Astral

Integrated Report

for the year ended 30 September 2020

2020

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Abbreviations and definitions

The abbreviations and definitions used throughout this Integrated Report are detailed on pages 171 and 172.

Our business

Profile

Astral is South Africa's leading integrated poultry producer. Astral was established and listed in April 2001 on the JSE after Tiger Brands Ltd unbundled its agricultural operations.

For the year ended 30 September 2020, Astral employed 11 461 (2019: 11 499) people. As at 30 September 2020, the Company had 5 005 shareholders and a market capitalisation of R5.1 billion.

Astral's integrated operations include:

Feed

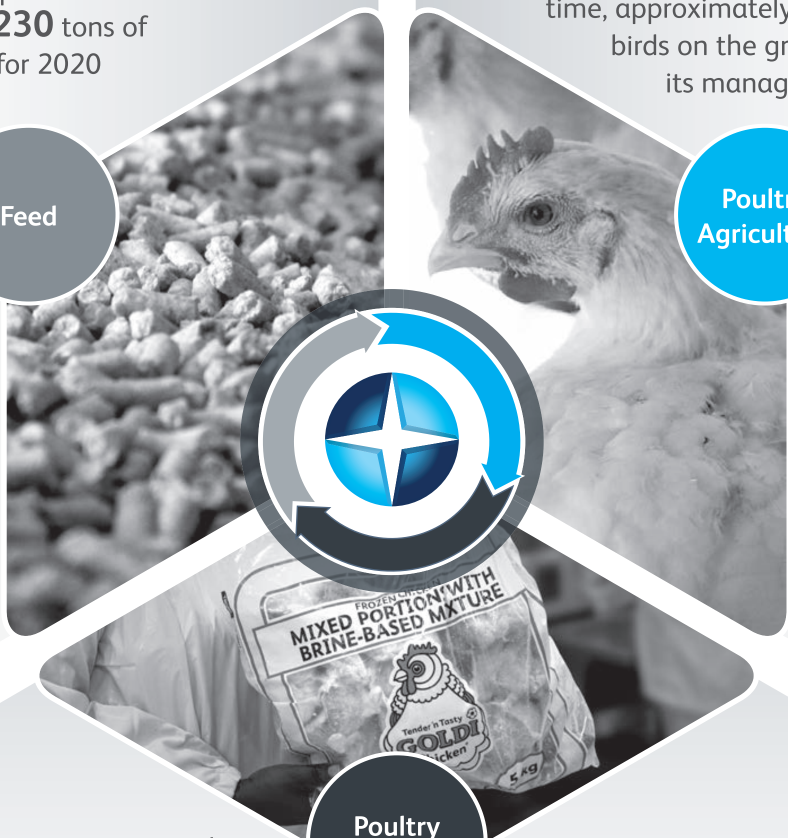
Astral produced **1 355 230** tons of feed for 2020

Astral has **9** feed mills

Poultry Agriculture

Astral has, at any given time, approximately **37 100 000** birds on the ground under its management

Astral production on **180** agricultural sites



Poultry Commercial

Astral processes approximately **5 200 000** broilers per week and processed **447 918** tons of poultry product for 2020

Astral has **4** broiler processing plants

Astral owns a number of trademarks registered in various classes in Africa, South America and Europe that enable us to produce and brand our products

Our strategic focus

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

Report overview

for the year ended 30 September 2020

Astral is pleased to present its Integrated Report for the financial year ended 30 September 2020.

Scope

The scope of the Integrated Report includes the Group's three divisions and key functions. This Integrated Report was prepared in accordance with IFRS, the requirements of the Companies Act, the JSE Listings Requirements, the principles of King IV™ Report and the International Integrated Reporting Framework by the International Integrated Reporting Council and strives to provide information on all aspects of Astral's activities in an integrated manner.

With respect to comparability, all significant items are reported in a consistent manner with the previous financial year.

Content

Astral's Integrated Report covers the economic, environmental and social activities of the Group and their consequences for stakeholders for the year ended 30 September 2020. It aims to provide a transparent and an holistic view of the Group's financial and non-financial performance and how value is created for a broad range of stakeholders. Astral continues to enhance the Integrated Report and follows the guidelines provided by the International Integrated Reporting Framework in terms of reporting according to the Six Capitals (financial, manufactured, human, social, natural and intellectual). How we build or deplete them are addressed in this Report, while not specifically referred to in this manner or order.

This Report also addresses the operational responsibility and accountability for business sustainability and covers the operations of the Group and major subsidiaries for the financial year ended 30 September 2020.

Materiality

The Integrated Report focuses on issues which the Board and management believe are material to stakeholders and could impact value creation.

Assurance

This Integrated Report, as a whole, has not been independently assured. As a result of there not being an approved standard on assurance, the Group has decided not to assure this report as a whole until such standard exists.

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

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

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

The Internal Audit function, overseen by the Group's Audit and Risk Management Committee, assess the effectiveness of the Group's system of internal control and risk management. Astral receives external assurance on certain aspects of the business. Our External Auditor, PricewaterhouseCoopers Inc., provides an opinion on the fair presentation of the Group's Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act.

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

Statement by the Board

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report which in the Board's opinion addresses all material issues and presents fairly the Group's integrated performance. The Board applied its judgement regarding the disclosure of Astral's strategic plans, and has ensured that these disclosures do not place the Group at a competitive disadvantage. The Audit and Risk Management Committee recommended the approval of the 2020 Audited Annual Financial Statements and the Integrated Report on 11 November 2020.

Theuns Eloff
Chairman

Diederik Fouché
Chairman: Audit and Risk Management Committee

Chris Schutte
Chief Executive Officer

Daan Ferreira
Chief Financial Officer

30 November 2020

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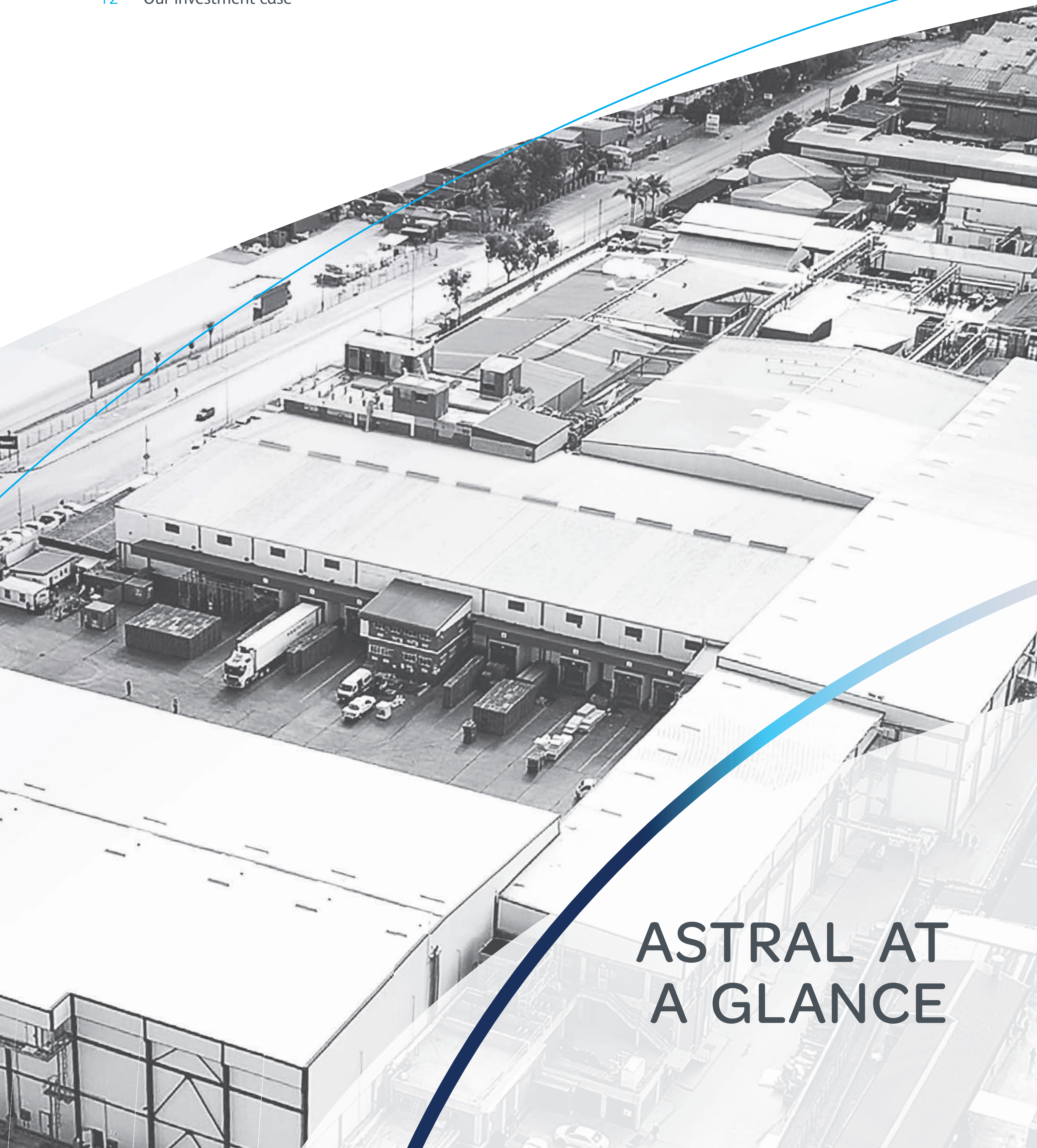


ASTRAL AT A GLANCE

Our Group activities

Astral is South Africa's leading integrated poultry producer.

Key activities comprise manufacturing of animal feeds, broiler genetics, production and sale of day old chicks and hatching eggs, breeder and broiler production, abattoir and further processing operations and sales and distribution of various key poultry brands.

What we do

Integrated broiler operations

We have four fully integrated broiler production, processing, distribution, sales and marketing operations with a combined processing capacity of 6 000 000 processed broilers per week made up as follows:

County Fair 1 600 000

Festive 2 210 000

Goldi 2 000 000

Mountain Valley 190 000

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

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

Animal Feed

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

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

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

Broiler genetics

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

Day old broiler and hatching egg supplier

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

Laboratory services

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

How we are structured to create value

Astral

100% National Chicks Limited

67% National Chicks Swaziland (Pty) Ltd

100% **Astral Operations Limited**

Goldi
Festive
Mountain Valley
County Fair
National Chicks
Ross Poultry Breeders

Meadow Feeds Randfontein
Meadow Feeds Paarl
Meadow Feeds Pietermaritzburg
Meadow Feeds Delmas
Meadow Feeds Ladismith
Central Analytical Laboratories

100% Meadow Feeds Standerton (Pty) Ltd

100% Meadow Feeds Eastern Cape (Pty) Ltd

80% Meadow Mozambique Limitada

100% Mozpintos Limitada

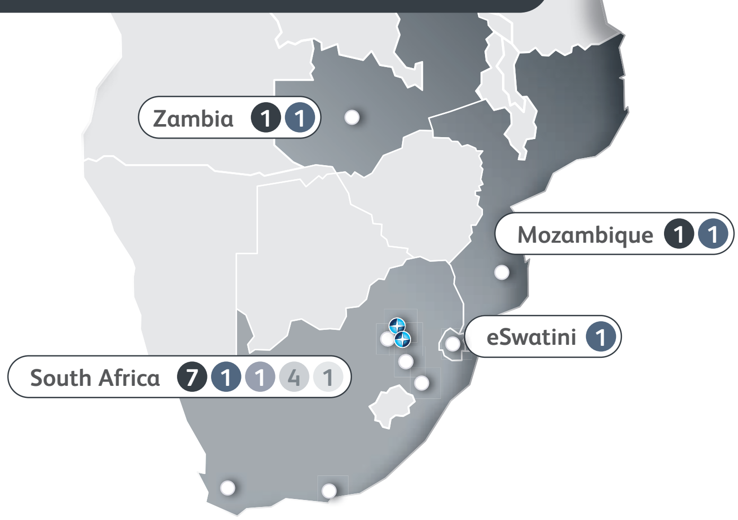
100% Africa Feeds Ltd (Zambia)

100% Progressive Poultry Ltd

Feeds Operations | Poultry Operations | Investment Holdings

Where we create value

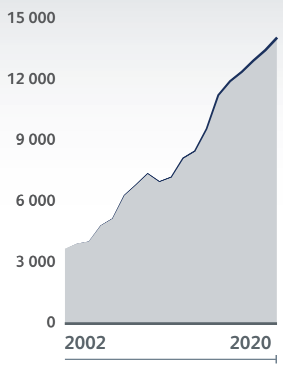
- Feed mill
- Breeding/Hatchery operation
- Day old chick and hatching egg supplier
- Integrated broiler operations
- Laboratory
- Head Office (Pretoria) and Divisional Office (Lanseria)



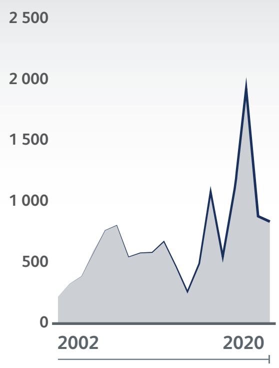
Financial highlights

Revenue	Operating profit	HEPS	Dividend per share
↑ 5%	↓ 5%	↓ 14%	↓ 14%

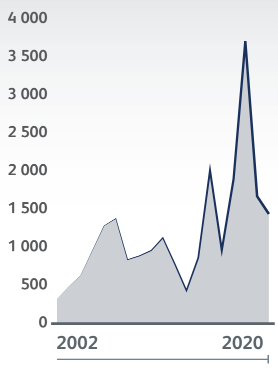
Revenue (Rm)



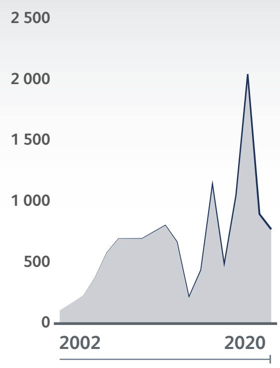
Operating profit (Rm)



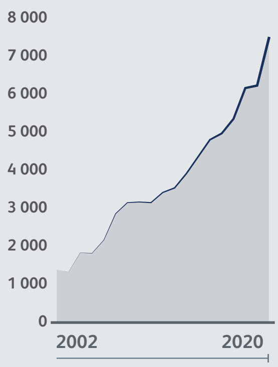
HEPS (cents)



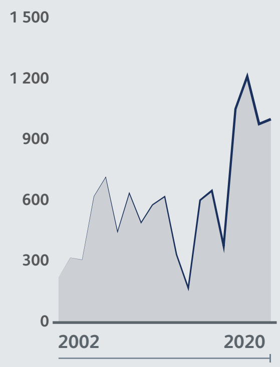
Dividend per share (cents)



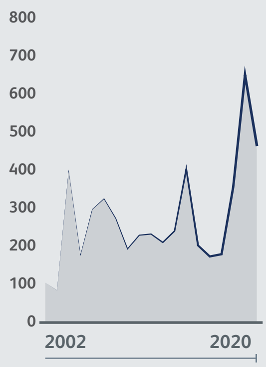
Total assets (Rm)



Cash generated from operating activities (Rm)



Capital investment (Rm)



Non-financial highlights

Ranked **36th** in the **world** on annual broiler slaughter numbers

R41 million
Covid-19 direct costs

Astral Cares CSI initiative
Spend **R11.8 million**

9 867 employees
benefited from our Astral Health Link Employee Wellness Programme

Down 1 %
1 142 370GJ
Electricity usage

Up 1 %
5 759 399kl
Water usage

Board of directors

Non-executive directors

Theunis Eloff (65) **(Chairman)** *BJur (Econ), ThB, ThM, ThD*

Appointed 8 May 2007/Chairman from June 2014

Experience: Theuns served as minister of religion in Pretoria from 1983 to 1989. He completed his Doctorate in theological ethics. Theuns left the ministry in 1989 and joined the Consultative Business Movement (CBM). He headed the administration of Codesa and was Deputy Director of the Transitional Executive Council before the 1994 elections. From 1995 he is the CEO of the National Business Initiative. He became Vice-Chancellor of Potchefstroom University for CHE in 2002 and headed the merged North West University (NWU) from 2004. He completed his second term at the NWU in May 2014. Theuns acted as CEO of the FW de Klerk Foundation until 31 May 2019.

External appointments: Chairman of Die Dagbreektrust, the Trust for Afrikaanse Onderwys and Die MOS-Inisiatief. Past president of the Afrikaanse Handelsinstituut and past chairman and CEO of the FW de Klerk Foundation.

Diederik Johannes Fouché (66) **(Lead Independent Non-Executive Director)** *MComm, CA(SA), H Dip Tax Law, H Dip Business Processing*

Appointed 12 November 2015

Experience: Diederik is a former PwC partner and head of PwC's Southern Africa Consumer, Industrial Products and Services industry practice (CIPS).

He served as a member of the PwC Africa Board and was chairman of the Finance and Risk Committee. He also represented the firm on the PwC Europe, Middle East and Africa CIPS Committee.

He has extensive experience in the consumer industrial products and services industry, which includes industries such as Agriculture, Retail Consumer, Automotive, Health Care, Manufacturing and Transport Logistics, and has engaged with companies, global experts and industry on various surveys, trends and strategic issues.

External appointments: A member of the Audit Committee of Thebe Investment Corporation (Pty) Ltd.

Tshepo Monica Shabangu (49) **(Independent Non-Executive Director)** *BProc, LLB, LLM (Magna Cum Laude)*

Appointed 1 July 2013

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

She was previously the Chairman of the Anglo Inyosi Coal Community Trust and a Director of Inyosi (Pty) Ltd, the B-BBEE partner of Anglo Coal Ltd. Tshepo resigned from these positions in November 2011 and sat as a Trustee of one of Royal Bafokeng's employee trusts. She is the past President of the South African Institute of Intellectual Property Law and sat as a Trustee of the Legal Resources Trust. She was previously a member of the Ethics Committee of the Law Society of South Africa and Company Law Committee of the Law Society of the Northern Provinces. She also sat as a Council Member of the now defunct Law Society of the Northern Provinces (LSNP), a statutory body which governed the attorneys profession.

She is a Council representative of the Law Society of South Africa at the International Bar Association (IBA). She is currently an Officer of the Bar Issues Commission and member of the Policy Committee. She was also a member of the African Regional Forum and Credentials Committee of the IBA. She was selected as one of the World Intellectual Property (WIPR) Influential Women in Intellectual Property in 2019 and was awarded the Women in Law Award for Best Corporate Practising Lawyer 2019. Tshepo was named Law Professional of the year 2019/2020 period.

External appointments: Partner and past Chairman of the law firm Spoor & Fisher.

Audit and Risk Management Committee | *Human Resources, Remuneration and Nominations Committee* | *Social and Ethics Committee*

Saleh Mayet (64) **(Independent Non-Executive Director)** *BCom, BCompt (Hons), CA(SA)*

Appointed 1 July 2019

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

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

External appointments: Non-Executive Director of Motus Holdings Ltd and Chairman of the Audit and Risk Committee.

Willem Frederick Potgieter (63) **(Independent Non-Executive Director)** *BEng (Hons)*

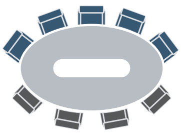
Appointed 1 July 2019

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

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

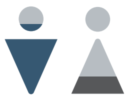
External appointments: Director for Oubos-Grootrivier Nature Reserve (Pty) Ltd.

Executive vs Non-executive



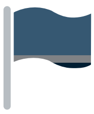
- 5 Non-Executive
- 4 Executive

Gender



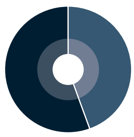
- 8 Male
- 1 Female

Ethnicity



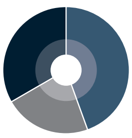
- 7 White
- 1 Indian
- 1 Black

Age



- 4 40 – 50 years
- 5 60+ years

Tenure



- 4 0 – 5 years
- 2 6 – 10 years
- 3 11 – 15 years

Skills

- 9 Directorship
- 9 Management
- 3 Accounting
- 2 Agriculture
- 1 Engineering
- 1 Law
- 1 Theology

Board of directors (continued)

Executive directors


Christiaan Ernst Schutte (60)

Christiaan Ernst Schutte (60) (Chief Executive Officer)

Appointed 18 August 2005/CEO from 1 May 2009

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

He was appointed as Managing Director for the Animal Feeds Division in July 2004 responsible for Meadow Feeds Southern Africa and various other service-related business units. Chris was appointed as CEO of Astral on 1 May 2009.

External appointments: None

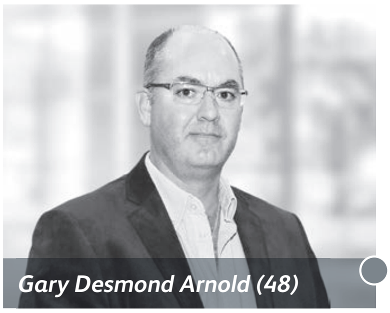

Daniel Dirk Ferreira (64)

Daniel Dirk Ferreira (64) (Chief Financial Officer) *BCom, BCompt (Hons), CA(SA)*

Appointed 1 May 2009

Experience: Daan was employed by ICS Group Ltd (ICS) before the acquisition of ICS by Tiger Brands Ltd, where he held positions in operational, financial management, tax management, project management and later as Group Financial Manager. He later joined Genfood (Pty) Ltd for two years before joining Astral in February 2001 as Group Financial Manager. He was appointed as CFO in May 2009.

External appointments: None


Gary Desmond Arnold (48)

Gary Desmond Arnold (48) (Managing Director: Agriculture) *BSc Agric (Hons), MSc Agric, MBA, Pr.Sci.Nat.*

Appointed 1 May 2012

Experience: Gary 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 he was appointed as the Technical Manager for Meadow Feeds northern region. In 2004 he was appointed as the Managing Director of Provimi SSA (previously Nutec Southern Africa) and in 2006 he was appointed to the position of COO for Meadow Feeds in the Western Cape.

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

External appointments: None


Andrew Barry Crocker (49)

Andrew Barry Crocker (49) (Managing Director: Commercial) *BSc Agric, MBA, PrSci.Nat.*

Appointed 1 April 2016

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

Andy was appointed as Managing Director of the Feed Division in February 2012 and in April 2017 he was appointed to his current position as Managing Director of the Commercial Division.

External appointments: None

Our strategy

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

MAIN STRATEGIC FOCUS AREAS

HOW DOES ASTRAL EXECUTE ITS STRATEGY?

Investment in high quality best-cost operations

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

Focus on performance reliability and sustainability

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

Invest in our people

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

Focus on strengthened external relationships

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

Our investment case

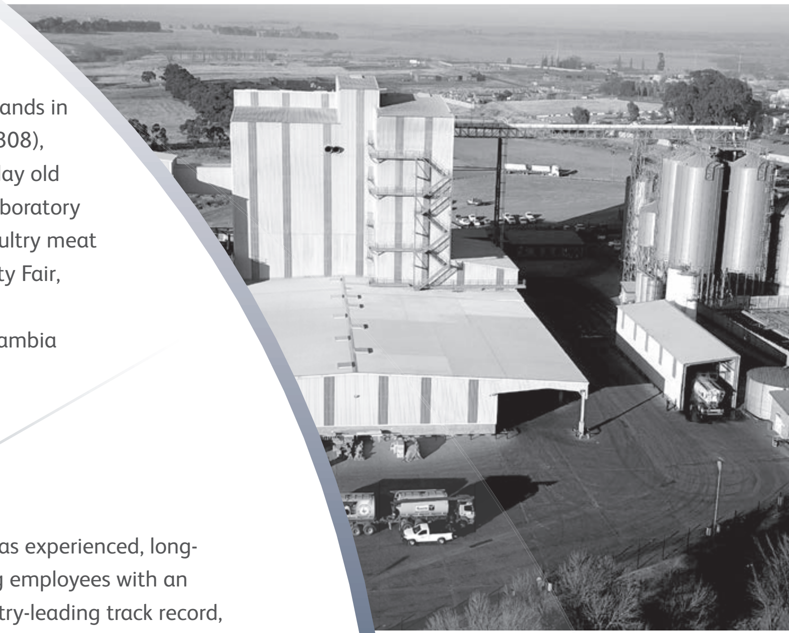
Why invest in Astral?

1. Astral is the largest integrated poultry producer in Southern Africa

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

2. Leading brands

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



3. People skills

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

4. Regional and national footprint

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

5. Strong cash flow

Astral has a proven record with the ability to generate strong cash flows.

6. Customers

Our key customers lie in the top-end retail chains and wholesalers, mainly independently owned. We continue to gain customers in the QSR market.

WE DELIVER ON OUR STRATEGY:

Being the best cost integrated poultry producer with assets and human resources to support a sustainable business.

Material matters and risks

The following are key material focus areas and associated risks for Astral:

MAIN MATERIAL FOCUS AREAS	WHY IS IT KEY?
Commodity availability/ price	The following commodities account for some 84 % of our poultry and animal feed requirements: ▪ maize; ▪ soya; ▪ sunflower; ▪ fish meal; and ▪ vitamins and minerals. These commodities are procured by our Feed Division in line with the Group's approved procurement strategy which is driven by supply and demand. We manage poultry feed utilisation by closely monitoring all impacting factors such as slaughtering age and feed conversion efficiency. **Material risks** ▪ Low crops ▪ Weak Rand against major currencies
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. **Material risks** ▪ Higher levels of unemployment ▪ Lower per capita disposable income ▪ High poultry imports
The consumer market	Growth in the consumer market is a determining factor in the demand for poultry and is driven largely by population growth and the level of employment.
Poultry prices	Prices are primarily driven by supply and demand which, in turn, are influenced by many factors. We benchmark on-shelf pricing levels and the availability of product on a regular basis to ensure that our prices remain competitive. Stockholding levels are closely managed and pricing strategies adjusted accordingly.
Product mix	The product mix plays an integral part in optimising sales realisations. It is important to optimise bird supply into processing and then through to sales in order to benefit from the prevailing market demand. Product contribution reports are regularly reviewed in order to drive sales decisions.
Poultry imports	High levels of poultry imports, particularly from Brazil, continued unabated. In the absence of adequate tariff measures these imports will persist in negatively impacting the local poultry industry. Imports for the period under review averaged 40 875 tons per month, equalling approximately 27 % of local consumption. The poultry import tariffs announced in March 2020 have made no meaningful impact.

Population growth

Per capital consumption

Level of employment

Changes in consumer preferences

Prices of competing products

Disposable income

Urbanisation

Imports of poultry

Poultry industry stock levels

Domestic production levels

Foreign exchange rates

Long poultry production cycle

Chairman's Statement

This has been an extraordinary challenging year with the world being brought to a halt by the Covid-19 pandemic. With a macroeconomic climate that was already fragile, the tough conditions were exacerbated by the impact of this virus.

Theuns Eloff – Chairman

Overview by the Chairman

2020 – The year the world was turned upside down

The 2020 financial year ended 30 September has been a year of many challenges, exacerbated by the Covid-19 lockdown period commencing at the end of March 2020.

Astral delivered a commendable set of half-year results to March 2020, unaffected by the outbreak of the novel coronavirus, Covid-19. On 15 March, the President of South Africa, Cyril Ramaphosa, declared a national state of disaster and announced measures such as immediate travel restrictions and the closure of schools from 18 March. On 17 March, the National Coronavirus Command Council was established "to lead the nation's plan to contain the spread and mitigate the negative impact of the coronavirus", and on 23 March, a national lockdown was announced, starting at midnight on 26 March 2020. All non-essential services came to a grinding halt and essential service providers had less than a week to implement health and safety protocols.

Astral, classified as an essential service and product provider, increased their already stringent health and safety measurements, seamlessly continuing with its daily operations. The Board and I would like to take this opportunity to commend Chris Schutte and his team for the excellent way in which the Group has responded to this terrible pandemic and the measures they have undertaken to protect their workforce to the best of their abilities. Both Chris Schutte and myself contracted the virus in July 2020 and we are thankful to have made a full recovery. During this reporting period, Astral reported a total of 335 Covid-cases, with 331 recoveries and two fatalities. Astral's recovery rate stands at 98.8%. Our sincere condolences go to the families who have lost loved ones during these unprecedented times.

On Saturday, 19 September 2020, Chris Schutte was injured in an incident whilst on a motorcycle trip in celebration of his 60th birthday. Chris underwent surgery in early October 2020 and his medical team is satisfied with Chris' recovery progress. Chris has already resumed his duties, albeit from home.

The year in perspective

South Africa's economic situation

South Africa has been in a downward business cycle since December 2013, the longest downswing on record at 84 months and counting. With South Africa having been awarded "junk status" by all the global rating agencies, the country went into recession prior to the pandemic. The impact of Covid-19 and the protracted lockdown on the welfare of South African citizens and the economy, accelerated this spiral and the country declined into a deep recession. The unprecedented high unemployment rate, further constraints on consumer disposable income and financial distress on businesses, brought on by the pandemic, makes for a negative outlook and economists predict that the country can expect a protracted economic recovery that could stretch as long as three years.

