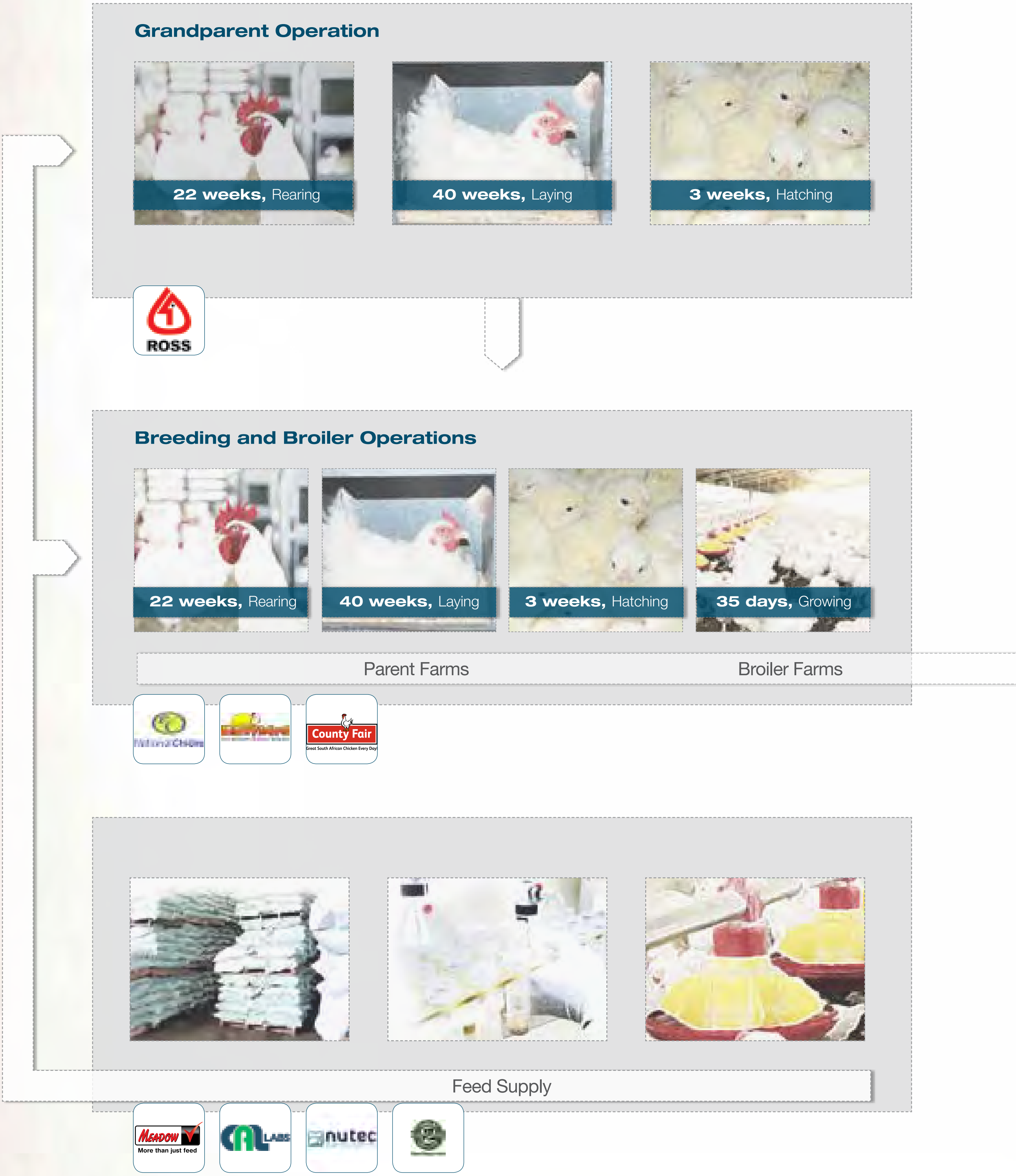
Closing earnings yield

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.

Business process model



1. Rearing	**1,1 million** pullets per breeding cycle
2. Laying	**2,1 million** breeders per breeding cycle
3. Hatching	**41,1 million** eggs per broiler cycle
4. Broilers	**32,2 million** broilers on farm
5. Processing	**4,3 million** slaughtered per week

6. Storage → 7. Distribution → 8. Customer → 9. Consumer

Processing

Abattoirs and further processing plants

Standerton
Olifantsfontein
Camperdown
Western Cape

Consumer brands

Operational footprint

Country	Business and interest	Country	Business and shareholding
South Africa • Seven feed mills • Three breeding operations • Four hatching egg suppliers • Four broiler processing operations • One pre-mix plant • One laboratory	National Chicks (100%) Earlybird (100%) County Fair (100%) Meadow Feeds (100%) Central Analytical Laboratories (100%) Ross Poultry Breeders (100%) NuTec (50%)	**Swaziland** • One breeding and hatchery operation	National Chicks Swaziland (67%)
		Zambia • One feed mill • One breeding and hatchery operation	Africa Feeds (100%) Progressive Poultry (100%)
		Mozambique • One feed mill • One hatchery	Meadow Mozambique (80%) Mozpintos (100%)

Operating environment

The following economic issues are key focus areas for the group:

Commodity availability/prices

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

- Maize;
- Soya meal;
- Sunflower meal;
- Fish meal; and
- Vitamins and minerals.

These commodities are the main components of our poultry feed requirements accounting for, on average, approximately 84% of the cost of poultry feed. These commodities are procured by our Feed division in line with our approved procurement strategy which is driven by supply and demand. We manage poultry feed utilisation by closely monitoring all factors impacting thereon such as slaughter 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 as a result of lower per capita disposable income. Job creation and higher levels of discretionary disposable income remain key drivers for firmer poultry prices.

Growth of the consumer market

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

Poultry prices

Prices are primarily driven by supply and demand which, in turn, is influenced by many factors. We benchmark on-shelf pricing levels and the availability of product on a regular basis to ensure that our products are 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.

Imports

Poultry imports, particularly from Brazil, have had a significant impact on the local poultry industry in recent times, currently accounting for approximately 30% of total supply to the local market and depressing domestic prices. This is particularly evident when the Rand trades at firmer levels against the US Dollar.

The impact on the local poultry industry has been exacerbated by clear evidence of dumping in our market over the past year. The South African Poultry Association has applied for the implementation of import duty tariffs on Brazilian chickens. The result of this investigation is expected to be known during the course of the next 12 months.

Supply	Demand
Domestic production levels	Population growth
Imports of poultry meat including dumping	Per capita consumption
Poultry industry stock levels	Level of employment
Foreign exchange rates	Changes in consumer preferences
Liberal trade barriers for importation of poultry meat	Price of competing products
Long poultry production cycles (refer pages 26 to 27)	Disposable income
	Urbanisation

Risks and mitigation

Business Risk	Risk Mitigation Plans
Prolonged imbalance in supply and demand as a result of the following factors: • Local expansion • High levels of imports • Classical dumping of poultry meat in South Africa • Disposable income and consumer spend	• 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
Availability and cost of energy Regional and seasonal shortages of specifically liquefied petroleum gas are experienced	• Alternative energy sources identified and utilised • Centralised procurement • Planned production runs
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, micro-biology 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
Micro-ingredient deficiency and/or contamination with undesirable substance Vitamin, mineral and feed additive pre-mixes are included in animal feed. Should this pre-mix not conform to the required specification with respect to micro-nutrient content it could impact on the health and growth of livestock	• Pre-screening of suppliers • Country of origin quality control • Ongoing improvement in quality and production technology
Non-conformance to final feed specifications 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 NIR technology • Inclusion of ingredient tracers
Raw material price volatility Prices of all agricultural inputs tend to fluctuate with a major impact on input costs	• Alignment with global traders • Key raw material procurement centrally co-ordinated • Feed procurement committee reviews procurement strategy and prices
Genetic performance 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

Stakeholder engagement

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.

Being a listed entity, we comply with legal communication requirements. Furthermore, we believe in regular dialogue with stakeholders and the investor community as a whole. Numerous interviews with financial analysts are conducted and regular sessions undertaken with investors and media.

To communicate our strategy, performance, developments and other information relevant to employees, we deploy a number of electronic communication channels, including a communiqué from the desk of the chief executive officer.

Presentations are made by the chief executive officer to employees bi-annually on the group's financial performance and future plans.

We encourage business units to actively and regularly engage with employees.

Our website provides up-to-date information to stakeholders.

Further reading on our stakeholders is available on pages 57 to 64 of the Sustainability report.

Key stakeholders	Communication
Stakeholders and other providers of capital	Website SENS releases Trading updates Bi-annual results announcements Annual report Investor relations Face-to-face meetings Site visits
Customers	Face-to-face meetings Regular discussions Advertising through local newspapers
Local communities	Projects which form part of Corporate Social Investment
Industry	Southern African Poultry Association Consumer Goods Council of South Africa South African Agricultural Processors Association Animal Feed Manufacturers Association
Staff and unions	Confidential hotline through "Tip-Offs anonymous" Bi-annual road shows Intranet Management and union meetings Internal newsletters
Suppliers	Presentations to Procurement Committee Regular discussions
Government	Adhering to laws and regulations One-on-one meetings

Material focus areas

	Material Focus Areas	
Economic	Operational efficiencies	Vertical Integration
	Income and growth	Increase processing capacity
	Cost and cash management	Best cost approach
	Business risk	Regulatory compliance
Social	Human Rights	Compliance Policies
	Employees	Skills Development - CEO Pinnacle Programme
	Equality, Empowerment and Transformation	Preferential procurement
Environment	Regulatory compliance	Underlying environmental policy
	Alternative energy sources	Waste to Energy solutions
	Resource optimisation	Water management
External Relationships	Strategic alliances	Membership of industry bodies
	Clients and customers	Brand awareness
	Corporate social investment	Wellness programme
	Stakeholder engagement	Integrated reporting
Products	Quality standards from farm-to-fork	HACCP and ISO certification
	Compliance audits	Quality, audits conducted by customers
	Consumer Protection Act	Standard operating procedures

Our approach to sustainable value creation

Strategic Focus Areas

Operational/Strategic Response

- Optimising Ross 308 genetic potential
- Information management
- Optimise farm performances
- Automisation
- Market segment participation
- Product innovation
- Integrated planning
- Feed milling capacity
- African expansion
- Reduce impact of administered cost increases
- Sound working capital management
- Maintain a strong balance sheet
- Internal control environment
- Internal and external audits
- Policies and procedures

- Code of Ethics
- Occupational Health and Safety
- Staff Retention
- Leadership and Senior Management Succession Planning
- Workplace improvement progamme
- Overall BBBEE Rating
- Employment Equity

- Environmental risk assessments
- Environmental impact assessments
- Responsibility to air quality and monitor emissions
- Establish carbon emissions baseline
- Sustainability reporting
- Electricity management
- Land management

- Strategic local and international partners
- Preferred suppliers
- Product responsibility
- New products
- Community investment
- Continuous, open and transparent communication
- SENS reporting
- Press releases
- Investor roadshows
- Major shareholder interface sessions

- Product traceability
- Hygiene programmes

- Group compliance policy

Directorate

Independent Non-executive directors

Jurie Johannes Geldenhuys (69)

(Independent non-executive director) BSc (Eng Elec), BSc (Eng Mining), MBA

Director of companies

Appointed to the board on 24 May 2001

Chairman of the board, chairman of the Human Resources, Remuneration and Nominations Committee

Previously served on the boards of Anglovaal Limited, Avmin Limited and its various gold mines, and Iscor Limited (now ArcelorMittal South Africa). Served as the Chamber of Mines president (1993 – 1994) and on its Executive Council, Gold Producers' Committee and various chamber-related board committees.

Previously served on the Council of the Atomic Energy Corporation and on the National Water Advisory Council. Retired as managing director of Avgold Limited during 2001. Currently a director of the listed Exxaro Resources Limited (chairman of the sustainability, risk and compliance committee, member of the transformation, remuneration, human resources and nominations committee, member of the audit committee and member of the social and ethics committee.

Malcolm Macdonald (70)

(Independent non-executive director) BCom, CA(SA)

Director of companies

Appointed to the board on 14 November 2003

Chairman of the Audit and Risk Management Committee

Served as financial director of Iscor Limited (now ArcelorMittal South Africa) and its international steel marketing company until retirement in 2004. Previously general manager of the Industrial Development Corporation and non-executive director of many of its associated companies in a variety of industries (engineering, agriculture, chemicals, shipping, financial services, minerals extraction and processing).

Currently serves on the boards and as chairman of the audit committees of the listed GijimaAST Group Limited and ArcelorMittal South Africa.

Thabang Charlotte Christine Mampane (54)

(Independent non-executive director) BA Hons (Public Administration), Masters in Management

Chief executive officer, National Lottery Board

Appointed to the board on 14 November 2003

Member of the Human Resources, Remuneration and Nominations Committee

Started career at the SABC in 1983 as a junior announcer on Radio Seswana and remained in this position until promoted into the role of senior announcer in 1989. Promoted to Manager: Drama, Culture and Language in 1991. Joined Telkom as Manager of the Audio Visual Section in 1995 but returned to the SABC in 1996 as General Manager of the portfolio of eight radio stations, thereafter appointed as Chief Executive, Radio division for three years. Head of Regions from 2002 to 2006. Appointed Acting Chief Operations Officer and in 2007 and Group Executive: Editorial Policies and Regulatory Affairs from 2010 to 2012. Appointed to the position of chief executive officer of the National Lottery Board in October 2012. Previously served as chairperson of the National Film and Video Foundation (NFVF) and the South African Institute for Crime Prevention and the Reintegration of Offenders (NICRO).

Theunis Eloff (57)

(Independent non-executive director) BJur (Econ), ThB, ThM, ThD

Vice-Chancellor of North-West University

Appointed to the board on 8 May 2007

Member of the Audit and Risk Management Committee from 1 October 2010

Ordained as minister of religion of a congregation at the University of Pretoria. Completed Doctorate in Theology with a dissertation on "Government, Justice and Race Classification". Left the ministry in 1989 and joined the Consultative Business Movement and was appointed as Executive Director in 1990.

In 1995 appointed as Chief Executive of the National Business Initiative. Served on the Economic Advisory Council of the Northwest Province, the Board of Business Against Crime and the Board of the Centre for Conflict Resolution. In 2002 became Vice-Chancellor of the Potchefstroom University for Christian Higher Education. In 2004 became Vice-Chancellor of the newly merged North-West University. Past chairman of Higher Education South Africa (HESA) and, since July 2009, chairman of the Association of Commonwealth Universities (ACU). Vice-President of the Afrikaanse Handelsinstituut (AHI).

Independent Non-executive directors

Nombasa Tsengwa (47)

(Independent non-executive director) BSc, MSc, PhD (Biotechnology)

General Manager: Coal Captive Mines, Exxaro Resources Limited

Appointed to the board on 8 May 2007

Member of the Human Resources, Remuneration and Nominations Committee

Started career as Research Assistant, University of Transkei. Previous positions include Lecturer: Department of Genetics, University of Pretoria and Senior Co-ordinator: Agriculture and Agro-processing Sector within the National Research and Technology Foresight Project. Appointed as Corporate Manager: Biotechnology and Innovation Futures at the Council of Scientific and Industrial Research in 1999 before being appointed as Deputy-Director General: Environmental Management at the National Department of Environmental Affairs and Tourism in 2000. Joined Kumba Resources Limited (now Exxaro Resources Limited) as General Manager: Safety, Health and Environment in 2003. Appointed as general manager: Coal Captive Mines in February 2010.

Izak Stephanus Fourie (65)

(Independent non-executive director) BCom, CA(SA)

Director of companies

Appointed to the board on 1 July 2010

Member of the Audit and Risk Management Committee

Member of the Human Resources, Remuneration and Nominations Committee

Retired as COO of PricewaterhouseCoopers in 2005. Served on the PricewaterhouseCoopers Global Board and before that on the Coopers & Lybrand International Board. Also served on the Coopers & Lybrand International Audit and Accounting Standards Committee.

Previously served as the chairman of Business Skills for South Africa (BSSA), a PricewaterhouseCoopers initiative with the National African Federated Chamber of Commerce and Industry (NAFCOC) to train emerging business people. Currently serves on the board of Cashbuild Limited and is chairman of their audit committee and a member of their human resources and remuneration committee.

Executive directors

Christiaan Ernst Schutte (52)

Management Business Administration and Finance Dip.

Chief Executive Officer with effect from 1 May 2009

Appointed to the board on 18 August 2005

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, National Veterinary Services, Central Analytical Laboratories and East Balt.

Appointed as chief executive officer of Astral Foods Limited on 1 May 2009.

Gary Desmond Arnold (40)

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

Director: Business Development

Appointed to the board on 1 March 2012

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 NuTec SA, 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.

Directorate (continued)

Executive directors

Theo Delport (52)

Dip. Sales Management

Managing Director: Poultry division

Appointed to the board on 23 March 2009

Started his career in 1984 as sales representative with Todays Frozen Foods and joined Spekenham in 1988 as sales manager marketing. He joined County Fair in 1992 as national sales manager (retail) and was appointed managing director in 2001. He resigned from County Fair in 2007 to become a partner in a private business venture but returned to Astral in May 2008 as sales and marketing executive of the Poultry division.

He was appointed as managing director of the Poultry division in March 2009.

Daniel Dirk Ferreira (56)

BCom, B Compt (Hons), CA(SA)

Financial Director

Appointed to the board on 1 May 2009

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 as group financial manager for two years before joining Astral in February 2001 as group financial manager.

He was appointed as group financial director on 1 May 2009.

Obed Mooki Lukhele (37)

BVMCh BVSc (Hons), BSc (Hons) Entomology

Group Veterinary Director

Appointed to the board on 1 May 2009

Started career at Virbac Animal Health in 2000 as a poultry technical manager until mid-2002. Thereafter he held an export managerial position at Pfizer Animal Health for four years responsible for various sub-Saharan African countries.

He co-authored three scientific papers in the field of entomology, veterinary anatomy and bovine infectious diseases.

Joined Astral Operations Limited in May 2007 as the group technical manager for veterinary services.

Governance structure

Board

Audit and Risk Management Committee

Human Resources, Remuneration and Nominations Committee

Social and Ethics Committee

Operational management

Executive management

- Chief Executive Officer
- Financial director
- Managing director: Poultry
- Director: Business Development
- Managing director: Meadow Feeds
- Human Resources director
- Managing director: Africa Operations

Corporate services

- Group company secretary
- Procurement executive
- Executive manager: Sustainability and Preferential Purchasing
- Audit and Risk executive
- Group Veterinary director
- Sales and Marketing Executive: Poultry

Executive management

Chris Schutte (52) (CEO)

Chief Executive Officer

Appointed as director of Astral Operations Limited in November 2006

Started career as assistant farm manager 1984 at Golden Lay Farms, a division of Tiger Brands. After 18 years with this group, joined Astral Foods in 2002 as manager of retail sales for Meadow Feeds.

Appointed as managing director for the Animal Feeds division in July 2004 before being appointed as chief executive officer of Astral Foods in 2009.

Gary Arnold (40)

Director: Business Development – Astral Operations Limited

Appointed as director of Astral Operations Limited in November 2010

Holds a Master's degree in animal science from the University of Natal. He also holds a Master's degree in business administration from the University of the Witwatersrand completed in 2005. Gary is a registered professional animal scientist. He was appointed as the managing director of NuTec on 1 August 2004 and later appointed as chief operating officer for the Meadow Divisions Western Cape operations on 1 January 2006. On 1 March 2012 appointed as the business development director for Astral Foods.

Andy Crocker (42)

Managing director, Meadow Feeds – Astral Operations Limited

Appointed as managing director, Meadow Feeds in February 2012 and as director on the board of Astral Operations in March 2012.

Having previously farmed in the KwaZulu-Natal midlands, Andy Crocker joined Meadow Feeds as a technical advisor in 1998 as part of the team that established Eastern Cape operations. He holds a BSc. Agriculture (University of KZN) and a Masters in Business Management (Henley Management College, UK), and is a Registered Professional Scientist with the South African Council for Natural Scientific Professions. In 2000 he became 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 March 2005 he became chief operating officer of the Eastern Cape region in July 2006 before heading the formation of the Cape Region in November 2010 as chief operating officer responsible for the Paarl, Ladismith and Port Elizabeth operations.

Theo Delport (52)

Managing Director, Poultry division – Astral Operations Limited

Appointed as director of Astral Operations Limited in March 2009

Spent the last 28 years in the fast-moving consumer goods industry of which four years was in the pork industry before entering the chicken industry in 1992. During this period he specialised in sales and marketing before being appointed managing director of County Fair Foods in 2001. He was appointed to the position of managing director of the Astral Poultry division in March 2009.

Daan Ferreira (56)

Financial Director

Appointed as a director of Astral Operations Limited in May 2009

Held various positions in operational financial management, tax management, project management before joining Astral as group financial manager in 2001.

Len Hansen (61)

Human Resources Director – Astral Operations Limited

Appointed as director of Astral Operations Limited in April 2001

Started his career at Iscor. After 10 years, joined Vleissentraal as training manager. Then spent four years at Atlas Meats and Bull Brand as human resources manager. Joined Genfood in 1998 as human resources director. Appointed at Astral Foods on 1 April 2001. Has extensive experience in human resources and organisational development, i.e. merger between Genfood and Premier, 20-Keys and Wellness Programmes.

Roedolf Steenkamp (46)

Managing Director, Africa Operations – Astral Operations Limited

Appointed as director of Astral Operations Limited in June 2009

Holds a BCom degree and has also completed a course in business development, both from the University of Pretoria. Joined Astral in 2002 as general manager of the feed milling operations in Zambia and Zimbabwe. During 2005, he was promoted to chief operating officer – Africa, and the mill in Mozambique was added to his responsibilities.

Has 13 years' experience in feed milling, having also spent four years in sales and marketing at SA Breweries before moving to Epic Foods as export manager. He serves on the board of the Animal Feed Manufacturers Association of South Africa (AFMA) and is an executive director on the board of Astral Operations Limited.

Corporate services

Maryna Eloff (59)

Group Company Secretary

Appointed: 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 and legal function of the Astral Group, management member of the group's provident funds and member of the Group corporate risk management committee.

Obed Lukhele (37)

Group Veterinary Director

Appointed: May 2007

Obtained a veterinary degree from Medical University of South Africa (Medunsa) and an honours degree in entomology from the University of Pretoria. 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.

Evert Potgieter (42)

Audit and Risk Executive

Appointed: November 2006

After the completion of his B.Compt. degree and articles and a two-year period as an audit manager at an auditing firm, joined the Altron Group in 1997 in the internal audit department. During his time at Altron, obtained his certified internal auditor certification and was promoted to deputy internal audit manager, a position he held for five years before joining the Astral Group in 2006 as internal audit manager. Current responsibilities include internal audit, risk, insurance and information technology for the Astral Group.

Anil Rambally (40)

Executive Manager: Sustainability and Preferential Purchasing

Appointed: February 2001

Started career in 1992 as a despatch clerk at Alpha Stone and Readymix (now Afrisam).
Joined NuTec SA in 1999, a subsidiary of Astral and progressed through the ranks.
Appointed executive manager: preferential purchasing in February 2010 and executive manager: sustainability and preferential purchasing in December 2010.

Willem Stander (55)

Procurement Executive

Appointed: February 2001

Obtained a BSc. Agric (Hons) from the University of Pretoria in 1982. Joined Meadow Feeds in the raw material department at the Tiger Brands head office in Braamfontein in 1982. Moved to Meadow Paarl in 1984 as a 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.

Phil Tozer (54)

Sales and Marketing Executive, Poultry division – Astral Foods

Appointed: October 2008

A total of 32 years' experience in the FMCG industry of which the last 21 have been in poultry. Selling career began at Unilever as a sales representative in 1980 followed by key account and national sales manager positions at ICS Foods and Sea Harvest Corporation. Spent 17 years with Rainbow Farms as national sales manager and a final five-year period as sales director for retail and wholesale. Joined Astral Foods in October 2008 as sales and marketing executive for Earlybird Farm and subsequently appointed sales and marketing executive for Astral Poultry division in August 2010.

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 III Report on Corporate Governance and the JSE Listings Requirements. 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 its requirements as far as possible.

While substantial application of the King III Report has been achieved in the review period, the following key principles have not been fully implemented and will be addressed next year, if applicable:

- Compilation of an ethics risk profile and the measurement of its impact on our corporate social investment programme. The Social and Ethics Committee will address these aspects in the forthcoming year.
- Appointment of an expert to provide assurance on material elements of the sustainability section of the integrated annual report. The Audit and Risk Management Committee will evaluate this once more standardisation is evident in public reporting.
- Appointment of an independent compliance function. Our group company secretary and the internal audit and risk executive are responsible for compliance and refer to our legal advisors where necessary.
- The board does not consider it appropriate to disclose the names of the three employees who are not directors and who received the highest salaries. They are referred to as Employee 1, 2 and 3 in the Remuneration Report.
- Remuneration of non-executive directors is paid on a fixed fee per annum basis as our directors not only attend board and committee meetings but actively participate in the affairs of the company at all times.

A new Memorandum of Incorporation, in line with the Companies Act and the JSE Listings Requirements, have been prepared for adoption by the shareholders at the forthcoming annual general meeting.

The constitution and the operation of the board of directors

The board

The board operates in terms of a formally approved charter which sets 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 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.

We have a unitary board structure, presently comprising 11 directors, including six independent non-executive directors. The roles of chairman and chief executive 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.

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 80 of this report.

In September 2012, an evaluation of each of the non-executive directors' independence was conducted.

JJ Geldenhuys, M Macdonald and TCC Mampane have served on the board for a period longer than nine years and have been adjudged by the board to be still independent. No director is disqualified in terms of the criteria for independence as laid down by the JSE Listings Requirements or by King III. JJ Geldenhuys has been the chairman of the board since February 2008.

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 board service or his 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. The CEO is not a member of the Human Resources, Remuneration and Nominations or Audit and Risk Management Committees, but attends same by invitation.

A complete list of board members appears on pages 34 to 36 of this report. In terms of our Memorandum of Incorporation, all new directors appointed during the year, as well as one-third of the existing directors, have to retire on a rotational basis each year but may offer themselves for re-election. Two of the directors due to retire are independent non-executive directors, being one-third of the non-executive directors on the board. GD Arnold was appointed as executive director on 1 March 2012 and, in terms of the Memorandum of Incorporation, he will retire and will offer himself for re-election at the forthcoming annual general meeting.

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.

King III provides that directors should have a working understanding of the effect of applicable laws, rules, codes and standards relating to the company and its business while the company does not interpret these provisions to mean the board should have legal expertise in all spheres in which the company operates or be familiar with all laws applicable to the company and its various businesses, but the board does ensure that adequate structures and systems are in place and populated with people of sufficient competence for group compliance with the relevant compliance requirements.

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 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 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 results of the recently completed assessments are as follows:

Committee/Encumbent	**Average score 2012**	Average score 2011
Performance evaluation of the Audit and Risk Management Committee	**99,33%**	98,67%
Performance evaluation of the Human Resources, Remuneration and Nominations Committee	**99,25%**	98,75%
Performance evaluation of the board	**94,64%**	99,60%
Chief executive officer's evaluation	**91,67%**	85,33%
Chairman's evaluation	**92,00%**	89,00%
Company secretary's evaluation	**93,10%**	–

Corporate governance (continued)

Strategic planning meetings take place at least every second year, and progress on strategic objectives are 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.