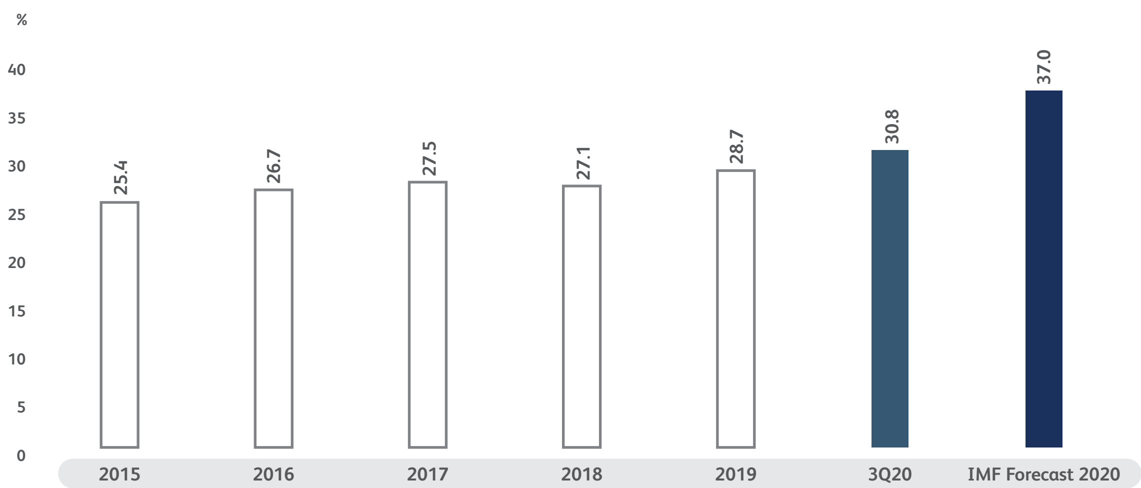
The repo rate cuts in April 2020 and May 2020, meant to stimulate economic growth and ease some of the consumers' debt burden, were largely negated by the negative economic impact of the lockdown. A further repo rate cut of 25 basis points was announced on 23 July 2020, taking the rate to a four-decade record low of 3.5 % and the prime commercial lending rate to 7.0 %.

All of the above culminated in business confidence plummeting to lower levels than ever seen before.

According to StatsSA, the South African unemployment rate reached 30.1 % in 1Q2020, prior to the impact of the Covid-19 pandemic, with as many as 2.2 million jobs being lost in 2Q2020 due to Covid-19, increasing the unemployment rate to 30.8 % by 3Q2020. The International Monetary Fund (IMF) predicts South Africa's unemployment rate can reach the 37 % level by the end of 2020, increasing to 37.5 % by the end of 2025. Local economist, Mike Schussler, indicated that with new entrants entering the labour force, the best-case unemployment rate by March 2021 is 36 % (45 % worst-case) with a limited recovery only possible by the middle of 2022.

Recent research from the UCT Liberty Institute (Source: Nids & Kram) shows that between 2017 and 2020 the number of "Ultra Poor" (as defined in the report), increased by 84 % to 16.6 million adults. Alarmingly, the Middle and Upper-Middle classes also more than halved from 5.3 million to 2.3 million adults, a reduction also mirrored in "Top End" earners. According to StatsSA 42.9 % of adults in South Africa lived below the upper-bound poverty line, indicated as an income of R1 183 per month, before the Covid-19 lockdown and ensuing economic impact. Despite poultry's position as the best value proposition for meat protein, consumption levels in South Africa remain sensitive to the levels of discretionary disposable income.

Official unemployment rate in South Africa



Source: StatsSA

Domestically, South Africa reported a bumper maize harvest of approximately 15.3 million tons, which should have greatly benefited Astral. However, the rand weakening on average by 9.1 % against the USA Dollar over the reporting period (and as much as 21 % at one stage), in combination with the increase in the USA corn price, has kept the domestic price of maize on the SAFEX market high.

In addition, the weak South African economy, together with the lockdown rules and QSR outlets and restaurants being closed for two months, led to more frozen chicken production and higher stock levels placing downward pressure on prices as producers cleared stock.

The Poultry Sector Master Plan

Government and industry representatives signed the Poultry Sector Master Plan in November 2019. The aim is to grow the local industry, as the government raised tariffs to counter cheap imports earlier this year.

About R1.0 billion of the R1.7 billion pledged for expansion by 2022 has already been invested (Astral's contribution to date is R710 million), and 5 % more chickens were being produced for slaughter each week. The poultry companies that committed to the Poultry Sector Master Plan will be investing in production facilities and setting up contract farming operations. Together, these

Chairman's Statement (continued)

investments should create as many as 4 600 jobs. Poultry is the second-largest component of South Africa's agriculture industry and employs about 110 000 people. In March, the government increased import duties on frozen bone-in and boneless chicken pieces from all countries excluding the EU and Southern African Development Community member countries.

Global situation

The international economic trading platforms did not fare much better with the pandemic, Brexit uncertainty and trade wars between the USA and China, negatively impacting the economic growth in most major global economies.

The price of USA maize (corn), being the main feedstock in the production of ethanol for the fuel industry (about 40 % of USA corn goes towards the fuel industry), was severely impacted when the oil price fell sharply to an unprecedented low of just under US$12/barrel in May 2020. Exacerbating the severe slump in the corn price was the dramatic decline in logistics, travel and overall fuel demand with the outbreak of Covid-19. A moderate recovery occurred when global oil prices rose to US$40.56 per barrel.

As a result of the decline in the brent oil price, US farmers decided to plant less corn, favouring soya. The updated harvest expectation pushed the US corn price up 16 % by end of September 2020 to approximately $4.03 a bushel. As stated above, this also had an effect on the cost of South African maize.

Corporate action

During the year, Astral acquired an interest of nearly 10 % in Quantum, South Africa's largest table egg producer with poultry breeding, broiler and animal feed operations in Southern Africa. Following a material change in the shareholding of Quantum, Astral had been concerned that its current broiler supply agreement with the company could be jeopardised over the long-term. Quantum supplies approximately 37 % of Astral's live broiler chickens processed in the Western Cape, which equates to about 12 % of the total broilers being slaughtered by the Group. If there were to be a change in control of Quantum, it could have adversely impacted the broiler supply agreement with that company. Astral would most probably have had to consider a significant investment in broiler production capacity to ensure the continued supply of live broiler chickens to its County Fair operation in the Western Cape. The rationale for Astral acquiring a minority stake in Quantum was therefore to ensure that Astral's current arms-length, medium to long term supply agreement with them remains intact.

Corporate governance

The only change to Astral's Board this year was the resignation of Ms Takalani Maumela, due to work commitments, with effect from 23 January 2020. The Board thanks Mrs Maumela for her valuable contribution during her time on the Board and wishes her well for the future.

The Board once again had a good year, functioning at an optimal level. As is customary, the annual performance assessments by each director of the Board, Board committees, the Chairman, the CEO and the Company Secretary were completed. Board meetings also continued to have open and robust discussions on a variety of issues, including the King IV™ principles. Active stakeholder engagement took place on a regular basis. For more information on Astral's stakeholder engagements, please refer to pages 67 to 72.

Astral Cares

As a result of the devastating impact Covid-19 and the lockdown regulations are having on the wellbeing of Astral's employees and the communities in which the Group trades, Astral has launched the "Astral Cares" initiative. This initiative, together with the food distributed to both employees and other charities, has resulted in Astral spending R11.8 million on various CSI projects, an increase of 280.6 % on the prior year's CSI spend of R3.1 million.

The main focus of the Astral Cares initiative is to feed the poorest of the poor. For comprehensive detail on the major CSI projects that Astral was involved in during the financial year, please refer to pages 97 to 99 in this Integrated Report.

Earlybird Primary School, Standerton

Being environmentally conscious

We acknowledge that our responsibility to the environment extends beyond legal and regulatory requirements and we understand that business sustainability is about doing all that is sustainably necessary in the short to medium term, in return for a sustainable business in the long term. We have launched a number of projects aimed at sustainable water and power supply, as well as keeping our carbon footprint to a minimum.

Please refer to the Chief Executive Officer's Report as well as pages 100 to 101 of this Report for further detail on the environment projects implemented by the Group.

Conclusion and appreciation

We were expecting that the financial year ended 30 September 2020 was going to be challenging, never expecting the year to go into a complete tailspin with the outbreak of Covid-19. That being said, management and staff achieved outstanding results in probably the worst economic and trading conditions since the Company was founded in 2001. We delivered a profit before tax and interest of R838 million, a mere 5.0 % less than the previous year.

All indications point to the fact that the economy in 2021 will be impaired by low to negative economic growth as industries grapple with the a "new way of doing business". As we enter a new decade, fraught with uncertainties about whether and how the pandemic will have lasting consequences on key macroeconomic and financial variables, Astral's proven strategy of being the best low-cost producer of protein will continue to ensure that the Group can weather future headwinds.

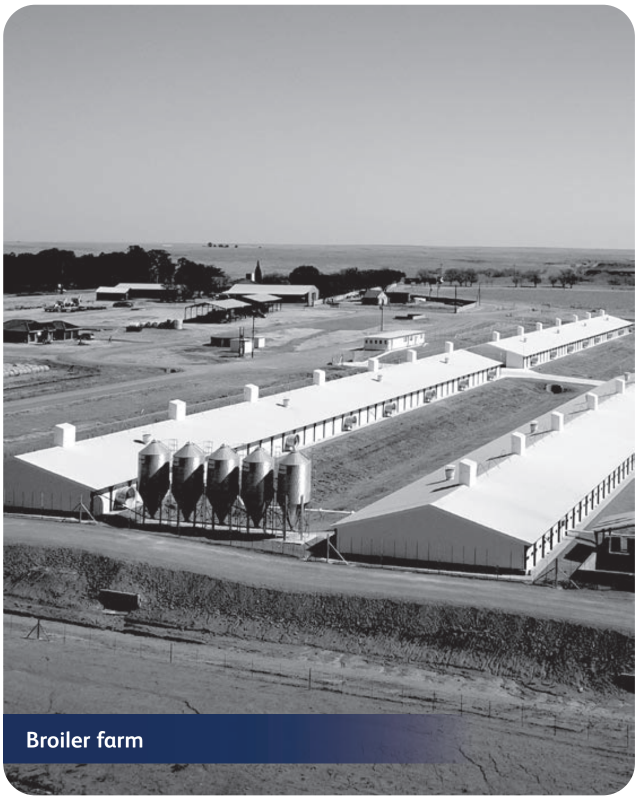
The main challenges for Astral will continue to be sourcing the best cost for raw materials (despite the record maize crop), the high levels of imports and dumping (even with the Poultry Sector Master Plan and increased import tariffs against the USA and Brazil), weak consumer spending and deteriorating public infrastructure and state capacity (especially with the supply of water and electricity).

As a Board, we remain, more than ever, confident that we have the best management and leadership to produce the best possible results for all stakeholders.

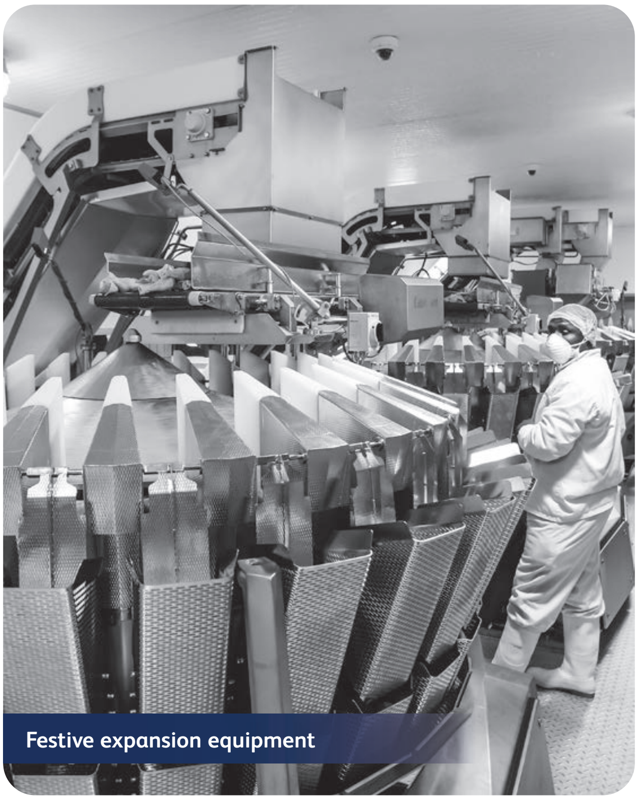
I would therefore like to take this opportunity to thank my fellow Board members for their support and to Chris Schutte and his team for their dedication, innovation and hard work in taking Astral through this difficult year and ensuring that Astral remains the best integrated poultry producer in Southern Africa.

Theuns Eloff
Chairman

11 November 2020



Broiler farm



Festive expansion equipment

Chief Executive Officer's Report

Astral reported satisfactory results given the headwinds faced by the Group. The financial year can be defined by two distinct halves, the first six months ended 31 March 2020, and the second half – severely disrupted by the hard lockdown on the back of the Covid-19 pandemic – ended 30 September 2020.

The year in perspective

This, the 20th Integrated Report provides an overview of the Group's financial and operational performance and achievements for the year under review.

I am pleased to report that we continued to execute our simple yet resilient strategy, which once again assisted the Group in navigating through new challenges brought on by the Covid-19 pandemic. Astral can proudly report satisfactory results, with all our integrated operations continuing to run like clockwork during South Africa's hard lockdown.

The Group implemented a policy of stringent social distancing, screening and employee welfare measures, and supplied personal protective equipment to all employees to mitigate the spread of the virus. As an essential service provider, Astral was called on to continue delivering food to the nation, and this provision remained uncompromised thanks largely to the dedication of our employees.

The South African economy was already under tremendous pressure prior to Covid-19, and, given the added devastating impact of the lockdown, the Group experienced a year of substantially "two very different halves". Whilst operating profit was up by 8.5% at our interim reporting period, the second half echoed the impact of the pandemic and six months of a country under lockdown.

The direct costs and "indirect" costs associated with this pandemic reflect in Astral's earnings for the year under review, with direct costs amounting to R41 million and an estimated loss of revenue of R140 million. Record high levels of unemployment following the Covid-19 hard lockdown period (StatsSA: 30.8% per latest report dated October 2020), subdued consumer spending, high industry stock levels and continued high levels of poultry imports (for the year under review at 27% of local consumption), contributed to the decline in the Group's profitability.

The lockdown resulted in the closure of the hospitality, restaurant and QSR sectors for an extended period of time. Producers that supply these markets were left with surplus chicken supplies virtually overnight and, as a result, had to channel some of this stock into various frozen chicken categories. Despite this, the oversupply led to a stock build up in the industry and culminated in aggressive price cutting in the market to clear the stock levels.

At the same time, substantially higher raw material costs driven by a weaker local currency, weather concerns with respect to international grain markets, higher global coarse grain prices, and increased demand from China led to higher feed prices in the second half of the year. Feed costs, which contribute 65% to the total cost of producing a broiler, together with lower poultry selling prices, resulted in a severe decline in margins.

The Group also continued to face other headwinds during the reporting period, with the results impacted by a number of extraordinary costs, amongst these being the direct costs associated with Covid-19, widespread load shedding and continued municipal water infrastructure challenges in Standerton (Lekwa Municipal District).

On a positive note, the Group completed its largest capital project to date at a cost of approximately R710 million, with the expansion of the Festive poultry processing plant in Olifantsfontein, increasing the Group's capacity by 16 % or 800 000 birds per week. This forms part of a pledge made by Astral to the Poultry Sector Master Plan (more detail to follow) to support volume growth in the industry, as well as to ensure that local production makes up a higher component of consumption in the future.

Another phase of this project, which was to expand Mountain Valley's processing capacity in KZN by a further 200 000 birds per week, was postponed in line with the decision to postpone all major capital projects given the country's weak economic growth prospects and current market conditions in the poultry sector.

Salient points

The **hard nationwide lockdown severely impacted profits in 2H2020** eroding gains made in 1H2020; however, Astral posted satisfactory results for the full year.

Feed sales volumes increased marginally on lower internal broiler production, supported by higher external feed sales.

Feed input costs increased on the back of higher maize and soya prices, which was unexpected given the above average maize crop for 2020.

Continued improvement of on-farm production results and, in particular, feed conversion efficiency, partially offsetting the higher feed input costs.

Astral experienced **no outbreaks of the highly pathogenic bird flu** in its operations since the 2017 outbreak.

Poultry slaughter numbers increased, averaging approximately 5.2 million broilers per week (prior year at 5.0 million birds per week).

Poultry sales realisations increased year-on-year, but this picture is somewhat distorted as poultry selling prices dropped by 2.1 % in the second half of the reporting period.

Poultry imports remained at relatively high levels, with average monthly volumes for the period under review being approximately 27 % (approximately 40 875 tons per month) of local consumption.

The **failure of municipal water infrastructure** and its impact on operations in Standerton continued to add a cost burden.

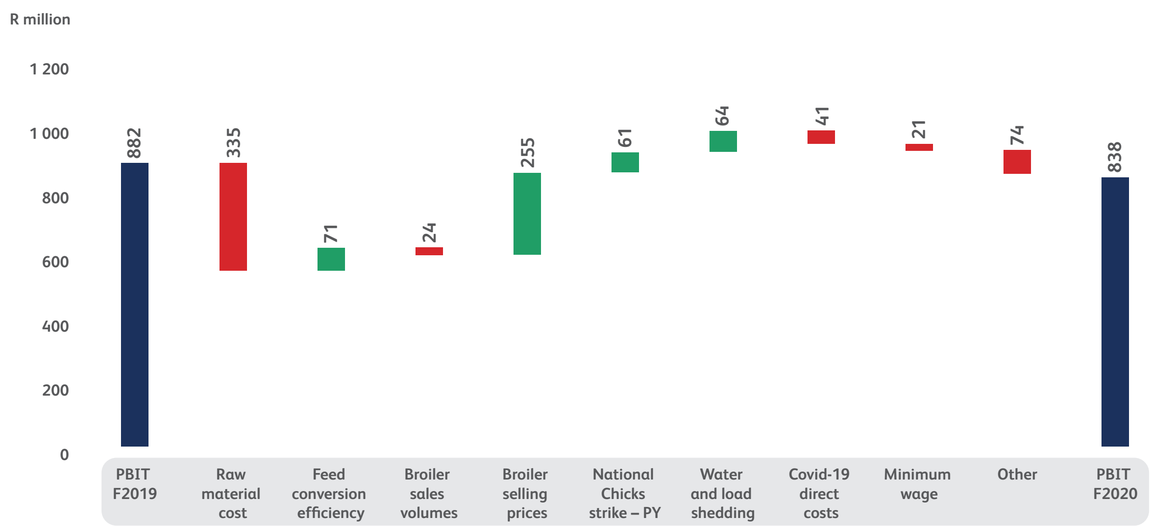
Cash flow generated from operations for the year of R1 156 million resulted in a strong balance sheet with net surplus cash on hand of R546 million.

Chief Executive Officer's Report (continued)

Financial and operational performance at a glance

The 5.0 % year-on-year decline in operating profit was predominantly due to lower poultry selling prices in the second half of the reporting period, and an increase in feed costs, the two most significant profit drivers.

This resulted in the following major movement at a **profit before interest and tax** level between the prior year and the year ended 30 September 2020:



* *Water and load shedding costs in F2020 were R62 million, whilst in F2019 these were at a cost of R126 million, the movement of which reflects in the above graph.*

Source: Own Data

During the second half of Astral's reporting period, the industry – under the impact of the lockdown – was unable to recover the rising input costs in the selling price for poultry. Astral's broiler selling prices increased year-on-year by only 2.6 % (at 1H2020 it was 5.5 %), whilst broiler feed prices increased by 7.7 %.

The closure of the hospitality, restaurant and QSR sectors also impacted broiler sales volumes, which decreased 0.2 %. In addition, a change in the point of recognition of sales under a new third-party distribution agreement, which is based on a consignment stock model, reduced reported sales versus the prior year.

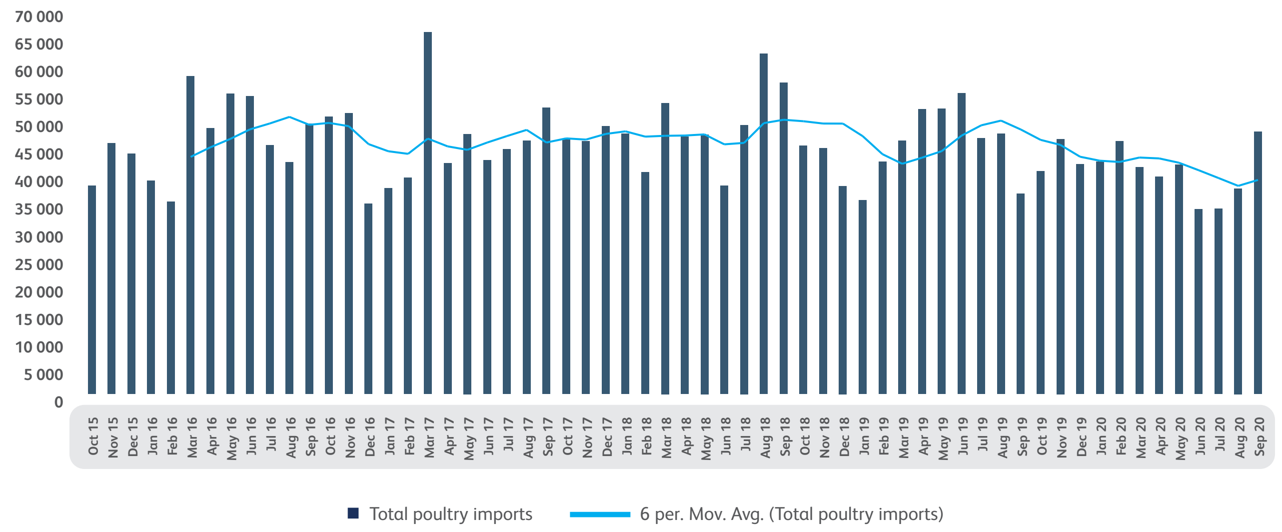
Extraordinary costs that impacted the results for the year under review include direct costs of R41 million associated with Covid-19 and R62 million due to load shedding and water supply interruptions (2019: R126 million).

On-farm bird performance again delivered improved results during the year, with less feed being used to achieve the targeted broiler live weights in 2020, as the feed conversion rate improved. This helped to partially offset the impact of the increase in Astral's total feed cost.

Following the signing of the Poultry Sector Master Plan, as well as the implementation of higher import tariffs on frozen bone-in portions and frozen boneless cuts in March 2020 (increased from 37 % to 62 % and 12 % to 42 %, respectively), poultry imports have continued unabated. This proves what the industry has been advocating for some time – that poultry imports into South Africa typify classic dumping, where prices are merely reduced to maintain export volumes from the producing countries. Some may argue that imports reduced (for the period June to August 2020) following the implementation of the new tariff structure. However, it is evident that this was largely due to the impact of a weaker local currency as imports across most product categories reduced.

Total poultry imports again tipped the 47 000 ton level for September 2020, notwithstanding the higher import tariffs. For the year under review, total poultry imports averaged 40 875 tons per month, or the equivalent of 7.3 million birds per week.

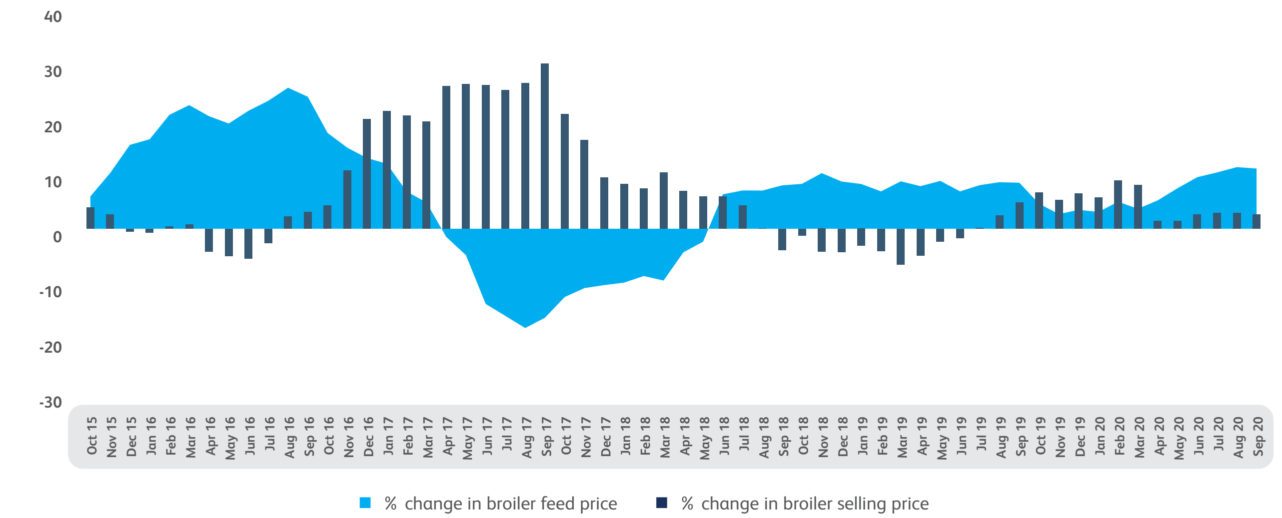
Total imports in tons per month



Source: SAPA

The graph below reflects the annual monthly year-on-year change in the broiler feed price versus the change in broiler selling price for the same periods. Against this backdrop, Astral experienced a squeeze in poultry margins as it was unable to recover rising input costs in the second half of the reporting period, with pricing power shifting away from the producer and favouring the retail chain stores and the traditional wholesale market sectors, on the back of higher frozen stock levels in the industry.

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

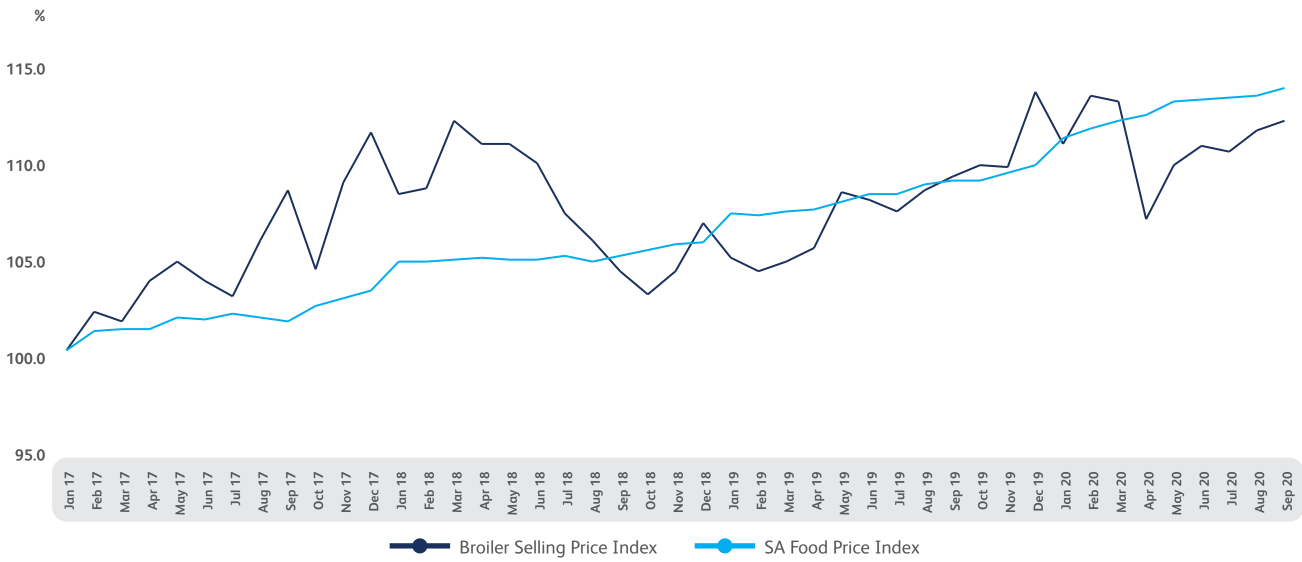


Source: Own Data

Local food inflation continued; however, local chicken prices did not follow the same trend and experienced a sharp decline from April 2020 amid escalating input costs.

Chief Executive Officer's Report (continued)

SA Food Price Index versus Broiler Selling Price Index



Source: Own Data & CJA Strategic Risk Brokers

Astral's Other Africa operations reported an increase in earnings year-on-year, with improved performances reported from Zambia, Mozambique and eSwatini.

For further details on the financial performance of the Group and a review of the operational activities, please refer to the Chief Financial Officer's Report as well as the Operational reviews pages 36 to 47 of the Integrated Report.

Astral's response to Covid-19

As previously mentioned, all our operations continued to perform like clockwork during the Covid-19 lockdown periods, which is testament to the rigorous protocols implemented by management. Stringent social distancing, personal protective equipment and hygiene protocols have been increased over and above our already stringent occupational health and safety protocols being followed throughout our operations.

Prior to the local Covid-19 lockdown, Astral proactively built strategic raw material and consumable stock levels and by year end, operating under Level 1, Astral managed to work away the excess stock levels of these key inputs. The increased poultry finished good stock levels discussed under "The year in perspective", were effectively managed down to normalised levels by financial year end with no production cutbacks having to be made.

We are pleased to announce that Astral's share of the QSR market segment, on the back of our strengthened partnerships, has increased as the supply to this sector resumed following the hard lockdown levels. We have also been fortunate in not having to provide for any material bad debts.