Attendance at meetings

Four board meetings were held during the past year. Additional board meetings may be convened when necessary.

Attendance at meetings was as follows:

Board

Director	2011 10.11	2012 9.2	9.5	14.8
GD Arnold	#	#	√	√
T Delport	√	√	√	√
T Eloff	√	√	√	√
DD Ferreira	√	√	√	√
IS Fourie	√	√	√	√
JJ Geldenhuys	√	√	√	√
OM Lukhele	√	√	√	√
M Macdonald	√	√	√	√
TCC Mampane	√	√	√	√
CE Schutte	√	√	√	√
N Tsengwa	√	√	√	√

 # Appointed on 1 March 2012
√ Present

Audit and Risk Management Committee

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

Director	2011 13.10	9.11	2012 8.5
M Macdonald	√	√	√
T Eloff	√	√	√
IS Fourie	√	√	√

√ Present

Human Resources, Remuneration and Nominations Committee

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

Director	2011 9.11	2012 29.2	12.8
JJ Geldenhuys	√	√	√
TCC Mampane	√	A	√
N Tsengwa	√	√	√
IS Fourie	√	√	√

√ Present
A Submitted apologies and was granted leave of absence

Social and Ethics Committee

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

Director	2012 31.1	8.5	8.8
T Eloff	√	√	√
GD Arnold	√	√	√
LW Hansen	√	√	√

√ Present

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

	Fixed fee per annum R'000
Chairman of the board	500
Member of the board	200
Chairman of the Audit and Risk Management Committee	151
Member of the Audit and Risk Management Committee	79
Chairman of the Human Resources, Remuneration and Nominations Committee	151
Member of the Human Resources, Remuneration and Nominations Committee	79
Chairman of the Social and Ethics Committee	151

The remuneration is payable on a monthly basis.

Board committees

To enable the board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to board committees. All board committees are chaired by an independent non-executive director. Particulars of the composition of the board of directors and committees appear on pages 34 to 36 of this report. Board committee charters are reviewed on an annual basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep abreast of developments in this field.

As the Audit Committee has become a statutory committee in terms of the new Companies Act and in terms of the recommendations set out in King III, shareholders are required to elect the members of this committee at the company's next annual general meeting.

The board committees are as follows:

The Audit and Risk Management Committee

The Audit and Risk Management Committee comprises three members, all of whom are independent non-executive directors, and meets at least three times a year with management, internal and external auditors as well as the group's risk managers.

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 have extensive expertise in finance, accounting and risk management practices.

The Audit and Risk Management Committee fulfills the responsibilities as set out in the Audit and Risk Management Committee charter, which include:

- overseeing the internal and external audit function;
- 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 the risk profile and risk management of the group; and
- providing support to the board on information technology governance and risk.

Both the group audit and risk executive 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 King III and the JSE Listings Requirements:

- the independence of the external audit function;
- the competence of the financial director and the finance function of the company; and
- the integrated annual report for the year ended 30 September 2011.

Divisional audit committee meetings are scheduled twice a year at every business unit. These meetings are chaired by the financial director, attended by the chief executive officer, internal audit, external audit and the business unit chief operating officer and finance executive.

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 reasonably practical.
- Insuring against catastrophic incidents and other losses beyond our self insurance capacity.
- Minimising in the long term, the total cost of risk.

We apply an enterprise-wide risk management approach, involving all levels of management, with assistance from outside consultants for assessing insurable risks.

The senior management at each operation is responsible for the development and implementation of a sound risk control programme based on the group's risk control standards. The integrity of the risk control programme is regularly independently monitored by appointed risk analysts.

Members of the Audit and Risk Management Committee are:

Member	Independent Non-executive	Period
M Macdonald (chairman)	Yes	May 2004 to date
IS Fourie	Yes	July 2010 to date
T Eloff	Yes	October 2010 to date

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 Audit and Risk Management 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, ensuring the accuracy and completeness of accounting records and preparing reliable financial statements.

The internal audit department is staffed by qualified and experienced internal auditors and operates within a charter approved by the board. 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 independence of the internal audit function is reviewed by the Audit and Risk Management 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 audit and risk management committee in consultation with management.

Corporate governance (continued)

Information Technology

A policy governs the use and safeguarding of information systems and networks.

The risks regarding the security, back-up, conversion and update of the information technology systems are continually assessed. Disaster recovery plans are regularly reviewed as disruptions to critical management information could have an impact on continuing operations.

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 annual report including matters that may pre-dispose management to present a misleading picture, significant judgements 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 annual report;
- recommends to the board whether or not to engage an external assurance provider on material sustainability issues;
- recommends the integrated annual report for approval by the board;
- considers whether the external auditor should perform assurance procedures on interim results or be engaged for any non-audit assignments.

The committee recommended to the board not to publish a summarised integrated annual report or engage an external assurance provider to confirm material elements of the sustainability part of the integrated annual report. This decision was based on the fact that sustainability reporting formed part of the budget process followed this year where each business unit prepares its own report which is approved by the executive directors. This approach will be reviewed every year. We have appointed a full-time executive manager who is responsible for sustainability within the group.

Further information regarding the activities of the committee is available in the Audit and Risk Management Report on pages 76 to 77.

The Human Resources, Remuneration and Nominations Committee

On 1 October 2010, a decision was taken by the board to combine the Human Resources and Remuneration Committee with the Nominations Committee and form a committee known as the Human Resources, Remuneration and Nominations Committee. The primary duty of the committee in terms of the nomination process is to ensure that the procedures for appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and reviewing succession planning for directors. The committee also has to evaluate all candidates for the position of director on the basis of skill and experience. Thorough background checks are conducted.

Members of the Human Resources, Remuneration and Nominations Committee are:

Member	Independent Non-executive	Period
JJ Geldenhuys (chairman)	Yes	May 2004 to date
IS Fourie	Yes	October 2010 to date
TCC Mampane	Yes	August 2005 to date
N Tsengwa	Yes	May 2009 to date

The committee is constituted as a board committee and assists the board in discharging its responsibilities for the development of the company's general policy on executive and senior management remuneration and to determine specific remuneration packages for executive directors of the company, including but not limited to basic salary, benefits in kind, bonuses, performance-based incentives, share incentives, pensions and other benefits. The committee determines any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities and ensures that the procedures for appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments.

For more information regarding the activities of the Human Resources, Remuneration and Nominations Committee please refer to the Remuneration Report on pages 49 to 51.

Social and Ethics Committee

A Social and Ethics Committee has been appointed consisting of three members. A formal mandate and terms of reference has been approved by the board. During the course of the year members of the advisory panel have been identified and appointed.

Members of the Social and Ethics Committee are:

Member	Independent Non-executive	Period
T Eloff (chairman)	Yes	October 2011 to date
GD Arnold	No	October 2011 to date
LW Hansen	No	October 2011 to date

The advisory panel consists of:

- Three members who are employees of the group;
- Three members who are from a registered profession, namely:
  - o one member who is an expert on the Consumer Protection Act;
  - o one member who is an expert on environmental issues; and
  - o one member who is an expert on theology and ethics;
- three members who represent the community and public interest.

The main functions of the committee are:

Monitor 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;
- Drawing matters within its mandate to the attention of the board; and
- Reporting annually to the shareholders at the company's annual general meeting on matters within its mandate.

The committee's approved work plan for the short to medium term will focus on:

- Human Rights
  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.

- 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.

- Consumers
  To ensure compliance with the Consumer Protection Act.

- Environment and sustainability reporting
  To investigate areas which do not fall within the scope of the Audit and Risk Management Committee's responsibilities.

For more information regarding the social and ethics functions of the committee, refer to the Social and Ethics Report on page 51.

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 a guideline 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 his 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 CEO 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;

Corporate governance (continued)

- Prohibiting the payment or offering of bribes;
- Integrity of financial information;
- Protection of confidential information;
- Protection and use of company property;
- Conflicts of interest; and
- Action on 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 will be 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.

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

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 and 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 and is appropriately empowered by the board to fulfill these duties.

The board has assessed the qualification, competence and expertise of the company secretary and confirms her suitability in terms of the JSE Listings Requirements.

The group 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.

Engagement with shareholders and investors

In accordance with our commitment to ensure that the interests of our management are aligned with those of shareholders, we manage a dedicated programme to engage with analysts, investors and large individual shareholders. This includes, amongst others, timeous, relevant, honest and accessible announcements and circulars to shareholders in accordance with the JSE Listings Requirements.

For further information on stakeholder communication, please refer to Stakeholder engagement on page 31.

Whistle-blowing 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.

Remuneration report

Human Resources, Remuneration and Nominations Committee – composition and terms of engagement

The committee operates under a mandate from the board with written terms of reference.

As at 30 September 2012 the committee comprised four non-executive directors, namely JJ Geldenhuys (chairman) IS Fourie, TCC Mampane and N Tsengwa.

The board annually assesses the composition of the committee to ensure that it continues to operate effectively.

The committee strives to comply with all governance matters and the board considers its composition to be appropriate in terms of the necessary blend of knowledge, skills and experience of its members.

The Astral Group company secretary attends all meetings of the committee as secretary. The chief executive officer and the human resources executive attend all meetings by invitation. No attendee may participate in any discussion or decision regarding his or her own remuneration.

Human Resources, Remuneration and Nominations Committee – Advisors

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 Inc. In addition, the committee frequently reviews remuneration and board best practice reports published by PricewaterhouseCoopers Inc. It also 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.

Reward strategy, intent and principles

We are committed to a reward philosophy that prevails throughout the group, and one which focuses on rewarding consistent and sustainable individual and corporate performance.

Our 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. Our remuneration practices have been structured to be competitive in the industry in which we operate and to ensure that the group can attract, motivate, reward and retain high-calibre people, with above average industry ability and leadership potential, needed to effectively run the group and its subsidiary companies.

We have adopted an integrated approach to reward strategy, encompassing a balanced design in which all reward components are aligned to our strategic direction and business-specific value drivers of Astral.

In this context, we are committed to maintaining guaranteed pay levels on a total cost to employer basis that reflect an individual's worth to Astral.

Executive remuneration policies

Our executive remuneration policies are designed, within the framework of the company's reward strategy, to attract, motivate, reward and retain the calibre of executives needed to run the group and its subsidiaries successfully, while aligning their interests with those of shareholders (over the short, medium and long term) and the strategy of the company. The guiding strategy is to ensure that executives are fairly rewarded for their individual contribution to our operational and financial performance in line with its corporate objectives and business strategy, and that this reward is aligned with industry and market benchmarks.

Our policies conform to the best practice guidelines contained in the King III Report on Corporate Governance for South Africa.

Remuneration is made up of three components:

• Guaranteed pay

We have adopted a total cost of employment (TCOE) philosophy for all salaried employees (which incorporate base pay, car allowance, provident fund and medical aid). TCOE packages do not include annual cash incentives or long-term incentives.

Guaranteed packages within the Astral Group are structured to be in line with the median of the market but with the proviso that, for key talent, both professional and executive, a positioning closer to or at the 75th percentile level of peer companies is required.

• Annual incentive bonuses

There are various annual incentive schemes operating within Astral tailor-made to specific levels within the organisation. They incentivise various categories of staff, and are reviewed regularly to ensure they remain appropriate.

Our top and senior management participate in an annual performance bonus plan that rewards the achievement of the group's financial performance. The committee satisfies itself that the performance criteria utilised are relevant, stretching and designed to enhance shareholder value.

Top and senior management participate in a scheme that improves Economic Value Added (EVA).

Remuneration report (continued)

The committee sets an annual EVA target for the group as a whole. A target bonus is determined according to the different levels of Patterson Grades D (43%), E (48%) and Top Management (60%) within the group. A sharing percentage is set for each participant. Participants are advised in writing of their sharing percentage and as to whether they share in the excess EVA of the group or that of a specific business unit. PricewaterhouseCoopers Inc. calculates and signs off EVA incentive bonus payments to senior management.

Employees on the farms are incentivised in accordance with farm performance.

All other staff participate in an incentive based on improvement in Profit Before Interest and Tax (PBIT).

• Long-term incentives

Share option incentives

Astral offers share based incentives in terms of the Astral Foods Employee Share Trust (2001).

Periodic awards are made to participants with vesting occurring in equal thirds on the third, fourth and fifth anniversaries of the award. Participants can elect to delay exercise until the seventh anniversary of the share options.

Long-Term Retention Bonus Scheme (2009) (LRP)

The participants within the plan fall into two categories:

Top management

Category 1 – Defined performance conditions must be met. However, 25% of allocated amount is guaranteed.

Lower management and anybody included in the scheme

Category 2 – No performance conditions are set.

Allocation

The levels of allocation must be approved by the committee and will be used as a guideline by the chief executive officer for future allocations.

Performance conditions

The performance conditions are measured over three years and are based on an above-threshold increase in Earnings Per Share (EPS) and achieving an above-threshold Performance Efficiency Factor (PEF).

Achieving the thresholds in respect of the performance conditions set for EPS and PEF, will result in a 10% and 11% vesting of the allocated amount, respectively. These percentages increase according to a sliding scale to a maximum of 37% and 38% in the event of thresholds being exceeded.

The committee reserves the right to change the performance conditions for new LRP amounts awarded. Performance conditions and amounts allocated cannot be changed once the awards have been made.

Payments will be made in the following manner:

- ⅓ after 3 years;
- ⅓ after 4 years; and
- ⅓ after 5 years.

Service contracts and severance arrangements

We have entered into formal employment contracts with our non-executive directors.

Executive directors, top and senior management on Patterson Grades E and F, are subject to our standard terms and conditions of employment where notice periods are 60 days. In line with our group policy, no director is compensated for the loss of office and none of the directors have special termination benefits or are entitled to balloon payments.

Our policy when terminating the services of an individual for operational reasons is to pay a minimum of two weeks 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, although it is subject to negotiation in special circumstances.

Provident Fund

The relevant group companies make contributions for executive directors 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. The value of contributions for each executive director appears in the summary of directors' emoluments on pages 79 to 80.

At its meeting in February 2012, the committee assessed the levels of funding and benefits of the AFRF Provident Funds and satisfied itself that the Funds were solvent and did not pose a risk to any of the group's employees or retirees.

Other benefits

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

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.

The fees for non-executive directors are recommended by the committee and approved in advance by shareholders at the annual general meeting. Fees for the 2011 – 2012 financial year were reviewed by the committee and the board in August 2011 and was approved by shareholders at the annual general meeting in February 2012. These fees apply until the next annual general meeting.

Our policy on remuneration for non-executive directors is that this should be:

- Fee based;
- 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); and
- Not linked to share price or Astral's performance.

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

Our 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.

At Astral's annual general meeting to be held on 14 February 2013 shareholders will be required to approve the non-executive director fees set out in the notice of annual general meeting on page 127 of this integrated annual report.

For information regarding fees for acting as non-executive director and member of the various board committees, refer to Corporate governance on page 44.

For information regarding non-executive directors' emoluments, refer to the directors' and prescribed officers' remuneration report on pages 79 to 80.

For information regarding executive directors' and prescribed officers' emoluments, other benefits and share incentive scheme interests, refer to the directors' and prescribed officers' remuneration report on pages 79 to 80.

The three highest paid employees, who are not directors and prescribed officers, received the following total remuneration for the year:

Employee 1	R2 209 274
Employee 2	R2 093 823
Employee 3	R2 059 336

The above amounts included salary, performance-related bonus, retirement fund contributions and other benefits and allowances.

Jurie Geldenhuys
Chairman

7 November 2012

Social and Ethics Committee report

The Social and Ethics Committee was established in terms of Section 72 of the Companies Act and commenced its work in January 2012. At 30 September 2012, the committee comprised T Eloff (chairman), GD Arnold and LW Hansen.

A formal mandate and terms of reference was adopted by the board of Astral and the committee appointed an advisory panel consisting of the following individuals:

- Three members who are employees of the group:
  Ms Julie Lakay, Mr Daniel Tshabalala and Mr Simon Zondi
- Three members who are members of a registered profession:
  Prof Angela Itzikowitz, Ms Kavita Kalicharran and Prof Koos Vorster
- Three members who represent the community and public interest:
  Mrs Linda Knox, Mr Nicholas Selepe and Dr Christa van Louw

The committee has decided on a draft working plan and possible actions flowing from it. This draft working plan will be discussed with the full advisory panel early in November 2012 and their advice will be solicited.

The working plan will include monitoring the company's adherence to ethical conduct and/or compliance in the following areas:

1. The United Nations Global Impact Principles (including human rights, labour, environment, anti-corruption).
2. Social and Ethical Awareness (including a survey).
3. Community engagement and donations.
4. Consumer development (ensuring compliance with the Consumer Protection Act).
5. Environmental and sustainability reporting (investigating areas outside the scope of the Audit and Risk Management Committee).

Theuns Eloff
Chairman

7 November 2012

Sustainability

Introduction

We regard sustainable development as an integral and essential part of conducting business and we endeavour at all times to inform our stakeholders in terms of the three pillars of sustainability, namely economic, social and environmental.

Responsibility for sustainable development

The board accepts overall responsibility for the advancement of sustainable development with the assistance of the board sub-committees. Day-to-day responsibility is delegated to executive management.

Sustainability awareness and training workshops for all employees are held with the aim of achieving the following objectives:

- creating an awareness and explaining the importance of sustainability in the workplace;
- encouraging business units to work together towards establishing a sustainable business;
- making employees aware of the company's goals with regard to sustainability;
- providing training to employees to complete the monthly sustainability reports; and
- explaining the implementation and monitoring process of identified sustainability projects.

Approach to data collection and reporting

As part of our commitment to improve non-financial reporting, we have tasked all senior management at business unit level to report on aspects of integrated reporting as part of their budget process on an annual basis. The board has charged management with ensuring that adequate resources are applied and sufficient attention is given to the implementation of sustainable development principles throughout the group.

Function	Responsibility
Chief operating officers and general managers	Managing efficient operations, environmental controls, corporate social investment projects, components of social and labour plans, community engagement at operational level (see pages 52 to 67).
Company secretary	Corporate governance, including all aspects related to the King Code (see pages 42 to 48).
Finance	Managing and providing advice on the company's finances, putting in place policies, procedures and systems to protect the company from fraud and corruption and ensuring economic sustainability (see pages 72 to 126).
Human resources	Skills development, recruitment, transformation, protecting employee human rights, implementing the company's HIV/AIDS strategy.

A group safety, health and environment (SHE) report is compiled and is reviewed by the Audit and Risk Management Committee on an annual basis. Underpinning our Enterprise Wide Risk Management Programme are the following meetings which incorporate aspects of SHE:

- monthly health and safety meetings;
- bi-monthly corporate risk management meetings;
- quarterly operational risk management meetings;
- semi-annual audit committee meetings; and
- an annual risk management meeting.

Assurance

We are committed to ensuring that all information provided in this report is accurate. During the course of the year, systems and procedures were put in place to record the relevant data by way of an internet web-based data collection system for all divisions. As part of the annual budget process, business units are required to identify social, environmental and financial issues that impact on their businesses. Key performance issues (KPIs) are also identified and reported on.

Governance, ethics and values

Governance, ethics and values are addressed in the Corporate Governance section of the report on pages 42 to 48. Financial compliance is assured through internal structures and controls and independent financial audit. We also have our own internal set of values and ethics which guide all our activities and relationships, both individual and corporate.

A copy of our Abridged Ethics Code is available on our website: (www.astralfoods.com).

Group risks

The major business risks that have been identified and could have an impact on the group achieving its objectives are dealt with on page 30.

Economic sustainability practices

The distribution of economic value generated for stakeholders is reflected in the group's value-added statement which is reflected on the next page.

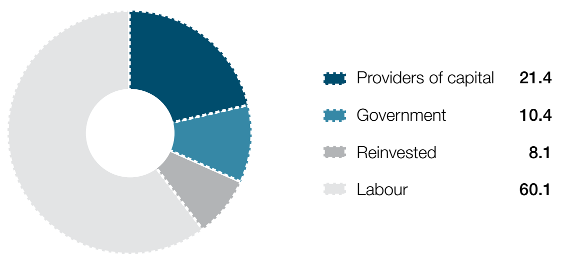
Value-added statement

The value-added statement measures performance in terms of value added by the group through the collective efforts of management, employees and the providers of capital. The statement shows how value has been distributed to those contributing to its creation, and the portion retained for future investments.

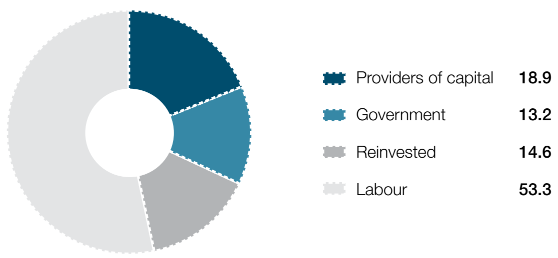
	2012		2011	
	R'000	**%**	R'000	%
Value-added				
Sales of goods and services	**8 160 078**		7 227 184[(*)]	
Less: Cost of materials and services	**(6 538 150)**		(5 507 401)[(*)]	
Value-added from trading operations	**1 621 928**	**99,6**	1 719 783	99,3
Income from investments	**6 396**	**0,4**	12 676	0,7
Total value added	**1 628 324**	**100,0**	1 732 459	100,0
Value distributed				
To labour	**979 363**	**60,1**	922 363	53,2
To Government	**169 407**	**10,4**	229 055	13,2
Tax	**162 646**		222 679	
Skills development levies	**6 761**		6 376	
To providers of capital	**348 084**	**21,4**	327 329	18,9
Dividends to shareholders	**323 713**		299 480	
Interest on borrowings	**24 371**		27 849	
Total distributions	**1 496 854**	**91,9**	1 478 747	85,4
Income retained in the business	**131 470**	**8,1**	253 712	14,6
Depreciation/Amortisation/Impairments	**122 683**		117 930	
Retained profit for the year	**8 787**		135 782	
Total value distributed and reinvested	**1 628 324**	**100,0**	1 732 459	100,0

(*) *Restated – refer note 1 of the financial statements*

Value-added statement 2012



Value-added statement 2011



Sustainability (continued)

Social aspects

Issues:

- o Broad-based black economic empowerment
- o Equality
- o Employees
  - Value creation
  - Health and safety
  - Employment equity
  - HIV/AIDS
  - Training
  - Employee turnover
  - Human rights
  - Workplace improvement programme

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. Our Black Economic Empowerment status has been evaluated by EmpowerDEX, at a generic scorecard C-rating. 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 target to be awarded a level BB-rating by February 2012 was achieved.

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

	2012		2011	
	AIC	**White**	AIC	White
Board	**3**	**8**	3	7
Executive	**2**	**20**	1	19
Senior management	**7**	**58**	7	58
Middle management	**57**	**126**	41	112
Skilled upper/technical	**277**	**262**	428	322
Semi-skilled/apprentice/ trainee	**2 700**	**196**	2 741	196
Labourers/unskilled	**3 584**	**13**	3 552	2
Total	**6 630**	**683**	6 773	716

Note 1: Employee categories are defined using the Patterson grading methodology.
Note 2: Including non-executive directors.

Number of employees at end of September – Group

	Feed		Poultry		Services and Ventures		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Permanent	**774**	696	**6 944**	7 502	**19**	249	**7 737**	8 447
Contract	**326**	612	**3 356**	3 213	**–**	151	**3 682**	3 976
Total	**1 100**	1 308	**10 300**	10 715	**19**	400	**11 419**	12 423

Regional breakdown of employees – **2012**	
Within South Africa	**10 989**
Outside South Africa	**430**
Total	**11 419**

Note 1: Excluding non-executive directors.

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 lead 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.

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. At factories, safety, health and environment committees are in place to assess and reduce the impact on the environment of manufacturing activities and to ensure the safety of employees.

The disabling 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.

Disabling injury frequency rate	2012	2011
Farming operations	**1,47**	1,59
Processing operations	**2,30**	2,18
Milling operations	**2,04**	1,90

Disabling 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.

Health Link Employee Wellness Programme

Because employees are such a vital asset to Astral and the communities in which we operate, taking care of people's health has always been a key priority and focus area for our business. The Astral Health Link programme has been running for almost four years and continues to enhance the health and wellness of our workforce significantly.

The Astral Health Link is a strong partnership between Astral and Kaelo, a pioneering South African health and wellness company. Through wellness days, training, education, pro-active patient management and other employee wellness initiatives, the programme has saved lives, reduced illness and absenteeism, enhanced productivity and supported a better quality of life for all our people.

Each year health screenings are conducted to test employees for a range of chronic diseases of lifestyle, such as high blood pressure, high cholesterol, diabetes, obesity and voluntary HIV counselling and testing. Employees at risk or those diagnosed with health problems are actively supported to manage their health more effectively. All employees have free access to telephonic counselling, onsite face-to-face consultations with health professionals and the provision of medication and vitamin supplements if needed.

Excellent relationships have been established with local clinics, State hospitals and the Department of Health to ensure that Astral employees have convenient access to the health services they require. Monthly health communication in the form of posters, newsletters and emails are also used to educate people about health matters and to promote a healthy lifestyle among employees.

With unquestionable support from Astral management, the programme has gained excellent buy-in from employees, unions, contractors and local communities who all appreciate the value of the health and wellness initiatives that are made available. As at June 2012, the following pleasing results had been achieved among permanent employees:

- 79% of employees completed a wellness screening for chronic lifestyle diseases.
- 70% of employees received HIV/AIDS education and training.
- 68% of employees completed voluntary HIV counselling and testing.
- With a steady prevalence rate of around 20%, 1 283 HIV positive employees were enrolled on a dedicated HIV Patient Management programme, which provides regular pathology, counselling, anti-retroviral (ARV) treatment, multi-vitamins, check-ups, monitoring, education, support and TB testing and treatment if required.
- 3 859 employees were enrolled on Patient Management programme to treat Chronic Diseases of Lifestyle conditions through counselling, education, health information, health tips, support, access to medication and encouragement to make healthy lifestyle choices.
- Statistics gathered from Astral divisions are being used to address the specific health problems at each site, with the utmost respect being given to employees' rights to confidentiality and privacy.
- Targeted initiatives are underway to combat prevailing chronic diseases of lifestyle problems, which include obesity and hypertension.

The Astral Health Link programme was initially introduced in an effort to assess and manage the impact of Chronic Diseases of Lifestyle including HIV/AIDS among employees but the programme has grown into something far more holistic and effective than was ever anticipated. Management and staff alike support the programme's objective and appreciate the impact that improved health and wellness has, not only for our workforce but for families, dependants and communities that we touch. Wellness Ambassadors – employees selected to act as spokespeople and proponents of the programme – have made a noteworthy contribution, helping to normalise the use of counselling and nursing and significantly reducing the negative stigma around HIV and other diseases.

From a business perspective, the return on investment in health and wellness continues to increase and the benefits clearly outweigh the costs. In the first six months of 2012, the minimum return for the Astral Health Link was in excess of R16 million. This takes into account less illness, fewer deaths, reduced absenteeism, improved productivity, pathology testing, counselling and face-to-face consultations.

We are confident that the Astral Health Link programme will continue to go from strength to strength, bringing hope to everyone affected by prevailing health concerns.

"He who has health has hope; and he who has hope has everything." ≈ Thomas Carlyle

Sustainability (continued)

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 31% and 99% of employees are from the designated groups. We believe that no unfair discrimination exists in the workplace.

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 20%. 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;
- training of peer educators.

79% of employees participated in the screening, 70% attended training and 68% participated in voluntary counselling and testing.

We introduced a wellness programme during 2009 focusing on:
- height and weight (body mass index);
- blood pressure (hypertension);
- cholesterol;
- diabetes;
- voluntary counselling and testing for HIV/AIDS.

Training
The "CEO Pinnacle Programme" which consists of management training and development interventions was introduced during September 2011. The different interventions focus on senior and middle management levels as well as supervisory training.

The management programmes are presented by the North-West University (Potchefstroom Business School). Prospective students received an orientation of the different programmes. Thereafter they applied to be enrolled in the programme. The applicants were screened and the first 18 students of which 50% are from the designated groups, started with the middle management programme during September 2011. The second group of 16 students, of which 43% were from the designated group, started with the advanced management programme during March 2012.

We have also identified a mentor for each student, who will support and encourage them to manage their own learning in order that they may maximise their potential, develop their skills, improve their performance and become the person they want to be.

We are very excited about these training interventions, as this is a first for Astral and employees are very keen to be part of it. The pass rate for the first group of students was 90%.

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.

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 Sectoral 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.

Employee turnover
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. Our staff turnover is below 4%.

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 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	2012	2011
Number of calls received	**62**	58
Number of reports generated	**28**	25
Number of reports investigated	**25**	23
Number of convictions	**1**	1

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

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

Workplace improvement programme

Over the past year we have continued with our drive for excellence through the implementation of the 20 Keys Total Workplace Improvement Programme, which aims to energise the workforce to work faster, cheaper and better. All employees at the various workplaces participate as teams to improve productivity and efficiencies. We can claim that we have made the best progress in South Africa with the implementation of the 20 Keys Programme.

Five farming operations have been awarded the International Excellence Award. South Africa also hosted the International 20 Keys Study Mission and conference. The group with representatives from Japan, Russia, United Kingdom, Croatia, Egypt, Tanzania, Kenya and Botswana visited Meadow Randfontein and were very impressed with the level of implementation of the 20 Keys Programme.

Stakeholders

Issues:

- o Consumers
  - Product responsibility
- o Customers
- o Suppliers
  - Preferential procurement
  - Contract growers
  - Packaging and ingredient suppliers
- o Membership of industry organisations
- o Employees
- o Regulators and compliance
- o Community
- o Corporate Social Investment

Consumers

Astral's branded chicken products are distributed widely and reach consumer groups across the spectrum of society. Our consumers can choose from an extensive range of products, from affordable frozen secondary products to higher value fresh chicken, including free range and prepared value-added convenience products. The Goldi brand has maintained loyal support from the middle to lower income consumers, driven by consistent and trusted quality, availability and good value. County Fair and Festive brands on the other hand have developed strong equity in the middle to upper income consumer sectors where demand for prime products is stronger. We have recently launched a fresh range offering under the Mountain Valley brand.

Product responsibility

The need for manufacturers to market products that meet the required food safety standards has resulted in a number of on-going initiatives and practices to comply with legislation. In recent years the Food Safety Initiative was launched by the Consumer Goods Council of South Africa 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 HACCP or ISO certified in terms of Food Safety Management Systems. We follow the farm-to-fork approach, from control of animal feed quality, health of grandparents (GPs), 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 practised in line with legislation. Monitoring for biological and chemical residues is done by reputable independent laboratories. A team of in-house consulting veterinarians assist the group. All our abattoirs consistently perform above 80% in the Department of Agriculture's Hygiene Programme.

Sustainability (continued)

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 Statutory Committees.

Customers

Our key customers lie primarily in top end retail chains and wholesalers, mainly independently owned, and highly entrepreneurial by nature. Long-standing trading relationships are in place with the major retail groups, who continue to play important roles in reaching our targeted consumers are building our brands. Most of our independent wholesale customers have been partners for decades and have driven distribution of our chicken brands strongly into the independent retail sector. We have a strong association with The Cold Chain which continue to provide crucial services that include warehousing, distribution and merchandising to the retail and wholesale chains on our behalf.

Astral Foods takes the top three places in this year's National Fire Team Competition

The MRG Fire Team Competition is the country's largest industrial fire team competition where 101 fire teams participated in 2012. Regional events were hosted in Gauteng, KZN and the Western Cape and the finalists from each region were invited to a final event which took place on 23 November 2012 in Johannesburg. Fifteen teams qualified for the final event, four of which were from Astral Foods. These were: Meadow Feeds Pietermaritzburg, Meadow Feeds Randfontein, Earlybird Farm Camperdown and Earlybird Farm Olifantsfontein.

First, second and third places went to Earlybird Farm Olifantsfontein, Meadow Feeds Randfontein and Meadow Feeds Pietermaritzburg, respectively. This is the first time in this competition's 12-year history that a single company has been placed in the top three positions.

Earlybird Farm Olifantsfontein Fire Team in action.

Mountain Valley Free Range Chicken

In response to increased consumer demand for food produced in a more traditional way, we are proud to introduce our Mountain Valley Free Range Chicken – the first available free range brand.

Our free-range chickens are reared on specially selected farms near Umhlali in the KwaZulu-Natal Midlands, Hekpoort Valley in the North West and Fisantekraal in Agter Paarl in the Western Cape. Spacious broiler houses on these farms have been specifically modified to provide enough floor space, heat, fresh air and sufficient light as well as access to natural sunlight, vegetation and the freedom to express natural behaviour such as scratching and dust bathing outside. Floors are covered with wood shavings, sunflower husks or straw to ensure that the chickens are kept warm and dry when not outside.

These birds always have free access to specially formulated nutritious diets and clean water. Our free-range broiler diets are formulated with high-quality vegetable proteins, grains and essential minerals and vitamins; no animal proteins whatsoever are included in their diets. Their diets are also free from anti-biotic growth promoters and anti-coccidial stock remedies. However, in the unlikely case that the birds should get sick, they will receive the prescribed veterinary treatment and under such conditions withdrawal times of these medicaments are strictly adhered to, after which the meat will be tested by an independent laboratory in order to ensure that we comply with the maximum residue levels (MRLs).

With free-range, as our commercially produced chickens, the same level of strict hygiene standards, adherence to food safety and quality systems, traceability and attention to every detail is followed throughout. This enables us to proudly offer our consumers Mountain Valley Free Range Chicken as an alternative but equally responsible farm-to-fork approach.

GREAT
South African Chickens!

With lots of fresh air, **sufficient sunlight,** free access to a specially formulated **nutritious diet and clean water**, warm and dry when they are not outside, and **even the freedom to scratch and bathe** in the dust outside, our free-range chickens are **nurtured in spacious broiler houses** on specially selected farms to become **great South African chickens.**

Sustainability (continued)

Helping emerging broiler farmers succeed

Unemployment in rural KwaZulu-Natal is a pressing problem, and many people are farming broilers to make money. Lindani Nkwanyana from Meadow Feeds is helping them improve their businesses – and he's making a real difference.

To the casual observer, small-scale broiler farming is a simple operation. You buy a few chicks, feed them for a while and sell the fully grown birds to hawkers or customers in the community. Surely there's not that much to learn about this farming activity?

Wrong! If not carried out with precision and planning broiler farming can be an ongoing struggle that can lose you money. If done properly, however, it can lift many poor rural people out of poverty. Just ask Lindani Nkwanyana.

Lindani is a poultry production technical advisor for Meadow Feeds in KZN and Eastern Cape. He plays a major role in developing the region's broiler farming sector.

"I teach farmers what to look out for in a good quality day-old chick."

With six years of training and job experience in commercial poultry production, and a friendly, patent nature, he is ideal for this challenging task.

"I'm amazed at how many small-scale broiler farmers are out there, even in the most remote rural areas," he says.

"These people either ask me to arrange broiler farming training days for them and their communities, or I approach them." They raise between 50 and 5 000 broilers at a time. But lack of money, running water, electricity, shops and knowledge means many of these farmers struggle to run successful broiler operations.

Expert advice

Although Lindani cannot offer small-scale farmers financial support, he uses his knowledge of broiler production to help them improve their facilities and increase their profits. This can make a big difference.

Many emerging broiler farmers, for example, buy cheaper second-grade or third-grade day-old broiler chicks from suppliers.

But Lindani explains that instead of saving money they are actually losing it! Although these chicks are cheaper, more of them die or do not grow well.

"Modern broiler breeds are bred for high performance. You only get this performance from first grade chicks fed with top quality feed which are properly housed and vaccinated correctly," he explains.

In short, buying the best quality chicks and looking after them properly is an investment that produces the highest returns.

"I also teach the farmers what a good quality day-old chick looks like, so that skelm sellers don't try to sell them poor quality chicks.

"My farmers have seen the improved performance of first-grade chicks, and now they're prepared to pay more for these chicks," says Lindani.

If possible, Lindani either collects day-old chicks from a supplier and delivers them to a group of small-scale farmers, or arranges for a supplier to deliver them in bulk. These farmers, just like large-scale commercial broiler farmers, can't afford to not have broilers constantly in production to ensure a steady income.

Attention to detail

Vaccination is crucial to successful broiler production. Before recommending a vaccination programme, Lindani consults local State vets or extension officers to find out what broiler diseases are common in the area. This prevents diseases from being brought into an area when a broiler farmer uses live vaccine.

This attention to detail, says Lindani, is important in broiler production.

"You must keep strict records of everything that you do for your broilers. This includes taking the temperature in the house regularly, noting how much feed of each type the birds have eaten, writing down what vaccinations you gave the birds and when, and noting how many birds have died and why.

"You must also regularly check the birds' weights so that you know how well they're growing and when to sell them," he explains.

Lindani says many farmers keep some of their broilers for their own consumption and sell the rest to the local community, either from the farm gate or from cages at outdoor markets.

Other growers supply to hawkers, who typically collect live broilers from the farm and sell them on elsewhere.

Some growers even have broilers ready for live sale on pension and other social welfare payout days.

Few small-scale farmers are able to sell their birds directly to broiler abattoirs which need regular large deliveries and are strict about hygiene. But Lindani and Meadow Feeds are organising supply agreements for farmers who can meet these demands.

Making a difference

"Lindani's lessons teach me the important things that I need to do, start, manage and grow my own broiler business," says 24-year-old Thobeka Khwela of Umbumbulu.

Another Umbumbulu resident, unemployed Themba Mnyandu agrees, "I have learnt from Lindani where broiler birds come from and how to grow them the best. I want to start farming with broilers. I will sell my chickens in the area where I live."

Lindani's message to small-scale broiler farmers is that they too can have large-scale broiler operations one day.

"Farmers must put their hearts, minds and strength into their businesses and grow them. They mustn't get left behind. They must be hands-on and keep a close eye on their broilers to get the best out of the birds", he says.

"If you can grow your chickens to the ideal live weight quicker, better and cheaper than other farmers, then you will make money from your broiler business!"

Article copied from *Farmer's Weekly,* 16 December 2011

The importance of sustainability

Of the 9,5 million people in KwaZulu-Natal, 84,5% are black people, of whom 98,0% live in households where the main breadwinner gets an income from farming. Most black consumers prefer to slaughter live chickens for eating. They eat the whole bird, except the feathers, and the meat is as fresh as it can possibly be.

It is important for Meadow Feeds that rural communities do well on a sustainable basis. If Lindani provides good training in broiler production so that these businesses thrive, the entire industry will be successful.

Meadow Feeds offers support not only to broiler farmers but all emergent livestock farmers. For example, to encourage entrepreneurship in rural areas, and make it easier for farmers to get all types of animal feed, the company is establishing privately owned containerised feed depots.

Sustainability (continued)

Suppliers
Raw material availability is synonymous with two main risk areas, namely price and quality/supply risk. The agricultural commodity markets, as with other commodities, equities and currencies, have been extremely volatile over the past 12 months as a result of the financial crisis, global recession, inclement weather, market sentiment and money flows. High volatility leads to increased price risk which is managed by having a conservative approach to market exposure together with access to knowledgeable and respected advisors and suppliers. These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Animal feed is an industry where raw material substitution is an essential skill to optimise feed quality and price. We are a major player in the South African arena but only use approximately 0.1% of the global maize and soya production. Our skill in raw material substitution and access to suppliers with an international footprint will ensure that we will remain a reliable supplier of quality feed.

Preferential procurement
The procurement activities of the group are focused on the suppliers of goods and services who have made progress on their BBBEE scorecard and we continue to identify further opportunities in this regard.

Contract growers
We make use of contract growers at our Earlybird Farm operations and are continuously seeking opportunities to expand the number of contract growers, especially those that have a BBBEE component involved.

Contract growers	2012	2011
Total number of contract growers	71	74
Number of BBBEE contract growers	10	10

Packaging and ingredient suppliers
Packaging and ingredient suppliers have a major impact on the risk management of food quality and safety and are managed accordingly. We drive a policy to exclude dealings with suppliers that pose a threat to our product responsibility. Food Safety Certification is a compulsory requirement for ingredient suppliers and continuous communication and controls have been established to prevent potential risks occurring such as the notorious Melamine food contamination scandal in previous years.

Membership of industry organisations
Astral and its employees are members and/or participate in the following organisations:

Organisation
Agricultural Business Chamber (Agbiz)
Consumer Goods Council of South Africa
Southern African Poultry Association
South African Agricultural Processors Association
Animal Feed Manufacturers Association
South African Veterinary Council
Health Professionals Council
World Poultry Science Association
South African Society for Animal Science
South African Institute of Chartered Accountants
Chartered Secretaries South Africa
Institute of Directors
South African Board of People Practices
Health Professions Council of South Africa
South African Institute of Professional Accountants
Institute of Internal Auditors

Employees
To communicate our strategy, performance, developments and other information relevant to employees, we deploy a number of electronic communication channels, including a communiqué from the desk of the chief executive officer.

Presentations are made by the chief executive officer to employees twice annually on the group's financial performance and future plans.

We encourage business units to actively and regularly engage with employees.

Regulators and compliance
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.

Poultry	HACCP	GMP	Retail	Halaal	Other
Earlybird Olifantsfontein	SANS 10330	PASS 220	FSA A-rating	MJC status	Q Pro
Earlybird Standerton	SANS 10330	PASS 220	FSA A-rating	MJC status	
Earlybird Camperdown				SANHA status	
County Fair – Hocroft	SANS 10330	PASS 220	FSA B-rating	MJC status	Q Pro
SAI Global					
County Fair – Epping	SANS 10330	PASS 220	FSA B-rating	MJC status	

HACCP – Hazard Analysis and Critical Control Point Systems
GMP – Good Manufacturing Practices
PASS 220 – Publicly Available Specification (PAS) 220:2008 us a standard which specifies requirements for pre-requisite programmes to assist in controlling food safety risks within the manufacturing processes of international food supply chains
SANS 10330 – Requirements for the development, implementation and maintenance of an HACCP system as a preventative system to enhance the safety of food
FSA – Food Standards Agency rating
MJC – Muslim Judicial Council certified
SANHA – South African National Halaal Authority certified
Q Pro – Food Safety and Quality Audit certification
SAI Global – Food Safety Assurance certification

Feed	ISO 9001: 2008	ISO 22000: 2005
Meadow Feeds		
– Randfontein	√	√
– Delmas	√	#
– Welkom	√	#
– Pietermaritzburg	√	√
– Paarl	√	√
– Port Elizabeth	√	#
– Ladismith	#	#

ISO 9001:2008 – Quality Management Systems certification
ISO 2200:2005 – Food Safety Management Systems certification
 # – Comply but not certified

Community

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.

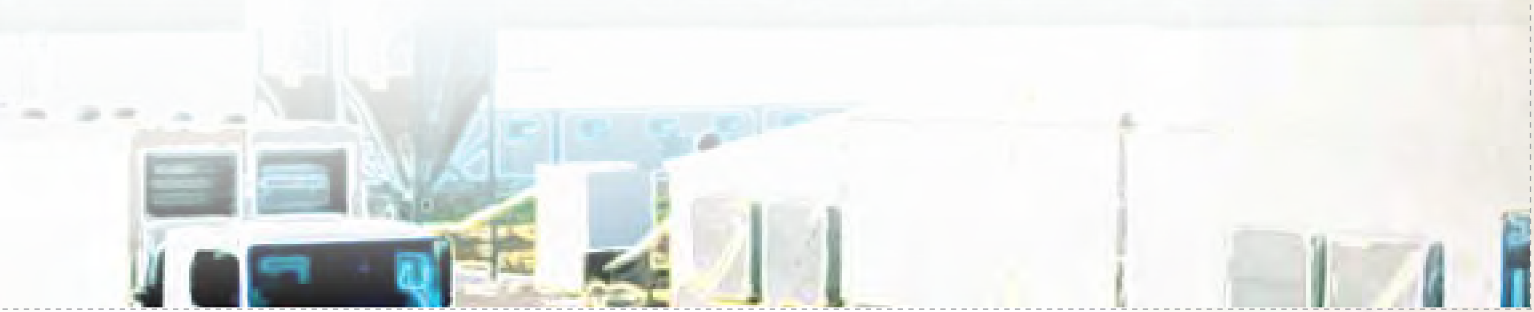
Corporate Social Investment

The Wellness Programme is an initiative in Corporate Social Investment and benefits not only our employees but extends into the broader community.

R7,1 million (2011: R6,0 million) was spent on numerous corporate social investment projects throughout the group.

Some of the significant CSI projects supported by the group during the year include:

- Earlybird Olifantsfontein weekly donate chicken portions and eggs to The Tembisa Society for the Aged and Thekanang Afterschool Drop-in Centre.
- Earlybird Olifantsfontein donates blankets and mattresses to the above Non-Governmental Organisations as well as to the Tembisa Self-help Association for the Disabled.
- County Fair supports The Lily Haven Old Age Home by assisting with monthly outings, repairs on buildings, purchasing of much needed household equipment, donations in the form of food and toiletries and a year-end Christmas function.
- Meadow Feeds Port Elizabeth is involved with Thand'usana, an independent non-profit organisation and haven for abandoned and/or abused babies 0 to 3 years of age, contributing monthly to various projects such as signage, fencing and spending time with the children.
- Total of 8 460 dozen eggs by Ross Poultry Breeders to old age homes, children's homes and Meals on Wheels.
- Donation of feed to Bekker High School and Bethany's House by Meadow Feeds.



Sustainability (continued)

House of Grace Children's Home – Western Cape

House of Grace is a place of safety for abandoned, abused and AIDS affected children who are sent to this special couple by the police and the Tygerberg Hospital.

At present the home houses 22 children who range in age from 11 months to 14 years. Some of the children are siblings and some are totally alone in the world. All of them are loved and valued by this special couple.

County Fair provides support to the House of Grace in assisting with purchasing of school clothes, purchasing of much needed household equipment, kids parties and donations.

The bus that transports the kids to and from school has had major repairs done by County Fair during the year which amounted to R57 000.

Meerhof School – casual day involvement

Since 2005, Astral has been committed in supporting the national Casual Day by making donations to Meerhof School, a school established in 1969 for physically disabled children. In 2006 Astral took the challenge to not only support Casual Day but to take a step further by encouraging our suppliers to join in on the idea that serves as a Social Development initiative.

In 2012, the total amount of R81 971 was raised of which R15 450 went towards Casual Day stickers and R66 521 towards a donation to Meerhof School. This donation was utilised towards the building of two additional classrooms at the school.

Ten Million Steps for Cancer

On 6 August 2011, Joppie Fourie left Oudtshoorn for a mammoth walk around South Africa, pushing a specially constructed bed which housed all his belongings. He had a tent, a mattress, his clothing, food and all that he could fit into the bed.

In 2009 Joppie had lost his daughter Marlené to cancer, and had battled to come to terms with his loss. He initially decided to go on a walking trip through Namibia to seek solace, but after intervention from some friends, he decided to walk around South Africa to raise funds for cancer. Marlené had been positive until the very end, and even after she had stopped her treatment, she attended all of her school functions, and lived her life to the full. Joppie decided to honour her life in a positive way by raising funds, visiting rural areas to share information on cancer, and visiting cancer patients in hospitals and hospices.

When Joppie was near Bloemfontein, the Meadow team became aware of his project and whenever he came to a town where there is a Meadow feed mill, the employees assisted with accommodation, entertainment and also handed over donations for his very worthy cause.

Environment
- o Environmental risks
- o Energy usage
  - Electricity
  - Gas and coal
  - Water usage
- o Waste and recycled products
- o Emissions to air
- o Environmental impact assessment
- o Carbon footprint
- o Waste to Energy opportunities

We strive to use the best environmental practices on all the land used for farming, processing, milling and distribution operations.

Environmental risks

Our underlying environmental policy is the adoption of protective strategies to manage and control the impact of our agricultural and manufacturing operations on the environment, at the same time as safeguarding our extensive assets and human resources.

Environmental risk assessments are conducted and reported on an annual basis as a component of our risk control programme. Alexander Forbes Risk Services have been appointed to conduct environmental risk assessments at selected Astral Foods' operations in order to assist in this regard. The environmental risk assessments focus on the following areas:

- Water quality;
- Waste management;
- Water management;
- Hazardous chemicals/fire and explosions;
- Air quality;
- Site management;
- Land management; and
- Legal requirements.

The following environmental risks have been identified in our operations:

Environmental risks	Risks mitigated by
Hazardous chemical, diesel and gas spillage	Training programmes Health and safety procedures Bund walls Annual Independent Grading Audits Hazardous chemical stores Environmental policy Annual Independent Environmental Audits Emergency Response Plans
Ground and surface water pollution	Environmental management programme Regular monitoring Effluent water treatment
Waste disposal	Registered waste companies for safe disposal of contaminated or hazardous waste
Odours from processing plants	Environmental policy Environmental management programme Weather and monitoring stations

All identified environmental risks are under control and are being monitored continuously.

Energy usage

Electricity

We recognise that in South Africa electricity is regarded as a scarce resource and we take all steps possible to ensure that our operations function as optimally as possible.

In all our operations energy-efficient lighting, heating and power correction systems have been implemented to reduce energy usage.

We are also engaged in trials that will use the latest technology available to reduce the energy consumed by lighting by a further 25%. The use of solar water heating has reduced the requirement of electrical water heating on certain sites for showering by 60%. Solar water heaters will be used to augment water heating as these systems fail and are replaced.

Electricity at all Poultry division facilities within South Africa is drawn from the national grid which uses low grade coal and therefore results in high emissions per kWh consumed.

Pilot projects for the following energy-efficient technology have been done:

- LED lighting.
- Heat pumps.

Sustainability (continued)

Both projects have realised energy savings, however the following challenges were experienced:

- Finding a reputable supplier with a sustainable solution.
- Unavailability of capital to replace existing technology.

The total electricity emissions for the group were as follows:

Division	'000 kWh per annum
Poultry	223 832
Feed	69 121
Services and Ventures	78

Gas and Coal

	2012	2011
Gas ('000 tons)	8	8
Coal ('000 tons)	40	41

We use coal-fired water boilers in the milling operations and Liquid Petroleum Gas (LPG) and coal-fired water boilers in the poultry operations. The predominant source of heat in the poultry houses is LPG. The majority of the poultry houses are fan-ventilated to move air more energy efficiently. We are currently investigating the feasibility of converting poultry litter to energy in order to reduce our dependence on LPG, especially in the Western Cape.

Water usage

Poor water quality and potential water shortages are significant potential risks to the business and we are looking at ways of reducing the demand for water in all processes. Every effort is made to recycle effluent water.

Recycled water, close to "irrigation" quality levels are produced at certain of our abattoirs and it is our goal to further improve the quality of this water so that it can be used in the abattoirs. The amount of water treated is measured daily at the effluent plants and the quality of the water is tested by external laboratories on a continuous basis and reported on monthly. At other operations, treated water is pumped to dams and used for irrigation of pastures or evaporated. We have recently invested R22 million to upgrade the water treatment plant at Earlybird Standerton abattoir to comply with the regulations of the National Water Act and to recycle 50% of the effluent in the processing plant.

The total water usage for the group was as follows:

Division	mℓ	Cost (R'000)
Poultry	4 855	32 366
Feed	146	1 327
Services and Ventures	3	37
	5 004	35 730

Waste and recycled products

We analyse all types of waste material generated for possible re-use. Waste is disposed of in the most environmentally friendly way possible. The challenge in waste recycling is maintaining the separation of contaminated waste from recyclable waste at our processing plants. This is achieved through staff training on waste separation, staff commitment and proper control systems.

Currently we recycle the following products:

- wood shavings as bedding for the chicken houses;
- sunflower husks; and
- our abattoir waste material is processed through our rendering plants into high-quality animal oil which is utilised as an additive in the production of bio-diesel.

Consultants have been appointed to investigate the feasibility of converting poultry litter to energy.

Emissions to air

We recognise our responsibilities in terms of the Air Quality Act, and ensure that the animal matter reduction plants and coal-fired boilers and their boiler stacks are well maintained and routinely inspected. We also make use of ozone odour control systems in order to reduce and control emissions to the air.

Environmental Impact Assessment (EIA)

We conduct Environmental Impact Assessments as required by the Department of Agriculture and Environmental Affairs when considering investment in new or upgraded existing facilities. This process allows for comments and input from all stakeholders. An Environmental Management Plan (EMP) is established for the construction phase of these projects and to serve as a guide to assist in minimising the potential environmental impact of the project activities.

Carbon footprint

Both the Poultry and Feed divisions have appointed an independent company to assess their respective carbon footprints in order to:

- establish a reliable carbon emission baseline;
- assess the financial benefit from reduced operating costs through carbon emissions reduction;
- address our concerns regarding energy security;
- fulfil our sustainability reporting responsibilities.

We have successfully assessed our Scope 1, Other Direct and Scope 2 greenhouse gas emissions for the period October 2009 to September 2010. Most Scope 3 emissions have been measured, and the scope of these emissions is likely to increase further in the future, adding value to the completion and accuracy of the inventory.

Our detailed Carbon Footprint Assessment Report and the latest Global Reporting Index (GRI) Content Index are available on our website: (www.astralfoods.com).

Upgrading of the Effluent Treatment Plant – Hocroft

County Fair Foods embarked on a project to treat the contaminated water from the Hocroft Primary Processing Facility in F2009 to comply with irrigation standards as prescribed by the Department of Water Affairs. The project was completed in September 2011.

The company invested in a biological pond and wetland system consisting of five dams and 24 wetland reed beds to purify waste water. This biological water system enables County Fair Foods to treat 200m^3 of water per hour. After the water has reached irrigation standards it is used to irrigate the grounds surrounding the factory. This includes instant lawn and pastures for a herd of beef cattle. It is also used to wash down the factory surrounds. The water treatment system has been operational for the past seven months.

Total capital expenditure for this project was R17,306 million.

Annual financial statements

Preparation and publication of the annual financial statements

The financial statements for the year ended 30 September 2012 were published on 12 December 2012.

The annual financial statements were prepared by the financial director, DD Ferreira, CA(SA).

Annual financial statements

Approval of the annual financial statements

The annual financial statements and group annual financial statements of Astral Foods Limited for the year ended 30 September 2012 set out on pages 72 to 126, were approved by the board of directors on 7 November 2012 and signed on its behalf by:

JJ Geldenhuys
Chairman

CE Schutte
Chief Executive Officer

Pretoria
7 November 2012

Certificate by company secretary

I confirm that the company has lodged with the Companies and Intellectual Property Commission all such returns as are required by a Public Company in terms of Section 33(1) of the Companies Act, 2008, and that such returns are true, correct and up to date.

MA Eloff
Group Company Secretary

7 November 2012

Statement of directors' responsibility

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Astral Foods Limited and its subsidiaries. The financial statements presented on pages 72 to 126 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 financial statements in conformity with IFRSs 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 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 financial statements fairly presents the results of operations for the year and the financial position of the company and the group at year-end.