Key investments

Capital expenditure for the year under review was down by 30.6 % to R456 million compared to the prior year's R657 million. This amount represents not only expenditure on normal ongoing and major replacement but includes R270 million towards the completion of the Festive processing capacity expansion project.

Astral has a broiler supply agreement with Quantum, whereby Quantum supplies approximately 37 % of the live broilers processed by Astral's County Fair operations in the Western Cape. Quantum had a material change in its shareholding during the year, and with that the threat of a hostile takeover by a rival poultry producer. Astral recognised this and was concerned that its current broiler supply agreement with Quantum could be jeopardised over the long term. Astral therefore invested R155 million to acquire an interest of almost 10 % in Quantum, in a bid to avert this risk.

Key challenges going forward

Industry

In November 2019, South African producers pledged investment in the expansion of poultry processing capacity through the Poultry Sector Master Plan signed between government, the poultry industry and a number of stakeholders including farmers, processors, poultry importers and organised labour.

The plan sets out to create a framework for the growth and sustainability of an industry that is an essential pillar of the South African agricultural economy, has seen a Poultry Sector Master Plan Council established to monitor and drive the implementation of the stated objectives.

The Poultry Sector Master Plan sets a number of targets to be met by 2023. In order to achieve these objectives, a number of detailed actions will have to be implemented. More importantly, whilst the expansion of local industry capacity has moved forward and some measures have been implemented to protect the local industry from unfair trade, the local economy will need to see major stimulus and growth if jobs are to be created (unemployment levels drop) and disposable income levels rise.

Poultry selling prices

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

Principal risks

The key risks facing the Group have again been evaluated and prioritised. They are based on a probability and impact matrix, which determines a residual risk score, with the following major risks having been highlighted:

Major Risks

1. Electricity – security of supply and pricing
2. Prolonged imbalance in supply and demand of poultry
3. Impact of global pandemic – Covid-19
4. HPAI outbreak impact on operations
5. Poultry products contaminated with bacterium that cause serious infections
6. Water supply and quality
7. Prolonged higher raw material cost
8. Breakdown in biosecurity and threat of diseases
9. Premix micro-ingredient deficiency and/or contamination with undesirable substance
10. Raw material price volatility
11. Non-conformance to final feed specifications and impact on poultry production
12. Lack of continuous genetic improvement
13. Malicious damage – virus and cyber attacks
14. Fraud and theft

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

For more information please see the Business Risk Report set out on pages 61 to 66 of the Integrated Report.

Market developments

Apart from the challenging market conditions already mentioned in this report, demand is sensitive to a drop in discretionary disposable income, but fortunately less so than other competitive meat proteins. Substitution of red meat and pork products has become increasingly evident over the lockdown period, as well as signs of consumers buying down from bone-in portions into tertiary poultry products.

Astral's sales and marketing strategy seeks to feed all consumers across the entire economic range. The Group has remained committed to the production of IQF products whilst adding processing capacity to growth in the fresh and further processed product categories, as well as the QSR channels. Fresh and further

Chief Executive Officer's Report (continued)

processed product sales have grown considerably but had plateaued due to the Group's fresh processing capacity being fully utilised. The Festive expansion in Olifantsfontein has now been completed and provides the capacity and flexibility to adapt to market demands.

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

Skills development

The CEO Pinnacle Leadership Programme was closed out during the year, with all targeted training objectives achieved. A total of 150 employees benefited from the programme, which resulted in a number of internal appointments and promotions aligned with our succession planning programme. The next phase of the programme is focused on the supervisory level and is planned for 2021. As part of this process Astral applied for registration as an accredited training provider at the Agri SETA for elected unit standards, with 115 of our employees registered to become accredited trainers on these unit standards, optimising internal training efficiency, skill transfer and quality improvement.

Astral is proud of the fact that we were able to sponsor 98 unemployed and disabled learners during the year under review. Although training and development was negatively impacted by the lockdown, Astral still managed to improve on the quality and amount of training during the year, with more than 13% of employees benefiting from training and development initiatives. The Group's health and safety training to deal with Covid-19 in the workplace complies with best practice and was rolled out to all employees across all operations where the health and safety of our people remains first priority.

Transformation update

Astral is committed to broad-based black economic empowerment and will accordingly endeavour to align its empowerment and transformational initiatives to promote the development of employees and the communities which we serve. Astral is currently compliant in terms of B-BBEE requirements and the procurement sub-element of our B-BBEE scorecard is rated a level four contributor, which validates efforts undertaken to continuously develop and diversify our supplier base.

Astral is an equal opportunity employer, committed to the principles and objectives of the legislation, and employment equity plans and audits were approved for all operations, with appointments and workforce diversity improving on a year-on-year basis.

Workforce profile movement

During a year that was catastrophic in terms of job losses, Astral avoided retrenchments in any of our operations. Relationships and collective bargaining with organised labour remain an enormous challenge, with union demands informed by political agendas and unrealistic expectations.

The retention of professional and highly skilled employees as a result of current negative political, economic and policy uncertainty has manifested in a local skills drain, and Astral is not excluded from this. The depletion of the South African skills pool is a reality, and a near future business risk.

Environmental, social and governance (ESG) developments

Astral takes the impact it has on the environment in which it operates seriously, and has allocated resources to specifically monitor and reduce environmental impact, and to ensure that best practice principles are applied throughout the Group's operations. For further detail on this, please refer to pages 100 to 101 of the Integrated Report.

Astral's social initiatives include a corporate social investment (CSI) programme, which aims to support the wellbeing of the communities in which the Group operates. The Group tracks CSI spend and projects, which this year focused on distributing more than 500 000 meals to those in need.

Faced with the Covid-19 pandemic, Astral bolstered its health and safety measures, further enhancing the already high occupational health and safety standards in place.

The skills development of the Group's employees remains a priority, while transformation and gender equality continue to be key focus areas. Astral's workforce statistics, health and safety plans, skills development programmes and social initiatives are set out on pages 92 to 99 of the Integrated Report.

The Group's governance structure is set out on pages 49 to 58 of the Integrated Report.

Alliances

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

Key strategic alliances

- Aviagen, a global leader in poultry genetics and Ross broiler breed supplier.
- Cargill, a global leader in animal nutrition and livestock production.

- Cofco, a global leader in grain origination and mill door delivery.
- Seaboard, a global leader in plant protein production and soft commodity trading.

Strategic service providers

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

Outlook

The following factors are considered by management to have an impact on the near future business and poultry sector prospects:

- Unprecedented unemployment rate following the hard lockdown, and resultant financial impact on business and the economy at large.
- Consumer disposable income severely constrained, with a very slow recovery out of the lockdown as expected by most economists.
- With an above average local maize crop for the 2020/2021 season, prices unexpectedly increased due to global weather concerns, international coarse grain demand (China) and a rally in prices, leading to higher feed prices into 1H2021.
- Exchange rate effect on input costs, with the Rand cost of imported soya negatively impacted.
- Higher costs due to Covid-19 as risk management strategies continue, and global lockdowns possibly impact supply chains leading to higher input costs.
- It is still unclear if higher import tariffs on frozen bone-in portions announced in March 2020, will discourage unfair trade (dumping).
- Reopening of the local hospitality and restaurant sector with QSR volumes returning to the sales mix, with a net market share gain in this sector for Astral.
- Production efficiency, product mix and volume growth opportunities following final commissioning of the Festive expansion project adding significant flexibility.
- Progressive genetic improvement of the Ross broiler breed will continue to support the Group's best cost strategy.
- Astral expected to maintain a strong and resilient balance sheet.

Stated strategy

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

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

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

- effectiveness of capital deployment; and
- best cost strategy.

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

At this juncture I would like to thank the Board for their unanimous and clear support of management's proposed strategic intent, action plans and the capital investment.

Appreciation

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

My sincere appreciation and thanks go to all my colleagues in management and our employees for their loyalty and support. You have proven to be a winning team under all circumstances and especially the challenges brought about by Covid-19, which has again shown our resilient work ethic.

During the reporting period the management team was again confronted with some extraordinary challenges as already outlined. Thank you especially to the team for the successful implementation of a reverse osmosis water purification plant at Goldi, which has gone a long way in mitigating some of the water supply constraints experienced in Standerton.

I extend my special appreciation to the Chief Operating Officers of all our business units and to everybody else involved at an operational level in ensuring that our operations ran smoothly during the pandemic.

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

Chris Schutte
Chief Executive Officer

11 November 2020

Chief Financial Officer's Report

Daan Ferreira – CFO

Astral's cash generation remained strong despite the tough trading environment, and we are pleased to be able to declare a final dividend of 775 cents per share.

Financial results

	2020 R'000	2019 R'000	Change %
Revenue	**14 104**	13 485	4.6
Gross profit	**2 783**	2 629	5.9
Cost of raw materials	**7 670**	7 191	6.7
Total expenses (excluding cost of raw materials)	**5 629**	5 424	3.8
PBIT/Operating profit	**838**	882	(5.0)
Operating profit margin	**5.9%**	6.5 %	
Net finance (costs)/income	**(56)**	30	(>100.0)
Profit for the year	**561**	648	(13.4)

Summarised Balance Sheet

	2020 R'000	2019 R'000	Change %
Non-current assets	**3 796**	2 658	42.8
Current assets (excluding cash)	**2 961**	2 982	(0.7)
Total assets (excluding cash)	**6 757**	5 640	19.8
Non-current liabilities	**(1 146)**	(705)	62.6
Current liabilities (excluding borrowings)	**(2 035)**	(1 694)	20.1
	3 576	3 241	10.3
Net cash	**546**	555	(1.4)
Net assets	**4 122**	3 796	8.6
Financed by:			
Shareholders' interest	**4 122**	3 796	8.6

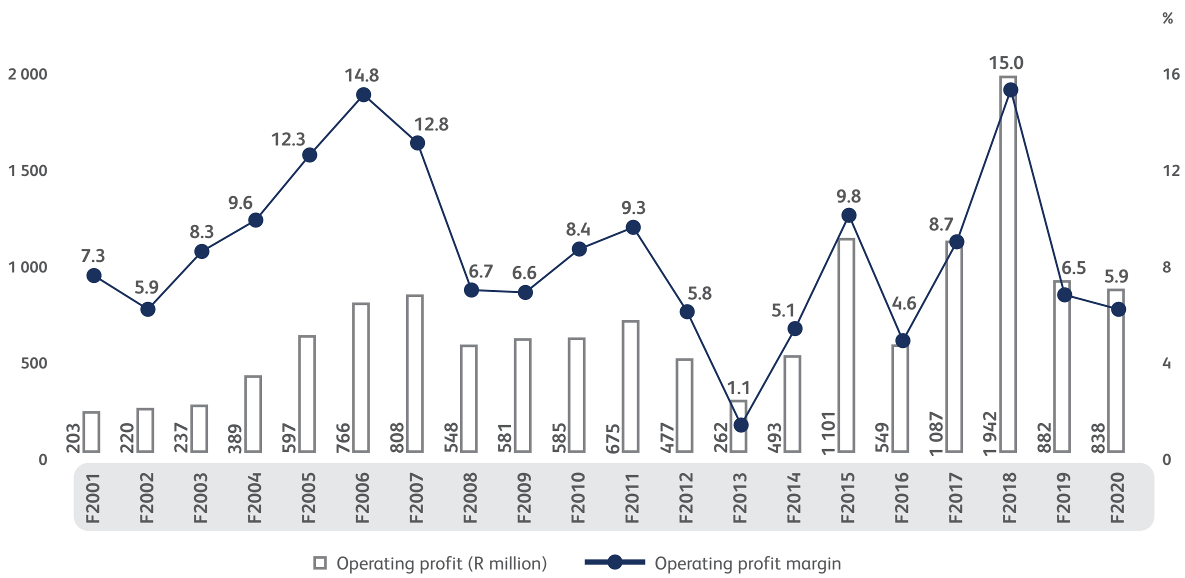
Revenue reported for the year ended 30 September 2020 was R14.1 billion, an increase of 4.6 % compared to the prior year at R13.5 billion. The Poultry Division contributed 79 %, Feed Division 17 % and Other Africa Division 4 % to total revenue. The increase in revenue of R619 million was primarily attributable to the broiler operations in the Poultry Division contributing R384 million, which was as a result of a 3.8 % increase in broiler sales. The other major contributions to the increase in revenue were from external feed sales (R147 million) and an increase in external breeder and hatching eggs sales of R86 million.

The change in this financial year to a new distributor of poultry products on a consignment stock basis (previously on a principal basis), had the following impact on revenue recognition:

- Revenue is recognised at a later point in time, resulting in a reduction of R124 million compared to the previous year.
- Distribution costs of R188 million is now disclosed as an expense with a compensating increase in revenue.

Gross profit increased by 5.9 % to R2.8 billion (2019: R2.6 billion) resulting in the gross profit margin improving from 19.5 % (2019) to 19.7 %. Operating profit for the year under review decreased by 5.0 % to R838 million mainly due to the limited increase in revenue not being able to sufficiently cover all the cost increases. This resulted in the operating margin declining from 6.5 % (2019) to 5.9 %.

Operating profit history



Source: Own data

Headline earnings decreased by 14.1 % to R558 million (2019: R650 million) in a year that can only be described as "not being normal".

The Group's trading activities and financial reporting for the year have been impacted by the following:

- **The Covid-19 pandemic**
  - The stringent lockdown regulations, prevalent during the second half of the financial year, negatively impacted the economy, as well as our customers.
    Being both a feed and food producer, the Group was classified as a provider of essential services and production and trading activities continued during the lockdown period. Whilst already complying with strict health and safety protocols, additional protocols were implemented, at additional costs, to safeguard employees against potential infections. Additional costs directly related to Covid-19 amounted to approximately R41 million.
  - Stockholding of critical raw materials, vaccines and packaging material was increased as a precautionary measure against possible disruption from suppliers, which impacted the funding resources of the Group.
  - Certain of the poultry customers, in particular QSR outlets, were severely impacted by the high lockdown levels, resulting in extended outstanding debtor accounts settling periods. All overdue amounts were however fully recovered by year-end, with no debts written-off as a result of Covid-19.

Chief Financial Officer's Report (continued)

Festive Processing Plant, Olifantsfontein

- Poultry stockholding increased during the second half of the year due to a general oversupply of chicken in the market, with inventory moving towards more normalised levels by year-end.
- No interim dividend was paid as result a of the uncertainty of the long-term impact Covid-19 could have on the trading activities of the Group. At the time of announcing our interim results, government was not able to predict the length of the lockdown. As a result, a decision was taken to preserve cash for the possible unforeseen long-term impact on resources.

▪ **Acquisition of an interest in Quantum**
During July 2020, Astral acquired a 10% interest in Quantum for an amount of R155 million in order to secure and safeguard an existing long-term supply arrangement whereby Quantum supplies about 37% of the broilers to the Western Cape-based County Fair processing plant.

▪ **Water and electricity supply**
On-going problems were experienced with water supply at our Standerton facilities, load shedding across South Africa and Eskom threatening to cut electricity supply to non-paying municipalities. In order to secure sufficient quantity of water, capital expenditure of R50 million was incurred on a reverse osmosis plant at the Standerton processing plant, whereby waste water would be purified by the reverse osmosis plant and recycled back into the processing plant. In addition, the Group incurred expenses of R62 million (2019: R126 million) for water and electricity supply interruptions.

▪ The **expansion of the Festive processing plant** at Olifantsfontein was completed, in time and with-in budget. The cost of the project amounted to R710 million, incurred over the last two financial years, and contributed to the increase in the total assets employed by the Group.

▪ **IFRS16: Leases**
The mandatory change in accounting for leases resulted in qualifying leases being capitalised as right-of-use (ROU) assets on the Balance Sheet. Although the cash flows were not impacted as lease payments continued as in the past, it had a major impact on the Financial Statements. The impact of IFRS 16 for the year ended 30 September 2020 was as follows:
- R537 million was recognised as a ROU asset at 30 September 2020, which represent the value of the future use of the lease assets. No outflow of funds (investments) have been incurred in respect of this amount.
- R572 million was disclosed as a ROU lease liability at 30 September 2020 representing the discounted value of future lease payments. In some instances a cancellation of a lease will not necessarily require a cash settlement of the outstanding lease commitments.
- Operating profit increased by R33 million, being the difference of additional amortisation charges of R213 million offset by lease payments of R246 million not being disclosed as operating expenses.
- Additional finance costs of R68 million was recognised, which largely represent the upfront loading of finance costs during the early stages of lease contracts.

- The net impact on the reported earnings is a reduction of R25 million.
- The disclosure of leases impacted the Statement of Cash Flows as follows:
  - Cash generated from operations of R1 232 million now excludes lease payments of R246 million.
  - Pre-IFRS 16, the cash generated from operations would have been R986 million compared to the previous year's R936 million.
  - Cash flows to/from financing activities of R286 million increased by the lease payments of R246 million, being R68 million finance charges and R178 million payment of the principal element of lease liabilities.

Outlook

With the relaxation of the Covid-19 lockdown regulations to Level 1, the economic activities of the Group are well under way towards to normalised levels. The Group successfully managed the impact of the hard lockdown period. The cash saved by not having to pay an interim dividend, greatly assisted the Group and we would like to thank our shareholders for their understanding. This, together with the well managed funding resources allowed the Group to remain in a cash positive position at all times during the financial year. The net surplus cash at the end of the year was R546 million, marginally down on the prior year's R555 million.

The Festive processing plant capacity expansion project has been completed and the Group's liquidity is therefore well positioned to fund the declared dividend of 775 cents per share. The total dividend for the year amounts to a dividend cover of 1.9 times compared to headline earnings.

The Balance Sheet of the Group remains strong and it is expected that Astral will benefit in years to come from the recent investments made in the expansion and modernisation of some of its production facilities.

Daan Ferreira
Chief Financial Officer

11 November 2020

Covid-19 measures

Financial ratios and statistics

for the year ended 30 September

		2020	2019	2018	2017	2016	2015	2014	2013	2012
Profit information										
Revenue	R'm	**14 104**	13 485	12 979	12 417	11 954	11 266	9 602	8 509	8 160
EBITDA	R'm	**1 242**	1 059	2 093	1 235	693	1 254	627	384	600
EBITDA margin	%	**8.8**	7.8	16.1	9.9	5.8	11.1	6.5	4.5	7.4
Operating profit	R'm	**838**	882	1 942	1 086	549	1 100	493	262	477
Operating profit margin	%	**5.9**	6.5	15.0	8.7	4.6	9.8	5.1	3.1	5.8
Profit after tax	R'm	**561**	648	1 431	761	372	780	341	211	333
Headline earnings	R'm	**558**	650	1 439	736	373	780	330	165	300
Financial position										
Total assets	R'm	**7 331**	6 239	6 174	5 364	4 979	4 814	4 375	3 921	3 544
Total equity	R'm	**4 122**	3 796	3 737	3 039	2 373	2 373	1 945	1 695	1 596
Total liabilities	R'm	**3 209**	2 443	2 437	2 325	2 607	2 442	2 430	2 227	1 947
Net assets	R'm	**4 153**	3 789	3 443	2 935	3 060	2 843	2 566	2 375	2 107
Asset management										
Return on total assets	%	**12.4**	14.2	33.8	21.0	11.3	24.1	11.9	7.0	13.8
Return on equity	%	**14.1**	17.1	42.4	28.0	15.8	36.3	18.7	12.7	20.8
RONA	%	**21.1**	24.4	60.9	36.0	18.6	40.7	20.0	11.7	23.2
Net asset turn	%	**3.6**	3.7	4.1	4.1	4.1	4.2	3.9	3.8	4.0
Shareholders' ratios										
EPS	cents	**1 435**	1 659	3 691	1 948	964	2 013	884	545	865
HEPS	cents	**1 441**	1 674	3 712	1 899	965	2 016	864	464	787
Dividend per share	cents	**775**	900	2 050	1 055	490	1 150	440	222	672
Dividend cover*	times	**1.9**	1.9	1.8	1.8	2.0	1.8	2.0	2.0	1.2
Stock exchange statistics										
Market value per share										
– At year-end	cents	**13 153**	14 700	24 658	17 208	11 775	17 414	15 225	9 500	10 400
– Highest	cents	**22 252**	25 908	33 519	17 634	18 490	20 679	16 000	10 900	13 200
– Lowest	cents	**12 029**	14 300	16 850	11 600	8 820	14 051	7 950	8 530	10 100
Closing dividend yield	%	**5.9**	6.1	8.3	6.1	4.2	6.6	2.9	2.3	6.5
Closing earnings yield*	%	**11.0**	11.4	15.1	11.0	8.2	11.6	4.8	4.6	7.6
Closing PE ratio	times	**9.1**	8.9	6.7	8.8	12.2	8.7	20.7	21.4	13.2
Shares in issue	'000	**42 922**	42 922	52 887	42 841	42 775	42 761	42 723	42 149	42 149
Shares in issue less treasury shares	'000	**38 834**	38 799	38 799	38 752	38 686	38 672	38 634	38 060	38 060
Number of transactions	'000	**274 811**	262 590	280 590	122 620	156 224	179 049	54 683	45 653	40 209
Number of shares traded	R'000	**43 755**	41 970	47 981	32 276	34 453	36 676	26 440	21 922	24 820
Number of shares traded as % of issued shares	%	**102**	90	124	83	81	86	62	52	59
Value of shares traded	R'm	**7 517**	7 159	12 586	4 697	4 277	6 405	2 947	2 064	2 912
Market capitalisation based on shares in issue	R'm	**5 646**	6 310	10 575	7 372	5 037	7 446	6 505	4 004	4 383
Market capitalisation based on shares in issue less treasury shares	R'm	**5 108**	5 703	9 567	6 668	4 555	6 734	5 882	3 616	3 958

* *Based on HEPS.*

OPERATIONAL OVERVIEW AND PERFORMANCE

Business model

Integrated across the animal feed and poultry production chain.

INPUTS

Intellectual Capital
- Brands
- Technical skills
- Partner with world-leading companies

Human Capital
- Our people
- Health and safety

Manufactured Capital
- State-of-the-art plants and facilities
- ISO accredited operations
- Geographical representation

Financial Capital
- Strong financial position
- Good cash flows

Social and Relationship Capital
- Reliable contract growers
- Loyal suppliers
- Give back to communities in which we operate

Natural Capital
- Own water purification systems
- Reduce carbon footprint where possible

EXTERNAL SUPPLIERS

FEED SUPPLY

More than just feed

POULTRY AGRICULTURE

GRANDPARENT BREEDING

PARENT BREEDING

BREEDING AND BROILER OPERATIONS

POULTRY COMMERCIAL

PROCESSING OPERATIONS

3 Weeks
Hatching

22 Weeks
Rearing

40 Weeks
Laying

EXTERNAL CUSTOMERS

OUTPUTS

Intellectual Capital

- Brand loyalty
- Technical skills transfer
- State-of-the-art technology and intellectual property

Human Capital

- Dedicated and committed workforce
- Upskilling of employees to better

Manufactured Capital

- Food security
- Service excellence
- Market share
- Cheap protein source to feed the nation

Financial Capital

- Shareholder value
- ROCE

Social and Relationship Capital

- Contract grower expansion
- Loyal customers
- Enhance communities in which we operate

Natural Capital

- Own water supply
- Reduced carbon footprint
- Sustainable environmental practices

Executive Management

for the year ended 30 September 2020

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

Chris Schutte (60) Chief Executive Officer

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

Daan Ferreira (64) Chief Financial Officer

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

Gary Arnold (48) Managing Director: Agriculture

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

Andy Crocker (49) Managing Director: Commercial

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

Michael Schmitz (59) Managing Director: Feed

Michael has been employed in the Group for more than 30 years. He started his career in 1987 with Coopers Animal Health as a Research Scientist and joined Meadow Feeds nine months later as Technical Advisor. In 1999 he became the General Manager of Meadow Feeds Randfontein. He was appointed as COO of Meadow Feeds Pietermaritzburg in 2005, a position he held until 2017 when he was promoted to his current position as head of the Feed Division.

Obed Lukhele (45) Veterinary Executive

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

Nikki Moodley (50) Operations Improvement Executive

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

Evert Potgieter (50) Director: Risk Management

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

Gerhard Pretorius (44) Nutrition Executive

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

Anil Rambally (48) Purchasing and Sustainability Executive

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

Corporate services

Colin Smith (59) Marketing Executive

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

Gideon Jordaan (46) Human Resources Executive

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

Daniel Tshabalala (63) Industrial Relations Executive

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

Louis Vermaas (48) Sales Executive

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

Gerrit Visser (62) Processing Executive

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

Willem Stander (63)
Group Procurement Manager

Willem obtained a B.Sc. Agric (Hons) degree from the University of Pretoria in 1982. He joined Meadow Feeds in the Raw Material Department at the Tiger Brands head office in Braamfontein. He moved to Meadow Paarl in 1984 as Nutritionist and promoted to Marketing Manager in 1989 and to Raw Material Director in 1995. Willem was appointed as Procurement Executive for the Feed Division in 1999.

Leonie Marupen (48)
Group Company Secretary

Leonie started her career as Assistant Company Secretary at DRDGOLD in 2001. She has experience in company secretarial and corporate governance and after 18 years with DRDGOLD she joined Astral on 1 August 2019 as Assistant Company Secretary. Leonie was appointed as Group Company Secretary effective 1 March 2020.

Braam Spies (63)
Group Credit Manager

Braam's career started at Barclays Bank in 1977 as teller and progressed to Manager through the ranks at various Banks and left Absa 21 years later. He joined Genfoods in 1998 as Credit Manager and started with Astral in 2004 as Regional Credit Manager, Feed Division and was subsequently appointed as Credit Executive for Astral in November 2011.

Divisional overview and performance

FEED DIVISION

Business overview

MEADOW FEEDS

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

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

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

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

CAL

Offers a diverse range of laboratory analyses to the animal feed industry.

Employs the latest instruments and methods to provide the best possible service to its client base. With access to international method databases and through technology partners the dedicated team provides a comprehensive range of scientific tests.

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

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

Our Process

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

Our Promise

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

Our People

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

Our Pedigree

For over 70 years, Meadow Feeds has been supplying safe, high quality feeds to Southern African livestock producers, using our unrivalled experience and expertise to earn the trust of generations of farmers who bring wholesome meat, milk and eggs to your table.

Our Passion

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

Our Purpose

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

Regulators and compliance

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

The following compliance standards were met for the year ended 30 September 2020:

Meadow Feeds	ISO 22000:2018 Awaiting SABS approval – site visits delayed due to Covid-19	ISO 22000:2018	ISO 22000:2005	ISO 9001:2015	AFRI Compliance
Randfontein	–	✓	n/a	✓	✓
Delmas	–	–	–	✓	✓
Standerton	–	✓	n/a	✓	✓
Pietermaritzburg	SABS audit date 16 – 17 November 2020	–	✓	✓	✓
Paarl	–	✓	n/a	✓	✓
Port Elizabeth	–	–	–	✓	✓
Ladismith	–	–	–	✓	✓

ISO 22000:2018	*Food Safety Management Systems Certification (replaces ISO 22000:2015 in 2020)*
ISO 22000:2015	*Obsolete effective 1 January 2020*
ISO 9001:2015	*Quality Management Systems Certification*
AFRI Compliance	*Compliance to AFRI Compliance Protocol – Legal Focus on Act 36 of 1947*
✓	*Comply*
n/a	*Not applicable*

Financial performance – 2020

Revenue increased by 6.2% to R7.0 billion (F2019: R6.6 billion) as a direct result of higher selling prices on the back of the increase in raw material costs. SAFEX yellow maize prices increased to an average of R2 748 per ton for the year under review (2019: R2 639 per ton) up R109 per ton year-on-year. Soya meal prices also increased from an average of R5 727 per ton in F2019 to R6 617 per ton in 2020, further exacerbating the price of feed.

Feed sales volumes in the division decreased marginally by 0.7%, as the internal requirement for broiler feed decreased by 1.5% due to an improved broiler feed conversion rate, with higher external sales volumes of 0.7% reported due to increased feed sales to the ruminant sector, despite all livestock markets coming under pressure from higher feed prices.

The operating profit for this division increased by 3.8% to R508 million (2019: R490 million), with a decrease in the operating profit margin to 7.3% (2019: 7.4%). Net Rand per ton margins increased year-on-year with the division benefited from containing total operating expenses (excluding the raw material cost impact) to an increase of 1.5% year-on-year, as well as from effective raw material cost recoveries. The direct cost of Covid-19 to the Feed Division was R2 million.

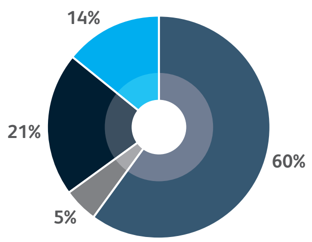
Operational performance – 2020

Meadow Feeds continued to supply 60% of its total volume to the Group's downstream Poultry operations for the year ended 30 September 2020. Total sales volumes decreased marginally year-on-year to 1 355 230 tons per annum (2019: 1 364 233 tons).

Plant utilisation for the year under review was stable year-on-year at 70%, on a national production capacity of approximately 1.98 million tons per annum.