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

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

The audit report of PricewaterhouseCoopers Inc. is presented on page 78.

JJ Geldenhuys
Chairman

Pretoria
7 November 2012

Directors' report

The directors' report forms part of the audited financial statements of the company and the group for the year ended 30 September 2012.

1. NATURE OF BUSINESS

The company holds investments in subsidiary and joint venture 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

Astral Foods Limited is listed on the Main Board of the JSE Limited under the share code: ARL. The company's ISIN is ZAE000029757.

3. REGISTERED ADDRESS

The company's registered address is:
92 Koranna Avenue, Doringkloof, Centurion, 0157. Postnet Suite 278, Private Bag X1028, Doringkloof, 0140.

4. BUSINESS REVIEW

Financial overview

Headline earnings for the year decreased by 31% to R300 million from last year's R437 million, as result of lower profitability from the poultry operations.

Group revenue increased by 12,9% from R7 227 million to R8 160 million, due to higher sales realised by both the Poultry and Feed segments.

The group's profits were severely affected by lower profitability by the Poultry segment, in spite of improved profits reported from the Feed segment. This resulted in the group's operating profit being down by 29,3% to R477 million with the operating profit margin at 5,8% down on the previous year's 9,3%. The profit before tax was down by 24,7% to R495 million which includes R35,9 million profit in respect of the sale of the interest in East Balt which was sold for a consideration of R96,0 million.

Net interest paid for the year increased to R18 million from last year's R15 million as result of increased average borrowings throughout the year.

Cash generated from operations for the year of R478 million was 43% down on last year's R837 million as a result of lower profits and higher working capital. Increased costs of raw material resulted in increased values of working capital and there were high finished goods stock levels at year-end. The net debt to equity ratio was however still at a healthy 6,6% (2011: 2,5%).

The group has entered into negotiations whereby half of its 50% interest in NuTec South Africa (Pty) Limited will be sold. The assets and liabilities of NuTec, which was previously proportionally consolidated, have been disclosed as held for sale.

The board has declared a final dividend of 336 cents, resulting in a total dividend out of the profit for the year of 672 cents (2011: 810 cents). The distribution will be supported by the strong balance sheet and underlying cash flow generation capabilities.

	2012 R'000	2011 R'000
Operating results		
Revenue	**8 160 078**	7 227 184*
Operating profit	**477 149**	674 919
Profit on sale of interest in business unit	**35 972**	–
Fair value adjustment of net investments in assets and liabilities held for sale	**–**	(1 805)
Net finance costs	**(17 975)**	(15 173)
Profit before income tax	**495 146**	657 941
Income tax expense	**(162 646)**	(222 679)
Profit for the year	**332 500**	435 262
Attributable to:		
Equity holders of the company	**329 335**	429 217
Non-controlling interest	**3 165**	6 045
Profit for the year	**332 500**	435 262
Financial position		
Non-current assets	**1 840 046**	1 876 789
Current assets	**1 672 894**	1 548 041*
Assets held for sale	**51 889**	–
Total assets	**3 564 829**	3 424 830
Total equity	**1 595 971**	1 585 632
Non-current liabilities	**516 387**	569 100
Current liabilities	**1 431 208**	1 270 098*
Liabilities held for sale	**21 283**	–
Total equity and liabilities	**3 564 829**	3 424 830

**Restated – refer to note 1 to the financial statements*

Segment analysis

A segment analysis of the revenue, operating profit and liabilities is set out on page 81 of the annual financial statements.

Disposals

The group disposed of its interest in East Balt bakery during the year for a consideration of R96 million, realising a profit on sale of R35,972 million.

5. ASSETS AND LIABILITIES HELD FOR SALE

The group was approached to sell 25% of its interest in NuTec Southern Africa (Pty) Limited. A certain degree of certainty that the sale will be successful was reached during the year and NuTec Southern Africa (Pty) Limited has been disclosed as assets and liabilities held for sale from June 2012.

6. SHARE CAPITAL

Detail of share capital is reflected under note 11 to the financial statements.

At the annual general meeting of shareholders held on 9 February 2012, shareholders passed a special resolution authorising the company, or a subsidiary, to acquire the company's own ordinary shares.

No special resolutions have been passed by subsidiaries during the year.

No shares were acquired in terms of the share purchase programme (2011: nil).

In terms of the group's share incentive scheme, no options were exercised (2011: 12 600).

The company's authorised share capital remained at 42 148 885.

Directors' report (continued)

7. SUBSIDIARIES AND JOINT VENTURES

Details of the joint ventures and subsidiaries of Astral Foods Limited are set out in notes 31 and 32, respectively, to the annual financial statements.

The interest of the company in the profits and losses of its subsidiaries and joint ventures for the year ended 30 September 2012 is as follows:

	2012 R'000	2011 R'000
Subsidiaries		
Total profits before income tax	**475 763**	631 598
Total profits after income tax	**338 656**	443 572
Total losses before income tax	**283**	1 597
Total losses after income tax	**674**	1 597
Joint ventures		
Total profits before income tax	**21 175**	24 691
Total profits after income tax	**15 247**	16 067

8. DIVIDENDS

The following ordinary dividends were declared:

	2012 R'000	2011 R'000
Interim dividend (No. 23) of 336 cents per share (2011: 305 cents per share)	**141 620**	128 554
Less: Dividends received on treasury shares held by a subsidiary	**(13 738)**	(12 470)
Final dividend (No. 24) of 336 cents per share (declared post-year-end) (2011: 505 cents per share)	**141 620**	212 852
Less: Dividends receivable on treasury shares held by a subsidiary	**(13 738)**	(20 647)
Total dividend at 672 cents per share (2011: 810 cents per share)	**255 764**	308 289

9. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

There has been no major change in the nature of and policy relating to property, vehicles, plant and equipment.

Details of property, vehicles, plant and equipment are set out in note 2 to the annual financial statements.

Assets with a book value of R54 446 000 (2011: R91 436 000) are pledged as security for secured borrowings of R28 348 000 (2011: R57 200 000).

10. DIRECTORS

The names of the directors who currently hold office are set out on pages 34 to 36 of this report. In terms of Article 14 of the company's Memorandum of Incorporation, GD Arnold, T Delport, T Eloff and N Tsengwa retire by rotation at the annual general meeting of shareholders and are eligible for re-election. No director holds more than 1% of the ordinary shares in the company. The directors beneficially and non-beneficially hold 234 500 (2011: 232 000) ordinary shares in the company – see directors' and prescribed officers' remuneration report on pages 79 to 80 for details. No changes in the directors' shareholding occurred between year-end and the date of this report. Following the formal performance evaluation of the above directors, the chairman confirms that these individuals' performance continues to be effective and shows commitment to the role. GD Arnold was appointed as an executive director on 1 March 2012.

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

No material contracts involving directors' interests were entered into during the year. A register of directorships and interests is disclosed and circulated at every board meeting.

11. RESOLUTIONS

No special resolutions, the nature of which might be significant to members in their appreciation of the state of affairs of the group, were passed by any subsidiary companies during the period covered by this report.

12. SHARE INCENTIVE SCHEME

The number of shares put under the control of the directors by shareholders for purposes of the company's employee share incentive scheme was limited to 10% of the issued share capital of Astral Foods Limited from time to time. The directors have decided to limit this to about 7,5% of the issued share capital.

As at 30 September 2012, options in respect of 908 050 shares remained outstanding, being 2% of issued share capital.

Details of the dates and prices at which the options were granted are given in note 12 to the financial statements.

13. SHAREHOLDERS

Details of shareholders are set out on page 126 of the annual financial statements.

14. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No events took place between year-end and the date of this report that would have a material effect on the financial statements as disclosed.

15. LITIGATION

Astral has successfully finalised a settlement agreement with the Competition Commission in terms of which a penalty will be paid to the Commission in full and final settlement and concludes all proceedings and investigations between the Commission and Astral. A provision has been made for an amount of R17 million. This agreement remains to be confirmed as an order by the Competition Tribunal.

16. DATE FOR AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the board of directors on 7 November 2012. No authority was given to anyone to amend the financial statements after the date of issue.

17. TRADING WEEKS

The reporting period for the poultry segment ends on the last Saturday of a financial year. This resulted in a 53-week reporting period for 2012 (2011: 52 weeks). The extra trading week yielded additional revenue and gross profit of R111 million and R10 million, respectively.

Audit and Risk Management Committee report

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, 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.

Terms of reference

The committee has adopted formal terms of reference that have been approved by the board which 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.

Composition

At 30 September 2012, the committee comprised three independent non-executive directors, namely M Macdonald (chairman), T Eloff and IS Fourie.

Meetings

The committee met three times during the year. Attendance of these meetings is shown in the table set out on page 44 of this report.

Duties

In execution of its compliance duties, the committee:

- nominated the re-appointment of PricewaterhouseCoopers Inc. as external auditors and I Buys as the designated auditor, after satisfying ourselves through enquiry that PricewaterhouseCoopers Inc. are independent as defined in terms of the Companies Act. This will be Mr Buys' fifth year as designated auditor of the company;
- confirmed that PricewaterhouseCoopers Inc. and the designated auditor, I Buys, 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 below and their terms of engagement;
- approved a 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;
- 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 is appropriate; and
- recommended to the board the declaration of interim and final dividends.

The objectives of the committee were met during the year under review.

Oversight of risk management

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:
  - o Financial reporting risks;
  - o Financial control risks;
  - o Fraud risks as they relate to financial reporting; and
  - o 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 and external audit;
- reviewed significant issues raised by the external auditors in their reports;
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, we believe 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 responsibilities.

External audit

Based on processes followed and assurances received, we have no concerns regarding the external auditor's independence and approved the following fees for work done by them:

Description of fees	
Audit fees	– R6,126 million (2011: R5,681 million)
Non-audit fees	– R7 000 (2011: R71 000)

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.

Internal audit

The committee is responsible for overseeing internal audit, and in particular:

- satisfying itself of the competence of the internal auditor and adequacy of internal audit staffing;
- approving the internal audit plan, as well as the internal audit charter;
- ensuring that the internal audit function is subject to a periodic independent quality review; and
- reviewing the functioning of the internal audit programme and department, to ensure co-ordination between the internal and external auditors.

A combined assurance programme has been developed to provide a co-ordinated approach to assurances received from the different assurance providers.

Financial function and financial director review

We have reviewed the expertise, resources and experience of the company's financial function and are satisfied that these are adequate for the forthcoming year. The committee has also reviewed the performance, appropriateness and expertise of the financial director, DD Ferreira, and confirms his suitability in terms of the JSE Listings Requirements.

Integrated report

We have evaluated the integrated report of Astral Foods Limited and the group for the year ended 30 September 2012 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 annual report to the board for approval.

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 annual report, and that the company will be a going concern for the next financial period at which time a similar assessment will be done.

On behalf of the Audit and Risk Management Committee

Malcolm Macdonald
Chairman

7 November 2012

Independent auditors' report

To the shareholders of Astral Foods Limited

We have audited the consolidated and separate financial statements of Astral Foods Limited set out on pages 72 to 126, which comprise the statements of financial position as at 30 September 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the 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 and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

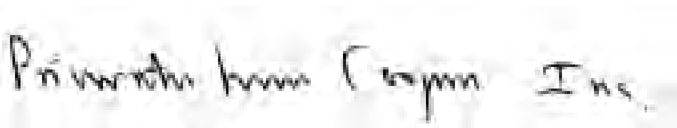
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Astral Foods Limited as at 30 September 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa .

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 September 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



PricewaterhouseCoopers Inc.

Director: I Buys

Registered Auditor

Johannesburg
7 November 2012

Directors' and prescribed officers' remuneration

for the year ended 30 September 2012

Directors' remuneration

	Salary R'000	Retirement fund contributions R'000	Travelling allowance and other payments R'000	(Note 1) Performance-related bonus R'000	(Note 2) Long-term retention bonus R'000	**Total 2012 R'000**	Total 2011 R'000
Executive directors							
For managerial services:							
CE Schutte	3 647	613	28	837	2 520	**7 645**	4 640
T Delport	2 411	406	27	602	1 617	**5 063**	3 344
DD Ferreira	2 411	406	14	602	1 617	**5 050**	3 388
OM Lukhele	1 387	233	37	362	840	**2 859**	2 004
GD Arnold*	851	143	27	387	840	**2 248**	–
	10 707	1 801	133	2 790	7 434	**22 865**	13 376
Non-executive directors' fees							
For services as directors:							
JJ Geldenhuys						**651**	514
T Eloff						**367**	238
M Macdonald						**351**	330
TCC Mampane						**279**	262
N Tsengwa#						**279**	262
IS Fourie						**358**	336
						2 285	1 942
Total paid to directors by the company and its subsidiaries						**25 150**	15 318

* *Director's fee from date of appointment*

\# *Director's fee paid to Exxaro Resources Limited*

The performance-related bonus are in respect of the previous year's results, only due for payment during the current year.

Prescribed officers' remuneration

	Salary R'000	Retirement fund contributions R'000	Travelling allowance and other payments R'000	Performance-related bonus R'000	Long-term retention bonus R'000	**Total 2012 R'000**	Total 2011 R'000
For managerial services							
R Steenkamp	1 730	291	33	466	1 470	**3 990**	2 489
LW Hansen	1 373	231	69	366	840	**2 879**	2 099
MA Eloff	944	159	8	168	333	**1 612**	1 216
AB Crocker*	1 056	178	32	312	840	**2 418**	–
GD Arnold**	608	102	67	–	–	**777**	2 023
	5 711	961	209	1 312	3 483	**11 676**	7 827

* *Remuneration from date of appointment as a prescribed officer*

** *Remuneration up to date of appointment as executive director*

A prescribed officer of the group is defined as the company secretary and members of the board of the main operating company, Astral Operations Limited, who are not executive directors of Astral Foods Limited.

Note 1.
Performance-related bonus

The performance-related bonus allocations are in respect of previous year's bonuses of which payments vested at 30 September 2012. Bonus allocations were based on achieving above threshold economic value-added targets.

No bonus allocations were made to the executive directors in respect of 2012.

Directors' and prescribed officers' remuneration (continued)

for the year ended 30 September 2012

Note 2.
Long-term retention bonus scheme
The executive directors and prescribed officers participate in a long-term retention bonus 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, however 25% of the allocated amount is guaranteed. Payments of vested amounts are made after three, four and five years from the date of allocation.

The performance conditions were measured over the past three years ended 30 September 2012. Only the PEF performance condition was achieved and 38% of the allocated amount together with the 25% guaranteed amount has vested. One-third of the vested bonus accrue to the recipients at 30 September 2012 and are due for payment in January 2013.

Share incentive scheme interests

Share option scheme

Options outstanding	Grant date	Exercise price	Number of options 2012	2011
CE Schutte			**54 800**	54 800
	28 August 2007	R122.00	**33 600**	33 600
	15 May 2009	R97.00	**21 200**	21 200
T Delport			**45 200**	45 200
	21 May 2008	R88.49	**40 000**	40 000
	15 May 2009	R97.00	**5 200**	5 200
DD Ferreira			**36 300**	36 300
	28 August 2007	R122.00	**14 600**	14 600
	15 May 2009	R97.00	**21 700**	21 700
OM Lukhele			**18 300**	18 300
	28 August 2007	R122.00	**11 200**	11 200
	15 May 2009	R97.00	**7 100**	7 100
GD Arnold	28 August 2007	R122.00	**15 500**	–
			170 100	154 600

The scheme provides the right to purchase shares in the company at the exercise price.

One-third of the options are exercisable per year after each of the third, fourth and fifth year from date of granting the option.

Any balance not exercised after seven years from date of granting the option will lapse.

None of the non-executive directors have share incentive scheme interests.

No share options were exercised during the year (2011: nil).

Issued share capital interest

	Directly held Number of shares 2012	2011	Indirectly held Number of shares 2012	2011
Beneficial interests				
Non-executive director				
M Macdonald	**–**	–	**60 000**	60 000
Executive directors				
CE Schutte	**17 000**	17 000	**–**	–
DD Ferreira	**155 000**	155 000	**–**	–
GD Arnold	**2 500**	–	**–**	–
	174 500	172 000	**60 000**	60 000

Segment report – group

for the year ended 30 September 2012

	2012 R'000 Revenue(#)	2011 R'000 Revenue(#)		2012 R'000 Operating profit	2011 R'000 Operating profit
Poultry					
– South Africa and Swaziland	**5 914 483**	5 257 636	(*)	**144 893**	353 193
Feed	**4 571 277**	3 684 161		**313 357**	282 329
– South Africa	**4 309 636**	3 478 316	(*)	**283 135**	257 536
– Other Africa	**261 641**	205 845		**30 222**	24 793
Services and ventures	**239 996**	275 902		**18 899**	39 397
Sales between segments	**(2 565 678)**	(1 990 515)			
– Feed to Poultry	**(2 413 486)**	(1 906 132)	(*)		
– Other	**(152 192)**	(84 383)			
	8 160 078	7 227 184			
Operating profit				**477 149**	674 919
Profit on sale of interest in business unit				**35 972**	–
Fair value adjustment of investment held for sale				**–**	(1 805)
Profit before interest and tax				**513 121**	673 114
Finance income				**6 396**	12 676
Finance expense				**(24 371)**	(27 849)
Profit before income tax				**495 146**	657 941
Income tax expense				**(162 646)**	(222 679)
Profit for the year				**332 500**	435 262

(#) *Refer to note 18 to the financial statements for the contributions from the top 5 customers*

	2012 Assets	2011 Assets		2012 Liabilities	2011 Liabilities
Poultry					
– South Africa and Swaziland	**2 830 780**	2 561 739	(*)	**1 204 362**	1 440 797
Feed	**958 341**	764 062		**848 650**	545 408
– South Africa	**825 049**	649 227		**787 266**	485 354
– Other Africa	**133 292**	114 835		**61 384**	60 054
Services and Ventures	**4 949**	368 044		**175 693**	122 008
Assets/liabilities held for sale	**51 889**	–		**21 283**	–
Set-off of inter-group balances	**(281 130)**	(269 015)		**(281 130)**	(269 015)
	3 564 829	3 424 830		**1 968 858**	1 839 198

	2012 Capital expenditure	2011 Capital expenditure	2012 Depreciation, amortisation and impairment	2011 Depreciation, amortisation and impairment
Poultry				
– South Africa and Swaziland	**152 248**	103 700	**92 804**	82 961
Feed	**52 418**	30 051	**22 168**	20 977
– South Africa	**31 312**	25 040	**17 536**	16 459
– Other Africa	**21 106**	5 011	**4 632**	4 518
Services and Ventures	**6 745**	16 977	**7 711**	15 187
	211 411	150 728	**122 683**	119 125

(*) *Restated – refer note 1 to the financial statements*

Accounting policies

for the year ended 30 September 2012

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 judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in paragraph 27 of the accounting policies.

2. NEW STANDARDS AND INTERPRETATION

Accounting policy developments

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards. These developments resulted in the adoption of new standards and revised and additional disclosures required.

International Financial Reporting Standards and amendments effective for the first time for 30 September 2012 year-end

Amendments to IFRS 1, 'First-time adoption' on hyperinflation and fixed dates

The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.

Effective date: 1 July 2011

This amendment had no effect on the financial statements of the group or the company.

Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

Effective date: 1 July 2011

This amendment had no effect on the financial statements of the group or the company.

Amendment to IAS 24 Related Party Disclosures

This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

Effective date: 1 January 2011

This amendment had no effect on the financial statements of the group or the company.

Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

Effective date: 1 January 2011

This amendment had no effect on the financial statements of the group or the company.

2. NEW STANDARDS AND INTERPRETATION (continued)

International Financial Reporting Standards and amendments effective for the first time for 30 September 2012 year-end (continued)

Improvements to IFRSs (Issued May 2010)

This is a collection of amendments to IFRSs. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project.

Effective date: 1 January 2011

This amendment had no effect on the financial statements of the group or the company.

Amendments to IFRS 1, 'First-time adoption of IFRS'

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances.

The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date.

The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.

Effective date: 1 January 2013

Amendment to IAS 1, 'Presentation of financial statements'

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

Effective date: 1 January 2013

Amendment to IAS 16, 'Property, plant and equipment'

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

Effective date: 1 January 2013

Amendment to IAS 32, 'Financial instruments: Presentation'

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

Effective date: 1 January 2013

Amendment to IAS 34, 'Interim financial reporting'

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

Effective date: 1 January 2013

Accounting policies (continued)

for the year ended 30 September 2012

2. NEW STANDARDS AND INTERPRETATION (continued)

International Financial Reporting Standards and amendments issued but not effective for 30 September 2012 year-end

Amendment to IFRS 1, 'First-time adoption' on government loans

This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

Effective date: 1 January 2013

Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and liability offsetting

The IASB has published an amendment to IFRS 7, 'Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Effective date: 1 January 2013

Amendment to IAS 12,'Income taxes' on deferred tax

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, Investment property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Effective date: 1 January 2012

Amendment to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI

The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

Effective date: 1 July 2012

IAS 19, "Employee benefits"

The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

Effective date: 1 January 2013

IFRS 9 – Financial Instruments (2009)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Effective date: 1 January 2013

IFRS 9 – Financial Instruments (2010)

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Effective date: 1 January 2013

2. NEW STANDARDS AND INTERPRETATION (continued)

International Financial Reporting Standards and amendments issued but not effective for 30 September 2012 year-end (continued)

Amendment to IFRS 9 – Financial Instruments (2011)

The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

Effective date: 1 January 2015

IFRS 10 – Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

Effective date: 1 January 2013

IFRS 11 – Joint arrangements

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

Effective date: 1 January 2013

IFRS 12 – Disclosures of interests in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

Effective date: 1 January 2013

IFRS 13 – Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

Effective date: 1 January 2013

IAS 27 (revised 2011) – Separate financial statements

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

Effective date: 1 January 2013

IAS 28 (revised 2011) – Associates and joint ventures

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Effective date: 1 January 2013

Accounting policies (continued)

for the year ended 30 September 2012

2. NEW STANDARDS AND INTERPRETATION (continued)

International Financial Reporting Standards and amendments issued but not effective for 30 September 2012 year-end (continued)

Amendments to IAS 32 – Financial Instruments: Presentation

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

Effective date: 1 January 2014

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', and IFRS 12, 'Disclosure of interests in other entities'

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

Effective date: 1 January 2013

3. INTEREST IN GROUP ENTITIES

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another 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. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint ventures

The group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The group combines its share of the jointly controlled entities' individual income and expense, asset, liability and cash flow items on a line-by-line basis with similar items in the group's financial statements.

3. INTEREST IN GROUP ENTITIES (continued)

Subsidiaries (continued)

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Jointly controlled entities' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

4. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The group has two major operating segments, Poultry and Feed, with a sub-category under Feed representing the business interest in the Africa, outside South Africa. Business units are largely grouped in these segments based on the nature of their business. A third and smaller segment services and ventures, are those business units that reports directly to the CEO of the group.

5. 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 of monetary items

Transactions in a currency, other than the functional currency, are translated into the functional currency using the prevailing exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in a currency, other than the functional currency, are translated at the exchange rate ruling at the reporting date.

Gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as a qualifying cash flow hedge.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences related to changes in the amortised cost resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-

Accounting policies (continued)

for the year ended 30 September 2012

5. FOREIGN CURRENCIES (continued)

Transactions and balances of monetary items (continued)

monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in equity.

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 and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

On disposal of a foreign operation, exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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.

6. PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly feed mills, poultry processing facilities, poultry farms and offices.

Land is not depreciated and is stated at historical cost.

All other property, plant and equipment (PPE) are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of PPE.

Subsequent costs are included in the assets' 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 repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

• Buildings	50 years
• Plant and machinery	8 to 25 years
• Equipment and motor vehicles	5 to 10 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss under other gains or losses.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technology developments and maintenance programmes. Uniform depreciation and amortisation rates are established based on the straight-line method which may not represent the actual usage of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

7. INTANGIBLE ASSETS

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (3 to 5 years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortized over their estimated useful lives (3 to 5 years).

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have a finite useful life and that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, not exceeding five years.

8. GOODWILL

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 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.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

9. 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 its 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.

10. BIOLOGICAL ASSETS

Live broiler chicks and hatching eggs are assessed based on fair values less estimated point-of-sale costs at appropriate reporting dates. Gains or losses arising from changes in the fair values are recorded in profit or loss for the period in which they arise. The determination of fair value is based on active market values, where appropriate, or management's assessment of the fair value based on available data and benchmark statistics.

Breeding stock includes grandparent breeding and parent rearing and laying stock. Breeding stock is capitalised at cost at the beginning of its productive cycle and is amortised on a straight-line method over the anticipated productive cycle, to its estimated net realisable value. The capitalised value of breeding stock is estimated to equal market value at any given point during its breeding cycle. Fair value is not calculated due to the absence of an active market for breeding stock during its production cycle.

All the expenses incurred in establishing and maintaining the assets are recognised in profit or loss. All costs incurred in acquiring biological assets are capitalised.

Accounting policies (continued)

for the year ended 30 September 2012

11. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

12. FINANCIAL ASSETS

Financial assets are recognised when the company 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 classifies its financial assets in the following categories:

- At fair value through profit and loss.
- Loans and receivables.
- Available-for-sale.

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

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets so designated by management, or financial assets "held for trading".

A financial asset is classified as "held for trading" if acquired principally for the purpose of selling in the short term.

Derivatives are also classified as "held for trading" unless they are designated as hedges.

Assets in this category are classified as current if they are either "held for trading" or are expected to be realised within 12 months of the reporting date.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Subsequent measurement is at fair value with gains or losses recognised in profit or loss.

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 "short-term loans", "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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are initially recognised at fair value and are subsequently also measured at fair value through profit or loss.

Regular purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

13. 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.

The group classifies its financial liabilities in the following categories:

- At-fair-value through profit or loss.
- Other.

At-fair-value through profit or loss

Financial liabilities at-fair-value through profit or loss are initially recognised at fair value with transaction costs being expensed. Subsequent measurement is at fair value with changes recognised in profit or loss.

Other

Other financial liabilities are recognised at fair value plus transaction costs. Subsequent measurement is at amortised cost with changes recognised in profit or loss.

14. 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 or losses.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in 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.

16. TRADE PAYABLES

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

17. 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.

18. OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal and enforceable right to offset and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

19. 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.

Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Accounting policies (continued)

for the year ended 30 September 2012

20. PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

21. 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 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.

22. 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 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 fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

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.

23. 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 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.

Other post-employment benefit obligations

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 income as they arise. 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. Benefits falling due more than 12 months after the reporting date are discounted to present value.

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 75% is subject to certain performance conditions measured over a three-year period being met.

Once vested, amounts are paid varying from the third, fourth and fifth year of allocation.

The fair value of the employees' service received in exchange for participation in the scheme, is recognised as an expense over the vesting period.

Share-based plans

The group's management awards share options, from time to time, on a discretionary basis.

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. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The share appreciation option scheme which is cash settled, is recognised as an expense in profit or loss with a corresponding liability on the statement of financial position. The fair value is measured at grant date and expensed over the period during which the employees becomes unconditionally entitled to the instruments, using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted, and excluding the impact of non-marketing conditions. The fair value is revisited at reporting date and recognises the impact of revised estimates in the statement of comprehensive income with a corresponding adjustment to liabilities.

Accounting policies (continued)

for the year ended 30 September 2012

24. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

25. 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.

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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products; and collectability of the related receivables is reasonably assured.