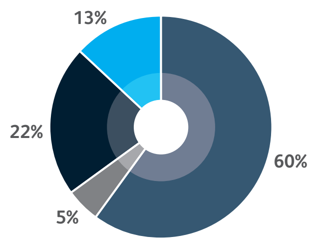
Divisional overview and performance (continued)

Meadow Feeds' sales 2019



1 364 233 Tons

Meadow Feeds' sales 2020



1 355 230 Tons

Volume decrease = 0.7 %

Poultry Integrated | Poultry External | Dairy | Other

Source: Own data

The price of maize, the key driver of input costs into feed and the production cost of poultry meat unexpectedly increased over the year under review. The latest US corn crop fell marginally short of the record 2016/2017 crop resulting in a comfortable stock-to-use ratio, while local maize production also exceeded requirements resulting in an optimistic outlook for lower commodity prices. However, the average SAFEX yellow maize price increased 4.2 % (an average of R109 per ton) for the financial year ended 30 September 2020 relative to the comparable year.

Local maize supply for the 2020/2021 season is estimated at 15.3 million tons, resulting in surplus maize being available for export. Exports are forecast to exceed 2.0 million tons resulting in a maize carry-out of approximately 1.4 million tons at a stock-to-use ratio of 10.0 % (2019/2020: 7.7 %). Local maize prices have therefore remained closely correlated to the export parity price of maize with volatility in prices originating from changes in corn prices on the CBOT and the changes in the Rand/Dollar exchange rate.

The dramatic increase in corn prices experienced since August 2020 was as a result of insufficient late season rainfall over the US Corn Belt, reducing yield forecasts and damaging storms over the main producing states of Iowa, Illinois and Nebraska. This was compounded by China commencing an aggressive import programme, following weather damage to the Chinese crops, a need to replenish strategic stocks, a commitment to Phase 1 of the US-China trade deal and higher demand to feed the recovering Chinese pig herd, as well as increasing poultry production in the country. The Rand weakened significantly against the Dollar over the year ended 30 September 2020, down 10.7 % relative to the same period in the prior year.

Besides these normal drivers of parity prices, the market was adversely affected by increasing premiums on South American corn as farmers preferred to store grain and protect the Dollar value of these commodities against the rapidly deteriorating local currencies. The outlook for the new South American crop, which is in its planting window, is reflecting the dry conditions across the major growing regions.

Global corn stocks are expected to decrease, with the world corn stock-to-use ratio projected at 21.8 % (2019: 23.1 %), whereas the USA forecast is projected at 14.4 % (2019: 15.5 %). In the medium-term, international maize prices are expected to move upwards on the back of lower stock levels and increased demand. When compared to export parity, South African maize is currently somewhat overpriced (by approximately R200 per ton), but with the local market focussing on weather conditions for the upcoming planting season, prices are expected to remain at current levels until the new season crop is well established.

The Crop Estimates Committee's Planting Intentions Forecast is anticipating that an additional planting area (5.2 %) will be allocated to the planting of maize this season, whilst the area allocated to soya is also expected to increase by 11.5 %. Weather forecasters are indicating a strong probability of La Niña conditions for the year ahead, which points towards normalised to higher rainfall for the upcoming season.

Imported soya oilcake prices were significantly higher (15.5 %) for the year as global stock levels decreased and demand recovered. China has also increased imports significantly for the same reasons as corn.

The Group has a maize cover policy of at least three (3) months, with a maximum cover of nine (9) months per Astral's Board mandate. Any extension to that policy could be motivated and approved by the Board, but this would have to be based on extraordinary factors requiring such action.

POULTRY DIVISION

Business overview

Astral's Poultry Division consists of two sub-divisions, namely Agriculture and Commercial.

AGRICULTURE

Ross Poultry Breeders

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

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

The supply and distribution of the Ross Poultry genetics in South Africa was secured with the conclusion of a new supply agreement with Aviagen signed in May 2019.

National Chicks

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

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

As one of the leading suppliers of day old chicks to the industry, we carefully coordinate logistics to ensure that our products are delivered hygienically, securely and stress free to their destination. We achieve the above through the passion and dedication of our experienced and committed employees.

Our employees have many years of practical experience and continually strive to deliver the very best in eggs and day old chicks to our customers throughout Southern Africa.

The Agriculture Division encompasses the complete breeding programme from Grand Parents (progeny of Great Grand Parents imported from Aviagen in Scotland) to the Parent Stock breeding programme. Broiler day old chicks are produced and reared and at the targeted live weight are delivered to the Commercial Division for processing. Astral has approximately 37 100 000 birds on farm at any given point in time in order to supply approximately 5 200 000 birds per week to the processing plants. The Agriculture sub-division strives to optimise production efficiency to provide the best live cost possible to the Commercial sub-division.

Divisional overview and performance (continued)

Bird welfare

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

Genetics and nutrition

The broiler breed called Ross 308 is known for its improved production efficiencies which are realised only when a fine balance between genetics, nutrition, disease control and housing environment is achieved. Birds have free and easy access to nutritious and safe feed as well as clean water.

No hormones are used to improve growth and feed utilisation.

Health and product safety

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

Housing environment

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

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

Handling

Handling, transportation and slaughter practices of birds are as stipulated in the SAPA's Code of Practice.

Husbandry

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

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

COMMERCIAL

Goldi

This processing facility is located in Standerton (Mpumalanga). It has its own breeding and hatching operation and processing capacity of approximately 2.0 million broilers per week and makes use of a large number of contract growers to rear birds for slaughter.

Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Products are supplied to the QSR industry most notably, Spur, Hungry Lion, KFC, Nando's and the Famous Brands group (Wimpy, Steers).

Meadow Feeds' operations, situated in Delmas and Standerton, supply feed to this integrated broiler operation.

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

Festive

This processing facility is located in Olifantsfontein (Gauteng). It has its own breeding and hatching operation and processing capacity of approximately 2.2 million broilers per week making use of a large number of contract growers to rear birds for slaughter. Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors.

Products are supplied to the QSR industry, most notably, Spur, Hungry Lion, KFC, Nando's and the Famous Brands group (Wimpy, Steers).

Meadow Feeds' operations, situated in Randfontein and Delmas, supply feed to this integrated broiler operation.

The Festive expansion project was commissioned in June 2020, creating 248 additional jobs. The total expansion capital project will amount to approximately R880 million.

County Fair

This processing facility, located in Agter-Paarl (WC), is a fully integrated broiler producer with processing capacity of approximately 1.6 million broilers per week, including the broilers supplied by Tydstroom on a contract grower agreement.

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

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

Mountain Valley

This processing facility, situated in Camperdown (KZN), provides Astral with a strategic fresh processing presence in KZN, processing 0.2 million broilers per week. Meadow Feeds, situated in Pietermaritzburg, supplies feed to Mountain Valley.

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

Divisional overview and performance (continued)

Astral has four processing plants that process, package, store and distribute its products. The Commercial sub-division is predominantly responsible for sales to the retail, wholesale and QSR customers who rely on us for the timely supply of quality chicken to the trade.

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

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

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

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. The Consumer Goods Council of South Africa in recent years founded the Food Safety Institute, to which we subscribe. Reviews of various statutory requirements and industry legislation have been implemented to better control product quality and food safety.

We take a proactive approach to ensure all processing plants involved in the food chain are HACCP Systems or Quality Management Systems Certification (ISO) certified in terms of Food Safety Management Systems.

We follow a farm-to-fork approach, from control of animal feed quality, health of grandparents, parents and broilers as well as hygiene at the abattoirs, processing plants, cold chain facilities and distribution points to end users. Preventative medicine to control food-borne diseases is strictly practiced in line with legislation. Monitoring for biological and chemical residues is done by reputable independent laboratories. A team of in-house consulting veterinarians assists the Group. All our abattoirs consistently perform above 80 % in the Department of Agriculture's Hygiene Programme.

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

	FSSC 22000	Export	McDonalds		YUM Quality Systems	YUM Food Safety Systems	Nando's	Halaal
Festive	Certified	Approved	Animal welfare	B	Approved	Tier 1	Approved	MJC
			Antibiotics	A				
			Bio-security	Pass				
			HACCP	A				
			GMP	B				
Goldi	Certified	Approved	Not required		Approved	Tier 2	Approved	MJC
Goldi further processing	Certified	Approved	Not required		Not required	Not required	Not required	MJC
Mountain Valley	Certified	N/A	Not required		Not required	Not required	Not required	SANHA
County Fair – Hocroft	Certified	Approved	Animal welfare	A	Not required	Tier 1	Approved	MJC
			Antibiotics	A				
			Bio-security	Pass				
			HACCP	A				
			GMP	B				
County Fair – Epping	Certified	NMCS approved	Not required		Not required	Not required	Not required	MJC

FSSC — *Certification Scheme for Food Safety Systems including ISO 22000; ISO/TS 22002-1: 2009 and additional FSSC 22000 requirements.*
YUM FSA — *YUM Food Safety Management System.*
YUM QSA — *YUM Quality Safety Management System.*
MJC — *Muslim Judicial Council certified.*
SANHA — *South African National Halaal Authority certified.*
NMCS — *New Market Cold Storage.*
N/A — *Not applicable.*

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

Financial performance – 2020

Revenue increased by 4.3% to R11.3 billion (2019: R10.9 billion) supported by higher broiler sales realisations whilst sales volumes remained flat, together with improved sales of broiler day old chicks and parent stock in the external market.

Broiler slaughter volumes increased by 3.5% benefiting from four weeks of the Festive expansion volumes before these were withdrawn in response to the impact that the Covid-19 related lockdown had on the market. In addition, production cutbacks on the back of the Standerton water crisis in the prior year had a negative impact on that period. Sales volumes decreased by 0.2% for the year under review (1 026 tons).

Trading conditions reflected a distinct difference between the two halves of the financial year. The hard lockdown implemented from midnight 26 March 2020 had a significant impact on the South African poultry market. The complete shutdown of hospitality services, restaurants and QSR, accounting for 20% of local poultry consumption, together with slower fresh sales, led to a substantial oversupply of chicken in the frozen categories.

Excessive finished good stock levels in the second half of the reporting period, necessitated extraordinary price cutting from producers in an effort to reduce stock at well below the cost of production. Changes in product mix and the negative impact on realisations brought about by the lockdown had a negative impact on profitability over the second half of Astral's financial year (indirect impact estimated at R140 million). Deep cut promotional activity by retailers on the back of an oversupply of frozen chicken in the market, resulted in higher sales volumes for Astral over the last quarter of the reporting period, reducing stock to more acceptable levels by year end.

Broiler feed prices increased by 7.7% versus the prior year due to higher raw material costs, negatively affecting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 65% of the live cost of a broiler. A further improvement in the feed conversion efficiency of the broilers, partially offsetting the higher feed prices experienced during the year.

Operating profit for the poultry division decreased by 20.5% to R295 million (2019: R371 million). Non-feed expenses in the division increased year-on-year, negatively impacted by the direct cost of Covid-19 (R39 million), as well as water and electricity supply interruptions during the year under review (at a cost of R62 million), with the operating profit margin reducing to 2.6% (2019: 3.4%).

Operational performance – 2020

Astral's Poultry Division comprises three separate activities:

- Poultry genetics and breeding
- Hatching eggs and broiler day old chicks
- Integrated broiler operations (day old chick production, broiler rearing and broiler processing)

Poultry genetics and breeding

The Group's genetic operation, Ross Poultry Breeders, in association with Aviagen, posted a record result for the year under review due to an increase in parent stock sales volumes on the back of excellent breed performance.

Hatching eggs and broiler day old chicks

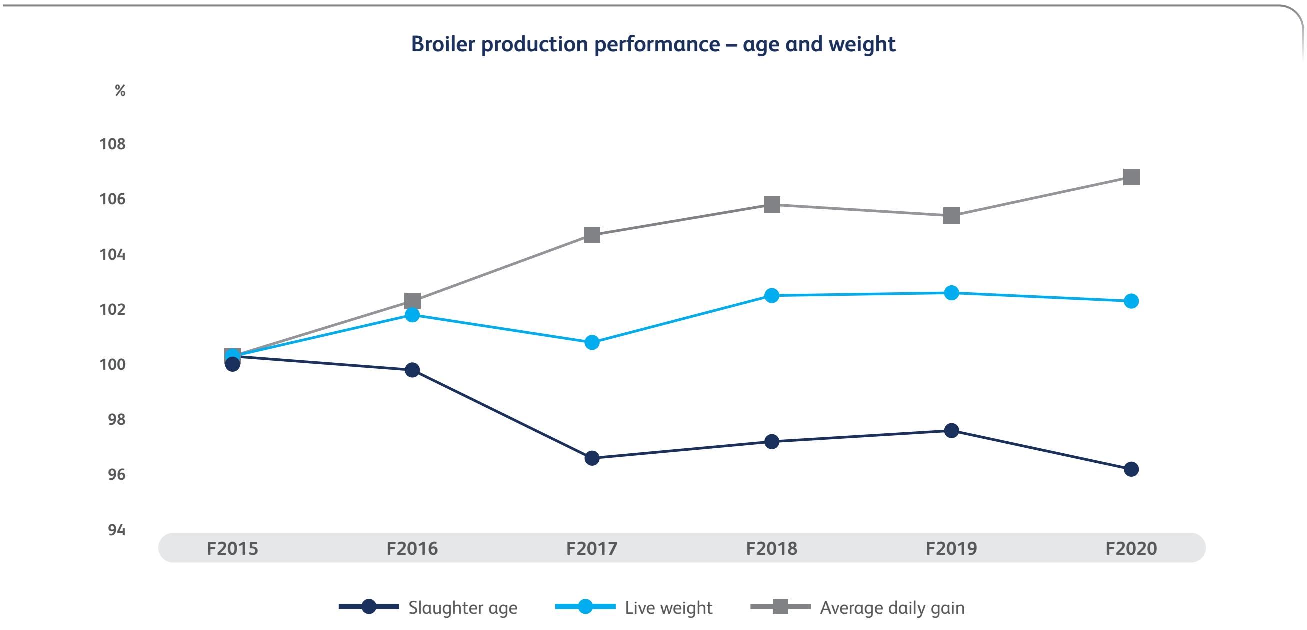
National Chicks posted a satisfactory set of results which was supported by a SASRIA insurance claim recovery as a result of violent industrial action experienced in 2019.

Integrated broiler operations

The four integrated broiler operations, strategically located in the major growth areas of Gauteng, Mpumalanga, the Western Cape and KZN, reared and processed approximately 5.2 million birds per week for the year ended 30 September 2020.

Birds per week (average)	2020 R'000	2019 R'000
Festive (Olifantsfontein)	**1 591 000**	1 508 000
Goldi (Standerton)	**1 818 000**	1 737 000
County Fair (Agter-Paarl)	**1 570 000**	1 570 000
Mountain Valley (Camperdown)	**194 000**	185 000
Total	**5 173 000**	5 000 000

Divisional overview and performance (continued)

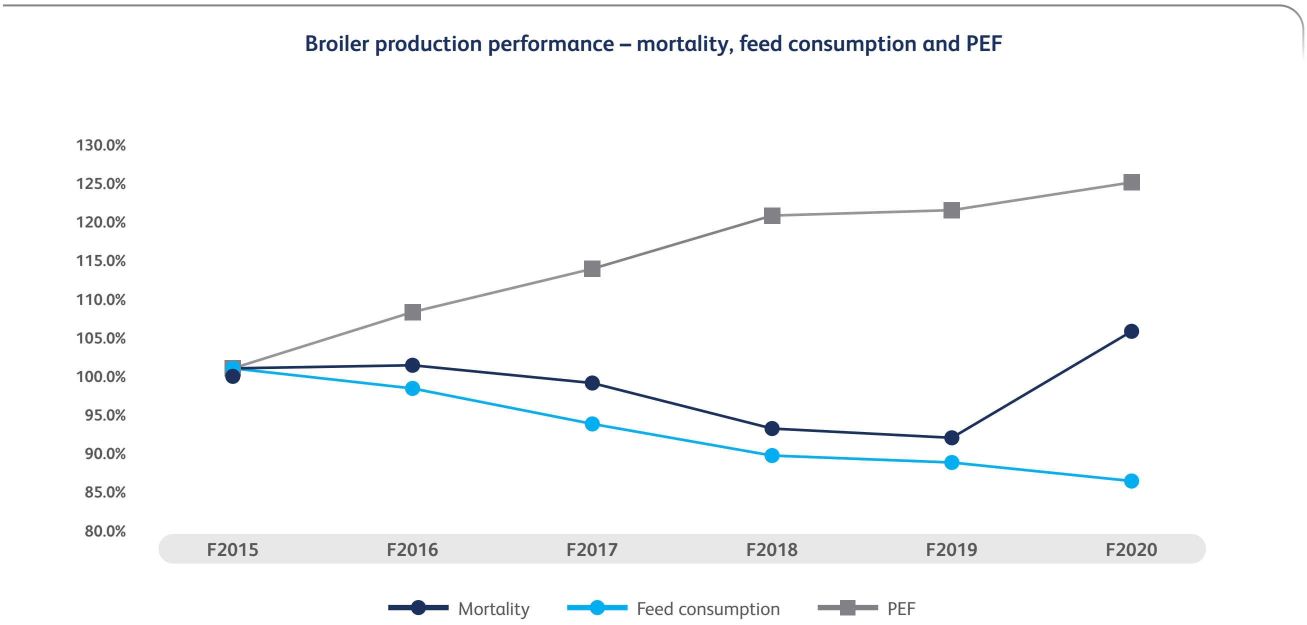


Source: Own data

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

Slaughter age decreased during the year, however improved broiler growth rates ensured that the targeted live weight at slaughter was achieved. Feed conversion rates improved favourably for the year under review and were well managed by adapting feeding programmes to the prevailing conditions around the country.

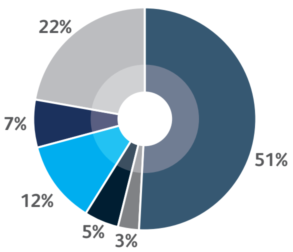
Broiler mortality rates increased year-on-year, with the underlying cause being metabolic in nature associated with the broiler ascites syndrome. This was isolated to specific farms where the ability to maintain optimum temperature and ventilation were challenging under the extreme cold weather conditions experienced during the 2020 winter season.



Source: Own data

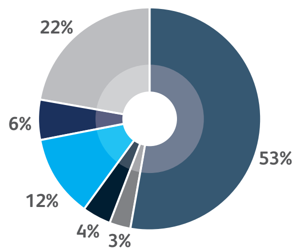
For the year under review further improvements in the feed conversion rate were realised, resulting in less feed required per kilogram of body weight gain. The average performance efficiency factor or PEF (the value is derived from a formula that incorporates the final average live weight of a broiler,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

Product mix 2019



448 944 Tons

Product mix 2020



447 918 Tons

Volume decrease = 0.2 %

■ IQF Mixed Portions ■ IQF Single Portions ■ Frozen ■ Fresh ■ Value Added ■ Tertiary

Source: Own data

Sales product mix was relatively stable year-on-year with IQF products making up 56 % of total sales for the year ended 30 September 2020. The Value Added and QSR segment reflects a drop in volumes year-on-year due to the closing of the restaurant trade under the hard lockdown periods.

Divisional overview and performance (continued)

OTHER AFRICA DIVISION

Business overview

Tiger Animal Feeds

Zambia

Tiger Animal Feeds has been the leading animal feed supplier in Zambia for more than 10 years. Its world-class range of feeds, strong distribution network and on-site nutritional service has greatly contributed to the growth and the profitability of farmers and the establishment of new farmers through training and after-sales support programmes. All products conform to the quality assurance standards of the Zambian Bureau of Standards and are backed by an array of quality assurance systems used by Meadow Feeds.

Tiger Chicks

Zambia

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

Mozpintos

Mozambique

This is a broiler day old chick hatchery, established in 2012 in the Goba District, 54 kilometres south of Maputo. The hatchery is situated on a 25-hectare farm.

Meadow

Mozambique

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

National Chicks

eSwatini

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

Financial performance – 2020

Revenue for the division increased by 0.6% to R482 million (2019: R480 million). Average selling prices increased by 9.9% whilst sales volumes decreased by an average of 8.5%, with the operating profit increasing to R35 million (2019: R22 million). Profitability improved across all countries as a recovery in regional poultry markets was experienced following devastating drought and crop failures in 2019.

Operational performance – 2020

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

Zambia

Feed sales in Tiger Animal Feeds were 2.7% lower year-on-year, however profitability improved significantly on better margins and good cost control. Tiger Chicks reported a drop in profits over the comparable period, largely driven by lower sales volumes as demand for day old chicks in the market waned on higher feed prices.

Mozambique

Meadow Mozambique reported an improvement in its financial results, notwithstanding a drop in sales volumes year-on-year. Mozpintos posted a record profit driven by steady demand for day old chicks, on the back of a local shortage of hatching eggs and day old chicks.

eSwatini

The eSwatini hatchery and broiler breeder operation performed well reporting a good improvement over the prior year profits, supported by a 7% increase in the sales of broiler day old chicks.

ESG REPORT

Governance

Good Corporate Governance provides the framework within which Astral strives to create superior levels of performance to the benefit of all stakeholders.

GOVERNANCE STRUCTURE

Board

- Audit and Risk Management Committee
- Human Resources, Remuneration and Nominations Committee
- Social and Ethics Committee

Operational management

Executive management

- CEO
- CFO
- Managing Director: Commercial
- Managing Director: Poultry
- Managing Director: Feed
- Director: Risk Management
- Human Resources
- Veterinary Control
- Sales
- Marketing
- Industrial Relations
- Operations Improvement
- Sustainability and Preferential Purchasing and Procurement

Corporate

- Company Secretary
- Credit
- Feed Procurement

Governance (continued)

CORPORATE GOVERNANCE

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

We believe that our governance practices are sound and, in all material respects, conform to the principles embodied within the King IV™ Report 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 their requirements as far as possible.

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

The constitution and operation of the Board

The Board operates in terms of a formally approved mandate and terms of reference which set out its role and responsibilities, the main elements of which are:

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

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

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

We believe that the Non-Executive Directors are of suitable calibre and number for their views to carry significant weight in the Board's decisions. An Independent Non-Executive Chairman leads the Board. A schedule of beneficial interests of directors appears on page 156 of this Report. Astral's MoI specifies that Non-Executive Directors do not have a fixed term appointment.

Astral has two (22%) South African directors of previously disadvantaged backgrounds on the Board who are Independent Non-Executive Directors. The Board has set a target of 25% for race and gender representation in its membership.

Astral has a Race and Gender Diversity Policy in place.

In September 2020, an evaluation of each of the Non-Executive Directors' performance was conducted. The overall findings were presented to the Board and discussed. This evaluation supported the Board's decision to endorse all retiring directors standing for re-election.

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

The Chairman's major roles include:

- chairing all general meetings and Board meetings;
- assisting with the determination of the agenda for all general meetings;
- ensuring that the Board receives accurate, timely and clear information;
- keeping track of the contribution of individual directors;
- ensuring that all directors are involved in discussions and decision-making; and

- taking a leading role in determining the composition and structure of the Board; and ensuring effective communication with shareholders and, where appropriate, the stakeholders.

The Lead Independent Director's responsibilities are in line with King IV™, namely:

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

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

Astral does not have retirement age restrictions as it believes that a Board member's effectiveness does not necessarily correlate with the length of his/her Board service or his/her age. The mandate and terms of reference states that once a director reaches the age of 70, the Board is required to evaluate their performance on an annual basis to determine that their performance remains on the standard set for all directors of Astral.

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

On a quarterly basis, Astral actively solicits from its directors their details regarding their external shareholdings and directorships, which potentially could create conflicts of interest while they serve as directors on the 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 CEO. His responsibilities include, amongst others, developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value, developing and recommending to the Board annual business plans and budgets that support the long-term strategy, and managing the affairs of the Group in accordance with its values and objectives, as well as the general policies and specific decisions of the Board. There is a formal succession plan in place for the CEO and he has a normal employment contract which is applicable to all employees which includes a notice period of two months by either party. The CEO is not a member of the Human Resources, Remuneration and Nominations as well as Audit and Risk Management Committees, but attends same by invitation. The CEO does not have any other professional commitments.

A complete list of Board members and their CVs appear on pages 8 to 10 of this Integrated Report. In terms of Astral's MoI, new Non-Executive Directors appointed during the year, as well as one third of the existing Non-Executive Directors, have to retire on a rotational basis each year but may offer themselves for re-election.

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

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

The Board meets at least quarterly to review strategy, planning, operational performance risks, B-BBEE compliance, acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the Group's objectives.

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

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

- performance evaluation of the Audit and Risk Management Committee;
- performance evaluation of the Human Resources, Remuneration and Nominations Committee;

Governance (continued)

- performance evaluation of the Social and Ethics Committee;
- performance evaluation of the Board;
- performance evaluation of the Chairman;
- performance evaluation of the CEO; and
- performance evaluation of the Company Secretary.

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

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

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

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

Attendance at meetings

The Board

Seven Board meetings were held during the past year. Additional Board meetings may be convened when necessary.

Attendance at meetings was as follows:

		SCHEDULED BOARD MEETINGS					
DIRECTOR	13 November 2019	6 February 2020	16 April 2020	12 May 2020	6 July 2020	9 July 2020	12 August 2020
GD Arnold	✓	✓	✓	✓	✓	✓	✓
AB Crocker	✓	✓	✓	✓	✓	✓	✓
T Eloff	✓	✓	✓	✓	✓	✓	✓
DD Ferreira	✓	✓	✓	✓	✓	✓	✓
DJ Fouché	✓	✓	✓	✓	✓	✓	✓
S Mayet	✓	✓	✓	✓	✓	✓	✓
WF Potgieter	✓	✓	✓	✓	✓	✓	✓
CE Schutte	✓	✓	✓	✓	✓	✓	✓
TM Shabangu	✓	✓	✓	✓	✓	✓	✓
TP Maumela	✓	#	#	#	#	#	#

✓ Present.
 # Resigned 23 January 2020.

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

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

Audit and Risk Management Committee

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

DIRECTOR	15 October 2019	13 November 2019	3 April 2020*	9 April 2020*	12 May 2020
DJ Fouché	✓	✓	✓	✓	✓
TM Shabangu	✓	✓	✓	✓	✓
S Mayet	✓	✓	✓	✓	✓
TP Maumela	✓	✓	#	#	#

✓ Present.
 # Resigned 23 January 2020.
** These two meetings were held during the Covid-19 lockdown period.*

Human Resources, Remuneration and Nominations Committee

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

DIRECTOR	24 October 2019	6 February 2020	5 August 2020
T Eloff	✓	✓	✓
DJ Fouché	✓	✓	✓
TM Shabangu	✓	✓	✓

✓ Present.

Social and Ethics Committee

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

DIRECTOR	24 October 2019	6 February 2020	5 August 2020
T Eloff	✓	✓	✓
GD Arnold	✓	✓	✓
TP Maumela	✓	#	#
LW Hansen (Consultant)	✓	✓	✓

✓ Present.
 # Resigned 23 January 2020.

Non-Executive Directors' fees

The Non-Executive Directors received the following fees during the year:

	Fixed fee per annum 2019 R'000	Fixed fee per annum 2020 R'000
Chairman of the Board	470	**491**
Lead Independent Non-Executive Director	209	**218**
Member of the Board	329	**344**
Chairman of the Audit and Risk Management Committee	268	**280**
Member of the Audit and Risk Management Committee	139	**145**
Chairman of the Human Resources, Remuneration and Nominations Committee	178	**186**
Member of the Human Resources, Remuneration and Nominations Committee	100	**105**
Chairman of the Social and Ethics Committee	157	**164**
Member of the Social and Ethics Committee	94	**98**

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 and committees appear on pages 53 to 56 of this Integrated Report. Board committee mandates and terms of reference are reviewed on an annual basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep abreast of developments in this field. Copies of Board committee mandates and terms of reference are available on Astral's website, www.astralfoods.com.

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

Shareholders will also be required to elect the members of the Social and Ethics Committee for the forthcoming financial year at the Company's next AGM.

The Board committees are as follows:

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

Governance (continued)

The Audit and Risk Management Committee fulfils the responsibilities as set out in the Audit and Risk Management Committee mandate and terms of reference, which include:

- overseeing the internal and external audit functions;
- assisting the Board in the discharge of its duties relating to the safeguarding of assets and operation of adequate systems and internal controls;
- ensuring the preparation of accurate financial reporting in compliance with all applicable legal requirements, corporate governance and accounting standards;
- providing support to the Board on evaluating the risk profile and risk management of the Group; and
- providing support to the Board on IT governance and risks.

A copy of the mandate and terms of reference of the committee is available on Astral's website, www.astralfoods.com.

Both the Director: Risk Management and the external auditor have unfettered access to the CEO, the Chairman of the Board and the Audit and Risk Management Committee.

The committee reviews and confirms the following additional responsibilities required by King IV™ and the JSE Listings Requirements:

- the independence of the external audit function;
- the competence of the CFO and the finance function of the Group; and
- the Integrated Report.

Divisional Audit Committee meetings are scheduled twice a year at every business unit. These meetings are chaired by the CFO, attended by the CEO, internal audit, external audit, the Managing Director and Divisional Finance Executive, and the business unit COO and Finance Executive.

Risk Management

Astral is committed to the following risk management action plan:

- identifying the risks to which the Group is exposed;
- identifying the most effective ways of eliminating or mitigating risk exposures as far as is reasonably practical;
- insuring against catastrophic incidents and other losses beyond our self-insurance capacity; and
- minimising in the long term, the total cost of risk.