Dividend income

Dividend income is recognised when the right to receive payment is established.

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.

26. LEASES

Leases of property, plant and equipment, where the group (being the lessee) has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

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.

27. DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the shareholders are entitled to the dividend.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are mainly the following:

Impairment of trade receivables

A provision for impairment is established when there is evidence of significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

28. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of goodwill

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 per budgets and strategic plan forecasts. These plans are revisited every year and growth rates are determined after considering market conditions and the strategic positioning of the business units within the markets in which they operate.

Estimation of useful lives of property, plant and equipment and intangible assets

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technology developments and maintenance programmes. Uniform depreciation and amortisation rates are established based on the straight-line method which may not represent the actual usage of the assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value assessment of biological assets

The determination of fair value is based on active market values, where appropriate, or management's assessment of the fair value based on available industry data and benchmark statistics.

Fair value of retirement benefits

The fair value calculation is based on the most recent relevant economic data available. The key estimates and assumptions relating to these areas are disclosed in the relevant note to the financial statements.

Inventory net realisable value

Inventory net realisable value is based on estimates of future market conditions and the ability to recover the cost of inventory.

Deferred tax assets

The recoverability of deferred tax assets is based on the future forecasted profitability of the relevant entity and the ability to generate future taxable income.

Fair value of long-term retention bonus scheme

The determination of the fair value is based on the extent to which pre-set performance is met, discounted to present value.

Share-based payments

The fair value of share options granted are based on market conditions, discount rates, share price volatility and estimated future forfeitures. These values may change from time to time and the eventual outcome may differ from the valuations.

Financial instruments

Financial instruments are fair valued at statement of financial position date. The value of financial instruments are subject to material fluctuations and disclosed amounts may differ from values ultimately realised.

All estimates and underlying assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances. The results of these estimates form the basis of judgements about the carrying value of assets or liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any affected future periods.

Statement of financial position

at 30 September 2012

		Group			Company	
	Notes	**2012 R'000**	2011 R'000	2010 R'000	**2012 R'000**	2011 R'000
ASSETS						
Non-current assets						
Property, plant and equipment	2	**1 678 976**	1 711 966	1 625 473	**–**	–
Intangible assets	3	**17 169**	11 120	4 913	**–**	–
Goodwill	4	**136 135**	140 401	124 802	**–**	–
Investments and loans	5	**7 766**	13 028	8 838	**235 941**	234 295
Deferred tax asset	14	**–**	274	168	**–**	–
		1 840 046	1 876 789	1 764 194	**235 941**	234 295
Current assets						
Inventories	6	**379 433**	321 031	262 278	**–**	–
Biological assets	7	**534 806**	450 130 (*)	407 398 (*)	**–**	–
Trade and other receivables	8	**723 569**	594 376 (*)	553 266 (*)	**–**	–
Current tax asset		**9 819**	429	2 334	**–**	–
Derivative financial instrument	9	**–**	210	196	**–**	–
Cash and cash equivalents	10	**25 267**	181 865	140 240	**–**	14 880
		1 672 894	1 548 041	1 365 712	**–**	14 880
Assets held for sale	33	**51 889**	–	26 928	**–**	–
Total assets		**3 564 829**	3 424 830	3 156 834	**235 941**	249 175
EQUITY						
Capital and reserves attributable to equity holders of the company						
Ordinary shares	11	**422**	422	422	**422**	422
Share premium	11	**1 622**	1 622	314	**1 622**	1 622
Other reserves		**11 876**	10 092	(5 281)	**17 690**	16 042
Treasury shares		**(204 435)**	(204 435)	(204 435)	**–**	–
Retained earnings		**1 775 742**	1 766 493	1 633 071	**208 967**	229 316
		1 585 227	1 574 194	1 424 091	**228 701**	247 402
Non-controlling interest		**10 744**	11 438	22 106	**–**	–
Total equity		**1 595 971**	1 585 632	1 446 197	**228 701**	247 402
LIABILITIES						
Non-current liabilities						
Borrowings	13	**14 859**	99 496	80 545	**–**	–
Deferred tax liabilities	14	**407 711**	378 950	356 929	**–**	–
Retirement benefit obligations	15	**93 797**	90 654	84 643	**–**	–
		516 367	569 100	522 117	**–**	–
Current liabilities						
Trade and other payables	16	**1 307 776**	1 139 400 (*)	967 545 (*)	**–**	282
Current tax liabilities		**5 684**	7 316	19 556	**–**	–
Borrowings	13	**116 091**	121 891	188 668	**5 583**	–
Shareholders for dividend		**1 657**	1 491	973	**1 657**	1 491
		1 431 208	1 270 098	1 176 742	**7 240**	1 773
Liabilities held for sale	33	**21 283**	–	11 778		
Total liabilities		**1 968 858**	1 839 198	1 710 637	**7 240**	1 773
Total equity and liabilities		**3 564 829**	3 424 830	3 156 834	**235 941**	249 175

(*) *Amounts restated – refer note 1*

Statement of comprehensive income

for the year ended 30 September 2012

		Group		Company	
	Notes	2012 R'000	2011 R'000	2012 R'000	2011 R'000
Revenue	18	**8 160 078**	7 227 184 (*)	**–**	–
Cost of sales		**(6 713 500)**	(5 700 942) (*)	**–**	–
Gross profit		**1 446 578**	1 526 242	**–**	–
Administrative expenses		**(417 637)**	(367 209)	**(2 047)**	(1 816)
Distribution costs		**(436 013)**	(383 962)	**–**	–
Marketing expenditure		**(128 040)**	(112 770)	**–**	–
Other income	22	**13 492**	17 376	**354 852**	566 301
Other (losses)/gains	23	**(1 231)**	(4 758)	**–**	5 643
Operating profit		**477 149**	674 919	**352 805**	570 128
Profit on sale of interest in business unit		**35 972**	–	**–**	–
Fair value adjustment of net investment in assets held for sale	33	**–**	(1 805)	**–**	–
Profit before interest and tax		**513 121**	673 114	**352 805**	570 128
Finance expense	24	**(24 371)**	(27 849)	**–**	(578)
Finance income	24	**6 396**	12 676	**538**	–
Profit before income tax		**495 146**	657 941	**353 343**	569 550
Tax expense	25	**(162 646)**	(222 679)	**(19 220)**	(26 029)
Profit for the year		**332 500**	435 262	**334 123**	543 521
Other comprehensive income:					
Foreign currency translation adjustments		**102**	13 555	**–**	–
Total comprehensive income for the year		**332 602**	448 817	**334 123**	543 521
Profit for the year attributable to:					
Equity holders of the company		**329 335**	429 217	**334 123**	543 521
Non-controlling interest		**3 165**	6 045	**–**	–
Profit for the year		**332 500**	435 262	**334 123**	543 521
Total comprehensive income attributable to:					
Equity holders of the company		**329 473**	441 278	**334 123**	543 521
Non-controlling interest		**3 129**	7 539	**–**	–
Total comprehensive income for the year		**332 602**	448 817	**334 123**	543 521
Earnings per share attributable to the equity holders of the company during the year:		**cents**	cents		
– basic	26	**865**	1 128		
– diluted	26	**864**	1 126		

(*) *Prior year restated – refer note 1*

Statement of changes in equity

for the year ended 30 September 2012

Attributable to ordinary shareholders of Astral Foods Limited

	Share capital and premium R'000	Currency translation reserve R'000	Equity compensation reserve R'000	Treasury shares R'000	Non-distributable reserve R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
Group									
2011									
Balance at 1 October 2010	736	(18 553)	13 272	(204 435)	–	1 633 071	1 424 091	22 106	1 446 197
Shares issued	1 308	–	–	–	–	–	1 308	–	1 308
Option value of share options granted	–	–	2 770	–	–	–	2 770	20	2 790
Profit for the year	–	–	–	–	–	429 217	429 217	6 045	435 262
Dividends declared	–	–	–	–	–	(294 909)	(294 909)	(4 571)	(299 480)
Currency translation differences arising in year	–	13 555	–	–	–	–	13 555	–	13 555
Transfer to statutory reserve – foreign subsidiary	–	–	–	–	678	(678)	–	–	–
Non-controlling interest in translation differences	–	(1 494)	–	–	–	–	(1 494)	1 494	–
Contribution from non-controlling interest holder	–	–	–	–	(136)	136	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	(344)	(344)	(13 656)	(14 000)
Balance at 30 September 2011	2 044	(6 492)	16 042	(204 435)	542	1 766 493	1 574 194	11 438	1 585 632
2012									
Balance at 1 October 2011	**2 044**	**(6 492)**	**16 042**	**(204 435)**	**542**	**1 766 493**	**1 574 194**	**11 438**	**1 585 632**
Option value of share options granted	**–**	**–**	**1 646**	**–**	**–**	**–**	**1 646**	**6**	**1 652**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**329 335**	**329 335**	**3 165**	**332 500**
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(320 086)**	**(320 086)**	**(3 627)**	**(323 713)**
Currency translation differences arising in year	**–**	**102**	**–**	**–**	**–**	**–**	**102**	**–**	**102**
Non-controlling interest in translation differences	**–**	**36**	**–**	**–**	**–**	**–**	**36**	**(36)**	**–**
Payment of loan from non-controlling interest holder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(202)**	**(202)**
Balance at 30 September 2012	**2 044**	**(6 354)**	**17 688**	**(204 435)**	**542**	**1 775 742**	**1 585 227**	**10 744**	**1 595 971**
Company									
2011									
Balance at 1 October 2010	736	–	13 272	–	–	12 390	26 398		
Option value of share options granted	1 308	–	2 770	–	–	–	4 078		
Profit for the year	–	–	–	–	–	543 521	543 521		
Dividends declared	–	–	–	–	–	(326 595)	(326 595)		
Balance at 30 September 2011	2 044	–	16 042	–	–	229 316	247 402		
2012									
Balance at 1 October 2011	**2 044**	**–**	**16 042**	**–**	**–**	**229 316**	**247 402**		
Option value of share options granted	**–**	**–**	**1 648**	**–**	**–**	**–**	**1 648**		
Profit for the year	**–**	**–**	**–**	**–**	**–**	**334 123**	**334 123**		
Dividends declared	**–**	**–**	**–**	**–**	**–**	**(354 472)**	**(354 472)**		
Balance at 30 September 2012	**2 044**	**–**	**17 690**	**–**	**–**	**208 967**	**228 701**		

Statement of cash flow

for the year ended 30 September 2012

	Notes	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
Cash flows from operating activities					
Cash operating profit	A	**596 964**	809 169	**352 807**	564 522
Changes in working capital	B	**(118 852)**	27 782	**(282)**	63
Cash generated from operations		**478 112**	836 951	**352 525**	564 585
Income tax paid	C	**(142 072)**	(214 564)	**(19 220)**	(26 029)
Cash generated from operating activities		**336 040**	622 387	**333 305**	538 556
Cash used in investing activities		**(116 583)**	(193 261)	**–**	13 935
Purchase of property, plant and equipment to expand operations		**(100 469)**	(55 735)	**–**	–
Purchase of property, plant and equipment to maintain operations		**(102 100)**	(86 123)	**–**	–
Total purchases		**(202 569)**	(141 858)	**–**	–
Less: Interest capitalised		**2 137**	3 172	**–**	–
Net purchases of property, plant and equipment		**(200 432)**	(138 686)	**–**	–
Costs incurred on intangibles		**(8 842)**	(8 870)	**–**	–
Proceeds on disposal of property, plant and equipment		**4 252**	14 135	**–**	–
Proceeds on disposal of business unit	E	**83 161**	–	**–**	–
Cost of acquisition of business unit	G	**–**	(82 261)	**–**	–
Increase in loans and investments		**(1 118)**	(4 190)	**–**	–
Investment income		**6 396**	12 676	**–**	–
Proceeds from disposal of investment held for sale		**–**	13 935	**–**	13 935
Cash flows to financing activities		**(349 848)**	(337 654)	**(353 768)**	(490 415)
Proceeds from shares issued		**–**	1 308	**–**	1 308
Dividends paid to the company's shareholders	D	**(319 920)**	(294 391)	**(354 306)**	(326 077)
Payments to non-controlling interest holders		**(3 829)**	(4 571)	**–**	–
Cost of non-controlling interest acquired	H	**–**	(14 000)	**–**	–
Movement in loan from subsidiaries		**–**	–	**–**	(165 068)
Interest paid		**(26 508)**	(31 021)	**538**	(578)
Increase in borrowings		**409**	5 021	**–**	–
Loans received		**11 715**	17 108	**–**	–
Payment of long-term borrowings		**(11 306)**	(12 087)	**–**	–
Net decrease in cash and cash equivalents		**(130 391)**	91 472	**(20 463)**	62 076
Effects of exchange rate changes		**(206)**	6 938	**–**	–
Cash and cash equivalents at beginning of year		**69 416**	(28 994)	**14 880**	(47 196)
Cash and cash equivalents at end of year	10	**(61 181)**	69 416	**(5 583)**	14 880

Notes to the statement of cash flow

for the year ended 30 September 2012

		Group		Company	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
A.	**Cash operating profit**				
	Operating profit	**477 149**	674 919	**352 805**	570 128
	Adjustments for:				
	Depreciation and amortisation	**118 701**	117 930	**–**	–
	Impairment of fixed assets	**970**	1 195	**–**	–
	Impairment of goodwill	**3 012**	–	**–**	–
	Loss/(profit) on disposal of fixed assets	**(885)**	6 154	**–**	–
	Increase in provision for retirement benefit obligations	**3 143**	6 011	**–**	–
	Other non-cash flow items	**(5 126)**	2 960	**2**	(5 606)
	Cash operating profit	**596 964**	809 169	**352 807**	564 522
B.	**Changes in working capital**				
	Increase in inventories	**(80 600)**	(57 076)	**–**	–
	Increase in biological assets	**(84 676)**	(42 732)	**–**	–
	Increase in trade and other receivables	**(158 131)**	(41 063)	**–**	–
	Increase/(decrease) in trade and other payables	**204 555**	168 653	**(282)**	63
	Total change in working capital	**(118 852)**	27 782	**(282)**	63
C.	**Income tax paid**				
	Balance at beginning of year	**(6 887)**	(17 222)	**–**	–
	Normal income tax provision	**(113 598)**	(173 693)	**–**	–
	Secondary tax on companies provision	**(19 220)**	(29 688)	**(19 220)**	(26 029)
	Withholding tax	**(1 023)**	(831)	**–**	–
	Translation differences	**248**	(17)	**–**	–
	Reclassification to assets held for sale	**2 543**	–	**–**	–
	Net balance at end of year	**(4 135)**	6 887	**–**	–
	Total income tax paid	**(142 072)**	(214 564)	**(19 220)**	(26 029)
D.	**Dividends paid**				
	Balance at beginning of year	**(1 491)**	(973)	**(1 491)**	(973)
	Per statement of changes in equity	**(320 086)**	(294 909)	**(354 472)**	(326 595)
	Balance at end of year	**1 657**	1 491	**1 657**	1 491
	Total dividends paid	**(319 920)**	(294 391)	**(354 306)**	(326 077)
E.	**Disposal of business unit**				
	Property, plant and equipment and intangibles	**112 272**	–	**–**	–
	Goodwill	**1 254**	–	**–**	–
	Loans	**6 380**	–	**–**	–
	Inventory	**9 876**	–	**–**	–
	Trade and other receivables	**13 725**	–	**–**	–
	Trade and other payables	**(15 669)**	–	**–**	–
	Borrowings	**(80 649)**	–	**–**	–
	Cash and cash equivalents	**12 839**	–	**–**	–
	Net assets disposed	**60 028**	–	**–**	–
	Profit on disposal of business unit	**35 972**	–	**–**	–
	Total consideration received	**96 000**	–	**–**	–
	Cash and cash equivalents	**(12 839)**	–	**–**	–
	Cash flow on disposal, net of overdraft and cash disposed	**83 161**	–	**–**	–

		Group		Company	
		2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
F.	**Business unit reclassified as held for sale**				
	Property, plant and equipment and intangibles	**2 708**	–	**–**	–
	Inventory	**12 322**	–	**–**	–
	Trade and other receivables	**15 213**	–	**–**	–
	Trade and other payables	**(20 510)**	–	**–**	–
	Derivative financial instruments	**743**	–	**–**	–
	Current tax liabilities	**(2 543)**	–	**–**	–
	Deferred tax asset	**274**	–	**–**	–
	Cash and cash equivalents	**16 154**	–	**–**	–
	Subsequent increase in net asset value	**6 245**	–	**–**	–
	Net assets reclassified as held for sale	**30 606**	–	**–**	–
	Increase in assets held for sale	**(51 889)**	–	**–**	–
	Increase in liabilities held for sale	**21 283**	–	**–**	–
	Cash flow on reclassification	**–**	–	**–**	–
G.	**Acquisition of business unit**				
	Property, plant and equipment and intangibles	**–**	(71 136)	**–**	–
	Inventory	**–**	(1 677)	**–**	–
	Trade and other receivables	**–**	(47)	**–**	–
	Trade and other payables	**–**	702	**–**	–
	Deferred tax liability	**–**	2 996	**–**	–
	Net assets acquired	**–**	(69 162)	**–**	–
	Goodwill	**–**	(15 599)	**–**	–
	Total purchase consideration for interest in subsidiary	**–**	(84 761)	**–**	–
	Outstanding purchase consideration payable	**–**	2 500	**–**	–
	Cash flow on acquisition, net of overdraft and cash acquired	**–**	(82 261)	**–**	–
H.	**Non-controlling interest acquired**				
	Non-controlling interest acquired	**–**	(13 656)	**–**	–
	Excess paid over net value acquired	**–**	(344)	**–**	–
	Cash flow on acquisition	**–**	(14 000)	**–**	–

Notes to the annual financial statements

for the year ended 30 September 2012

1. RESTATEMENT OF COMPARATIVE AMOUNTS FOR PRIOR PERIODS

Transactions with contract growers have been treated as third party sales in the past and were recognised in revenue. The outstanding amount of these sales was disclosed as trade receivables.

Following a re-assessment of the interpretation of these transactions, it was concluded that contract growers should be regarded as suppliers rather than customers of the group. The impact of the revised interpretation is that no sale should be recognised in revenue and the goods transferred should be disclosed as biological assets and the contract grower is effectively paid a fee for rearing the birds.

The impact on prior period disclosure is as follows:

	2011 R'000	2010 R'000
Statement of comprehensive income		
Revenue		
As previously disclosed	8 605 904	
Reclassification	(1 378 720)	
Restated	7 227 184	
Cost of sales		
As previously disclosed	(7 079 662)	
Reclassification	1 378 720	
Restated	(5 700 942)	
The reclassification had no impact on gross profit or profit as previously reported.		
Statement of financial position		
Biological assets		
As previously reported	342 234	305 430
Reclassification	107 896	101 968
Restated	450 130	407 398
Trade and other receivables		
As previously reported	662 836	626 698
Reclassification	(68 460)	(73 432)
Restated	594 376	553 266
Trade and other payables		
As previously reported	(1 099 964)	(939 009)
Reclassification	(39 436)	(28 536)
Restated	(1 139 400)	(967 545)
The reclassification had no impact on the equity as previously reported.		
Statement of cash flow		
Changes in working capital:		
Biological assets		
Increase as previously reported	(36 804)	
Reclassification	(5 928)	
Restated	(42 732)	
Trade and other receivables		
Increase as previously reported	(36 091)	
Reclassification	(4 972)	
Restated	(41 063)	
Trade and other payables		
Increase as previously reported	157 753	
Reclassification	10 900	
Restated	168 653	
The reclassification had no impact on net working capital movement as previously reported.		

Group	Land and buildings R'000	Plant and equipment R'000	Vehicles R'000	**Total R'000**
2. PROPERTY, PLANT AND EQUIPMENT				
2011				
Net book amount at 1 October 2010	710 317	832 975	82 181	1 625 473
Changes for the year ended 30 September 2011:				
Exchange translation changes	5 637	4 293	488	10 418
Additions – Expansion	21 134	34 561	40	55 735
Additions – Replacement	17 585	56 706	11 832	86 123
Acquisition of business unit	24 452	41 927	4 757	71 136
Disposals	(42)	(373)	(19 874)	(20 289)
Assets scrapped	(2)	(181)	(1)	(184)
Impairment	(156)	(1 039)	–	(1 195)
Depreciation charge	(20 298)	(80 614)	(14 339)	(115 251)
Closing net book amount	758 627	888 255	65 084	1 711 966
Balance at 30 September 2011:				
Cost	1 056 814	1 608 674	147 872	2 813 360
Accumulated depreciation	(298 187)	(720 419)	(82 788)	(1 101 394)
Closing net book amount	758 627	888 255	65 084	1 711 966
2012				
Net book amount at 1 October 2011	**758 627**	**888 255**	**65 084**	**1 711 966**
Changes for the year ended 30 September 2012:				
Exchange translation changes	**(113)**	**(254)**	**(14)**	**(381)**
Additions – Expansion	**33 899**	**66 409**	**161**	**100 469**
Additions – Replacement	**15 766**	**77 247**	**9 087**	**102 100**
Disposal of business unit	**(41 510)**	**(72 956)**	**(79)**	**(114 545)**
Disposals	**–**	**(722)**	**(594)**	**(1 316)**
Assets scrapped	**(602)**	**(1 001)**	**(448)**	**(2 051)**
Impairment	**(614)**	**(356)**	**–**	**(970)**
Depreciation charge	**(21 744)**	**(82 953)**	**(11 599)**	**(116 296)**
Closing net book amount	**743 709**	**873 669**	**61 598**	**1 678 976**
Balance at 30 September 2012:				
Cost	**1 055 599**	**1 623 332**	**151 589**	**2 830 520**
Accumulated depreciation	**(311 890)**	**(749 663)**	**(89 991)**	**(1 151 544)**
Closing net book amount	**743 709**	**873 669**	**61 598**	**1 678 976**

Details of the individual properties are contained in a register, which is open for inspection by members or their nominees at the registered office of the company.

Assets with a book value of R54 446 000 (2011: R91 436 000) are pledged as security for secured loans of R28 348 000 (2011: R57 200 000) (refer note 13).

Land and building subject to a property lease was classified as a finance lease during the prior year. The net book value of the assets was R42 557 000 and a corresponding liability with an outstanding value of R45 359 000 was included under the prior year's borrowings (note 13).

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 R'000	Group 2011 R'000
3. INTANGIBLE ASSETS		
Software		
Opening net book amount	**11 120**	4 913
Changes for the year:		
Exchange translation changes	**47**	16
Capitalisation of costs incurred	**8 842**	8 870
Disposal of business unit	**(435)**	–
Amortisation – included in administrative expenses	**(2 405)**	(2 679)
Closing net book amount	**17 169**	11 120
Cost	**43 671**	36 146
Accumulated amortisation	**(26 502)**	(25 026)
Closing net book amount	**17 169**	11 120
4. GOODWILL		
Cost at beginning of year	**140 401**	124 802
Realised on disposal of business unit	**(1 254)**	–
Impairment	**(3 012)**	–
Goodwill paid on acquisition of a business unit	**–**	15 599
Cost at end of year	**136 135**	140 401
Impairment test for goodwill		
Goodwill is allocated to the group's cash-generating units identified according to business segment.		
A summary of goodwill per segment is as follows:		
Poultry		
Earlybird Olifantsfontein/Standerton	**106 020**	106 020
National Chicks	**3 749**	3 749
County Fair	**2 559**	2 559
Earlybird Camperdown	**15 599**	15 599
Feed		
Meadow – South African operations	**5 648**	5 648
Meadow Eastern Cape (Pty) Limited	**–**	3 012
Africa Feeds Limited (Zambia)	**2 560**	2 560
Ventures and Services		
Eastbalt SA partnership	**–**	1 254
	136 135	140 401
Impairment tests were based on the following assumptions:		
– Average perpetuity growth rates	**5%**	4%
– Period (years)	**4**	4
– Discount rates	**12,5% to 17,0%**	12,5%

The carrying amount of goodwill for Meadow Eastern Cape (Pty) Limited has been impaired and written down to nil.

If the discount rates are increased by 1% there will be no further impairments (2011: nil).

The accounting estimates and judgements on which the impairment tests are based are set out in paragraph 28 of the accounting policies.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
5. INVESTMENTS AND LOANS				
Shares at cost:				
Subsidiaries	**–**	–	**232 640**	231 055
Joint ventures	**–**	–	**3 240**	3 240
Other unlisted:				
Group Risk Holdings (Pty) Limited – a company holding investments in companies which operates in the field of insurance, reinsurance and risk management	**2 504**	2 013	**–**	–
Indebtedness:				
Subsidiaries	**–**	–	**61**	–
Joint venture	**–**	6 380	**–**	–
Other	**5 262**	4 635	**–**	–
	7 766	13 028	**235 941**	234 295

Details of joint ventures and subsidiaries are given in notes 31 and 32, respectively.

The directors' fair value of other unlisted investments equal its carrying value. The fair value of these investments was based on level 3 in the fair value measurement hierarchy – i.e. based on inputs that are not based on observable market data.

The loan to a joint venture had no fixed repayment date and carried interest linked to the daily bank rate which was 9% at 30 September 2011.

Other loans have no fixed repayment dates and are interest free.

The group does not consider there to be any significant credit risks regarding these loans.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
6. INVENTORIES				
Raw materials	**160 292**	109 296		
Finished goods and merchandise	**166 633**	154 846		
Consumable stores	**52 508**	56 889		
	379 433	321 031		

Inventory with a carrying value of R471 000 at a Zambian subsidiary were pledged as security for loans. The cost of inventories and value of biological assets recognised as an expense amounts to R4 479 million (2011: R3 630 million).

	Egg stock R'000	Breeding stock R'000	Broiler stock R'000	**Total R'000**
7. BIOLOGICAL ASSETS				
Group				
2011				
Fair value at 1 October 2010	53 492	180 053	173 853	407 398
Increase due to established costs	272 188	712 963	2 596 638	3 581 789
Decrease due to harvest/sales	(270 615)	(688 177)	(2 582 820)	(3 541 612)
Fair value adjustment	1 413	–	1 142	2 555
Fair value at 30 September 2011	56 478	204 839	188 813	450 130
2012				
Fair value at 1 October 2011	**56 478**	**204 839**	**188 813**	**450 130**
Increase due to established costs	**381 105**	**872 090**	**3 153 805**	**4 407 000**
Decrease due to harvest/sales	**(370 809)**	**(842 137)**	**(3 108 746)**	**(4 321 692)**
Fair value adjustment	**(1 314)**	**–**	**682**	**(632)**
Fair value at 30 September 2012	**65 460**	**234 792**	**234 554**	**534 806**

Biological assets with a carrying value of R4 423 000 (2011: R2 801 000) at a Zambian subsidiary were pledged as security for loans.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 R'000	Group 2011 R'000
8. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Trade receivables	**669 801**	545 654
Provision for impairment	**(4 288)**	(369)
Trade receivables – net	**665 513**	545 285
Other receivables	**18 537**	16 186
Non-financial instruments		
Pre-payments	**4 470**	5 193
VAT recoverable	**30 519**	20 921
Other receivables	**4 530**	6 791
	723 569	594 376
Trade receivables with a book value of R151 000 (2011: R5 632 000) are pledged as security for loans (refer note 13).		
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:		
SA Rand	**713 538**	578 584
Zambia Kwacha	**7 387**	5 900
Mozambique Meticais	**2 644**	9 892
	723 569	594 376
Trade receivables are categorised per the following industries:		
– Farming	**177 603**	143 988
– Retail	**269 271**	255 517
– Wholesale	**211 410**	140 077
– Other	**11 517**	6 072
– Total	**669 801**	545 654
Ageing profile of trade receivables:		
– Up to 30 days	**654 213**	544 044
– 30 to 60 days	**4 207**	1 263
– 60 days and longer	**11 381**	347
– Total	**669 801**	545 654
Trade receivables of R654 213 000 (2011: R544 044 000) are neither past due nor impaired.		
Provision for impairment:		
Balance at 1 October	**(369)**	(1 294)
(increase)/decrease charged to profit and loss	**(3 919)**	603
Impairment provision utilised against trade receivables	**–**	322
Balance at 30 September	**(4 288)**	(369)
Ageing profile of provision for impairment:		
– Up to 30 days	**–**	–
– 30 days and longer	**(4 288)**	(369)
Collateral security held against trade receivables:		
– Bank guarantees	**31 860**	30 890
– Covering bonds over property	**5 678**	8 214
– Credit guarantee insurance cover	**323 405**	207 739
	360 943	246 843
9. DERIVATIVE FINANCIAL INSTRUMENT		
Currency option contracts	**–**	210

These were contracts in underlying exchange rates.