Astral applies 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
DJ Fouché (Chairman)	Yes	November 2015 to date
TM Shabangu	Yes	November 2014 to date
S Mayet	Yes	August 2019 to date

Internal audit

Astral has established an independent, objective and effective Internal Audit Department governed by a charter approved by the Board. The internal audit function reports to the CEO 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, ensure the accuracy and completeness of accounting records and the preparation of reliable financial statements.

The Internal Audit Department is staffed by qualified and experienced internal auditors. The annual internal audit programme is approved by the committee and all significant findings, together with steps taken to rectify lapses in internal control, are reported at every committee meeting.

The 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.

Information Technology (IT)

The Board has delegated responsibility for IT to the Audit and Risk Management Committee but retains overall accountability.

An IT Charter, aligned to King IV™, has been implemented. The IT strategy is reviewed by the Audit and Risk Management Committee and by the Board. The IT Charter can be viewed on Astral's website, www.astralfoods.com.

Management has the responsibility for the management of IT and the governance framework which includes:

- IT Steering Committee to monitor and manage IT governance;
- IT policies and procedures to regulate the management of all IT functions;
- relevant standards and processes that are subject to audits, reviews and benchmarks; and
- policies and procedures to govern the active directory and exchange which has been outsourced.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

A formalised disaster recovery programme is in place to ensure the minimum disruption in the event of disaster.

Integrated reporting

The committee oversees integrated reporting, and in particular:

- takes cognisance of all factors and risks that may impact the integrity of the Integrated Report including matters that may predispose 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 Report;
- recommends to the Board whether or not to engage an external assurance provider on material sustainability issues;
- recommends the Integrated Report for approval by the Board; and
- considers whether the external auditor should perform assurance procedures on interim results or be engaged for any non-audit assignments.

The committee recommended to the Board to continue not to publish a summarised Integrated Report or engage an external assurance provider to confirm material elements of the sustainability part of the Integrated Report. This decision was based on the fact that sustainability reporting formed part of the budget process and is reported on by business units and approved by the Executive Directors. This approach will be reviewed every year. Astral has appointed a full-time Sustainability 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 107 to 111 of this Integrated Report.

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.

TM Shabangu chairs all sections of meetings of the committee dealing with Human Resources and Remuneration. However, sections dealing with matters related to Nominations are chaired by T Eloff, the Chairman of the Board. The committee's Mandate and Terms of Reference is available on Astral's website, www.astralfoods.com.

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

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

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

Further information regarding the activities of the committee is available in the Remuneration Report on pages 75 and 76 of this Integrated Report.

Social and Ethics Committee

A Social and Ethics Committee has been appointed consisting of four members. T Maumela resigned as Chairperson effective 23 January 2020 and as a result, T Eloff acted as Chairperson. TM Shabangu is to be appointed as Chairperson at the next AGM in February 2021. A formal mandate and terms of reference have been approved by the Board. The Acting Chairperson of the committee, T Eloff, is present at the AGM and will be available to report to shareholders on the matters within its mandate. A copy of the committee's mandate and terms of reference is available on our website, www.astralfoods.com.

Members of the Social and Ethics Committee are:

Member	Independent non-executive director	Period
GD Arnold	No	October 2011 to date
T Eloff	Yes	July 2017 to date
LW Hansen (Consultant)	No	October 2011 to date

Governance (continued)

The main functions of the committee are:

Monitor the Group'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 AGM on matters within its mandate.

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

- **Human Rights**
  To support and respect for the protection of internationally proclaimed human rights.

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

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

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

- **Social and ethical awareness**
  To conduct ethical climate surveys.

- **Community upliftment and donations**
  To develop guidelines for charities and sponsorships.

- **Consumer development**
  To ensure compliance with the Consumer Protection Act.

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

For more information regarding the activities of the committee, refer to the Social and Ethics Report on pages 59 and 60 of this Integrated Report.

Organisational integrity and ethics

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

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

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

Astral utilises 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 Astral's ethics policy are displayed on all notice boards, laminated abridged copies are handed to every employee and the COO of each business unit is tasked to act as champion for his/her business unit to ensure that the ethics policy is understood and adhered to by all employees. The ethics policy forms a permanent part of every management agenda and external suppliers are required to adhere to the ethics policy. Any non-adherence is reported to business unit management and in turn reported to the 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;
- prohibiting the payment or offering of bribes;
- integrity of financial information;
- protection of confidential information;
- protection and use of Group property;
- conflict of interest; and
- action on contravention of the Code of Ethics.

In terms of accountability, all employees are required to:

- commit to individual conduct in accordance with the Code of Ethics;
- observe both the spirit and the letter of the law in their dealings on the Group's behalf;
- recognise the Group's responsibility to its shareholders, customers, employees, suppliers and to society;

- conduct themselves as responsible members of society, giving due regard to health, safety and environmental concerns, and human rights, in the operation of the Group's business; and
- report any suspected breach of the law or the Code of Ethics to the Internal Audit Department or the Board who will protect those who report violations in good faith.

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

A copy of the Code of Ethics 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 JSE regulations.

We have implemented an Information Policy that deals with prohibited periods for dealing in Astral shares, the determination of price sensitive information, periodic financial disclosure and affected directors' dealings in Astral shares. The Information Policy is available on Astral's website, www.astralfoods.com.

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

Management reporting

Astral has 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 with approved budgets and results of the previous year. Working capital requirements and borrowing levels are monitored on an ongoing basis and corrective or remedial action taken as appropriate.

Company Secretary

The Company Secretary is suitably qualified and experienced and plays an important role in ensuring that the Board procedures are followed correctly and reviewed regularly. The Company Secretary is responsible for the duties set out in section 88 of the Companies Act and is appropriately empowered by the Board to fulfil these duties.

Governance (continued)

The Board assesses the qualification, competence and expertise of the Company Secretary and confirms her suitability in terms of the JSE Listings Requirements on an annual basis. For further information on the Company Secretary, please refer to Corporate Services on page 35.

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

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

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

Political party contributions

Astral does not make any contributions to political parties.

Whistleblowing measures

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

Access to professional corporate governance services

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

Corporate Governance Framework

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

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

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

- Corporate Governance Framework
- Overview of King IV™ Principles
- Race and Gender Diversity Policy
- Information Policy
- Abridged Code of Ethics
- Board committee mandates and terms of reference

SOCIAL AND ETHICS COMMITTEE REPORT

Dear shareholders

I have pleasure in presenting to you the 2020 Social and Ethics Committee Report. This committee was established in terms of section 72 of the Companies Act and commenced its work in January 2012. It is a sub-committee of the Board and fulfils its functions on behalf of the Group in relation to social and economic development, governance, ethics, safety and health, environmental stewardship, labour and employment matters.

We subscribe to the Six Capitals model (Financial, Manufactured, Human, Social, Natural and Intellectual Capitals) which forms the basis of our approach to sustainable socio-economic investment and have been used throughout the Integrated Report.

This has been an exceptionally challenging year with the outbreak of the novel coronavirus with the health and safety of the Astral family being foremost in our efforts during this year.

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2020 financial year.

On behalf of the Social and Ethics Committee

T Eloff
Acting Chairperson

11 November 2020

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

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

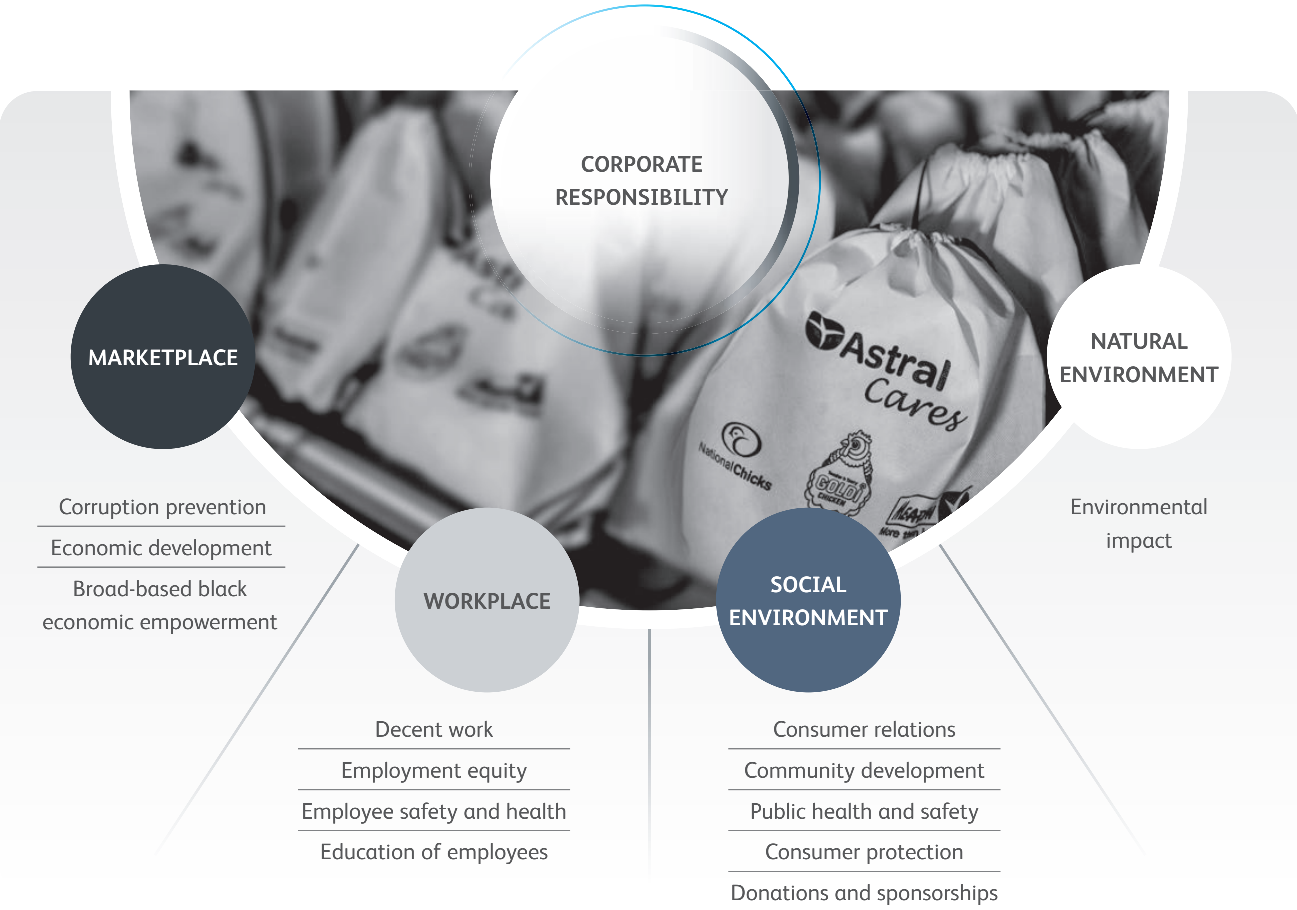
The work plan for the short- to medium-term focuses on:

- **Human rights**
  To support and respect for the protection of internationally proclaimed human rights.
- **Labour**
  To uphold the freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.
- **Environment**
  To support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.
- **Anti-corruption**
  To work against corruption in all its forms, including extortion and bribery.
- **Social and ethical awareness**
  To conduct ethical climate surveys.
- **Community upliftment and donations**
  To develop guidelines for charities and sponsorships.
- **Consumer development**
  To ensure compliance with the Consumer Protection Act.
- **Environment and sustainability reporting**
  To investigate areas which do not fall within the scope of responsibilities of the Audit and Risk Management Committee.

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

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

Governance (continued)



Key focus areas – 2020

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

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

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

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

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

For all ESG-related matters, please refer to the relevant sections in this Integrated Report.

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

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

Future focus areas

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

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

BUSINESS RISK REPORT

Risk management

Risk Management

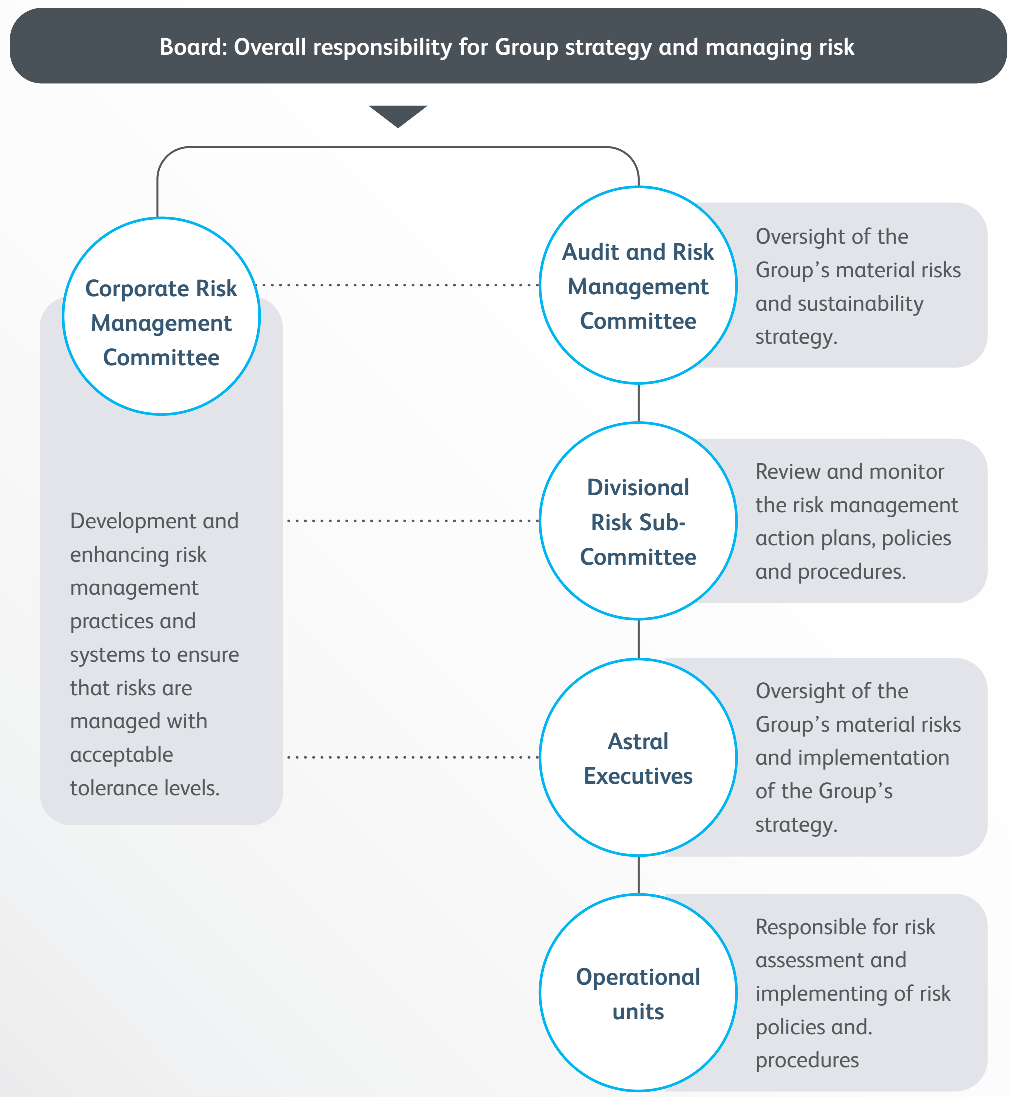
Astral is committed to the following risk management action plan:

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

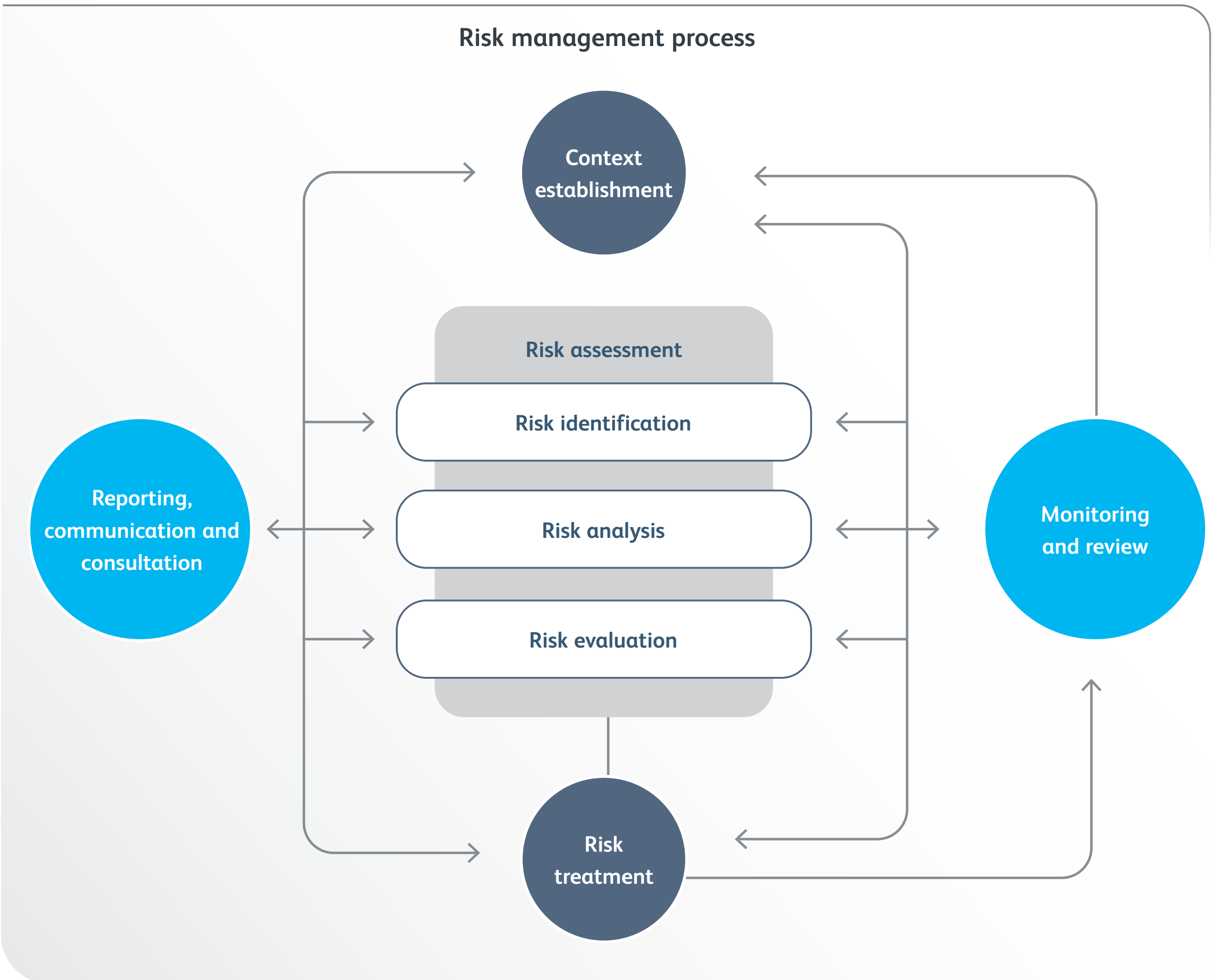
We apply an enterprise-wide risk management approach, involving all levels of management, with assistance of consultants for assessing insurable risk. The senior management at each operation is responsible for the development and implementation of a sound risk control programme based on the Group's risk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

The integrity of the risk control programme is regularly monitored by Internal Audit and appointed risk consultants.

Risk management framework



Governance (continued)



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

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

Risks are evaluated in relation to the following parameters:

- Headline risk area/category;
- Impact;
- Probability; and
- Perceived control effectiveness.

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

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

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

Business risks

Business risk	Risk mitigation plans	
Electricity – security of supply and pricing		
▪ Cost and availability of electricity. ▪ Unscheduled power interruptions. ▪ Cable theft resulting in business interruption.	▪ Alternative energy sources identified and utilised. ▪ Direct supply from Eskom.	▪ Planned production runs. ▪ Load curtailment agreements. ▪ Available capacity post expansion.
Prolonged imbalance in supply and demand of poultry. As a result of the following factors:		
▪ High levels of imports. ▪ Classic dumping of poultry meat in South Africa. ▪ Suppressed disposable income. ▪ The Covid-19 lockdown regulations impacted product mix, volumes and pricing.	▪ Participation in industry bodies presenting arguments for the protection of local industry against subsidised imports and dumping. ▪ Responsible expansion and production programmes.	▪ Monitoring of bird weight and production mix. ▪ Planned temporary production cut backs. ▪ Entrench least cost strategy.
Impact of global pandemic: Covid-19		
▪ Health and safety of employees.	▪ Preventative measures implemented. ▪ Personal protective equipment and sanitisers in conjunction with current hygiene programme.	▪ Monitoring and health care programme. ▪ Compliance with regulations. ▪ Information and training. ▪ Requirement forecast and monitoring.
▪ Availability of raw material and micro ingredient supply.	▪ Increased critical stock holding.	
▪ Credit risk	▪ Monitoring and review of credit limits.	
HPAI outbreak impact on operations		
HPAI outbreak can adversely impact our ability to conduct our operations and supply of products.	▪ Additional bio-security measures. ▪ Training and induction programmes. ▪ Production contingency plans in case of an outbreak.	▪ Vaccination programme – awaiting approval from government departments. ▪ Insurance cover for breeders.
Poultry products contaminated with bacterium that cause serious infections		
Foodborne pathogens outbreak in South Africa.	▪ Monitoring and testing. ▪ Cleaning programmes. ▪ All processing facilities FSSC22 000 certified. ▪ Traceability/product recall exercises. ▪ Regular audits performed by independent risk consultants, customers and independent standards authorities.	▪ Hygiene awareness programme. ▪ Consumer awareness programme. ▪ Repair and maintenance projects – hygiene. ▪ Additional capex projects.
Water supply and quality		
▪ Quality and availability of water. ▪ Unscheduled water interruptions. ▪ Municipal infrastructure not maintained.	▪ Increase in water reservoir capacity and enhancement of distribution. ▪ Water savings initiatives.	▪ Groundwater sources. ▪ Purification and recycling of water.

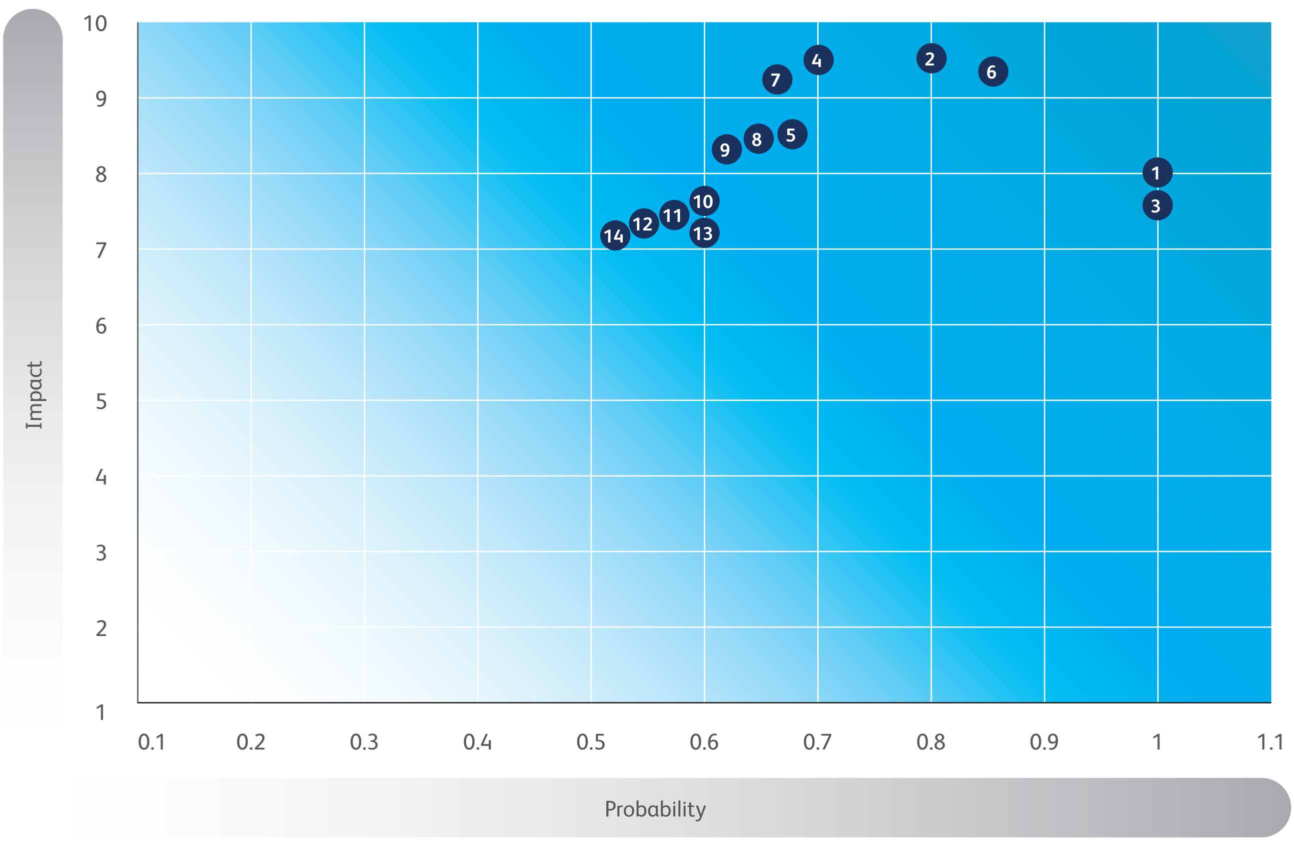
Governance (continued)

Business risk	Risk mitigation plans
Prolonged higher raw material cost	
High raw material prices and volatility. Although all producers would be exposed to similar prices, the main risk is the inability to recover this higher input cost.	▪ Explore cost effective raw material import opportunities. ▪ Astral Executive Procurement Committee frequently reviews the procurement strategy. ▪ Endeavour to recover the higher input cost through selling prices of poultry.
Breakdown in bio-security and threat of avian diseases	
Diseases would not only impact the Group through the possible depletion of flocks, but could influence growth, fertility and hatchability.	▪ Regular disease monitoring. ▪ Serological, microbiology and molecular surveillance. ▪ Increased level of bio-security, including suppliers. ▪ Availability of vaccination procedures. ▪ Culling and disposal protocols. ▪ Elimination of vectors, e.g. bird proofing. ▪ Cleaning and disinfection programmes. ▪ Contingency plan formulated in case of outbreak.
Premix micro-ingredient deficiency and/or contamination with undesirable substance	
Vitamin, mineral and feed additive premixes are included in animal feed. Should this premix not conform to the required specification with respect to micronutrient content it could impact on the health and growth of livestock.	▪ Pre-screening of suppliers. ▪ Country of origin quality control. ▪ Ongoing improvement in quality and production technology.
Raw material price volatility	
Prices of all agricultural inputs tend to fluctuate with a major impact on input costs.	▪ Alignment with well-established suppliers who have global reach. ▪ Key raw material procurement centrally coordinated. ▪ Astral Executive Procurement Committee reviews and updates procurement strategy and prices regularly.
Non-conformance to final feed specifications impact on breeding programme	
Should animal feed not conform to the required quality standards and nutritional levels it could impact the growth, performance and production efficiency of livestock.	▪ Pre-screening of raw materials. ▪ Country of origin quality control. ▪ Analytical laboratory competency. ▪ Stringent quality standards. ▪ Independent quality audits. ▪ Ongoing improvement of technology. ▪ Inclusion of ingredient tracers.
Lack of continuous genetic improvement	
Genetic improvement 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.
Malicious damage – virus and cyber attacks	
Risk of financial loss, disruption or damage to the reputation of an organisation from some sort of failure of its IT systems.	▪ Standardised Group policies. ▪ Anti-virus software version checks. ▪ Regular enforced updates of Windows patches. ▪ Independent intrusion detection testing. ▪ Response action plans.
Fraud and theft	
The risk of fraudulent activities and theft of product by employees and external parties that could lead to financial losses.	▪ Company policies. ▪ Internal and External Audit. ▪ Management review. ▪ Tip-offs anonymous hotline. ▪ Awareness and communication programmes.