Currency option contracts are market-to-market on a daily basis and gains or losses are immediately settled in cash, and recognised in the statement of comprehensive income under gains and losses (note 22).

The fair value of these instruments was based on level 2 in the fair value measurement hierarchy – i.e. based on inputs other than quoted prices included in level 1 of the hierarchy that are either, directly or indirectly, observable for the asset.

The current year's net gain was nil (2011: R351 000 loss).

These contracts were classified as assets at fair value through profit and loss.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
10. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	**25 267**	181 865	**–**	14 880
Cash and cash equivalents include the following for purposes of the cash flow statement:				
Cash at bank and in hand	**25 267**	181 865	**–**	14 880
Bank overdrafts (note 13)	**(102 602)**	(112 449)	**(5 583)**	–
Cash and cash equivalents classified as held for sale	**16 154**	–	**–**	–
Cash and cash equivalents per the statement of cash flow	**(61 181)**	69 416	**(5 583)**	14 880
11. SHARE CAPITAL				
Authorised share capital				
75 000 000 ordinary shares of 1 cent each (2011: 75 000 000 ordinary shares of 1 cent each)	**750**	750	**750**	750
Issued share capital				
42 148 885 ordinary shares of 1 cent each	**422**	422	**422**	422
(2011: 42 148 885 ordinary shares of 1 cent each)				
Share premium	**1 622**	1 622	**1 622**	1 622
Total issued share capital and premium	**2 044**	2 044	**2 044**	2 044
All issued shares are fully paid.				
Number of shares effectively in issue				
Issued shares	**42 148 885**	42 148 885	**42 148 885**	42 148 885
Treasury shares held by subsidiary	**(4 088 577)**	(4 088 577)	**–**	–
Shares at end of year	**38 060 308**	38 060 308	**42 148 885**	42 148 885
	Number of shares	Number of shares	**Number of shares**	Number of shares
Treasury shares				
Treasury shares are held by a wholly-owned subsidiary of the company.				
Unissued share capital				
The number of shares available to be utilised for purposes of the share option scheme:				
Number of share options available at beginning of year	**3 415 800**	3 592 900	**3 415 800**	3 592 900
Number of share options allocated	**(99 350)**	(216 100)	**(99 350)**	(216 100)
Number of share options exercised during year	**–**	12 600	**–**	12 600
Number of share options forfeited	**67 900**	26 400	**67 900**	26 400
Number of share options available at end of year	**3 384 350**	3 415 800	**3 384 350**	3 415 800
The number of share options outstanding at end of year	**908 050**	876 600	**908 050**	876 600
Number of shares under the control of directors for the purpose of the share option scheme at end of year	**4 292 400**	4 292 400	**4 292 400**	4 292 400

Share options forfeited were in respect of employees who left the employment of the group.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

12. SHARE-BASED PAYMENTS

The group had two share-based payment arrangements during the year:

Share option scheme

The scheme, an equity-settled incentive remuneration scheme, provides the right to purchase shares in the company at the exercise price.

The contractual life of options granted is seven years. Options not taken up will lapse on the 7th anniversary of the option date.

The scheme allows one-third of the share options to be exercised per year after each of the third, fourth and fifth year from date of granting the option.

The exercise price of the granted options is equal to the market price of the shares on date of the grant.

Movement during the year in the number of options is as follows:

Date	Exercise price	Number of options outstanding at beginning of year	Number of options exercised during year	Number of options forfeited during year	Number of options granted during year	Number of options outstanding at end of year	Number of options exercisable at end of year
28 August 2007	R122.00	476 600	–	(23 400)	–	453 200	453 200
21 May 2008	R88.49	40 000	–	–	–	40 000	26 667
27 October 2008	R90.80	28 000	–	–	–	28 000	9 333
24 February 2009	R86.00	6 900	–	–	–	6 900	2 300
15 May 2009	R97.00	55 200	–	–	–	55 200	18 400
10 June 2009	R97.31	25 000	–	–	–	25 000	8 333
15 July 2009	R96.86	28 800	–	(9 000)	–	19 800	6 600
30 September 2011	R118.00	216 100	–	(35 500)	–	180 600	–
28 September 2012	R104.71	–	–	–	99 350	99 350	–
		876 600	–	(67 900)	99 350	908 050	524 833

Value of share options outstanding at the end of the year at the exercise price amounts to R103 384 517 (2011: R100 897 000). 99 350 options with an exercise price of R104.71 were granted during the year (2011: 216 100 options).

The fair value of the options granted on 30 September 2012 were determined using the Black-Scholes pricing model. The significant inputs in the model were:

Share price at grant date	R104,00
Exercise price	R104,71
Volatility	between 18,49% and 25,50% over the vesting periods
Dividend yield	6,50%
Risk free interest rate	5,27%
Contractual life from grant date	7 years
Estimated average value per option	R11,98

The total service costs of the options granted over its contractual life is R1 190 568.

The service cost recognised in the current year in return for the cumulative share options granted to date to employees and directors amounts to R1 652 000 (2011: R2 828 000).

Share appreciation rights scheme

There are no rights outstanding in terms of the share appreciation rights scheme.

Share appreciation rights were exercised during the previous year at a weighted average share price of R129,98.

Fair value loss on cash-settled share-based payments to employees and directors recognised in the income statement during the previous year amounts to R1 049 000.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
13. BORROWINGS				
Non-current				
Secured loans	**28 348**	57 200		
Unsecured loans	**–**	6 379		
Property lease capitalised as finance lease	**–**	45 359		
	28 348	108 938		
Less: Portion payable within one year included in current liabilities	**(13 489)**	(9 442)		
	14 859	99 496		
Current				
Bank overdrafts	**102 602**	112 449	**5 583**	–
Portion of non-current borrowings payable within one year	**13 489**	9 442	**–**	–
	116 091	121 891	**5 583**	–
Total borrowings	**130 950**	221 387	**5 583**	–
The carrying amounts of the group's borrowings are denominated in the following currencies and approximate the fair value of the borrowings:				
SA Rand	**102 697**	193 846	**5 583**	–
US Dollar	**1 007**	1 838	**–**	–
Zambian Kwacha	**27 246**	25 703	**–**	–
	130 950	221 387	**5 583**	–
All borrowing rates are variable.				
The SA Rand borrowings are linked to a market-related interest rate that is 8,5% at 30 September 2012.				
The US Dollar loan is linked to a market-related interest rates that is 4,6% at 30 September 2012.				
The Zambia Kwacha loan is linked to market-related rates that is 10,0% at 30 September 2012.				
The carrying amounts of both the long-term and short-term borrowings approximate their fair value.				
Assets with the following book values are pledged as security for secured loans:				
Property	**32 807**	41 436		
Capitalised property lease	**–**	42 557		
Plant and equipment	**16 639**	50 000		
Biological assets	**4 423**	2 801		
Inventory	**471**	–		
Trade receivables	**151**	5 362		
Contractual maturity of payments of non-current borrowings:				
Not later than one year	**14 965**	15 850		
Between one and five years	**15 502**	81 620		
Over five years	**95**	70 023		
	30 562	167 493		
Less: Finance charges	**(2 214)**	(58 555)		
	28 348	108 938		

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
13. BORROWINGS (continued)				
Repayment varies from monthly to quarterly payments.				
Maturity dates varies from September 2014 to August 2025.				
Borrowing facilities				
The group has the following general borrowing facilities at floating interest rates	**705 000**	851 800		
The facilities are denominated in SA Rand.				
The borrowing facilities are reviewed on an annual basis.				
Borrowing powers				
No limit has been placed in the articles of association on the borrowing powers of the company.				

14. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2011: 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.

	Company 2012 R'000	Company 2011 R'000
Movement on the deferred tax asset account is as follows:		
At beginning of year	**274**	168
Charge to profit and loss	**–**	106
Reclassification to assets held for sale	**(274)**	–
At end of year	**–**	274
Analysis of deferred tax assets:		
Accelerated tax depreciation	**–**	(220)
Other temporary differences	**–**	494
	–	274
Movement on the deferred tax liability account is as follows:		
At beginning of year	**378 950**	356 929
Acquisition of business unit	**–**	2 996
Exchange translation changes	**(44)**	452
Charge to profit and loss	**28 805**	18 573
Originating and reversal of temporary differences	**27 919**	17 011
Adjustment to amounts recognised in prior year	**886**	1 456
At end of year	**407 711**	378 950

Analysis of deferred tax liabilities:

	Accelerated depreciation R'000	Temporary difference on livestock and farming consumables R'000	Assessed losses utilised R'000	Other R'000	Total R'000
At 1 October 2010	326 436	87 809	(8 161)	(49 155)	356 929
Acquisition of subsidiary	–	–	–	2 996	2 996
Exchange translation changes charged to other comprehensive income	–	–	–	452	452
Charge to profit and loss	23 501	10 657	735	(16 320)	18 573
At 30 September 2011	349 937	98 466	(7 426)	(62 027)	378 950
At 1 October 2011	**349 937**	**98 466**	**(7 426)**	**(62 027)**	**378 950**
Exchange translation changes charged to other comprehensive income	**–**	**–**	**–**	**44**	**44**
Charge to profit and loss	**21 161**	**17 198**	**7 262**	**(16 816)**	**28 805**
At 30 September 2012	**371 098**	**115 664**	**(164)**	**(78 887)**	**407 711**

Deferred tax of R10 338 000 has not been recognised in respect of withholding tax on distributable reserves of foreign subsidiaries.

	Group		Company	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000
15. RETIREMENT BENEFIT OBLIGATIONS				
Post-employment medical benefits				
Amounts recognised in the profit and loss	**7 859**	10 055		
Current service costs	**1 405**	1 496		
Interest costs	**7 323**	6 890		
Actuarial (gain)/loss	**(869)**	1 669		
Provision for liability at reporting date	**93 797**	90 654		
Estimated employer benefits payable during next 12 months	**4 186**	3 840		
The liability recognised in the financial statements was actuarially valued at 30 September 2012 (previous valuation date: 30 September 2011). The liability was valued using the projected unit credit method.				
Discount rate (%)	**7,70**	8,30		
Healthcare inflation rate (%)	**6,70**	7,10		
Pre-retirement mortality rates as per SA85-90 ultimate table.				
Post-retirement mortality rates as per PA(90) ultimate table rated down 2 years plus an improvement of 0,75% from a base year of 2006.				
Present value of funded obligations per actuarial valuation at 30 September:				
Balance at beginning of year	**90 654**	84 643		
Current service cost	**1 405**	1 496		
Interest costs	**7 323**	6 890		
Actuarial (gain)/loss	**(869)**	1 669		
Benefits payments	**(4 716)**	(4 044)		
Balance at end of year	**93 797**	90 654		
Sensitivity analysis	**Accrued liability R'000**	Change %		
Discount rate increases by 1% p.a.	**82 361**	(12)		
Discount rate reduces by 1% p.a.	**108 033**	15		
Subsidy inflation increases by 1% p.a.	**108 031**	15		
Subsidy inflation reduces by 1% p.a.	**82 178**	(12)		
The present value of the defined benefit obligation and the experience adjustment were as follows:	**R'000**	Experience adjustment %		
30 September 2012	**93 797**	1,9		
30 September 2011	90 654	(1,0)		
30 September 2010	84 643	(2,9)		
30 September 2009	76 998	(4,3)		

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
16. TRADE AND OTHER PAYABLES				
Financial instruments				
Trade payables	**944 065**	801 888	**–**	–
Accruals and other payables	**131 724**	134 958	**–**	282
Non-financial instruments				
Provision for long-term retention	**66 018**	48 919	**–**	–
VAT payable	**16 088**	17 750	**–**	–
Outstanding leave obligations	**43 412**	45 091	**–**	–
Provision for Competition Commission settlement	**17 000**	–	**–**	–
Provision for operating lease equalisation	**12 308**	9 727	**–**	–
Accrued payroll expenses	**10 622**	12 123	**–**	–
Other	**66 539**	68 944	**–**	–
	1 307 776	1 139 400	**–**	282
The carrying amounts of the group's trade and other payables are denominated in the following currencies:				
SA Rand	**1 287 232**	1 079 400	**–**	282
Zambian Kwacha	**18 532**	17 766	**–**	–
Mozambican Meticais	**2 012**	2 798	**–**	–
	1 307 776	1 099 964	**–**	282
17. CONTINGENCIES AND COMMITMENTS				
Capital commitments				
Capital expenditure approved not contracted	**254 845**	142 769		
Capital expenditure contracted but not recognised in the financial statements	**17 055**	27 542		
The capital commitments will be financed from a combination of operating cash flow, borrowings from the available general borrowing facilities and structured debt. Total debt is expected to remain well within the accepted gearing profile of the group.				
Operating lease commitments				
The group leases various properties, plant and equipment and vehicles under non-cancellable operating leases. Future lease payments are as follows:				
Not later than 1 year	**144 174**	141 066		
Later than 1 year and not later than 5 years	**598 201**	524 471		
Later than 5 years	**312 262**	499 582		
	1 054 637	1 165 119		
Leases are contracted for periods ranging from 3 to 9 years with no renewal options. Rental escalations vary from nil to prime interest rate linked escalations.				
The group entered into an agreement whereby some of its transport requirements have been outsourced to a third party. The fixed cost portion of this arrangement has been disclosed as an operating lease. The arrangement is for an initial period of ten years with an option to renew the agreement. Lease escalations are limited to inflation. The initial lease period expires on 1 October 2021.				
The lease expenditure charged to the income statement is disclosed in note 18.				
Other commitments				
The group has contracted its raw material requirements from various suppliers in terms of future supply agreements.				
Contracted amounts not recognised in the statement of financial position are as follows	**1 206 446**	1 008 845		

17. CONTINGENCIES AND COMMITMENTS (continued)

The group entered into a feed supply agreement whereby an agreed quantity of raw materials are procured from a supplier at market-related prices. The agreement expires in April 2014.

The group provided a guarantee of R29 million in favour of a third party for the financing of bakery equipment of the now sold East Balt joint venture. This arrangement was entered into in order to allow sufficient time for the remaining foreign partner of the joint venture to arrange a replacement guarantee during the disposal process. No future outflow of funds is foreseen as East Balt is in a financially sound position and is expected to fully comply with its loan repayment obligations.

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2012 R'000
18. REVENUE				
Revenue from the sale of goods:				
Revenue from South African operations	**7 898 437**	7 021 339		
Revenue denominated in foreign functional currencies	**261 641**	205 845		
	8 160 078	7 227 184		
External revenue comprises of the net value of the sales of feed and poultry related products from the following segments:				
Poultry	**5 858 381**	5 257 636		
Feed	**2 157 534**	1 778 029		
Services and Other ventures	**144 163**	191 519		
	8 160 078	7 227 184		
The following inter-group revenue is excluded:	**3 026 537**	2 414 252		
– Poultry	**493 068**	419 607		
– Feed South Africa	**2 431 403**	1 906 132		
– Feed Africa	**6 227**	4 130		
– Services and Ventures	**95 839**	84 383		
Revenue is disclosed net of value-added tax, normal discounts and rebates, and returns.				
Revenue from the top five customers are all from the Poultry segment.				
Customer 1	**1 346 740**	1 023 554		
Customer 2	**541 683**	586 933		
Customer 3	**474 974**	435 800		
Customer 4	**418 503**	300 463		
Customer 5	**415 734**	298 900		
19. EXPENSES BY NATURE				
The following expense items by nature have been included in arriving at operating profit:				
Impairment of property, plant and equipment and intangibles	**970**	1 302	**–**	–
Impairment of goodwill	**3 012**	–	**–**	–
Amortisation of intangible assets	**2 405**	2 679	**–**	–
Depreciation on property, plant and equipment	**116 296**	115 251	**–**	–
Buildings	**21 744**	20 298	**–**	–
Plant and equipment	**82 953**	80 614	**–**	–
Vehicles	**11 599**	14 339	**–**	–
Operating lease payments	**149 093**	77 852	**–**	–
Property	**23 780**	22 260	**–**	–
Plant and machinery	**15 557**	45 077	**–**	–
Vehicles	**109 756**	10 515	**–**	–
Biological assets – (loss)/gain from movement in fair value adjustment	**(752)**	2 620	**–**	–
Directors' remuneration (note 20)	**25 150**	15 318	**1 500**	1 300
Employee benefit expense (note 21)	**954 213**	909 229	**–**	–
Cost recognised for provision for long-term retention payment to employees and directors	**15 030**	27 210	**–**	–
Loss on fair value adjustment of cash-settled share-based payments to employees and directors	**–**	1 049	**–**	–
Cost recognised for share options granted to employees and directors	**1 646**	2 770	**–**	–

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group		Company	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
20. DIRECTORS' REMUNERATION				
Executive directors				
Salaries	**10 707**	8 372		
Performance-related bonuses	**2 790**	3 447		
Long-term retention bonuses	**7 434**	–		
Retirement fund contributions	**1 801**	1 409		
Expense allowance and other payments	**133**	148		
	22 865	13 376		
Non-executive directors				
Fees	**2 285**	1 942		
Total directors' remuneration	**25 150**	15 318		
Less: Paid by subsidiary	**(23 650)**	(14 018)		
	1 500	1 300		
No share options in terms of the share option scheme were granted to the executive directors of the company during the year (2011: nil).				
Refer note 12 for details of the share-based payment scheme.				
Refer to the directors' remuneration report for details on bonus payments.				
21. EMPLOYEE BENEFIT EXPENSE				
Wages and salaries of permanent employees	**738 374**	706 908		
Termination benefits	**2 200**	2 125		
Retirement fund contributions	**60 489**	57 161		
Post-retirement benefits	**4 716**	4 044		
	805 779	770 238		
Cost of contracted labour	**148 434**	138 991		
	954 213	909 229		
Number of employees at 30 September:				
– Permanent employees	**7 737**	8 447		
– Contracted labour	**3 682**	3 976		
	11 419	12 423		
22. OTHER INCOME				
Dividends received	**21**	38	**354 852**	566 301
Scrap sold	**2 751**	1 609	**–**	–
Storage fee income	**4 598**	3 988	**–**	–
Insurance claims received	**4 228**	9 826	**–**	–
Rental received	**1 894**	1 915	**–**	–
	13 492	17 376	**354 852**	566 301
23. OTHER (LOSSES)/GAINS				
Foreign exchange forward contract losses – realised	**(47)**	(36)	**–**	–
Foreign exchange forward contract gains – realised	**–**	2	**–**	–
Foreign exchange gains/(losses) on financial instruments – realised	**(1 697)**	1 248	**–**	–
Profit/(loss) on sale and scrapping of property, plant and equipment	**885**	(6 338)	**–**	–
Fair value gains on financial instruments and raw material contracts not qualifying as effective hedges	**1 052**	–	**–**	–
Net of other (losses)/gains	**(1 424)**	366	**–**	5 643
	(1 231)	(4 758)	**–**	5 643

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
24. FINANCE EXPENSE AND INCOME				
Interest expense				
Bank borrowings	**17 671**	18 110	**–**	578
Loans	**5 987**	9 925	**–**	–
Other	**2 850**	2 986	**–**	–
	26 508	31 021	**–**	578
Less: Interest capitalised	**(2 137)**	(3 172)	**–**	–
	24 371	27 849	**–**	578
Interest income				
Bank surplus balances	**4 897**	10 837	**538**	–
Other	**1 499**	1 839	**–**	–
	6 396	12 676	**538**	–
Net finance expense	**(17 975)**	(15 173)	**538**	(578)
Interest was capitalised at an average rate of 8,5% in respect of expenditure on assets which took a substantial period of time to get ready for its intended use.				
25. TAX EXPENSE				
Current tax	**116 287**	171 028	**–**	–
Deferred tax	**27 919**	17 011	**–**	–
	144 206	188 039	**–**	–
Tax – prior year	**(2 689)**	2 665	**–**	–
Deferred tax – prior year	**886**	1 456	**–**	–
Withholding tax	**1 023**	831	**–**	–
Secondary tax on companies	**19 220**	29 688	**19 220**	26 029
	162 646	222 679	**19 220**	26 029
The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of South Africa:				
Profit before tax	**495 146**	657 941	**353 343**	569 550
Tax calculated at a tax rate of 28% (2011: 28%)	**138 641**	184 223	**98 936**	159 474
Effect of different tax rates in other countries	**1 456**	1 680	**–**	–
Profit on sale of investment not subject to capital gains tax	**(2 913)**	–	**–**	–
Provision for Competition Commission settlement	**4 760**	–	**–**	–
Goodwill impairment	**843**	–	**–**	–
Expenses not deductible for tax purposes	**1 341**	1 908	**423**	659
Tax losses not utilised against normal and deferred tax provision	**78**	228	**–**	–
Adjustments to prior year's normal tax provision	**(2 689)**	2 665	**–**	–
Adjustments to prior year's tax base of assets and provisions used for calculating deferred tax	**886**	1 456	**–**	–
Income not subject to tax	**–**	–	**(99 359)**	(160 133)
Withholding tax	**1 023**	831	**–**	–
Secondary tax on companies	**19 220**	29 688	**19 220**	26 029
Tax charge per income statement	**162 646**	222 679	**19 220**	26 029

Further information about deferred tax is presented in note 14.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 R'000	Group 2011 R'000
26. EARNINGS PER SHARE		
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	**329 335**	429 217
	cents	cents
Basic earnings per ordinary share	**865**	1 128
Diluted earnings per share	**864**	1 126
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	**38 060 308**	38 055 446
Adjustments for share options	**36 013**	68 909
Weighted average number of ordinary shares for calculating diluted earnings per share	**38 096 321**	38 124 355

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. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options. No adjustment is made where the issue of share options have no dilutive effect on the number of shares in issue.

	Gross R'000	Tax R'000	Net R'000
27. HEADLINE EARNINGS			
2011			
Net profit attributable to shareholders			429 217
Adjusted for:			
(Profit)/loss on sale of property, plant and equipment	6 154	(1 762)	4 392
Fair value adjustment of investment held for sale	1 805	–	1 805
Loss on assets scrapped	184	(52)	132
Impairment of assets	1 302	(151)	1 151
Headline earnings			436 697
2012			
Net profit attributable to shareholders			**329 335**
Adjusted for:			
(Profit)/loss on sale of property, plant and equipment	**(2 369)**	**664**	**(1 705)**
Profit on disposal of business unit	**(35 972)**	**6 326**	**(29 646)**
Insurance recovery on damaged assets	**(4 228)**	**1 184**	**(3 044)**
Goodwill impairment	**3 012**	**–**	**3 012**
Loss on assets scrapped	**1 484**	**(411)**	**1 073**
Impairment of assets	**970**	**(272)**	**698**
Headline earnings			**299 723**

	2012 cents	2011 cents
Headline earnings	**787**	1 148
Diluted headline earnings per share	**787**	1 145

	Group 2012 R'000	Group 2011 R'000
28. DIVIDENDS		
The following dividends were declared in respect of the current year's profits:		
Interim dividend (Dividend No 23) declared on 9 May 2012 in respect of the year ended 30 September 2012 of 336 cents per share (2011: 305 cents per share) – net of treasury shares	**127 882**	116 084
Final dividend (Dividend No 24) declared on 7 November 2012 in respect of the year ended 30 September 2012 of 336 cents per share (2011: 505 cents per share) – net of treasury shares	**127 882**	192 205
	255 764	308 289

The current financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2012.

	Group 2012 R'000	Group 2011 R'000	Company 2012 R'000	Company 2011 R'000
29. FINANCIAL INSTRUMENTS				
29.1 Financial instruments by category				
The financial instruments are classified as follows:				
Financial assets				
Assets at fair value through profit and loss				
Derivatives	**–**	210	**–**	–
Loans and receivables				
Loans	**5 262**	11 015	**61**	–
Trade and other receivables	**684 050**	561 471	**–**	–
Cash and cash equivalents	**25 267**	181 865	**–**	14 880
Available for sale	**2 504**	2 013	**–**	–
	717 083	756 574	**61**	14 880
Financial liabilities				
Other				
Accounts payable	**1 075 789**	936 846	**–**	282
Shareholders for dividend	**1 657**	1 491	**1 657**	1 491
Bank overdrafts	**102 602**	112 449	**5 583**	–
Borrowings	**28 348**	108 938	**–**	–
	1 208 396	1 159 724	**7 240**	1 773

All financial instruments are initially recognised at fair value, and subsequently measured as follows:

– Assets at fair value through profit and loss – at fair value.

– Loans and receivables – at amortised cost.

– Other financial liabilities – at amortised cost.

At 30 September 2012 the carrying amounts of loans and receivables and other financial liabilities approximated their fair values.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

29. FINANCIAL INSTRUMENTS (continued)

29.2 Financial Risk Management

The group is exposed to the following major financial risks:

(A) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will have on the value of financial instruments at year-end and the resulting effect on the group's income.

(i) Interest rate risk

The group's risk is limited to surplus funds on cash deposits, loan liabilities and funds borrowed on bank overdrafts.

Interest is at variable rates which is linked to the bank prime lending rate.

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

Based on the financial instruments as at 30 September 2012, the after-tax effect of a 1% movement in the interest rates on the statement of comprehensive income will be R859 000 (2011: R199 000). The interest rate risk is managed in line with the group's liquidity risk, and has been relatively low during the year.

(ii) Foreign currency risk

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, and is as result exposed to foreign exchange rate fluctuations.

Exposure to exchange rate fluctuations is managed by utilising forward exchange contracts and currency option contracts 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:

Group 2012	British Pound R'000	Euro R'000	US Dollar R'000	Total R'000
Financial assets	**–**	**–**	**1 312**	**1 312**
Financial liabilities	**(94)**	**–**	**(2 784)**	**(2 878)**
	(94)	**–**	**(1 472)**	**(1 566)**
2011				
Financial assets	1	1 880	3 261	5 142
Financial liabilities	–	(3 328)	(11 996)	(15 324)
	1	(1 448)	(8 735)	(10 182)

A 10% movement in the ZAR against the relevant foreign currencies will result in a R113 000 after-tax effect in the profits of the group (2011: R733 000).

Foreign exchange contracts

There were no open foreign exchange contracts at 30 September 2012 (2011: nil).

Currency option contracts at 30 September: Group	2012 Euro	2012 US Dollar	2011 Euro	2011 US Dollar
Fair value – R'000	**–**	**–**	2 195	2 195
Foreign currency value – '000	**–**	**–**	225	225

The company had no exposure to foreign currency risk for both the current and previous year.