Major risks

	Risk		
1	Electricity – security of supply and pricing	8	Breakdown in biosecurity and threat of diseases
2	Prolonged imbalance in supply and demand of poultry	9	Premix micro-ingredient deficiency and/or contamination with undesirable substance
3	Impact of global pandemic: Covid-19	10	Raw material price volatility
4	HPAI outbreak impact on operations	11	Non-conformance to final feed specifications and impact on poultry production
5	Poultry products contaminated with bacterium that cause serious infections	12	Lack of continuous genetic improvement
6	Water supply and quality	13	Malicious damage – virus and cyber attacks
7	Prolonged higher raw material cost	14	Fraud and theft

Inherent risk rating

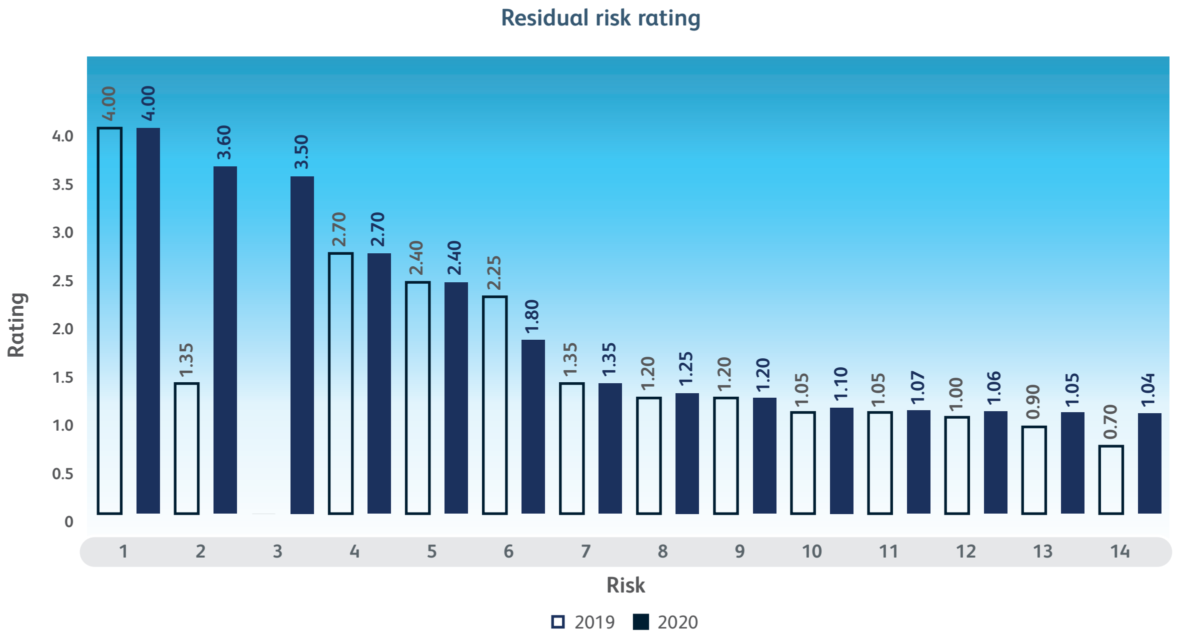


Governance (continued)

Residual risk status

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

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



STAKEHOLDER ENGAGEMENT AND TOPICS

Our philosophy

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

Our approach

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

Our principles

Relevance	Completeness	Responsiveness
Focusing on those issues of material concern to our stakeholders and to Astral and identifying how best to address them for our mutual benefit	Understanding the views, needs, performance expectations and perceptions with these material issues while also taking cognisance of prevailing local and global trends	▪ Engaging with stakeholders on issues and giving regular, comprehensive and coherent feedback ▪ We have identified all our stakeholders and we engage directly with them by way of organised dialogues, roundtable discussions, one-on-one meetings and regular engagement with local communities at each operation ▪ Enquiries from shareholders are generally handled by our CEO directly and only information that is in the public domain is disclosed. We also make use of external benchmarking and standards that are designed to reflect and address societal expectations ▪ At operational level, we identify, prioritise and directly engage with stakeholders on matters that have the potential to affect their operational, sustainability or financial performance

Governance (continued)

Our engagement and topics

SHAREHOLDERS

Our shareholder base is broad and includes private and institutional investors (local and international), private and public companies and insurance companies

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Website ▪ SENS ▪ Trading updates ▪ Bi-annual results presentations ▪ Investor relations ▪ Face-to-face meetings ▪ Site visits	▪ Return on capital invested ▪ Sustainability of business ▪ Optimal capital expenditure allocation and management ▪ Execution of growth strategies ▪ Bio-security measures ▪ Ethical conduct	▪ Implementing stated strategy ▪ Acceptable RONA on capital spend ▪ Never under promise and over deliver ▪ Adhering to ethical principles ▪ Regular polls are done and recommendations from shareholders are considered and where possible, addressed

2020 TOPICS

- Import tariff hike
- Maize and soya crops
- Disruption in QSR market
- Festive expansion
- Direct impact of Covid-19
- Cash management/debt facilities
- Dividend outlook

EMPLOYEES

Our staff complement consists of permanent and contract employees

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Confidential hotline through "Tip-offs Anonymous" ▪ Bi-annual road shows ▪ Management and union meetings ▪ Internal newsletters and notice boards	▪ Career development and skills training ▪ Job security ▪ Health and safety ▪ Involvement in secondary and tertiary education programmes ▪ Corporate and social investment in communities ▪ Employee wellness programmes ▪ Open and honest feedback ▪ Employee surveys	▪ A study loan policy is in place providing assistance to employees to further their academic qualifications ▪ The CEO "Pinnacle Programme", closed during 2020, consisted of management training and development interventions ▪ The next phase of leadership development will focus at supervisory level and is planned for 2021 ▪ A wellness programme is in place throughout the Group ▪ Regular employee engagement surveys are conducted in order to understand the engagement and commitment levels of employees in the Group

2020 TOPICS

- Covid-19 concerns raised by employees were addressed.
- All employees, service providers and contractors were trained on Covid-19 health and safety protocols in the workplace, including how to deal with Covid-19 at home.
- Employees and their families are supported by the Astral Covid-19 toll free hotline, available 24/7 to assist with medical advice and support counselling.
- During 2020, R7.5 million was spent on the employee wellness programme.
- Wage negotiations.
- Total person days lost to industrial action for the financial year amounted to zero, compared to 24 635 hours lost in 2019.
- The CEO Pinnacle Programme was closed out during the year, with all targeted training objectives achieved. The next phase of leadership development will focus at supervisory level and is planned for 2021.
- The Astral Care initiative saw Astral distributing food parcels to employees, valued at about R600 000 per distribution run.

CUSTOMERS

Our key customers lie primarily in top-end retail chains and wholesalers, mainly independently owned. Recently we have also gained customers in the QSR market

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Face-to-face meetings ▪ Regular discussions ▪ Advertising through media	▪ Delivery of quality products and services ▪ Price competitiveness ▪ Adherence to regulatory requirements, sound corporate governance and ethical conduct ▪ Reliable long-term supply of products	▪ Ensure availability of stock ▪ Ensure that all products are safe and consistent with the quality and brand expected from Astral ▪ Ensure that all our products adhere to all the necessary standards such as HACCP and ISO

2020 TOPICS

Supply and demand

- The financial year under review was characterised by weak demand as a result of Covid-19 as well as constrained consumer disposable income.
- Processing volumes increased across the poultry industry relative to the prior year, increasing supply of broiler meat to the market.
- Imports remained high, but relatively constant over this period, despite import tariffs.
- QSR and restaurant market closure over the hard lockdown levels disrupted the IQF market.

Update on HPAI

- Avian influenza remains a global challenge. However, worldwide cases of HPAI in 2019 were much lower compared to 2018. Different serotypes of the HPAI virus are still circulating in wild birds in Northern and Eastern Europe and the Middle East. The HPAI virus in Africa circulates in wild and aquatic coastal birds.
- The Netherlands had an outbreak of HPAI at the beginning of November 2020. In addition, there has been recent outbreaks in the United Kingdom, Russia and Israel.
- In South Africa, HPAI is still prevalent in ostriches, however confirmed cases in commercial poultry were last reported in May 2018.

Governance (continued)

SUPPLIERS

We have a wide range of suppliers and source products and services mainly from local empowered suppliers

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Presentations by suppliers to our procurement function ▪ Regular discussion ▪ Interaction with packaging and ingredient suppliers	▪ Long-term security of supply ▪ Fair treatment and fair payment terms ▪ Commitment to B-BBEE-policies	▪ Festive expansion at Olifantsfontein plant completed ▪ Stringent bio-security measures implemented ▪ Ongoing ethical training ▪ Policy in place to exclude dealings with suppliers that pose a threat to our product responsibility ▪ Food safety is a compulsory requirement for ingredient suppliers ▪ Utilising of contract growers and we continuously seek opportunities to expand contract growers, especially those that have a B-BBEE component

2020 TOPICS

Global and local maize production

- The maize harvest for the 2019/2020 marketing year was 15.3 million tons with the stock-to-use ratio decreasing to 10.0% from the 20.2% in the prior year.
- The Crop Estimates Committee's Planting Intentions Forecast is anticipating that an additional planting area (5.2%) will be allocated to the planting of maize this season, whilst the area allocated to soya is also expected to increase by 11.5%.
- Weather forecasters are indicating a strong probability of La Niña conditions for the year ahead, which points towards normalised to higher rainfall for the upcoming season.
- Global corn stocks (including China) are expected to decrease, with the world corn stock-to-use ratio projected at 21.8% (prior year 23.1%), whereas the USA forecast is projected at 14.4%, down from 15.5% in the previous year.
- Imported soya oilcake prices were significantly higher (15.5%) for the year as global stock levels decreased and demand recovered. China has also increased imports significantly for the same reasons as corn.

Standerton water supply interruptions

- The water supply interruptions at Astral's poultry processing plant in Standerton continues to be monitored.
- Astral installed infrastructure on one of its poultry farms alongside the Vaal River in the vicinity of Standerton, which enables the Group to extract raw water. This water is pumped from the river and then transported by road to a filtration plant that has been established at the Group's premises in Standerton alongside the processing plant. This emergency arrangement is currently in operation whilst the parties are co-operating to secure a more suitable extraction point at the municipality's water treatment works. In accordance with a High Court order previously secured by Astral, the municipality is obliged to submit a long-term plan indicating how and when it intends repairing and improving the municipal water supply infrastructure.

REGULATORY AUTHORITIES

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

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Adherence to laws and regulations ▪ Regular training of staff to understand laws and regulations ▪ Face-to-face meetings ▪ Independent assurance	▪ Accountability of employees to ensure compliance ▪ Ensuring independent assurance takes place at all levels of our business	▪ Continuous training of management and staff responsible for compliance with various regulatory bodies and the respective authorities governing our business ▪ Immediate corrective action taken in the event of findings raised by authorities ▪ Participation in industry bodies ▪ Corporate functions provide support to line management in executing assurance duties ▪ Traceability of all products

2020 TOPICS

- The South African government and poultry producers signed the Poultry Sector Master Plan in November 2019, to grow the industry as the government raised tariffs to counter cheap imports earlier this year.
- About R1 billion of the R1.7 billion pledged for expansion by 2022 has already been invested and 5% more chickens were being produced for slaughter each week as well as setting up 50 contract farming operations. Together, the investments should create as many as 4 600 jobs. Poultry is the second-largest component of South Africa's agriculture industry and employs about 110 000 people.
- In March 2020, the government increased import duties on frozen bone-in and boneless chicken pieces from all countries excluding EU and Southern African Development Community member countries.

Governance (continued)

INDUSTRY

Astral and its employees are members of and/or participate in various organisations

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Regular attendance of industry body meetings ▪ Subscribing to industry publications ▪ Participation in industry forums	▪ Playing a key role in the management of industry bodies ▪ Keeping up to date with latest developments	▪ Members of management are actively involved in industry bodies such as the Animal Feeds Manufacturers Association and SAPA ▪ Members of management attend training courses and seminars on a regular basis

2020 TOPICS

- At 30 September 2020, 38 % (2019: 21 %) of Astral's employees were members of a trade union.

CIVIL SOCIETY

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

ENGAGEMENT METHODS	MATERIAL MATTERS	STRATEGIC RESPONSE
▪ Identifying causes where relief is sought ▪ Evaluation of calls for assistance in communities where we operate ▪ Management of a wellness programme	▪ Responding to calls for assistance in the communities where we operate ▪ Identifying needs that are brought to our attention via the media or charitable organisations	▪ We donate feed, money or other consumables (including chicken products and eggs) to orphanages, charities and old age homes ▪ We are passionate about making the public aware of cancer and we support People Living With Cancer's Cancer.vive initiative ▪ We invest in development and empowerment of emerging farmers through training, development initiatives, preferred procurement and capital investment ▪ Our wellness programme focuses on body mass index, hypertension, cholesterol, diabetes and voluntary counselling and testing for HIV/AIDS

2020 TOPICS

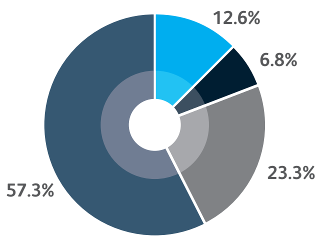
- During the year we spent R11.8 million on CSI throughout South Africa, an increase of 280.6 %.
- "Astral Cares" initiative launched.

VALUE-ADDED STATEMENT

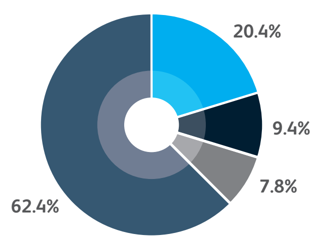
Distribution of economic value generated for stakeholders

	Year ended 30 September			
	2020		2019	
	R'm	%	R'm	%
Value added:				
Sales of goods and services	14 104		13 486	
Less: Cost of materials and services	(10 710)		(10 551)	
Value added from trading operations	3 394	99.2	2 935	98.6
Income from investments	28	0.8	41	1.4
Total value added	3 422	100.0	2 976	100.0
Value distributed:				
To labour	1 962	57.3	1 858	62.4
To government	233	6.8	280	9.4
– Income tax	221		266	
– Skills development levy	12		14	
To providers of capital	429	12.6	606	20.4
– Dividends to shareholders	166		595	
– Interest on lease liabilities	178		–	
– Interest on borrowings	85		11	
Total distributions	2 624	76.7	2 744	92.2
Income retained in the business	798	23.3	232	7.8
– Depreciation and amortisation	403		176	
– Retained income for the year	395		56	
Total value distributed and reinvested	3 422	100.0	2 976	100.0
Revenue generated in South Africa	97%		96 %	
Employees	11 461		11 499	
Revenue generated per employee (R'000)	1 231		1 173	
Value distributed per employee (R'000)	299		259	

September 2020



September 2019



■ Providers of capital ■ Government ■ Reinvested ■ Labour

Governance (continued)

REMUNERATION REPORT

Dear shareholders

On behalf of the Human Resources, Remuneration and Nominations Committee and the Board, I take pleasure in presenting the 2020 Remuneration Report.

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

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

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

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

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

During the year, the committee received guidance from external advisors regarding the remuneration of executive management as well as the fees payable to non-executive directors.

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

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

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

Heartfelt thanks to Astral's management and employees who worked relentlessly during difficult and unprecedented times exacerbated by Covid-19. They have gone above and beyond the call of duty and the committee would like to acknowledge their hard work in this regard.

Warm regards

Tshepo Shabangu
Chairperson

11 November 2020

Human Resources, Remuneration and Nominations Committee

Part 1: King IV™ and JSE Listings Requirements

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

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

The results of the voting on the following resolutions proposed at the previous two (2) AGMs were as follows:

Percentage of "For" votes	6 February 2020	7 February 2019
Endorsement of the Remuneration Policy	80.01%	94.22 %
Endorsement of the implementation of the Remuneration Policy	80.08%	94.09 %

The Company Secretary attends all meetings of the committee as secretary. The CEO and the Human Resources Executive attend all meetings by invitation. No attendee may participate in any discussion or decision regarding personal remuneration.

INDEPENDENT ADVISORS

In order to ensure that we remunerate our executive management and senior management competitively, the committee consults with external independent advisors from time to time on market information and remuneration trends. These include:

- Deloitte;
- 21st Century Pay Solutions Group; and
- PwC.

In addition, the committee frequently reviews and benchmarks Astral against remuneration and best practice reports published by external parties.

It is imperative that focus remains on fair and competitive remuneration at all levels in order to remain an employer of choice.

The committee further considers the views of the CEO on the remuneration and performance of his colleagues on the Board and the executive committee.

The committee confirms that it was satisfied with the independence and objectivity of the remuneration consultants and advisors utilised during 2020, that they provided independent, non-biased advice and that all decisions taken were recommended by management and approved by the committee.

Part 2: Background statement

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

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

The overall business performance of Astral was reasonable, due in part to what has proven to be difficult trading conditions during the second half of the year, with government lockdown regulations severely impacting consumer spend and further increasing unemployment.

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

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

- Reviewed and confirmed the mandate and terms of reference of the committee in order to align it with the King IV™ principles.
- Approved the pay adjustments for executive management, senior management and employees.
- Reviewed fee levels for non-executive directors for recommendation to the Board.
- Reviewed the two STI safety net conditions. Please refer to page 82 of Remuneration Policy for details pertaining to the applicable safety net conditions.

Governance (continued)

- Reviewed and, where appropriate and in line with advice, adjusted by either increasing or decreasing STI sharing percentages applicable to executive management and senior management.
- Reviewed and updated the LTI policy document and vesting conditions.
- Approved the 2020 LTI allocation.
- Reviewed remuneration developments compared to country best practice.
- Reviewed and monitored the transfer of retirement funds to NMG Fund Administrators, as governed by the board of trustees of the funds.

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

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

The key focus areas for 2021 of the committee include the following:

- Review and confirm the mandate and terms of reference of the committee in order to align it to the King IV™ principles.
- Continue with implementation of the revised and broadened Remuneration Policy in 2021.

Part 3: Remuneration Policy

3.1 INTRODUCTION

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

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

- Total guaranteed pay (TGP).
- Short-term incentives (STI).
- Long-term incentives (LTI).
- Recognition programmes including a long service award programme.
- Succession planning and skills development, with supported learning and development programmes.
- Employee wellbeing through an integrated wellness programme.
- Employee benefit administration in terms of insurances, retirement funds, medical aids and conditions of employment.

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

Type	Intent	Reward element	Eligibility	Link to strategy
Guaranteed pay	**TGP** Attract, reward and retain skills of the highest quality to execute Astral's strategic objectives	Salary	All employees	Yes, retain adequate skills
Variable pay	**STI** Reward employees by aligning reward with performance	EVA Incentive Bonus Scheme	Selected Executive members and senior management	Short-term focus upon achievement of financial performance indicators in support of Group strategy
		PBIT Incentive Bonus Scheme	All employees including selected senior management	Business unit focus
		Key performance incentives	Selected middle to senior managers and professionals	Short-term focus upon achievement of key performance indicators in support of Group strategy
	LTI Retention of skills and alignment with shareholders' interests	Long-term retention plan (LRP)	Selected executives, senior management and professionals	Long-term focus upon achievement and implementation of Group strategy
		Forfeitable share plan (FSP)	Selected executives, senior management and professionals	

The guiding principle that Astral adheres to is to ensure that employees are fairly and responsibly rewarded for their individual contribution to the Group's operational and financial performance in line with its corporate objectives and business strategy and that this reward is aligned with industry and market benchmarks by focusing on a number of factors including:
- individual performance;
- balanced approach towards fair and equitable pay, in principle comparative at all levels within Astral;
- affordability and sustainability of pay at the various levels;
- considering the total remuneration mix for each individual; and
- the relative strategic and operational positioning of each job in contributing to the overall success of our business.

A two-year clawback provision on STIs and LTIs was introduced for executive directors and prescribed officers on 1 October 2019. During the financial year ended 30 September 2020, no incidents occurred to trigger the clawback conditions.

3.2 EXECUTIVE MANAGEMENT REMUNERATION

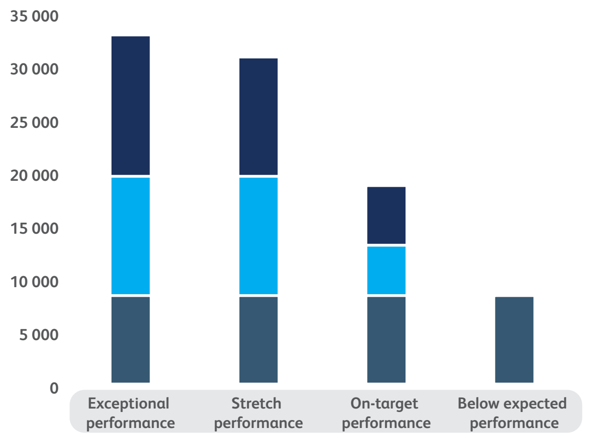
3.2.1 Performance scenarios

Astral's reward philosophy for executive directors and prescribed officers entails that a significant portion of their remuneration received is dependent upon the Group's performance. The actual total pay outcomes for the year ended 30 September 2020 is dealt with in detail in Part 4.

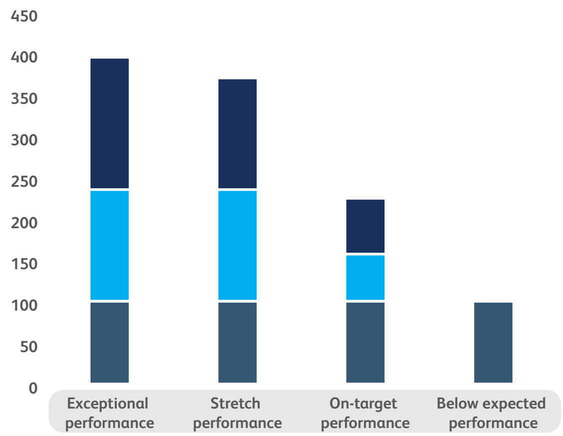
Governance (continued)

The remuneration opportunities for the CEO, CFO, executive directors and prescribed officers under the different performance scenarios are illustrated below:

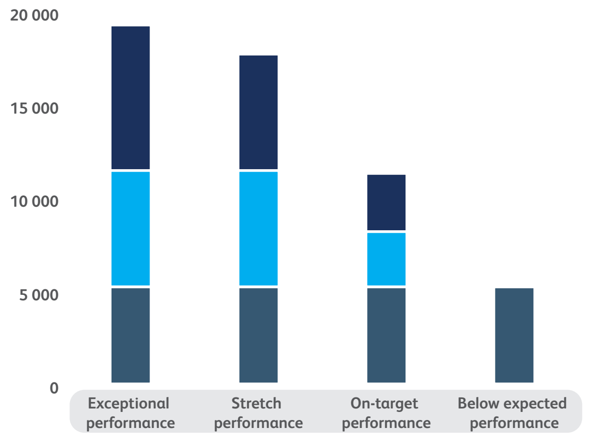
CEO (R'000)



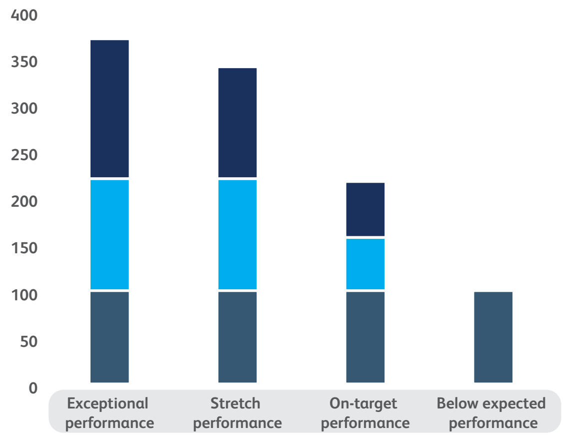
CEO (% of TGP)



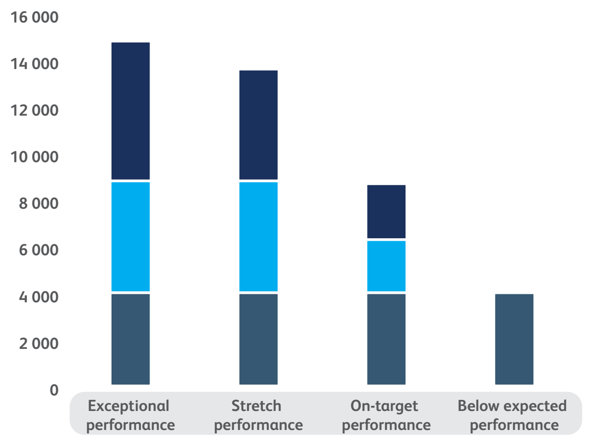
CFO (R'000)



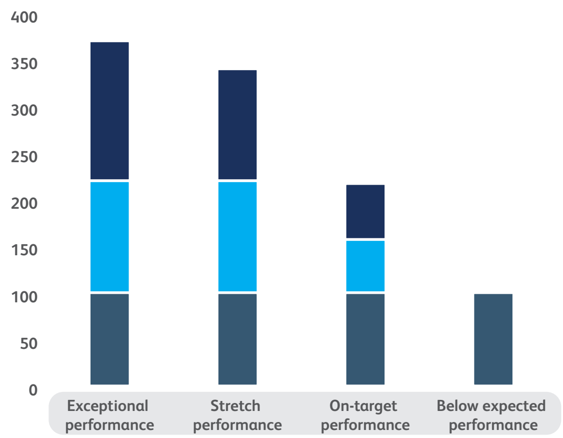
CFO (% of TGP)



Executive directors (R'000)

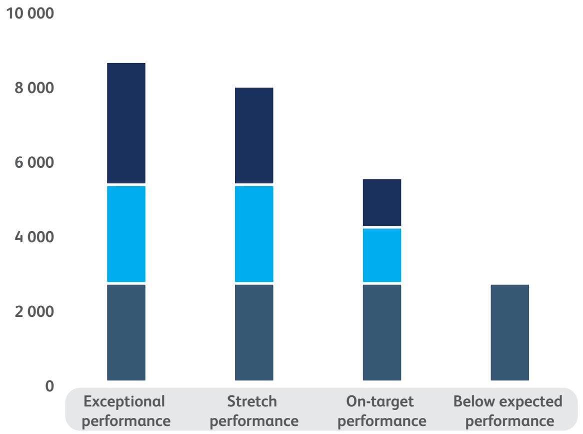


Executive directors (% of TGP)

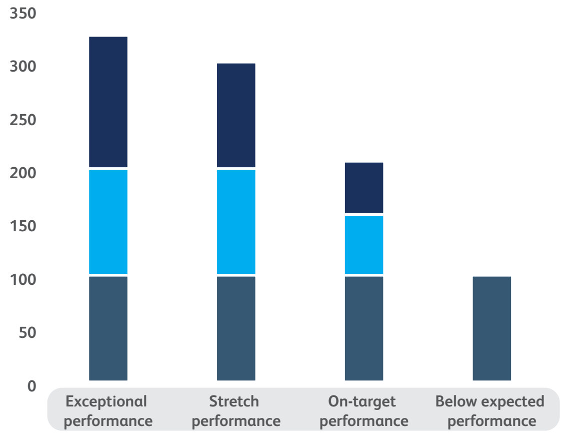


■ STI ■ LTI ■ TGP

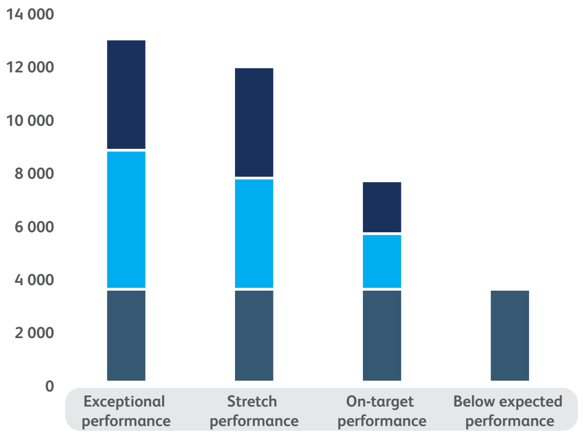
Prescribed officers (Risk director and Human Resources Executive) (R'000)



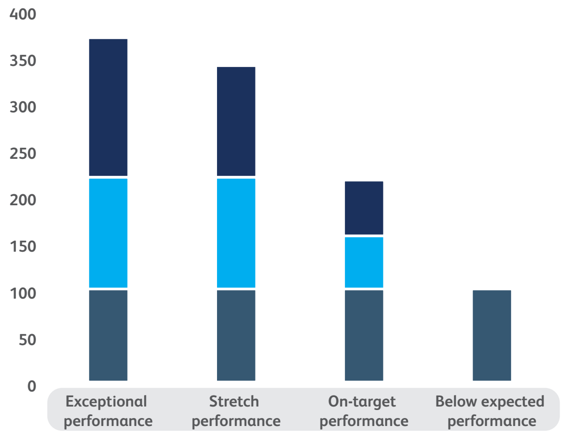
Prescribed officers (Risk director and Human Resources Executive) (% of TGP)



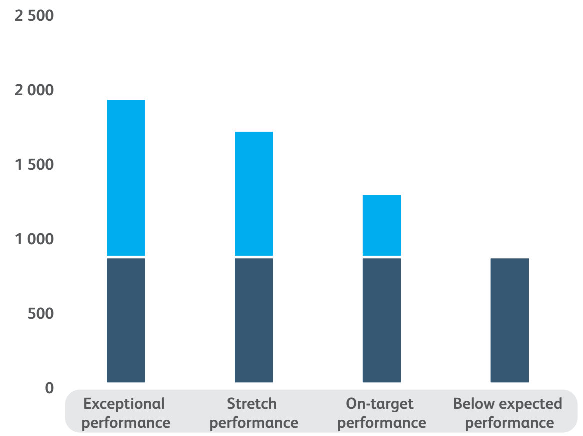
Prescribed officer – Managing director (R'000)



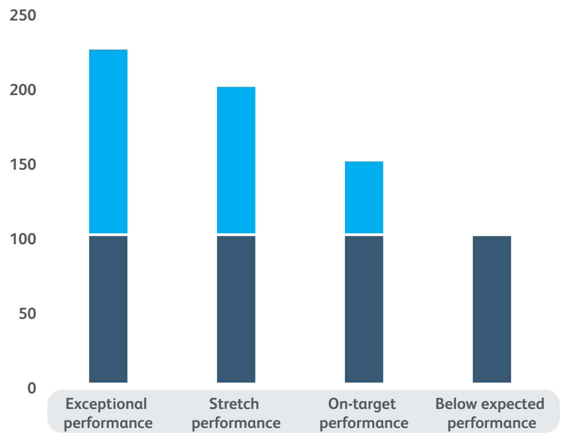
Prescribed officer – Managing director (% of TGP)



Prescribed officers (Company Secretary) (R'000)



Prescribed officers (Company Secretary) (% of TGP)



■ STI ■ LTI ■ TGP

Governance (continued)

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

3.2.2 Total Guaranteed Package (TGP)

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

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

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

3.2.3 Short-Term Incentive (STI)

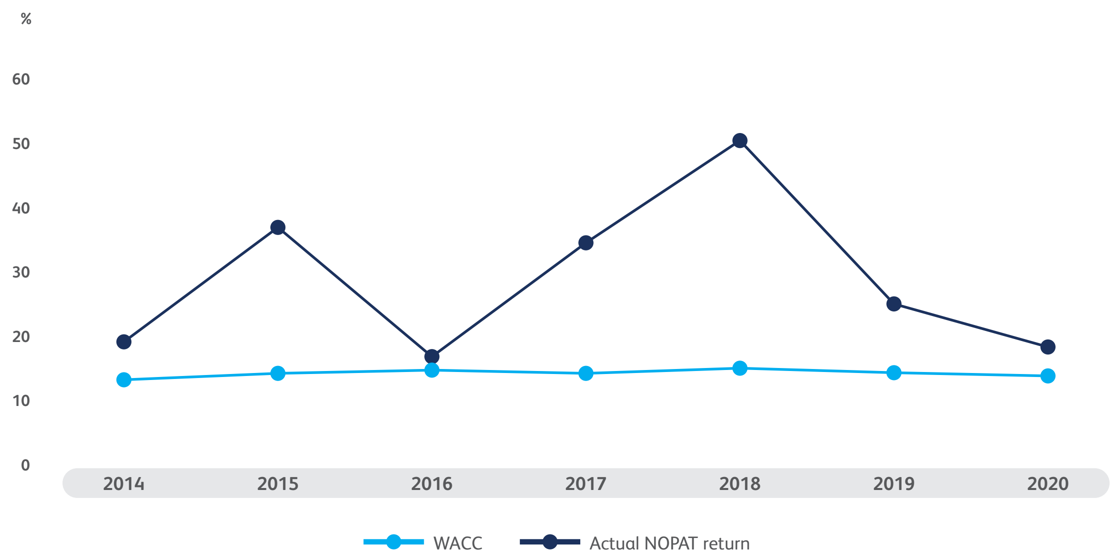
3.2.3.1 Introduction

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

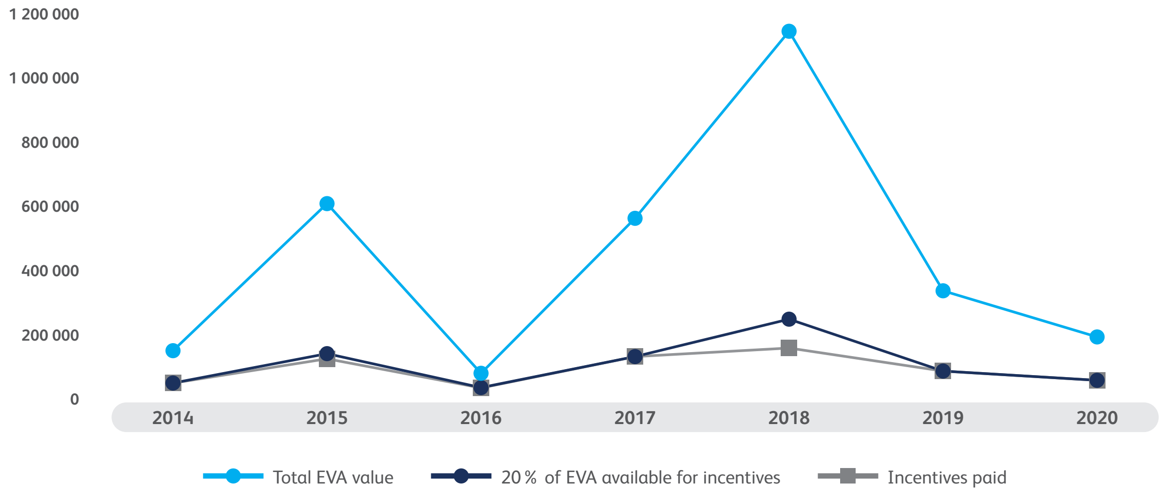
The goal of the annual incentive schemes is to reward participants for the achievement of the Group's financial performance while retaining a clear link between pay and individual performance. The committee satisfies itself that the performance criteria utilised are relevant, stretching and designed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

The EVA for Astral during the period 2014 to 2020 compared to STI allocations was as follows:

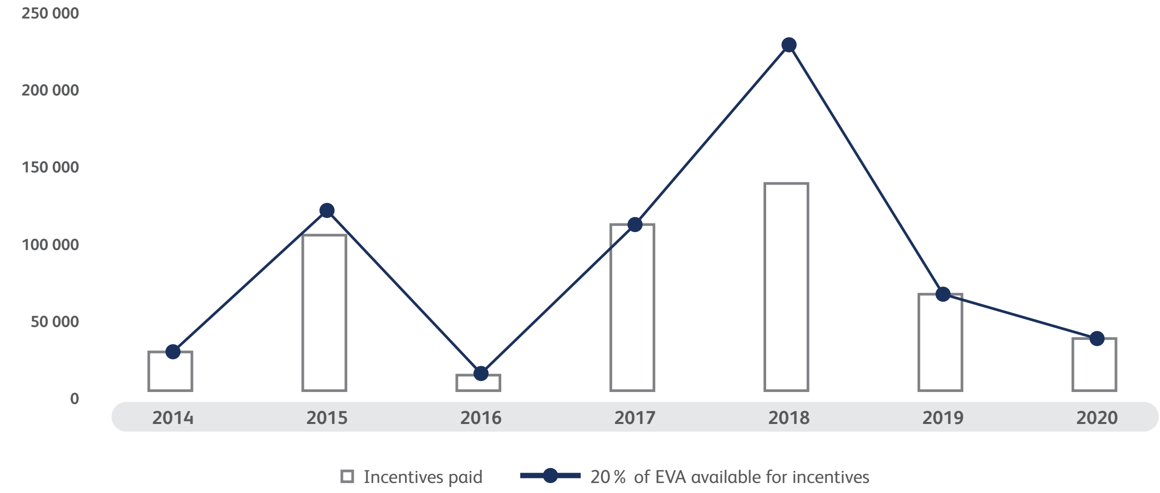
Actual NOPAT return versus WACC (%)



20% of EVA versus actual incentives paid (R'000)



20% of EVA versus actual incentives paid (R'000)



Participants within this plan fall into two categories:

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

Fault terminations due to reasons of resignations or dismissal or abscondment will forfeit all awards allocated. In the case of no fault terminations such as ill health, death in service, retrenchment or retirement, the incentives vested are payable on a pro rata basis.

Governance (continued)

3.2.3.2 EVA Incentive Bonus Scheme

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

- business development;
- working capital management;
- investment;
- talent management;
- growth and profitability; and
- close alignment to shareholder expectations.

Incentive bonuses for members of executive management and senior management are based on sharing in EVA created.

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

EVA is, for purposes of the scheme, defined as the excess of NOPAT, over the required return on net assets at year-end calculated at a WACC rate. The net assets are as per the closing balance sheet prevalent at end of September. The WACC rate used is the average of the prior year (September) rate and the rate at the end of the current financial year.

The EVA bonus will only be paid to a participant if the threshold of an appropriate premium to WACC (stretch performance) has been met.

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

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

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

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

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

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

Managerial level	Stretched performance Maximum STI – % of TGP	Exceptional performance Maximum STI – % of TGP
CEO	135%	160%
CFO	120%	150%
Managing director	120%	150%
Executive management	100%	125%
Senior management	80% to 100%	100% to 125%

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

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

3.2.3.3 **PBIT Incentive Bonus Scheme**

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

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

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

3.2.3.4 **Key performance incentives**

Achievement of key performance indicators in support of Group strategy is recognised. The award quantum may not exceed fifty percent (50 %) of the participants' annual TGP.

3.2.4 Long-Term Incentives (LTI)

3.2.4.1 **Introduction**

The LTI utilised by the Group, namely the LRP and FSP, are the chosen schemes with which to drive the long-term retention of key employees within the Group.

In the event that any executive director, member of executive management or senior management should leave the employ of the Group and any payments are still outstanding, the committee in consultation with the CEO will determine whether such payment should be made once vested. Payment will only be made in exceptional circumstances.

The value of the total LTI allocations must be approved by the committee within the following framework:

- the FSP allocation to any individual may not exceed 1 % of the Group's market capitalisation applicable at the date of allocation;
- the maximum number of shares which may be settled under the FSP shall not exceed 2 142 039 (two million one hundred forty-two thousand and thirty nine) shares; and
- individual LTI Rand value of awards made, either in LRP (deferred cash) and/or in FSP (Rand value of shares at date of allocation) may not exceed the maximum individual award quantum of TGP.

Allocations made for 2020 were as follows:

	Participation		Maximum award quantum allowed
Managerial level	LRP	FSP	of TGP
CEO	Nil	100%	135%
CFO	50%	50%	120%
Managing director	50%	50%	120%
Executive management	50%	50%	100%
Senior management	100%	Nil	80%

The committee may decide to use a combination of different percentage weightings when making individual allocations (up to the maximum award quantum).

Terminations due to reasons of resignation, dismissal or absconding will forfeit all awards allocated. In the case of terminations such as ill health, death in service, retrenchment or retirement, the incentives are payable on a pro-rata basis once vested.

3.2.4.2 **Long-Term Retention Plan (LRP)**

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

Governance (continued)

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

The continued use of the LRP scheme will, from time to time, be reviewed by the committee and the continued use thereof will be determined by the committee based upon the Group achieving its reward philosophy in a sustained manner, namely to attract, retain and motivate employees of the highest quality.

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

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

- 33% of the allocated amount is subject to achieving a predetermined moving average annualised growth in HEPS over a three-year period. The base is determined by calculating the three-year moving average of HEPS at the onset of the vesting period. The vesting percentage will increase according to a sliding scale for HEPS growth as authorised by the committee. An average annual increase in HEPS over a three-year period of inflation (CPI averaged over a period of 36 months) plus 5% per annum, will secure a payment at vesting equal to 33% of the allocated amount and an average increase in HEPS equal to the inflation rate will secure a payment equal to 18% of the allocated amount.
- 34% of the allocation is subject to achieving a predetermined performance condition of an average PEF(i) over a three-year period. The actual payments are calculated on a sliding scale according to the average PEF achieved over the three-year period. The use of PEF as a measurement of performance is specific to agricultural businesses such as Astral and is considered essential in holistically managing performance within our operations. PEF is the most important international benchmark used by broiler integrators to measure the efficiency of on farm broiler production. This value is derived from a formula that incorporates the final average live weight of a broiler before slaughter (i.e. the final average weight per bird at depletion of the flock off farm and transfer to the processing facility), the average age at which the broiler achieves that live weight, the liveability of the birds over the growth cycle of the broiler flock, and the feed conversion efficiency over that production cycle (feed conversion efficiency describes the effective optimisation of poultry feed, where feed cost makes up approximately 66% of the live cost of a broiler).
- 33% of the allocated amount is subject to achieving an average RONA over a three-year period. The vesting percentage will increase according to a sliding scale for RONA as authorised by the committee. An average annual RONA over a three-year period of 28% (averaged over a period of 36 months), will secure a payment at vesting equal to 33% of the allocation and an average RONA of 18% will secure a payment equal to 25% of the allocated bonus amount.
- The criteria above are applicable to allocations from 1 October 2018 onwards.
- The performance criteria for allocations prior to 1 October 2018 were as follows;
  - 37% – actual growth in HEPS
  - 38% – actual targeted PEF performance
  - 25% – guaranteed no performance condition
- The new requirement to capitalise operating leases from 2020 onwards has impacted RONA, as the asset base increased by R573 million by year-end, without a significant impact in operating profit.

(i) PEF is the most important international benchmark used by broiler integrators to measure the efficiency of on farm broiler production. This value is derived from a formula that incorporates:
- *the final average live weight of a broiler before slaughter (i.e. the final average weight per bird at depletion of the flock off farm and transfer to the processing facility);*
- *the average age at which the broiler achieved that live weight;*
- *the liveability of the birds over the growth cycle of the broiler flock; and*
- *the feed conversion efficiency over that production cycle (feed conversion describes the effective optimisation of broiler feed, where that cost makes up approximately 60% of the live cost of a broiler).*

The formula used to calculate PEF is:

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

Measuring the average PEF could be likened to the precise evaluation of various production parameters incorporated in the measurement, all of which could be influenced by management, environmental conditions, poultry diseases and poultry feed quality.

PEF as the ultimate measurement of live bird performance, incorporating terminal live weight and age (and hence the broiler growth rate), in addition to liveability (the survival rate) and feed conversion efficiency, would reflect any inefficiencies or improvement in broiler growth. This provides a good guide to the likely deterioration or improvement in the final live cost achieved.

Astral's strategy to be the best cost integrated poultry producer is largely driven by the live cost of a broiler which makes up a sizable portion (84% in F2020) of the average final cost of all poultry products.

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

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

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

3.2.4.3 Forfeitable Share Plan (FSP)

The FSP recognises the key employees who have an important role to play in delivering the Group's strategy and the overall purpose of the FSP is accordingly to afford the members of executive management and senior management the opportunity to own shares in Astral through annual grants of forfeitable share awards as approved by the committee. This would entail that the participants receive shares (with dividend and voting rights) on the date of the award, subject to performance conditions and the risk of forfeiture during a three-year vesting period.

In line with local and global best practice, awards of forfeitable shares will be issued and will be subject to stretching performance conditions over the vesting period. The participants within the FSP scheme are limited to members of executive management and senior management.

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

Performance conditions	Performance condition
HEPS	**33%**
PEF	**34%**
RONA	**33%**

Settling of shares will be executed by Astral purchasing shares in the open market and within the guidelines set by the JSE Listings Requirements.

The award of forfeitable shares to any participant will be approved by the committee prior to such forfeitable shares being issued.

Governance (continued)

3.3 SERVICE CONTRACTS AND SEVERANCE ARRANGEMENTS

The Board entered into formal contracts with all non-executive directors.

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

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

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

3.4 RETIREMENT FUNDS

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

At its meetings in February 2020 and August 2020, fund administrators submitted a comprehensive report to the committee, indicating that the Funds are solvent.

3.5 OTHER BENEFITS

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

3.6 NON-EXECUTIVE DIRECTORS' FEES

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

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

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

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

The fees for non-executive directors exclude Value Added Tax (VAT) and are recommended by the committee and approved in advance by shareholders at the AGM in terms of a special resolution required in terms of the Companies Act. Fees for 2021 were reviewed by the committee and the Board in October 2020 and will be presented to shareholders for approval at the AGM in February 2021.

Astral's policy on remuneration for non-executive directors determines that it should be:

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

The Group pays for all travel and accommodation expenses incurred by directors to attend Board and committee meetings as well as visits to Company sites and businesses.

Shareholders will be required to vote on the non-executive directors' fees set out in the Notice of AGM on page 175 of this Integrated Report at the AGM to be held on 4 February 2021. For information regarding fees for acting as non-executive director and member of the various Board committees, refer to the Corporate Governance Report on page 91.

Part 4: Implementation of the Remuneration Policy

4.1 INTRODUCTION

This section of the report explains the implementation of the Remuneration Policy by providing details of the remuneration paid to executive management and fees paid to non-executive directors for the financial year ended 30 September 2020. The committee continually assesses Astral's remuneration strategy, practices and policies in order to ensure that they remain aligned with the strategic objectives of the Group and are in line with Astral's reward philosophy.

4.2 TOTAL GUARANTEED PACKAGE (TGP) ADJUSTMENTS – 2020

The TGP of the executive directors and prescribed officers as base pay was reviewed with adjustments in TGP referenced to inflation.

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

The TGP for executive management, prescribed officers, senior management and other employees, as stated in note 32 of the Annual Financial Statements, has been adjusted as follows for the period 1 October 2020 to 30 September 2021:

Level	TGP % Adjustments 2020	TGP % Adjustments 2019
Executive directors		
CEO	**4%**	5 %
CFO	**4%**	5 %
Managing director: Commercial	**4%**	5 %
Managing director: Agriculture	**4%**	5 %
Prescribed officers		
Director risk	**4%**	5 %
Human resources executive	**4%**	5 %
Managing director: Feed	**4%**	5 %
Company Secretary	**4%**	5 %
Senior management		
E-band management	**4%**	5.5 %
D-band management	**4%**	5.5 %
Employees		
C-band employees	**5%**	5,5 %
A to B-band employees	**5.0% – 5.5%**	6.0 % – 7.5 %

4.3 SHORT-TERM INCENTIVES 2019 (STI)

The STI bonus for executive directors and prescribed officers is based upon sharing in EVA achieved during the year. The EVA graphs on page 81 are illustrative of the trends of payments over the past years.

The STI payable to executive directors and prescribed officers in respect of 2020 were as follows:

Level	2020 STI R'000	STI as % of TGP	2019 STI R'000	STI as % of TGP
Executive directors				
CE Schutte	**2 532**	**30%**	5 672	72 %
DD Ferreira	**1 409**	**27%**	3 156	64 %
GD Arnold	**1 083**	**27%**	3 756	99 %
AB Crocker	**1 083**	**27%**	2 425	64 %
Prescribed officers				
E Potgieter	**596**	**23%**	1 336	53 %
G Jordaan[1]	**592**	**23%**	222	53 %
MJ Schmitz	**944**	**28%**	1 932	64 %
L Marupen[2]	**190**	**23%**	66	53 %
MA Eloff[3]	**Nil**	**Nil**	941	53 %

1. *Appointed 1 August 2019.*
2. *Appointed 1 August 2019 and promoted 1 March 2020.*
3. *Post retirement contract of employment ceased 29 February 2020.*

The award of annual STI bonuses for the year ended 30 September 2020 was in line with Astral's Remuneration Policy and the allocation levels stipulated therein and as approved by the committee.

Governance (continued)

4.4 LONG-TERM INCENTIVES 2020 (LTI)

In 2020, the Group utilised a combination of deferred cash (LRP) and the FSP as part of the LTI scheme[1].

4.4.1 The LRP has the following weighted performance conditions and time periods (applicable from October 2018):

Performance conditions	Weight	Measurement of performance condition	Threshold	Target
HEPS[2]	**33%**	The average annual increase in a three-year rolling average over HEPS measured over the three-year vesting period	Increase equal to inflation = 18 % vesting	Increase equal to inflation +5 % = 33 % vesting
PEF[3]	**34%**	Annual average measured over the three-year vesting period	Annual average agreed to PEF measured by TMEA = 11 %	Annual average of 106 % of PEF measured by TMEA = 34 % vesting
RONA	**33%**	Three-year average RONA over the vesting period	Vesting percentage will increase according to a sliding scale as authorised by the committee. An average RONA equal to 18 % will secure a payment = 25 %	An average RONA equal to 28 % will secure a payment = 33 %
Total	**100%**			
Time periods				
Date of allocation			October 2018	October 2019
Vesting date			September 2021	September 2022
Payment date			January 2022	January 2023

4.4.2 The LTIs payable have vested as follows:

		Vested	
Performance conditions[4]	Weight	**2020**	2019
HEPS	38 %	**100%**	100 %
PEF	37 %	**97%**	100 %
Guaranteed (pre-October 2018)	25 %	**100%**	100 %

1. *Refer to pages 83 to 85 of the Remuneration Policy for further details.*
2. *Annual growth in HEPS is averaged over 36 months.*
3. *PEF achieved by Astral is benchmarked against international standards as per Turkish Middle East and Africa (TMEA) comparators and falls within the top 25% of that comparator. The actual PEF achieved is considered to be of strategic importance to Astral and accordingly considered confidential.*
4. *With effect of 2018 LTIs will no longer include any guaranteed allocation. Please refer to page 84 of the Integrated Report for LTI performance conditions and weighting of LTIs in effect from 2018 and agreed performance targets against RONA which replaced the guaranteed portion.*

4.4.3 *The LTIs allocated, LTIs payable and LTIs earned relating to executive directors and prescribed officers are as follows:*

			LTIs allocated		LRP payment expected		FSP vesting expected		LRP earned	
Name	Type	Date allocated	R'000	Shares	2020 R'000	2019 R'000	2020	2019	2020 R'000	2019 R'000
CE Schutte	**FSP**	**Oct 19**	**11 216***	**54 242**			**36 642**			
	LRP	**Oct 19**								
	LRP	Oct 18	10 682		7 157	7 157				
	LRP	Oct 17	10 682		10 575	10 682			7 905	
	LRP	Oct 16	10 043			10 043				7 532
DD Ferreira	**FSP**	**Oct 19**	**3 120***	**15 089**			**10 110**			
	LRP	**Oct 19**	**3 120**		**2 090**					
	LRP	Oct 18	5 943		3 982	3 982				
	LRP	Oct 17	5 687		5 630	5 687			4 208	
	LRP	Oct 16	5 114			5 114				3 835
GD Arnold	**FSP**	**Oct 19**	**2 398***	**11 599**			**7 771**			
	LRP	**Oct 19**	**2 398**		**1 607**					
	LRP	Oct 18	4 568		3 061	3 061				
	LRP	Oct 17	4 371		4 328	4 371			3 235	
	LRP	Oct 16	3 792			3 792				2 844
AB Crocker	**FSP**	**Oct 19**	**2 398***	**11 599**			**7 771**			
	LRP	**Oct 19**	**2 398**		**1 607**					
	LRP	Oct 18	4 568		3 061	3 061				
	LRP	Oct 17	4 371		4 328	4 371			3 235	
	LRP	Oct 16	3 792			3 792				2 844
MJ Schmitz	**FSP**	**Oct 19**	**1 910***	**9 237**			**6 189**			
	LRP	**Oct 19**	**1 910**		**1 280**					
	LRP	Oct 18	3 638		2 437	2 437				
	LRP	Oct 17	3 481		3 447	3 481			2 576	
	LRP	Oct 16	1 504			1 504				1 128
E Potgieter	**FSP**	**Oct 19**	**1 320***	**6 387**			**4 279**			
	LRP	**Oct 19**	**1 320**		**885**					
	LRP	Oct 18	2 515		1 685	1 685				
	LRP	Oct 17	2 395		2 372	2 395			1 773	
	LRP	Oct 16	1 914			1 914				1 436
G Jordaan[1]	**FSP**	**Oct 19**	**1 312***	**6 347**			**4 252**			
	LRP	**Oct 19**	**1 312**		**879**					

1. Appointed August 2019.
** The Rand amounts represent the value of the number of shares as indicated.*

4.4.4 *LTIs vesting in 2020*

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

4.4.5 *Outstanding LTIs*

Outstanding LTIs relating to executive directors and prescribed officers are detailed above in the schedule of unvested LTIs and awards settled.

Governance (continued)

4.5 TOTAL COST OF EMPLOYMENT

Total remuneration earned by executive directors and prescribed officers for 2020 and 2019 was as follows:

Name		TGP[1] R'000	STI[2] R'000	LTI[3] R'000	Other[4] R'000	Total remuneration R'000
CE Schutte	**2020**	**8 308**	**2 532**	**7 905**	**21**	**18 766**
	2019	7 912	5 672	7 532	31	21 147
DD Ferreira	**2020**	**5 200**	**1 409**	**4 208**	**9**	**10 826**
	2019	4 952	3 156	3 835	5	11 948
GD Arnold	**2020**	**3 997**	**1 083**	**3 235**	**28**	**8 343**
	2019	3 807	3 756	2 846	39	10 446
AB Crocker	**2020**	**3 997**	**1 083**	**3 235**	**28**	**8 343**
	2019	3 807	2 425	2 844	245	9 321
E Potgieter	**2020**	**2 641**	**596**	**1 773**	**45**	**5 055**
	2019	2 515	1 336	1 436	51	5 338
G Jordaan[5]	**2020**	**2 625**	**592**	**Nil**	**23**	**3 240**
	2019	417	222	Nil	15	654
MJ Schmitz	**2020**	**3 486**	**944**	**2 576**	**28**	**7 034**
	2019	2 901	1 932	1 128	35	5 996
L Marupen[6]	**2020**	**850**	**190**	**Nil**	**29**	**1 069**
	2019	125	66	Nil	15	206
MA Eloff[7]	**2020**	**717**	**Nil**	**Nil**	**Nil**	**717**
	2019	1 722	914	Nil	9	2 645
Total	**2020**	**31 821**	**8 429**	**22 932**	**211**	**63 393**
	2019	28 158	19 479	19 619	445	67 701

1. *TGP includes base salary, retirement fund and medical aid.*
2. *STI bonus 2020 linked to EVA in 2019 and 2020 and STI bonus 2019 linked to EVA in 2018 and 2019.*
3. *The value of the LTI's earned in 2019 and 2020 excludes the guaranteed portions which were not subject to performance conditions, as that have been earned in the 2017 and 2018 financial years respectively.*
4. *"Other" includes the variable portion of travelling allowance and long service awards.*
5. *Appointed 1 August 2019.*
6. *Appointed 1 August 2019 and promoted 1 March 2020.*
7. *MA Eloff retired in accordance with the terms of a fixed term agreement.*

4.6 NON-EXECUTIVE DIRECTORS' FEES

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

In accordance with Astral's Memorandum of Incorporation, non-executive directors' fees are approved by the shareholders at the AGM. The current fee level, which reflects a 5% year-on-year adjustment, was approved by the shareholders at the AGM held on 6 February 2020.

The annual adjustment that will be requested for approval from the shareholders at the AGM in February 2021 will be based upon the considerations as set out in the Notice of AGM on page 175 of the Integrated Report.

Payments made to non-executive directors in 2020 were as follows:

Name	T Eloff R'000	DJ Fouché R'000	TM Shabangu R'000	S Mayet R'000	WF Potgieter R'000	TP Maumela[1] R'000
Chairman	491	–	–	–	–	–
Lead Independent	–	218	–	–	–	–
Board member fee	344	344	344	344	344	110
Audit and Risk Management Committee Chairman	–	280	–	–	–	–
Audit and Risk Management Committee member	–	–	145	145	–	46
Human Resources, Remuneration and Nominations Committee Chairman	–	–	186	–	–	–
Human Resources, Remuneration and Nominations Committee member	105	105	–	–	–	–
Social and Ethics Committee Chairman	–	–	–	–	–	52
Social and Ethics Committee member	98	–	–	–	–	–
Total	**1038**	**947**	**675**	**489**	**344**	**208**

1. Resigned 23 January 2020.

Social involvement

OUR EMPLOYEES

Introduction

Astral's long-term sustainability rests on the ability to attract, develop and retain universally competitive employees engaged in our organisational culture. Strategies and initiatives in place are focused at driving operational excellence, continuous improvement, employee development and skills training. Performance outputs are measured and linked to fit for purpose remuneration and reward structures, allowing participation in shareholder value created.

Our integrated human resources approach enables our employees to achieve a good quality of life for themselves and their families, supported by opportunities to develop their full potential.

Covid-19

The impact of lockdown regulations since March 2020, due to the novel coronavirus pandemic had an enormous impact on our people, our communities and people practices alike. It required thoughtful considerations to ensure the health and safety of our employees as first priority response.

Our cross functional management teams worked tirelessly within all operations to implement the required risk mitigation strategies in terms of policy, protocols, training, communication, increased health care capacity and employee support.

All employees, service providers and contractors were trained on Covid-19 health and safety protocols in the workplace, including how to deal with Covid-19 at home. Employees and their families are supported by the Astral Covid-19 toll free hotline, available 24/7 to assist with medical advice and support counselling. Our winter wellness programmes were expanded with immune system inoculations and additional medical capacity sourced for onsite clinics and health care facilities. Daily screening and testing of all employees, track and traceability systems, additional protective equipment, sanitisers and additional hygiene processes were introduced successfully. Employees and their families were supported with facemasks and hand sanitisers issued on a regular basis.

Employment conditions and work environments were adjusted across all operations, supported by extensive stakeholder management with the department of health, the department of employment, organised labour and national, provincial and local industry support structures, endorsing the successful implementation of our risk mitigation actions. New technology was introduced to enable flexible working arrangements for support teams.

We salute our employees for adapting to the "new normal" and together we are immensely proud of what we achieved.

Covid-19 cases summary

Description	Total
Confirmed positive cases for the year	**335**
Infection rate	**2.89%**
Confirmed recoveries for the year	**331**
Recovery rate	**98.80%**
Covid-19-related deaths	**2**
Fatality rate	**0.02%**

Total employees

Permanent versus contract employees

We are grateful that job security was not affected due to the negative economic impact of the lockdown regulations and managed to avoid retrenchments during the year. Permanent employment numbers indicate a slight increase (0.22%) for the year, as a result of deeming provisions applied and skills sourced for the capital expansion at Festive Olifantsfontein. Contractor deployment decreased due to Covid-19 protocols applied.

	Feed		Poultry		Other Africa		Corporate		Total	
Employees	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Permanent	**532**	618	**8 194**	8 069	**312**	331	**29**	29	**9 067**	9 047
Contract	**113**	56	**2 186**	2 304	**95**	91	**0**	1	**2 394**	2 452
Total	**645**	674	**10 380**	10 373	**407**	422	**29**	30	**11 461**	11 499

Astral's workforce for the year under review comprised 79.1% (2019: 78.7%) permanent employees with the balance made up of temporary employees.