29. FINANCIAL INSTRUMENTS (continued)

29.2 Financial Risk Management (continued)

(A) Market risk (continued)

(iii) 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 can impact on the group's profitability. The group may suffer financial loss when a fluctuating price contract obligation is entered into and the commodity prices increase or when a fixed price agreement is entered into and commodity prices fall. 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 influenced 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 given. Detailed statements of raw material contracts and hedging positions are prepared and submitted on a monthly and basis to the chief executive officer.

(B) Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the group arise on cash and cash equivalents, derivatives and trade receivables. Credit risk is managed on a group basis.

Dealings with counterparties arising from money market and derivative instruments are limited to well-established financial institutions of high credit standing.

The group's main credit risk is concentrated in the aggregate balance of trade receivables on statement of financial position date. Exposure to trade receivables comprise a large, widespread customer base. These risks are controlled by the application of a number of credit controlling procedures, e.g. credit risk insurance cover, application of credit limits and strict adherence to those limits, continuous assessment of the credit worthiness of customers, immediate follow-up on late payments, regular visits and communication with customers. These practices proved to be successful which is evident from the ageing profile of trade receivables as per note 8. The largest single credit risk amounts to R93 million. The group does not consider there to be any significant concentration of credit risk that has not been adequately provided for at 30 September 2012.

Collateral is held as security in respect of those trade receivables which are regarded by management as high risk.

Details of the carrying amounts of trade receivables, their classifications into different risk profiles, impairments recognised as well as collateral security held are contained in note 8.

The group does not consider there be any significant risks regarding loans as it is with related parties.

Cash at bank represent surplus funds on current bank accounts. These funds are held by financial institutions of high quality and standing with Fitch credit rating for short term of F2.

(C) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

The liquidity risks are managed 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
- arranging short and long-term borrowing facilities from institutional institutions

The group's utilisation of its available borrowing facilities was low during the year and therefor has a low risk of illiquidity.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

29. FINANCIAL INSTRUMENTS (continued)

29.2 Financial Risk Management (continued)

(C) Liquidity risk

	Within 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000	Total R'000
Group				
2012				
Borrowings	**14 965**	**15 502**	**95**	**30 562**
Trade and other payables	**1 075 789**	**–**	**–**	**1 075 789**
Shareholders for dividend	**–**	**1 657**	**–**	**1 657**
Bank *	**102 602**	**–**	**–**	**102 602**
Contingencies	**–**	**–**	**29**	**29**
	1 193 356	**17 159**	**124**	**1 210 639**
2011				
Borrowings	15 850	81 620	70 023	167 493
Trade and other payables	936 846	–	–	936 846
Shareholders for dividend	–	1 491	–	1 491
Bank *	112 449	–	–	112 449
	1 065 145	83 111	70 023	1 218 279
Company				
2012				
Bank *	**5 583**	**–**	**–**	**5 583**
Shareholders for dividend	**–**	**1 657**	**–**	**1 657**
	5 583	**1 657**	**–**	**7 240**
2011				
Trade and other payables	282	–	–	282
Shareholders for dividend	–	1 491	–	1 491
	282	1 491	–	1 773

(*) *Bank facilities are reviewed on an annual basis*

29.3 Capital risk management

The group manages its capital to maintain a sound net debt position and to provide adequate return on capital employed. This is taken into account in deciding on the dividends to be paid to shareholders as well as to the extent capital is returned to shareholders by way of share repurchases.

The group continuously monitors its net debt to equity ratio. Net debt is calculated as total debt less cash and cash equivalents. Equity comprises all components of equity as disclosed in the statement of financial position.

The net debt to equity ratio as at 30 September was as follows:

	Group 2012 R'000	Group 2011 R'000
Total debt	**130 950**	221 387
Less: Cash and cash equivalents	**(25 267)**	(181 865)
Net debt	**105 683**	39 522
Total equity	**1 595 971**	1 585 632
Net debt to equity ratio (%)	**6,6**	2,5
The company manages its capital structure with dividend income from subsidiaries.		

	Group 2012 R'000	Group 2011 R'000
30. RELATED PARTY TRANSACTIONS		
The group entered into transactions and has balances with entities in which it does not hold a controlling interest. The transactions with these related parties are affected at arm's length and consist of the receipt of administration fees and the purchase of vitamin and mineral pre-mixes for inclusion in the animal feed production process.		
Sales of goods and services		
Sales to joint ventures	**263**	1 517
Purchases from joint ventures	**177 508**	154 962
Outstanding balances at year-end		
Receivables from joint ventures	**2 991**	3 882
Trade payables to joint ventures	**11 385**	15 654

Directors' remuneration

Details of directors' remuneration is given on page 79. Executive directors are eligible for an annual performance-related bonus payment linked to appropriate group targets. The structure and payments of bonuses is decided by the Human Resources and Remuneration Committee.

Details of share options granted to directors are given in the directors' remuneration report.

Key management

Employees fulfilling the role of key management are all appointed to the board of directors.

Principal joint ventures and subsidiary undertakings

Details of joint ventures and subsidiaries are set out in notes 31 and 32 to the financial statements.

Cross-guarantees

Cross deed of suretyship in respect of borrowings has been given by Astral Foods Limited, Astral Operations Limited, Ross Poultry Breeders (Pty) Limited, National Veterinary Supplies (Pty) Limited, Meadow Feeds (Eastern Cape) (Pty) Limited and Central Analytical Laboratories (Pty) Limited in respect of borrowings.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 %	Group 2011 %
31. INTEREST IN JOINT VENTURES		
The principal joint ventures of the group are:		
NuTec SA (Pty) Limited*	**50**	50
East Balt South Africa partnership**	**–**	50

The interest in the East Balt partnership has been sold with effect from 1 April 2012. The proportionate interest in the assets and liabilities of NuTec SA (Pty) Limited is reclassified as assets and liabilities held for sale following negotiations to dispose a 25% interest in the business.

The following amounts represent the group's share of assets and liabilities classified as held for sale, revenue and expenses and cash flows of the joint ventures, which are included in the consolidated financial statements:

	R'000	R'000
Assets and liabilities		
Non-current assets	**–**	116 822
Current assets	**–**	63 289
Assets held for sale	**51 889**	–
Total assets	**51 889**	180 111
Non-current liabilities		
Interest-bearing	**–**	83 619
Current liabilities	**–**	35 898
Interest-bearing	**–**	4 062
Non-interest-bearing	**–**	31 836
Deferred income tax liability	**–**	6 874
Liabilities held for sale	**21 283**	–
Total liabilities	**21 283**	126 391
Net assets	**30 606**	53 720
Revenue and expenses		
Revenue	**134 928**	264 551
Profit before tax	**21 175**	24 691
Income taxes	**(5 928)**	(8 624)
Profit after tax	**15 247**	16 067
Cash flows		
Cash flow from operating activities	**15 643**	27 654
Investing cash flows	**(4 519)**	(10 554)
Financing cash flows	**(653)**	17 603
Profit distribution/dividend paid	**–**	(16 850)
Net cash flows	**10 471**	17 853
Capital commitments		
Capital expenditure approved/contracted but not recognised in the financial statements	**–**	2 815

Nature of business

* Animal feed pre-mixes.

** Manufacturer of baking products.

32. INTEREST IN SUBSIDIARY COMPANIES

Details of the principal subsidiary companies of Astral Foods Limited are as follows:

		Issued ordinary capital		Effective percentage holding		Company's interest			
						Equity		Loans to	
		2012 R'000	2011 R'000	**2012 %**	2011 %	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
Unlisted investments									
Directly held:									
Astral Operations Limited	a	**12**	12	**100**	100	**168 372**	166 783	**61**	–
National Chicks Limited	b	**23 720**	23 720	**100**	100	**63 993**	63 993	**–**	–
Africa Feeds Limited (Zambia) ^	c	**24**	24	**100**	100	**275**	279	**–**	–
						232 640	231 055	**61**	–
Indirectly held:									
Meadow Eastern Cape (Pty) Limited	c	**–**	–	**100**	100				
Meadow Moçambique LDA *	c	**4 393**	4 393	**80**	80				
National Chicks Swaziland (Pty) Limited #	d	**1**	1	**67**	67				

The directors' valuation of the investments in subsidiary companies is not less than their respective carrying values.

^ *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, retailer of animal health products and analytical services.

b Investment holding.

c Animal feed production.

d Production and sale of day-old broilers and hatching eggs.

Notes to the annual financial statements (continued)

for the year ended 30 September 2012

	Group 2012 R'000	Group 2011 R'000
33. ASSETS AND LIABILITIES HELD FOR SALE		
NuTec SA (Pty) Limited		
The group has been approached to sell 25% of its interest in the NuTec SA (Pty) Limited joint venture. The group procure animal feed pre-mixes from NuTec and holds a 50% interest in the company. It has been proportionately consolidated and disclosed under the Services and Ventures segment in the group financial statements.		
A degree of certainty was reached at the end of May 2012 that the sale of the 25% interest will be successful, subject to certain suspensive conditions which was not all met at 30 September 2012.		
The proportionate share of the assets and liabilities of NuTec are excluded from the consolidated statement of financial position at 30 September 2012 and have been reclassified as assets and liabilities held for sale:		
Property, plant and equipment	**3 363**	
Deferred tax asset	**274**	
Inventories	**12 043**	
Trade and other receivables	**14 286**	
Cash and cash equivalents	**21 923**	
Assets held for sale	**51 889**	
Trade and other payables	**18 740**	
Tax	**2 543**	
Liabilities held for sale	**21 283**	
The group's statement of comprehensive income includes the proportionate share of NuTec's income and expenses up to 30 September 2012.		
The group's statement of cash flow includes the proportionate share of NuTec's cash flows up to 31 May 2012.		
Meaders Feeds Limited		
Impairment of the value of the of the shareholding in Meaders Feeds Limited due to the limited market for non-controlling interests in an unlisted company in Mauritius resulted in a downward valuation in the assets held for sale		1 805
The shareholding in Meaders Feeds Limited were sold during the prior year for a consideration of R13 935 000.		

34. BUSINESS COMBINATIONS

Earlybird Camperdown

The group acquired the assets and operating activities of a broiler abattoir and processing plant in KwaZulu-Natal, generally known as Mountain Valley during the previous financial year. The acquisition is in line with the group strategy of selective expansion and investments. It is also geographically situated in an area where the group did not have previous presence in producing and processing poultry products.

The impact on the group's prior year's results were minimal as the effective date of the acquisition was only 1 August 2011 and included the following:

	Group
	2011 R'000
Revenue	22 284
Operating loss	1 228

The impact on the group's prior year's results, had the acquisition occurred on 1 October 2010, was not presented as no meaningful results for the business can be calculated due to different input costs as prior to the acquisition.

Details of net assets acquired and the cost of the investment are as follows:	
Property, plant and equipment and intangibles	(71 136)
Inventory	(1 677)
Trade and other receivables	(47)
Trade and other payables	702
Deferred tax liability	2 996
Net assets acquired	(69 162)
Goodwill	(15 599)
Total purchase consideration for interest in subsidiary	(84 761)
Outstanding purchase consideration payable	2 500
Cash flow on acquisition, net of overdraft and cash acquired	(82 261)

The carrying amounts of the assets and liabilities acquired, were determined in accordance with IFRS and their fair value.

Goodwill was paid due to the strategic geographical importance of the business to the group.

The purchase allocation has been performed and is considered as final.

35. TRANSACTIONS WITH NON-CONTROLLING INTEREST HOLDERS

The group acquired the 10% non-controlling interest in Ross Poultry Breeders (Pty) Limited at the end of September 2011 for a purchase consideration of R14 million. The group derecognised non-controlling interest of R13 656 000 and recorded a decrease in equity attributable to shareholders of the company of R344 000. The transaction is summarised as follows:

Carrying amount of non-controlling interest acquired	13 656
Excess of consideration paid recognised in parent's equity	344
Consideration paid	14 000

The net effect on equity was a reduction of R14 million.

36. TRADING WEEKS

The reporting period for the poultry segment ends on the last Saturday of a financial year. This resulted in a 53-week reporting period for 2012 (2011: 52 weeks).

The additional trading week yielded additional revenue and gross profit of R111 million and R10 million, respectively.

Analysis of ordinary shareholders

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	5 123	73,03	1 922 722	4,56
1 001 – 10 000 shares	1 554	22,15	4 643 222	11,02
10 001 – 100 000 shares	269	3,83	8 091 540	19,20
100 001 – 1 000 000 shares	65	0,93	15 134 576	35,91
1 000 001 shares and over	4	0,06	12 356 825	29,32
	7 015	**100,00**	**42 148 885**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Pension Funds			13 041 646	30,94
Unit Trusts/Mutual Funds			12 308 504	29,20
Retail Investors			5 175 959	12,28
Corporate Holding			4 103 440	9,74
Other Managed Funds			3 694 030	8,76
Insurance Companies			2 148 986	5,10
Exchange-Traded Funds			213 666	0,51
Charities			206 911	0,49
Sovereign Wealth			64 748	0,18
Universities			75 771	0,15
Investment Trusts			30 508	0,07
Remainder			1 084 716	2,57
			42 148 885	**100,00**
NON-PUBLIC/PUBLIC SHAREHOLDERS				
Non-public shareholders	5	0,07	4 320 577	10,25
Directors and associates of the company	4	0,06	172 000	0,55
Own holdings	1	0,01	4 088 577	9,70
Public shareholders	7 010	99,93	37 828 308	89,75
	7 015	**100,00**	**42 148 885**	**100,00**
BENEFICIAL SHAREHOLDERS ABOVE 3%				
Government Employees Pension Fund			6 208 890	14,73
Astral Operations Limited			4 088 577	9,70
Investec Opportunity Fund			1 840 632	4,37
Investment Solutions			1 515 251	3,60
			13 653 350	**32,40**
INVESTMENT MANAGEMENT SHAREHOLDINGS ABOVE 3%				
Public Investment Corporation			5 366 258	12,73
Astral Operations Limited			4 088 577	9,70
Prudential Portfolio Managers			3 316 216	7,87
Foord Asset Management			3 160 947	7,50
Investec Asset Management			3 151 632	7,48
Allan Gray Investment Council			2 652 163	6,29
Old Mutual Asset Managers			1 469 401	3,49
Sanlam Investment Management			1 387 919	3,29
			24 593 113	**58,35**

Notice of annual general meeting

TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth annual general meeting of members of Astral Foods Limited will be held in the Boardroom, 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 14 February 2013 at 08:00, to transact the following business:
(Salient dates for the meeting are listed on page 140 of this report.)

ORDINARY BUSINESS:

Consideration of annual financial statements

Ordinary resolution number 1

To receive and consider the annual financial statements for the company and the group for the year ended 30 September 2012, together with the directors' and auditors' reports.

Re-election of directors

Ordinary resolution number 2

To note that, in terms of article 13.2 of the company's memorandum of incorporation, GD Arnold retires by rotation at the annual general meeting but, being eligible, has offered himself for re-election.

Brief particulars of the qualifications and experience of Mr Arnold is available on page 35 of this report.

Ordinary resolution number 3

To note that, in terms of article 14 of the company's memorandum of incorporation, T Eloff, N Tsengwa and T Delport retire by rotation at the annual general meeting but, being eligible, have offered themselves for re-election.

It is proposed that any vacancies that occurs 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 pages 34 to 36 of this report.

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

Ordinary resolution number 4

To appoint, by way of individual separate resolution, the following independent non-executive directors as members of the Audit and Risk Management Committee:

M Macdonald	(Chairman)
T Eloff	(Member)
IS Fourie	(Member)

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 and King III 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 pages 34 to 36 of this report.

Re-appointment of members of the Social and Ethics Committee

Ordinary resolution number 5

To appoint, by way of individual separate resolution, the following directors/employees as members of the Social and Ethics Committee:

T Eloff	(Chairman)
GD Arnold	(Member)
LW Hansen	(Member)

The above members will hold office until the next annual general meeting and will perform the duties and responsibilities stipulated in regulation 43(5) of the Companies Regulations and will perform such other duties and responsibilities as may from time to time be delegated by the board of directors for the company and all subsidiary companies.

Brief particulars of the qualifications and experience of the above are available on pages 34 to 36 and page 39 of this report.

Notice of annual general meeting (continued)

Re-appointment of auditors

Ordinary resolution number 6

To re-appoint PricewaterhouseCoopers Incorporated, on the recommendation of the current Audit and Risk Management Committee, as independent registered auditor of the company (with I Buys as the individual designated auditor) for the 2013 financial year.

Authority for determination of auditors' remuneration

Ordinary resolution number 7

That the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors be confirmed.

Vote on remuneration policy

Ordinary resolution number 8

To endorse, through a non-binding advisory vote, the company's remuneration policy and its implementation.

The company's Remuneration report is set out on page 49 to 51 of this integrated annual report which contains a summary of the company's remuneration policy.

Signature of documentation

Ordinary resolution number 9

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 ordinary and special resolutions set out in the notice convening the twelfth annual general meeting of the company.

SPECIAL BUSINESS:

To consider and, if deemed fit, to pass, with or without modification, the following special resolutions in the manner required by the Companies Act, 71 of 2008 (the Act) and subject to the Listings Requirements of the JSE Limited (JSE):

General authority to repurchase shares

Special resolution number 1

Resolved, that the company may, as a general approval in terms of the Act, acquire from time to time, such of its securities at such price or prices and on such other terms and conditions as the directors may from time to time determine, but subject to the following requirements from time to time of the JSE:

- The repurchase of securities shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- The repurchase of securities is authorised by the company's memorandum of incorporation;
- The authority shall be valid only until the next annual general meeting of the company or for 15 months from the date on which this special resolution is passed, whichever is the shorter;
- Repurchases may not be made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected;
- At any one point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- The company may only undertake a repurchase of the securities if, after such repurchase, it still complies with the Listings Requirements of the JSE; and
- The company or its subsidiaries may not repurchase the company's shares during a prohibited period, as defined in the Listings Requirements of the JSE.

The reason for and effect of special resolution number 1

The reason for and effect of special resolution number 1 is to generally approve, in terms of the Act, the acquisition by the company of securities issued by it, subject to the Listings Requirements of the JSE. The directors intend to utilise this authority at such time or times, in respect of such number of securities, at such price and on such terms as they may consider appropriate in the circumstances from time to time, provided that any repurchase of securities should not, in the aggregate, in this financial year, exceed 10% of the company's issued securities of the class concerned. Accordingly, the method by which the company intends to acquire its securities, the maximum number of securities which will be acquired and the price(s) and date(s) at which the acquisition(s) is/(are) to take place are not presently known. In considering whether or not to act in terms of this general authority, the directors will ensure, for a period of 12 months after the date of the notice of the general meeting, that:

- The company and its subsidiaries (the group) will be able, in the ordinary course of business, to pay its debts;
- The assets of the company and the group will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements;

- The company and the group will have adequate capital and reserves;
- The working capital of the company and the group will be adequate for ordinary business purposes.

When the company has, cumulatively, repurchased 3% of the initial number of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter, the company will publish an announcement giving details thereof in accordance with Rule 11.27 of the Listings Requirements of the JSE. The company undertakes that it will not enter the market to repurchase the company's securities in terms of this general authority until such time as the company's sponsor has provided written confirmation to the JSE regarding the adequacy of the company's working capital in accordance with Schedule 25 of the Listings Requirements of the JSE.

The directors have no specific intention, at present, for the company or its subsidiaries to repurchase any of the shares but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which is in the best interests of the company and its shareholders.

Directors' responsibility statement

The directors, collectively and individually, accept full responsibility for the accuracy of the information given in the financial statements and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make the statement false or misleading.

Material change

There has been no material change in the financial or trading position of the company and its subsidiaries since the date of publication of the company's annual results on 12 November 2012.

Litigation

The company and its subsidiaries are not, and have not in the 12 months preceding the date of this notice of annual general meeting been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the company and its subsidiaries, nor is the company aware of any such proceedings that are pending or threatened.

The general information regarding the company, referred to in paragraph 11.26(b) of the Listings Requirements of the JSE, is contained elsewhere in this annual report, as follows:

Directors of the company and of material subsidiaries, on pages 34 to 36 and inside back cover.
Major shareholders on page 126.
Material changes since year-end on page 75.
Directors' interests in the company's shares on page 80.
Company's share capital on page 126.
Directors' responsibility statement on page 71.
Litigation on page 75.

Remuneration payable to non-executive directors

Special resolution number 2

Resolved to approve that in terms of article 13.5 of the company's memorandum of incorporation, with effect from 1 October 2012 and until the date of the next annual general meeting, the remuneration of the directors who hold office from time to time (other than those in the employ of the company) be determined as follows:

Notice of annual general meeting (continued)

	Fixed fee per annum 2013 R'000	Fixed fee per annum 2012 R'000
Chairman of the board	500	500
Member of the board	200	200
Chairman of the Audit and Risk Management Committee	151	151
Member of the Audit and Risk Management Committee	79	79
Chairman of the Human Resources, Remuneration and Nominations Committee	151	151
Member of the Human Resources, Remuneration and Nominations Committee	79	79
Chairman of the Social and Ethics Committee	151	151

Special resolution number 2 is proposed in order to comply with the requirements of the Act and the company's memorandum of incorporation.

The board has decided not to accept any increase in fees for the 2013 financial year in line with a decision not to afford any salary increases to employees for this period and therefore the same fees that applied to the 2012 financial year will continue to be paid to non-executive directors in the 2013 financial year. The remuneration proposal was recommended by the board of directors which also sanctioned the proposal for recommendation to shareholders.

The proposed remuneration is considered to be fair and reasonable and in the best interests of the company.

Reason for and effect of special resolution number 2

The reason and effect of special resolution number 2 is to grant the company the authority to pay remuneration to its directors for their services as directors.

Financial assistance to group inter-related companies

Special resolution number 3

Resolved that authority be and is hereby granted, insofar as it may be necessary in terms of section 45 of the Act, for the directors of the company to approve any actions related to any transactions amounting to financial assistance and which fall within the following categories of inter-related company transactions:

- Loans between the company and companies that are subsidiaries, joint ventures or associates of the company; and
- Cross-suretyships or guarantees or any other security provided between the company and companies that are subsidiaries, joint ventures of associates of the company.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to provide authority in terms of section 45 of the Act, for the directors of the company to approve actions related to any transaction amounting to financial assistance between inter-related companies, and the effect of the resolution will be that the shareholders will have provided authority (by way of a special resolution) in terms of section 45 of the Act.

Grant and issue of share options

Special resolution number 4

Resolved that, subject to the Act and Schedule 14 of the Listings Requirements of the JSE, the board of directors of Astral shall be authorised for purposes of Sections 41 and 42 of the Act:

4.1 to allot and issue, to grant and issue options for the allotment or subscription and to grant any other rights exercisable in respect of up to 2 107 444 Astral ordinary shares (which comprise 5% of the issued ordinary share capital as at 30 September 2012) (the shares) to The Astral Foods (2001) Share Option Scheme (the Scheme) and participants thereunder (which may include directors, future directors, prescribed officers of the company or of a related or inter-related company) (the participants); and

4.2 to make application to the JSE for the listing of the shares pursuant to the administration of the Scheme and on the terms applicable to the Scheme.

Reasons for and effect of special resolution number 4

The reason for and effect of special resolution number 4 is to grant the Astral board the necessary authority to allot and issue up to 2 107 444 Astral ordinary shares and to grant options to the Scheme and participants thereunder, thereby allowing the proper administration and implementation of the Scheme.

Approval and adoption of new memorandum of incorporation

Special resolution number 5

Resolved that a new memorandum of incorporation, as detailed in the salient features thereof attached to this notice of annual general meeting as Appendix 1, the complete memorandum of incorporation having been available for inspection at the company's registered office from the date of notice of this annual general meeting until the date of this meeting, which memorandum of incorporation will supersede the current memorandum and articles of association of the company, the complete memorandum of incorporation having been initialled by the chairman of this meeting for identification purposes and tabled at this meeting, be and is hereby ratified and approved.

A copy of the complete memorandum of incorporation is available for inspection at the company's registered office, 92 Koranna Avenue, Doringkloof, Centurion, from the date of the notice of this annual general meeting on 7 November 2012 until Thursday, 14 February 2013, the date of the annual general meeting.

Reasons for and effect of special resolution number 5

The reason and effect of special resolution number 5 is to replace the company's memorandum and articles of association with a memorandum of incorporation as prescribed in the Act.

Voting and proxies

On a show of hands a member of the company present in person or by proxy shall have only 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 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 such meeting, must complete and return the enclosed form of proxy in accordance with the instructions contained in the form of proxy, so as to be received by the share registrars, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 08:00 on Wednesday, 13 February 2013.

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 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 directors have not made any provision for electronic participation at the annual general meeting.

By order of the board

MA Eloff
Company Secretary

Pretoria
7 November 2012

Notice of annual general meeting (continued)

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

1. Annual financial statements

At the annual general meeting, the directors must present the annual financial statements for the year ended 30 September 2012 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

In accordance with the company's memorandum of incorporation, one-third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. T Eloff, N Tsengwa and T Delport retire from the board in accordance with article 14 of the company's articles of association and offer themselves for re-election. In terms of article 13.2 of the company's memorandum of incorporation, GD Arnold, being a newly appointed director, is required to retire by rotation at the annual general meeting and offers himself for re-election.

Brief particulars of the qualifications and experience of the above are available on pages 34 to 36 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;
- 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 resolutions number 2 and number 3.

3. Election of Audit and Risk Management Committee members

Chapter 3 of the King Report on Governance in South Africa 2009 (King III) requires the shareholders of a public company to elect the members of an audit committee at each annual general meeting. In accordance therewith the Human Resources, Remuneration and Nominations Committee should present shareholders with suitable candidates for election as audit 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 III and the Listings Requirements of the JSE, 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;
- are adequately kept 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 76 to 77.

4. Re-appointment of independent auditor

PricewaterhouseCoopers Incorporated has communicated its willingness to continue in office and ordinary resolution number 6 proposes the re-appointment 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 Inc. 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 Listings Requirements of the JSE, 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.

6. **Vote on remuneration policy**

Astral's remuneration report is contained in pages 49 to 51 of this integrated report.

Chapter 2 of King III dealing with board and directors requires companies annually to table their remuneration policy to shareholders for a non-binding advisory vote at the annual general meeting. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution 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.

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. **General authority to repurchase shares**

The reason for and effect of special resolution number 4 is to approve the acquisition by the company of securities issued by it, subject to the JSE Listings Requirements. The directors intend to only utilise this authority as and when they may consider it appropriate to acquire such shares.

The directors are of the opinion that it would be in the best interests of the company to extend such general authority and thereby allow the company or any of its subsidiaries to be in a position to repurchase the securities issued by the company through the order book of the JSE should the market conditions, tax dispensation and price justify such an action.

9. **Remuneration payable to non-executive directors**

Special resolution number 2 is required to obtain the approval of the company at the annual general meeting of the fees payable to the non-executive directors.

This resolution is recommended by the company's board of directors. Full particulars of all fees for the past year as well as the process followed by the Human Resources, Remuneration and Nominations Committee on recommending board fees are contained in the Remuneration Report on pages 49 to 51 and on page 44 of the Corporate Governance 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.

Special resolution number 2 is required to ensure that directors continue to receive their monthly remuneration for the period between the end of the financial year and the date of the next annual general meeting. Any adjustments made to the directors' remuneration by members at the annual general meeting will be paid to the directors at the end of the month following the annual general meeting.

10. **Financial assistance to group inter-related companies**

Special resolution number 3 is required to ensure compliance with section 45 of the Act whereby shareholders authorise the directors to approve actions related to any transaction amounting to financial assistance when granting loans between subsidiaries, joint ventures or associates as well as cross-suretyships or guarantees.

11. **Grant and issue of share options**

In terms of The Astral Foods (2001) Share Option Scheme share options may be granted to employees as part of our long-term incentive programme. The purpose of this resolution is to allow proper administration of the Scheme. The Astral Foods (2001) Share Option Scheme was approved by shareholders in April 2001.

12. **Adoption of new memorandum of incorporation**

In line with the Act, a new memorandum of incorporation is required to be adopted.

Appendix 1 – Memorandum of incorporation: salient features

The notice of the annual general meeting as contained in this integrated annual report includes a special resolution for the approval of a new memorandum of incorporation (MOI) for the company by shareholders.

A copy of the complete MOI is available for inspection at the company's registered office, 92 Koranna Avenue, Doringkloof, Centurion, from the date of the notice of the annual general meeting on 7 November 2012 until 14 February 2013, the date of the annual general meeting.

Salient clauses of the MOI are set out below. Any reference to "the Companies Act" means the Companies Act, 71 of 2008.

3. Amendment of the MOI

3.1 Every provision of this MOI is capable of amendment in accordance with sections 16(1)(a), 16(1)(c) and 152(6)(b) of the Companies Act, and, accordingly, there is no provision of this MOI which may not be amended as contemplated in section 15(2)(b) or 15(2)(c) of the Companies Act.

3.2 This MOI may only be altered or amended:

3.2.1 in compliance with a court order on the basis set out in section 16(1)(a) and 16(4) of the Companies Act and any other applicable provisions of the Companies Act; or

3.2.2 by way of a Special Resolution of the Shareholders passed in accordance with section 16(1)(c) of the Companies Act, read in conjunction with the remaining provisions of the Companies Act and this MOI; or

3.2.3 as contemplated in sections 17 and 152(6)(b) of the Companies Act; and

3.2.4 with prior written approval from the JSE.

3.3 Save as specifically provided for in article 3.2, this MOI is not capable of amendment by any other method. Accordingly, the provisions of section 16(1)(b) of the Companies Act shall not apply, nor shall any other alterable provisions of the Companies Act that allows for a method for the alteration or amendment of the MOI other than those methods contemplated in article 3.2 apply.

3.4 Any change to the name of the company and any variation of the share capital of the company, referred to in article 10.3 shall be effected by an amendment to this MOI by way of Special Resolution as referred to in article 3.2.2.

8. Share capital

The company is authorised to issue 75 000 000 ordinary shares having a par value of R0,01 and having the rights and limitations set out in the MOI.

9. Rights of the ordinary shares

Each ordinary share in the issued capital of the company ranks *pari passu* with, and is identical in all respects to every other Ordinary Share in respect of all rights, and entitles its holder to:

9.1 the right to be entered into the Securities Register as the registered holder of an Ordinary Share;

9.2 exercise one vote on any matter to be decided by Shareholders of the company (other than matters which are, in terms of this MOI or the Companies Act, to be decided solely by the holders of any other class/es of Share/s;

9.3 participate equally with every other Ordinary Share in any Distribution (excluding any payment *in lieu* of a capitalisation where and any consideration payable by the company for any of its own Shares or for any shares of another company within the same group as contemplated in paragraphs (ii) and (iii) of the definition of Distribution in the Companies Act) to Ordinary Shareholders, whether during the existence of the company or upon its dissolution.

10. Variation of share capital

10.1 Notwithstanding the provisions of section 36(3) of the Companies Act, the board shall not have the power to:

10.1.1 increase or decrease the number of authorised Shares of any class of Shares;

10.1.2 reclassify any classified Shares that have been authorised but not issued;

10.1.3 classify any unclassified Shares that have been authorised but not issued; or

10.1.4 determine the preferences, rights, limitations or other terms of any Shares, which powers shall only be capable of being exercised by the Shareholders, as contemplated in article 10.3.

10.2 Each Share issued by the company shall entitle its holder to vote any proposal to amend the preferences, rights, limitations or other terms associated with that Share.

10.3 The Shareholders may, by amendment to the MOI by way of a Special Resolution and in accordance with the JSE Listings Requirements:

10.3.1 Increase or decrease the number of authorised Shares of any class of the Shares;

10.3.2 reclassify any classified Shares that have been authorised but not issued;

10.3.3 classify any unclassified Shares that have been authorised but not issued;

10.3.4 determine the variation of any preferences, rights, limitations or other terms of any Shares;

10.3.5 create any class of Shares;

10.3.6 convert one class of Shares into one or more other classes of Shares, including the conversion of par value Shares into no par value Shares;

10.3.7 Consolidate or sub-divide any class of Securities; and

10.3.8 Vary any preferences, rights, limitations or other terms of any class of Shares already in issue, but no such variations shall be implemented unless:

10.3.8.1 it has been approved by a Special Resolution adopted by the holders of that class of Shares at a separate meeting; and

10.3.8.2 if there are any other class/es of Shares in issue, it has also been approved by a Special Resolution of all the Shareholders of the company entitled to vote thereon, which Special Resolution shall only be proposed after the Special Resolution referred to in 10.3.8.1 has been passed.

10.4 The preferences, rights, limitations or any other terms of any class of Shares must not be varied in response to any objectively ascertainable external fact or facts as provided in sections 37(6) and 37(7) of the Companies Act and the powers of the board are limited accordingly.

16. Acquisition of shares issued by the company

Subject to the provisions of the Companies Act and the JSE Listings Requirements, the company may acquire any Shares issued by the company on the basis that:

16.1 all or a portion of the price payable on such acquisition may be paid out of the funds of or available to the company whether or not such payment results in a reduction of the share capital, stated capital, reserves, any capital redemption reserve fund and/or any other account of the company; and

16.2 the Shares so acquired shall be restored to the status of unissued shares and the authorised share capital of the company shall remain unaltered.

17. Debt instruments

The board may authorise the company to issue secured or unsecured debt instruments as set out in section 43(2) of the Companies Act; provided that the board shall not be entitled to issue any debt instruments that grants the holder thereof any rights regarding:

17.1 attending and voting at general meetings and the appointment of Directors; and

17.2 the receipt by the holder thereof of anything other than repayment of the capital amount thereof and payment of interest thereon, all in cash, without the approval of the Shareholders by way of a Special Resolution. Without limiting the foregoing, it is recorded that a debt instrument may not confer on its holder any right to receive any Shares or other Securities of the company or any other company or any other property (whether on conversion or redemption or repurchase of the debt instrument or otherwise) without the approval of a Special Resolution.

24. Record dates

The board may, in accordance with section 59 of the Companies Act and the Regulations, determine and publish a Record Date for the purposes of determining which Shareholders are entitled to:

24.1 receive a notice of Shareholders' Meeting;

24.2 participate in and vote at a Shareholders' Meeting;

24.3 decide any matter by written consent or by Electronic Communication;

24.4 receive a Distribution; or

24.5 be allotted or exercise any other rights;

provided that:

24.5.1 if the board does not determine a Record Date for any action or event, as contemplated in this article 24, the Record Date shall, subject to article 24.5.2, be as determined in accordance with section 59(3) of the Companies Act; and

24.5.2 whilst the Shares of the company are listed on the JSE, the Record Date shall be determined in accordance with the JSE Listings Requirements.

Appendix 1 – Memorandum of incorporation: salient features (continued)

25. Shareholders' meetings

25.1 The company shall not be required to hold any meetings of Shareholders other than those required by the Companies Act and/or the JSE Listings Requirements.

25.2 Without limiting the foregoing, the company shall hold a Shareholders' meeting in the circumstances contemplated in section 61(2) of the Companies Act.

25.3 The board (or any Prescribed Officer of the company authorised by the board) is entitled to call a Shareholders' Meeting at any time.

25.4 The board shall determine the location for any Shareholders' Meeting of the company and the company may hold any such meeting in the Republic or any foreign country and, accordingly, the authority of the board, as contemplated in section 61(9) of the Companies Act, is not limited or restricted by this MOI.

26. Notice of shareholders' meetings

26.1 The company must:

26.1.1 deliver notice of each Shareholders' Meeting to:

26.1.1.1 all Shareholders as of the Record date for receiving notice of that Shareholders' Meeting; and

26.1.1.2 the JSE, at least fifteen Business Days before that Shareholders' Meeting is to begin; and

26.1.2 simultaneously with delivery of any notice in terms of article 26.1.1, announce such notice through SENS.

26.2 The notice of a Shareholders' Meeting shall be in writing and shall include the items set out in section 62(3) of the Companies Act.

26.3 The notice of a Shareholders' Meeting must be delivered in accordance with the provisions of article 46.

30. Shareholders' resolutions

30.1 At any meeting of Shareholders, any Person who is present at the Meeting, whether as a Shareholder or as a proxy for a Shareholder, shall be entitled:

30.1.1 on a show of hands, to one vote, irrespective of the number of Voting Rights that Ordinary Shareholder would otherwise be entitled to exercise; and

30.1.2 on a poll, to exercise the number of Voting Rights associated with the Shares held by such Shareholder, which Voting Rights shall be determined with the preferences, rights, limitations and other terms of the shares as set out in this MOI.

30.2 In order for:

30.2.1 an Ordinary Resolution to be approved, it must be supported by a majority of the Voting Rights exercised on the Ordinary Resolution, as contemplated in section 65(7) of the Companies Act; or

30.2.2 a Special Resolution to be approved, it must be supported by at least 75% of the Voting Rights exercised on the Special Resolution, as provided in section 65(9),

at a quorate meeting of Shareholders which is quorate in relation to that resolution; provided that this article 30.2 shall not detract from the Shareholders' ability to adopt resolutions by written vote as referred to in article 31.

30.3 If any Shareholder abstains from voting in respect of any resolution, that Shareholder will, for the purposes of determining the number of votes exercised in respect of that resolution, be deemed not to have exercised a vote in respect of that resolution.

30.4 Except for those matters which require the approval or authority of a Special Resolution in terms of section 65(11) or any other section of the Companies Act, any provision of the Regulations, this MOI or the JSE Listings Requirements, no other matters which the company may undertake require the approval of a Special Resolution of the Shareholders.

33. Authority of the board of directors

33.1 The business and affairs of the company shall be managed by or under the direction of the board, which shall have the authority to exercise all of the powers and perform all of the functions of the company, except to the extent that the Companies Act or this MOI provides otherwise.

33.2 The board may delegate to any one or more Persons any of its powers, authority and functions (including power to sub-delegate).

33.3 If the Securities of the company are no longer listed on the JSE and the company has only one Director:

33.3.1 that Director may exercise any power or perform any function of the board at any time, without notice or compliance with any other internal formalities;

33.3.2 sections 71(3) to (7) of the Companies Act shall not apply to the governance of the company; and

33.3.3 the provisions of articles 38 and 39 shall not apply to the governance of the company.

34. Appointment of directors

34.1 The board shall comprise not less than four Directors.

34.2 All of the Directors and any Alternate Directors shall be elected by an Ordinary Resolution of the Shareholders at a Shareholders' Meeting. Shareholders will have the right to nominate directors. The provisions of section 68(2) of the Companies Act shall apply to the election of Directors, provided that a Director may not be elected by written vote in accordance with article 31. There shall be no *ex officio* directors, as contemplated in section 66(4)(a)(ii) of the Companies Act, and no Person shall have the right to effect the direct appointment of one or more Directors as contemplated in section 66(4)(a)(i) of the Companies Act.

34.3 The board may appoint a Person who satisfies the requirements for election as a Director to fill any vacancy and serve as a Director of the company on a temporary basis until the earlier of the date of the next annual general meeting of the company and the date on which the vacancy has been filled by election in terms of article 34.2. During that period any Person so appointed has all of the powers, functions and duties, and is subject to all of the liabilities, of any other Director of the company. The authority of the board in this regard is not limited or restricted by this MOI.

34.4 The Directors shall retire from office in accordance with the following provisions of this article 34.4:

34.4.1 at each Annual General Meeting, Directors comprising one-third of the aggregate number of Directors (excluding the managing Director and any other Director who has been appointed as an executive Director referred to article 40) or, if their number is not three or a multiple thereof, then the number nearest to but not less than one-third of the aggregate number of Directors (excluding the managing Director and any Director who has been appointed as an executive Director referred to in article 40) shall retire from office and accordingly life directorships and directorships for an indefinite period are not permissible;

34.4.2 the Directors to retire in terms of article 34.4.1 shall exclude any managing Director and any other Director who has been appointed as an executive Director as referred to in article 40 and shall be those who have been longest in office since their last election, provided that if more than one of them were elected Directors on the same day, those to retire shall be determined by lot unless those Directors agree otherwise between themselves;

34.4.3 any Director appointed as such by the Directors after the conclusion of the company's preceding Annual General Meeting shall, in addition to the Directors retiring in terms of article 34.4.1, retire from office at the conclusion of the Annual General Meeting held immediately after his appointment;

34.4.4 a retiring Director may, if eligible, be re-elected and, if re-elected, shall be deemed for all purposes other than articles 34.4.1 to 34.4.3 not to have vacated his office;

34.4.5 no Person other than a retiring Director shall be eligible for election as a Director at any Annual General Meeting unless:

34.4.5.1 the Directors recommend such other Person for election; or

34.4.5.2 that Person has been nominated in accordance with article 34.6; and

34.4.6 a retiring Director shall continue to act as Director throughout the general meeting at which he retires and his retirement shall become effective only at the end of such meeting.

34.5 The board may in the notice of the meeting at which the re-election of a retiring Director is proposed, provide the Shareholders with a recommendation as to which retiring Directors should be re-elected, taking into account that Director's past performance and contribution.

34.6 Any Shareholder shall be entitled to nominate any Person for election as a Director at any Shareholders' Meeting, provided that such nomination, together with the consent of that person to be elected as a Director, shall be received by the company no later than four Business Days prior to the date of such Shareholders' Meeting.

34.7 The company may not permit a Person to serve as a Director if that Person is ineligible or disqualified in terms of the Companies Act.

34.8 In addition to the grounds of ineligibility and disqualification of Directors as contained in section 69 of the Companies Act, a Director shall cease to be eligible to continue to act as a Director if he absents himself from all meetings of the board occurring within a period of six consecutive months without the leave of the board, and the board resolves that his office shall be vacated; provided that this article 34.8 shall not apply to a Director who is represented by an Alternate Director who does not so absent himself.

34.9 The MOI does not impose any minimum shareholding or other qualification to be met by the Directors of the company in addition to the ineligibility and disqualification provisions of the Companies Act and article 34.8.

34.10 Section 70 of the Companies Act shall apply to any vacancy on the board which may arise from time to time.

34.11 if the number of Directors falls below the minimum number fixed in accordance with this MOI, the remaining Directors must, as soon as possible and in any event not later than three months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with article 34.3 or convene a general meeting for the purpose of filling the vacancies, and the failure by the company to have the minimum number of Directors during the said three-month period does not limit or negate the authority of the board or invalidate anything done by the board while their number is below the minimum number fixed in accordance with this MOI.

Appendix 1 – Memorandum of incorporation: salient features (continued)

34.12 The Directors in office may act notwithstanding any vacancy in their body, but if their number remains reduced below the minimum number fixed in accordance with this MOI after the expiry of the three-month period contemplated in article 34.11, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body in terms of section 68(3) of the Companies Act or of summoning general meetings of the company, but not for any other purpose.

34.13 Life directorships and directorships for an indefinite period are not permissible.

41. Payments to directors

41.1 The company may pay remuneration to its Directors for their services as such and, without detracting from the foregoing, may pay any additional remuneration as referred to in article 41.3; provided that such remuneration must have been approved by a Special Resolution passed by the Shareholders within the two previous years and the authority of the board in this regard is not restricted or limited by this MOI. For the avoidance of doubt it is recorded that this article does not apply to remuneration paid to executive Directors for their services as employees of the company which is governed by article 40.

41.2 Each Director shall be paid all travelling, subsistence and other expenses properly incurred by him in the execution of his duties as a Director (including attending meetings of the board or of the board committees); provided that such expenses shall first have been authorised by the finance Director.

41.3 Any Director who is required to:

41.3.1 devote special attention to the business of the company; or

41.3.2 travel or reside outside the Republic for the purpose of the company; or

41.3.3 otherwise perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowance (either in addition to or in substitution for any other remuneration to which he may be entitled as a Director), as a disinterested quorum of the board may from time to time determine.

42. Borrowing powers

The:

42.1 borrowing powers of the company; and

42.2 powers of the company to mortgage or encumber its undertaking and property or any part thereof and to issue debentures or debenture stock (whether secured or unsecured), whether outright or as security for any debt, liability or obligation of the company or of any third party,

shall be unlimited and shall be exercised by the Directors.

43. Indemnification for directors

43.1 For the purposes of this article 43, a Director includes:

43.1.1 a former Director and an Alternate Director;

43.1.2 a Prescribed Officer; and

43.1.3 a Person who is a Member of a committee of the board,

irrespective of whether or not the Person is also a Member of the board.

43.2 The company may advance expenses to a Director or, directly or indirectly, indemnify a Director in respect of the defense of legal proceedings, as set out in section 78(4) of the Companies Act, indemnify a Director in respect of liability as set out in section 78(5) of the Companies Act, and/or purchase insurance to protect the company or a Director as set out in section 78(7) of the Companies Act, and the power of the company in this regard is not limited, restricted or extended by this MOI.

43.3 In the event that any Shareholder removes any Director appointed by that Shareholder, that Shareholder hereby indemnifies and holds harmless the company against any claim instituted by such Director as a result of his removal from office and all costs arising from such claim.

46. Distributions

46.1 Subject to the provisions of the Companies Act and this MOI, the board may declare any Distribution in accordance with the Companies Act and a Shareholders' Meeting may declare any Distribution which is authorised by resolution of the board.

46.2 All Distributions shall comply with the JSE Listings Requirements.

46.3 Dividends are declared by the directors in accordance with the Companies Act.

46.4 The company may transmit any Distribution or amount payable in respect of a Share by:

46.4.1 ordinary post to the postal address of the Shareholder thereof (or, where two or more Persons are registered as the joint Shareholders of any Share, to the address of the joint holder whose name stands first in the Securities Register) recorded in the Securities Register or such other address as the holder thereof may previously have notified to the company in writing for this purpose; or

46.4.2 electronic bank transfer to such bank account as the holder thereof may have notified the company in writing for this purpose,

and the company shall not be responsible for any loss in transmission.

46.5 Any Distribution or other money payable to Security Holders:

46.5.1 which is unclaimed, must be retained by the company and held in trust indefinitely and may while so retained be invested as the board may deem fit until claimed by the Security Holder concerned or until the Security Holder's claim therefor prescribes in terms of article 46.5.2, but subject to the laws of prescription;

46.5.2 may only be claimed for a period of three years (or such other period as may be applicable to the Security Holder's claim therefor in terms of the laws of prescription) from the date on which it accrued to the Security Holders, after which period the Security Holders' claim therefor shall prescribe and the amount of that Distribution shall, unless the board decides otherwise, be forfeited for the benefit of the company; and

46.5.3 shall not be invested for the benefit of the company,

shall not bear interest against the company, and the board shall, for the purpose of facilitating the winding-up or de-registration of the company before the date of such prescription, be entitled to delegate to any bank, registered as such in accordance with the laws of the Republic, the liability for payment of any such Distribution or other money, the claim for which has not been prescribed in terms of the aforegoing.

46.6 Distributions (in the form of a dividend or otherwise) shall be paid to Shareholders as at a Record Date subsequent to the date of declaration or, if applicable, date of confirmation of the Distribution, whichever is the later date.

47. Notices

47.1 Any notice that is required to be given to Shareholders or Directors:

47.1.1 may be given in any manner prescribed in the Table CR3 to the Regulations and that notice shall be deemed to have been delivered as provided for in the Regulations as a result of the relevant method of delivery; and

47.1.2 shall, simultaneously with being distributed to Shareholders, be announced through SENS and given by the company to the Issuer Service Division of the JSE in writing in any manner prescribed in Table CR3 to the Regulations and the manner authorised by the JSE Listings Requirements.

47.2 Each Shareholder and Director shall:

47.2.1 notify the company in writing of a postal address, which address shall be his registered address for the purposes of receiving written notices from the company by post; and

47.2.2 be entitled to notify in writing to the company an email address and facsimile number, which address shall be his address for the purposes of receiving notices by way of Electronic Communication,

and, if he has not notified to the company of any such postal or email address, then he shall not be entitled to receive notices from the company until such a postal or email address is provided.

47.3 The postal address notified by any Shareholder to the company in terms of article 47.2.1 may be a postal address within or outside the Republic.

Shareholders' diary

Annual general meeting	Thursday, 14 February 2013

REPORTS AND ACCOUNTS

Interim report for the six months ending 31 March 2013	May 2013
Announcement of annual results for the year ending 30 September 2013	November 2013
Annual report	December 2013

DIVIDENDS

Ordinary dividend No. 24 of 336 cents per ordinary share

Last date to trade *cum* dividend	Friday, 11 January 2013
Shares commence trading *ex* dividend	Monday, 14 January 2013
Record date	Friday, 18 January 2013
Payment of dividend	Monday, 21 January 2013

Interim dividend – March 2013

Declaration	May 2013
Payment	June 2013

Final dividend – September 2013

Declaration	November 2013
Payment	January 2014

IMPORTANT DATES AND TIMES (1 and 2)

Record date for determining which shareholders are entitled to receive the annual general meeting notice:

Notice Record Date	Friday, 7 December 2012
Notice posted to shareholders on (Note 3)	Wednesday, 12 December 2012
Record date for attending and voting at annual general meeting "Meeting Record Date"	Friday, 7 February 2013
Last day to trade in order to be eligible to participate and vote at the annual general meeting	Friday, 1 February 2013
Last day for shareholders to lodge forms of proxy for the annual general meeting by 08:00	Wednesday, 13 February 2013
Annual general meeting to be held at 08:00	Thursday, 14 February 2013
Results of annual general meeting to be released on SENS	Friday, 15 February 2013

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 released 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 thirteenth annual general meeting is Friday, 7 December 2012 and the Record Date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Friday, 7 February 2013. Accordingly, only shareholders who are recorded in the register maintained by the transfer secretaries of Astral on Friday, 7 February 2013 will be entitled to participate in and vote at the annual general meeting.

Form of proxy

ASTRAL FOODS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1978/003194/06)
Share code: ARL
ISIN: 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 twelfth annual general meeting of the company to be held at 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 14 February 2013 at 08:00.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. Such shareholder must **not** return this form of proxy to the transfer secretaries.

I/We

of (address)

being the holder(s) of shares in the company, do hereby appoint (see note 1):

1. or failing him,

2. or failing him,

3. the chairman of the annual general meeting, as my/our proxy to vote for me/us on my/our behalf at the annual general meeting as my/our proxy to vote for me/us on my/our behalf at the twelfth annual general meeting of the company to be held on Thursday, 14 February 2013 at 08:00 and at any adjournment thereof.

Signature

Signed this day of

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

	* In favour	* Against	* Abstain
Ordinary business			
1. To adopt the annual financial statements for the year ended 30 September 2012			
2. To re-elect GD Arnold as director			
3. 3.1 To re-elect T Eloff as director			
3.2 To re-elect N Tsengwa as director			
3.3 To re-elect T Delport as director			
4. 4.1 To re-appoint M Macdonald as member of the Audit and Risk Management Committee			
4.2 To re-appoint T Eloff as member of the Audit and Risk Management Committee			
4.3 To re-appoint IS Fourie as member of the Audit and Risk Management Committee			
5. 5.1 To re-elect T Eloff as member of the Social and Ethics Committee			
5.2 To re-elect GD Arnold as member of the Social and Ethics Committee			
5.3 To re-elect LW Hansen as member of the Social and Ethics Committee			
6. To re-appoint PricewaterhouseCoopers Incorporated as auditors for the 2013 financial year			
7. To confirm the authority of the Astral Audit and Risk Management Committee to determine the remuneration of the auditors			
8. To endorse the company's remuneration policy and its implementation			
9. 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			
10. **Special resolution number 1** To approve the acquisition of shares issued by the company			
11. **Special resolution number 2** To approve the remuneration payable to non-executive directors			
12. **Special resolution number 3** To authorise the directors to approve actions related to transactions amounting to financial assistance			
13. **Special resolution number 4** To authorise the directors to allot and issue share options to participants under The Astral Foods (2001) Share Option Scheme			
14. **Special resolution number 5** To approve and adopt a new memorandum of incorporation			

Unless otherwise instructed, my/our proxy may vote as he thinks fit or abstain from voting.

Please refer to the notes on the reverse side of this form of proxy.

Notes

1. A shareholder may insert the name or the names of two alternative proxies of his choice in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on this 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.

2. 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 space.

3. 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/she thinks fit.

4. This form of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 08:00 on Wednesday, 13 February 2013.

5. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached hereto unless previously recorded by the company's transfer secretaries.

6. 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 form of proxy.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may accept or reject any form of proxy, which is completed and/or received, other than in accordance with these notes.

9. 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.

Administration

ASTRAL FOODS LIMITED
(a limited liability company registered in the Republic of South Africa)

Registration number 1978/003194/06
Share code: ARL
ISIN: ZAE000029757

REGISTERED OFFICE
92 Koranna Avenue
Doringkloof
Centurion
0157

COMPANY SECRETARY
MA Eloff
maryna.eloff@astralfoods.com

POSTAL ADDRESS
Postnet Suite 278
Private Bag X1028
Doringkloof, 0140
Telephone +27(012) 667 5468
Telefax +27(012) 667 6665
email: contactus@astralfoods.com

WEBSITE ADDRESS
http:/www.astralfoods.com

AUDITORS
PricewaterhouseCoopers Inc.

PRINCIPAL BANKER
Nedcor Bank Limited

SPONSOR
JPMorgan Equities South Africa (Pty) Limited
1 Fricker Road, corner Hurlingham Road
Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone +27(011) 507 0430

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

MAJOR SUBSIDIARIES AND JOINT VENTURES

Astral Operations Limited
Registration number 1947/027453/06

Directors: CE Schutte
GD Arnold
AB Crocker
T Delport
DD Ferreira
LW Hansen
RJ Steenkamp

Africa Feeds Limited (Zambia)
Registration number 36327

Directors: GD Arnold
TD Banda *
NR Mwanyungwi *
GNH Robinson *
CL Sexton
RJ Steenkamp
**Zambian*

Meadow Feeds Eastern Cape (Pty) Limited
Registration number 2003/021458/07

Directors: CE Schutte
GD Arnold
DD Ferreira
CL Sexton

Ross Poultry Breeders (Pty) Limited
Registration number 1999/027125/07

Directors: CE Schutte
T Delport

NuTec Southern Africa (Pty) Limited
Registration number 1996/002008/07

Directors: CE Schutte
GD Arnold
DD Ferreira
YM Knoop *
MA Poeschl #
JC Steyn
**Dutch*
#American

Meadow Moçambique Limitada
Registration number 5710/MP/G/2001

Directors: RJ Steenkamp
GD Arnold
H Buys
JR Tinga*
CL Sexton
**Mozambican*

Mozpintos Limitada
Registration number 100228777

Directors: GD Arnold
RJ Steenkamp
CL Sexton

National Chicks Swaziland
Registration number 94/63894/07

Directors: RW Packard*
GD Arnold
RJ Steenkamp
**Swazi*

www.astralfoods.com