A total of 31 325 046 man-hours was worked during the reporting period.

Employee demographics and absenteeism

Recruitment processes are continuously evaluated to ensure the best talent is employed, taking cognisance of leadership capabilities, competencies and appointment of persons from designated groups. Employment equity plans submitted for all subsidiaries have been standardised across the Group and were approved by the Department of Employment and Labour.

Despite the Covid-19 pandemic, work attendance improved during the year, with fewer employees absent from work due to general illness. Absent without permission again decreased slightly on a year-on-year basis, down from 1.12% (2019) to 1.05%, whilst absent with permission (leave management) remained stable.

We employ directly and locally, with 96.7% (2019: 96.1%) of our employees being South African.

Broad-Based Black Economic Empowerment (B-BBEE)

We support and are committed to the concept of B-BBEE and promote social and economic inclusivity and diversity in our business approach. We do this responsibly, ethically, with growth and sustainability in mind. Promulgated amendments to the Agri B-BBEE scorecard, with an increased focus on enterprise and supplier development remains a challenge in the agriculture sector, which require the development of black-owned and black women-owned preferred suppliers over the medium to long term.

Astral is currently a level eight B-BBEE contributor. According to Empowerlogix, in terms of scorecard elements, procurement was scored a level four contributor, substantiating the work done to develop and diversify our supplier base.

Previously disadvantaged employees vs previously advantaged employees

	2020			2019		
Permanent employees*	Grade[1]	African/ Indian/ Coloured	White	Grade[1]	African/ Indian/ Coloured	White
Board	Non-execs	2	3	Non-execs	3	3
Executive	F	–	5	F	–	5
Senior management	E	8	31	E	5	29
Middle management	D	43	92	D	38	92
Skilled	C	459	320	C	273	307
Semi-skilled	B	2 451	125	B	2 337	145
Unskilled	A	5 210	11	A	5 810	6
Total	All	8 171	584	All	8 463	584

1. Defined based on Patterson Grading System.
** The table above only refers to permanent employees in South Africa.*

Gender equality

Astral's policy and goal towards achieving gender equality is guided by a vision of fairness and acknowledges the principle that gender plays no part in merit and will actively manage its human resources to ensure women and men have equal opportunity to participate in management at all levels. This is achieved through policies, procedures and engagement platforms within human resources structures, formal engagement with organised labour, employment equity and training committees, recognition agreements with protection protocols, confidentiality and personal information protection, health and safety structures, management communication structures, codes of ethics, the Astral value system framework, independent internal and external auditing, social media protocols, IT policies and formal management structures. Astral rejects any form of unfair discrimination based on gender in the Group. Refer to the Group's website for the Gender Equality Policy.

Astral's female: male ratio was 53%:47% in 2020 (2019: 56.7%:43.3%).

Social involvement (continued)

Historically Disadvantaged South Africans (HDSAs)

Astral, where possible, employs HDSAs to contribute to the upliftment of the communities in which the Group operates as well as contribute to transformation within South Africa.

As at 30 September 2019, Astral employed 94 % (2019: 95 %) HDSA workers of which 21 % (2019: 0.5 %) were in senior management.

HDSA representation	2020 %	2019 %
Board and Executive Members	**25**	30
Managerial	**41**	26
Skilled	**59**	47
Semi-skilled	**95**	94
Unskilled	**100**	100

Employee relations

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

At 30 September 2020, 38 % (2019: 21 %) of Astral's employees were members of a trade union. Total person days lost to industrial action for the financial year amounted to zero, compared to 24 635 hours lost in 2019.

Relationships within the organised labour framework remain complex, often influenced by social-political matters, community frustrations and the collapse of public infrastructure and services, negatively impacting employee morale. Disputes regularly trend around arbitrary expectations, which is aided by technical labour law interpretations and stakeholders adopting a confrontational approach.

A more comprehensive engagement framework with regular discussions has been implemented to build relationships, maturity and understanding, in order to create collaborative agreements and collective partnerships that can find constructive solutions for complex challenges.

Value creation for and training of employees

Employee upliftment

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

Training and Development was negatively impacted during the financial year as a result of the lockdown regulations implemented, with training institutions closed during the period. Legal compliance training back logs created as a result of this, are managed in terms of compliance registers and have been accelerated.

Astral registered as an accredited training provider with the Agri-SETA and accreditation was awarded for a number of unit standards. Astral trained 115 employees as accredited trainers for these programmes, and our Food Safety and Bio Security programmes are now formal accredited training programmes.

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

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

- Induction and on-boarding for new employees;
- Legal certification training for machine operators, drivers and health and safety practitioners;
- Technical skills training in highly specialised niche operations;
- Leadership development programmes.

During the past year 13 % (2019: 12.1 %) of Astral's employees attended various training programmes and initiatives.

- The CEO Pinnacle Programme was closed out during the year, with all targeted training objectives achieved. The next phase of leadership development will focus at supervisory level and is planned for 2021.
- We have a study loan policy providing employees with financial assistance to further their academic qualifications in line with current and future job requirements.
- During the year, Astral entered into a partnership agreement with the Seriti Institute and launched a community-based training and education programme within the Lekwa municipal area, with more than 200 people involved in the process.
- Astral sponsored the training and development of 98 (2019: 60) unemployed and disabled learners on an Agri-SETA accredited national learnership programme.

The Group's total training spend for the year amounted to close to R6.4 million (2019: R6.6 million).

Health and Safety

Our approach

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

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

- **Compliance:** Adherence to all applicable health and safety legislation, standards, frameworks and best practice relevant to the Group.

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

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

The Group has set a LTIF rate target of 2.5 for all milling operations and 3.0 for production and processing facilities and targets a 10 % reduction in recordable injuries on a year-on-year basis.

	Poultry Agriculture		Poultry Commercial		Feed		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Number of fatalities	**0**	0	**0**	0	**1***	0	**1***	0
Number of first aid cases	**11**	8	**47**	24	**14**	14	**72**	46
Number of medical treatment cases	**10**	9	**6**	58	**14**	7	**30**	74
Number of disabling injuries	**106**	91	**188**	150	**16**	13	**310**	254
Number of recordable injuries	**127**	108	**241**	232	**45**	34	**413**	374
Injury frequency rate	**3.08**	3.30	**1.42**	1.36	**1.16**	0.93	**1.81**	1.86
Fatal injury frequency rate	**Nil**	0.00	**Nil**	0.00	**0.05**	0.00	**0.01**	0.00
Total recordable injury frequency rate	**3.12**	3.92	**2.24**	2.10	**2.38**	2.74	**2.34**	2.74

* *Contractor – Barloworld employee involved in a fatal vehicle accident.*

Wellness programme

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

The Astral Health Link Employee Wellness Programme managed by Kaelo, a leading healthcare service provider, has been offered to our employees for over a decade now. This approach ensures professional care is provided through onsite clinics, wellness days, proactive patient management, mobile medical teams and permanent health care assistance available to employees through the online health portal. Employee participation is excellent and the programme is recognised as one of the industry's most comprehensive and successful health and wellness programmes.

The success of the wellness programme resulted in:

- 79 967 full wellness screenings having taken place since the programme's inception;
- a total of 9 867 (2019: 9 949) employees (permanent and non-permanent) attended wellness screening, resulting in more than 68 % of our permanent employees being screened,
- a total of 13 868 patient manager face-to-face consultations took place with more than 6 000 immune supplement boosters distributed;
- high risk patients with underlying medical conditions such as diabetes, cancer, hypertension, etc. received counselling on dealing with Covid-19;
- 60 143 voluntary HIV test and counselling sessions were conducted, since inception of the programme; and
- 873 employees signing up on the programme during 2020.

The cost for the Astral Health Link Employee Wellness Programme was R7.5 million, whilst reduced absenteeism savings for the period is estimated at R18 million.

Human rights and Code of Ethics

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.

Social involvement (continued)

Breaches are addressed through the applicable legal system, internal procedures and through the "Tip-Offs Anonymous" system. Employees may use established grievance procedures and they may also seek trade 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	2020	2019
Number of calls received	42	41
Number of reports generated	34	28
Number of reports investigated	34	28
Number of convictions	3	2

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

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

Alleged offences	2020	2019
Theft	1	1
Human resource infringements	27	21
Fraud	3	0
Unethical behaviour	3	5
Customer complaints	0	1

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

OUR CSI INITIATIVES

The enormous economic bearing of Covid-19 places a continuously growing demand for social impact support, providing for the most basic care for those in need. That is why we adopted the "Astral Cares 2020 programme".

Our people worked tirelessly to keep our business operational during lockdown, answering our President's call to provide food to our great nation. We did not stop there. We made enormous contributions to those in hardship, offering our time, donating our products and financially supporting those in dire need.

Astral's total CSI spend amounted to R11.8 million (2019: R3.1 million), an increase of 280.6 %.

We shared our affection, our support and made a telling difference through our Six Pillars of Care:

i. **Care** for the hungry;
ii. **Care** for the ill and fragile;
iii. **Care** for our Astral family;
iv. **Care** for our communities;
v. **Care** for our producers; and
vi. **Care** for animals.

The major initiatives under each of the Six Pillars of Care

i. Care for the hungry

"Astral Foods spreads joy by feeding communities in need".

Our employees investigated areas in and around our operations to discover social support homes, feeding schemes and soup kitchens. The list of those in need was almost never-ending, and because of this, we launched a national feeding programme, reaching as many people as possible.

We supported:

- **30 children's homes;**
- **25 homes for the elderly;**
- **and 32 feeding schemes.**

These institutions received weekly donations from Astral, made up of chicken, chicken soup packs and instant porridge packs and for the financial period **we supplied over 1 500 000 meals**:

- 850 000 meals to children homes;
- 650 000 meals to old age homes;
- Astral developed a soup pack, and in partnership with McCain and Crown National fed hundreds of people every day. **We donated 3 000 soup packs countrywide, providing for 300 000 meals**;
- **We distributed 600 instant porridge packs**, sponsoring a North West University Project, providing a further 60 000 meals;
- Astral donated one ton of Goldi chicken to the South African Chef's Association for **Nelson Mandela Day initiatives, which enabled the distribution of 67 000 litres of soup nationally, providing 310 000 meals.**

Dalweide Primary School – Paarl

Itlokomeleng Home for the Aged

Makhaseh Prep – Richmond

Social involvement (continued)

ii. Care for the ill and fragile

"Supporting people living with cancer".

Strong support networks are linked with an increased quality of life for cancer patients. Astral is privileged to assist organisations providing critical support to children and adults living with cancer. These support groups and care centres provide physical and emotional relief, assisting patients with managing the disease, assisting with side effects and dealing with anxiety. We value the work they do.

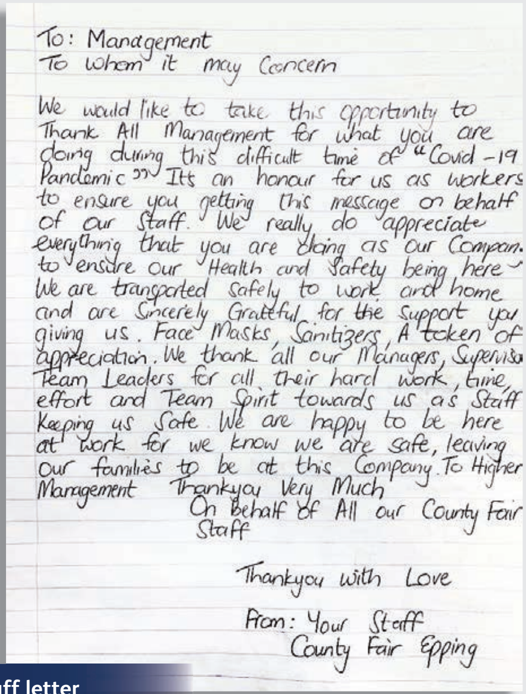
- **Astral donated R200 000 to the Childhood Cancer Foundation;**
- **Astral provided financial support of R45 000 to adults living with cancer.**

iii. Care for our Astral family

"We salute our staff at all levels in the business who have continued to support Astral in delivering an essential service to the country," Chris Schutte.

2020 required thoughtful considerations to ensure the health and safety of our employees as first priority response.

- Employees, service providers and contractors were trained on Covid-19 health and safety protocols in the workplace and how to deal with Covid-19 at home, **more than 15 000 people benefited from these programmes;**
- Facemasks and hand sanitisers made available to employees and their families;
- An **Astral Covid-19 toll free hotline, available 24/7** to assist with medical advice and support counselling was introduced;
- Our **winter wellness programmes provided immune system inoculations** to all employees;
- More than **140 000kg of chicken donated to our employees and their families.**



To: Management
To whom it may Concern

We would like to take this opportunity to Thank All Management for what you are doing during this difficult time of "Covid-19 Pandemic" It's an honour for us as workers to ensure you getting this message on behalf of our Staff. We really do appreciate everything that you are doing as our Compan. to ensure our Health and Safety being here. We are transported safely to work and home and are Sincerely Grateful for the Support you giving us. Face Masks, Sanitizers, A token of appreciation. We thank all our Managers, Supervis Team Leaders for all their hard work, time, effort and Team Spirit towards us as Staff Keeping us Safe. We are happy to be here at work for we know we are safe, leaving our families to be at this Company. To Higher Management Thankyou Very Much
On behalf of All our County Fair Staff

Thankyou with Love

From: Your Staff
County Fair Epping

Staff letter

CHOC

Meadow Feeds staff

Kay from MercyAids at one of their soup kitchens in Fisantekraal

iv. Care for our communities

"Social partnering for sustainability".

South Africa, now more than ever, is faced with enormous socio-economic challenges manifesting itself in the collapse of local communities, lack of government infrastructure and financial resources, our communities are in dire need of support.

- Training and development, Astral provided financial assistance for **bursary programmes to 4 (four) training institutions, 3 (three) schools and 1 (one) community trust** during the financial period with the **total amount of financial assistance offered exceeding R600 000;**
- Goldi **provided 400 hectolitres of water to the Lekwa community,** following the total collapse of municipal infrastructure;
- Astral **donated more than R30 000 to the National Sea Rescue Institute;**
- Astral is aware that not everyone is able to access feeding schemes and **purchased 2 500 gift vouchers from our leading retailers,** which was distributed in a number of communities, **contributing a further R125 000 to individuals in need of a daily meal.**

Arbor Day – Westonaria

Gift vouchers

Drought relief – Loxton

World of Birds – Cape

v. Care for producers

"Farmers produce the food we eat".

Astral provided **drought relief assistance to more than 60 farmers** during the year and donated animal drought relief food **to the value of R750 000**, distributed to various farming associations in the Northern and Western Cape provinces.

vi. Care for animals

"Animal shelters, caretakers and rescue institutions worked tirelessly during lockdown to safe animal livelihood". Astral salutes them for the contribution they made.

- **Astral pledged over R1 400 000** during the financial period towards the safeguarding and protecting of animals in need, with **8 (eight) animal shelters benefiting from our contributions;**
- Astral **donated more than R500 000 to the NSPCA** during the financial period.

For more detail on our social initiatives, please refer to www.astralfoods.com

Environmental impact

We are dependent on the environment for critical resources to sustain business operations. We are dependent on the environment for benefits such as clean air, water, energy, raw materials and climatic events, such as heat waves, droughts and floods can negatively impact business operations. Through our business activities, we impact the environment either negatively or positively.

Scientists have linked climate change to increasing frequency and intensity of extreme weather events, including floods, droughts and heat waves. Climate change is much more than an environmental matter and to succeed in the climate of the future we have no option but to adapt.

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

Environmental statistics

Environmental Aspects	2019 Actual	**2020 Actual**	2020 Target	Achieved
Stationary fuels				
Coal (GJ)	1 568 450	**1 723 281**	1 687 065	No
Coal saved due to conservation and efficiency improvements (GJ)	1 872	**0**	2 210	No
LPG (GJ)	231 977	**267 433**	259 108	No
LPG saved due to conservation and efficiency improvements (GJ)	270	**0**	0	Yes
Mobile fuels				
Diesel (GJ)	132 227	**137 193**	124 626	No
Biofuel (GJ)	0	**0**	0	Yes
Diesel saved due to conservation and efficiency improvements (GJ)	0	**0**	0	Yes
Energy				
Electricity (GJ)	1 150 715	**1 142 370**	1 175 988	Yes
Energy saved (GJ)	5 414	**20 268**	14 133	Yes
Water				
Water consumption (kl)	5 733 165	**5 759 399**	5 811 143	Yes
From boreholes (kl)	978 836	**1 269 534**	1 321 390	Yes
From municipal sources (kl)	4 754 329	**4 489 865**	4 489 753	No
Water saved due to conservation and efficiency improvements (kl)	6 455	**2510**	2 972	No
Recycled water (kl)	504 957	**1 084 997**	586 773	Yes
Recycled water as a percentage of total water	9 %	**19%**	10 %	Yes
Water treated to potable standards (kl)	122 647	**377 518**	409 382	No
Potable water as a percentage of total water	2 %	**7%**	7 %	Yes
Materials				
Packaging Material (tons)	10 411	**9 376**	11 000	Yes
Recycled – Packaging material recycled (tons)	465	**490**	472	Yes
Effluents and waste				
Waste to landfill (tons)	7 593	**7 375**	7 575	Yes
Hazardous waste disposed (tons)	36	**14**	36	Yes
Water discharged (kl)	3 039 410	**2 641 758**	3 632 968	Yes
Litter (m^3)	413 649	**399 891**	445 166	Yes
Number of significant spills*	1	**0**	0	Yes
Recycled – litter (m^3)	399 043	**397 646**	429 974	No
Recycled waste as a percentage of total waste	95 %	**98%**	95 %	Yes
Other				
Number of environmental non-compliance prosecution and fines**	1	**0**	0	Yes

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

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

- *Sustainability projects implemented are aligned with our vision and strategic goals.*
- *Operation action plans are aligned with strategic action plans and through participative management practices, strategic goals are realised.*
- *Business units and various stakeholders work closely together to implement projects.*

Water Resource Management

According to the World Bank, the world will face a 40 % shortfall between forecast demand and available supply of water by 2030. In addition, the Intergovernmental Panel on Climate Change (IPCC) state, “Every bit of additional warming adds greater risks for Africa in the form of greater droughts.”

Over the years we have embarked on various water projects to conserve, improve efficiency and recycle water. In 2020, a Reverse Osmosis Plant valued at R50 million was commissioned at Goldi in Standerton to improve water security. The goal of this sustainability project is to treat 3.6 mega litres of water per day to produce 2.4 mega litres of potable water for reuse at our Abattoir in Standerton. The 2.4 mega litres of potable water produced by the Reverse Osmosis Plant equates to 48 % of the total water required per day by the Standerton Abattoir. In 2020, water recycled and water treated to potable water standards as a percentage of total water used is at 19 % and 7 % respectively.

Energy Resource Management

The South African economy is fossil fuel dependent. It is estimated that coal accounts for three quarters of primary energy supply and for 90 % of electricity generation. South Africa is ranked among the world’s top 15 carbon dioxide emitters due to our huge dependence on coal.

Over the years, we have investigated various alternate energy solutions to reduce the dependence on coal, but to no avail with the main reasons been that the operating costs of alternate energy sources are much higher than the cost of coal, as well as the lack of technical expertise to maintain projects of this nature and the insecure supply of alternate energy sources. However, with banks and businesses slowly shying away from coal due to the stigma attached to it, more alternate energy solutions are entering South African shores. Since alternate energy solutions are linked to high capital costs, sustainable energy solutions will be thoroughly investigated before implemented.

With regards to reducing dependence on Eskom for electricity, we commissioned our first solar photovoltaic plant in 2019 and capital expenditure was approved to install a solar photovoltaic plant at National Chicks eSwatini which is in the process of being implemented. Apart from solar photovoltaic, other alternate energy solutions are in the process of being investigated. In 2020, we teamed up with Energy Solutions to conduct energy audits at business units in Western Cape to identify sustainable energy solutions to reduce our energy footprint. Various energy efficient opportunities have being identified which will be evaluated before implemented.

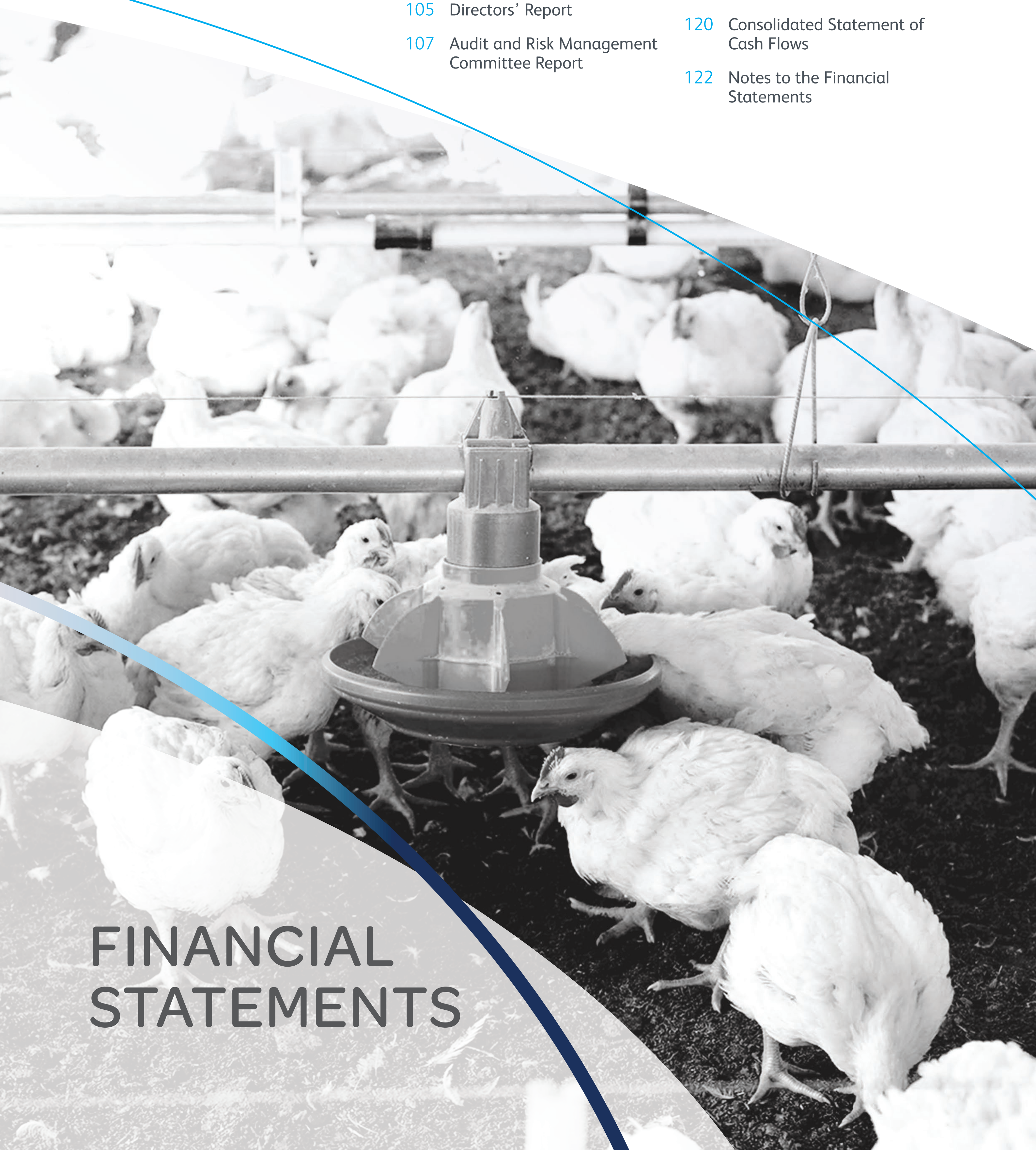
Waste Resource Management

Effective waste management is critical for the conservation of limited natural resources making it central to ensuring a sustainable future. The cost of food waste to the South African economy is estimated at R100 billion or 2 % of GDP per year. In 2020, we joined the World Resources Institute (WRI), 10x20x30 Food Loss and Waste initiative via Pick n Pay. The vision of this initiative is to work together to achieve the United Nations Sustainable Development Goal (SDG) of reducing food loss and waste by 50 % worldwide by 2030. Food waste equates to wasted water, wasted energy, increased methane emissions and impacts on biodiversity. We are committed to the initiative and will work closely with the WRI on making our contribution towards the United Nations’ goal.

Carbon Tax

On 1 June 2019, the Carbon Tax Act came into effect in South Africa. Climate change represents one of the biggest challenges facing mankind and the primary objective of carbon tax is to encourage the reduction of Greenhouse Gas (GHG) emissions. It’s estimated that the phasing in of appropriate carbon taxation can reduce South Africa’s GHG emissions between 35 % and 44 % below business as usual. We appointed Climate Neutral Group to assist with the reporting of GHG emissions to the DEA and to comply with the Carbon Tax Act. In 2020, the reporting of GHG emissions to the DEA was timeously done and documents were submitted to the South African Revenue Service (SARS) to licence facilities in accordance to the carbon tax payment requirements.

Water Reverse Osmosis Plant – Standerton



FINANCIAL STATEMENTS

Group Company Secretary Certificate

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, Astral has, in respect of the financial year ended 30 September 2020, lodged with CIPC all returns and notices required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

Leonie Marupen
Group Company Secretary

30 November 2020

Preparation and publication of the Annual Financial Statements

The Annual Financial Statements for the year ended 30 September 2020 that were published on 16 November 2020, available on the Group's website www.astralfoods.com as well as contained in this Integrated Report, have been prepared under the supervision of the Chief Financial Officer, Daan Ferreira CA(SA).

Daan Ferreira
Chief Financial Officer

30 November 2020

Directors' responsibilities and approval

for the year ended 30 September 2020

The Board is required by the Companies Act to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements of Astral and related financial information included in this Integrated Report and published on the Group's website www.astralfoods.com. It is its responsibility to ensure that the Annual Financial Statements fairly present the financial position of the Company and the Group at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRS and the requirements of the Companies Act. The external auditor is engaged to express an independent opinion on the Annual Financial Statements.

The Annual Financial Statements have been audited by the independent accounting firm, PwC, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the directors and its committees. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The Annual Financial Statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet this responsibility, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year ending 30 September 2021 and, in light of this review and the current financial position, they are satisfied that the Company and Group have or have access to adequate resources to continue in operational existence for the foreseeable future.

The directors of Astral hereby confirm that, to their knowledge, the Company is in compliance with the provisions of the Companies Act or relevant laws of establishment, specifically relating to its incorporation; and that it is operating in conformity with its MoI.

The Annual Financial Statements of the Group and Company, which have been prepared on the going concern basis, were approved by the Board on 11 November 2020 and were signed on its behalf by

CE Schutte
Chief Executive Officer

DD Ferreira
Chief Financial Officer

Directors' Report

The directors present their report which forms part of the Annual Financial Statements for the year ended 30 September 2020.

Nature of business

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

Listing information

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

Registered address

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

Financial results

The results for the year are set out in the Annual Financial Statements presented on pages 117 to 166 of this Integrated Report. The Annual Financial Statements are also published on the Group's website www.astralfoods.com.

Share capital

Detail of share capital is reflected under note 21 of the Annual Financial Statements.

In terms of the Group's share incentive scheme, no options were exercised during the year (2019: 34 850).

Dividends

The following ordinary dividends were declared:

	2020 R'000	2019 R'000
Interim dividend: Nil (2019: 475 cents per share)	–	203 758
Less: Dividends received on treasury shares held by a subsidiary	–	(19 421)
Final dividend: (No 38) of 775 cents per share declared post year-end (2019: 425 cents per share)	332 647	182 419
Less: Dividends received on treasury shares held by a subsidiary	(31 686)	(17 376)
Total dividend at 775 cents per share (2019: 900 cents per share)	300 961	349 380

Property, vehicles, plant and equipment

Refer to note 11 of the Annual Financial Statements for details.

Directors

The names of the directors who currently hold office are set out in note 32 of the Annual Financial Statements. The directors beneficially and non-beneficially held 214 088 (2019: 196 825) ordinary shares in the Company – see note 33 for details.

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

Details of directors' emoluments and related payments can be found in note 32 of the Annual Financial Statements.

There was no change in the beneficial and non-beneficial shareholding of directors since 30 September 2020 and the date of approval of the Annual Financial Statements on 11 November 2020.

Share incentive scheme

As at 30 September 2020, no options in respect of any shares remained outstanding.

Directors' Report (continued)

Repurchase of shares

Astral has requested shareholders to grant a general authority to buy back its issued ordinary shares. However, no repurchases were made during the year.

Subsequent events

A final dividend of 775 cents per share has been declared on 11 November 2020. The payment of the dividend will be on 18 January 2021. No other events took place between year-end and the date of this Integrated Report that would have a material effect on the Annual Financial Statements as disclosed.

Litigation statement

There are no current, pending or threatened legal or arbitration proceedings that may have, or have had in the previous 12 months, a material effect on the Group's financial position.

Material changes

There have been no material changes in the financial or trading position of the Group between 30 September 2020 and the date of this Integrated Report.

Annual Financial Statements

The Annual Financial Statements for the year ended 30 September 2020 are available for inspection at Astral's registered address. These Annual Financial Statements have been audited in compliance with the requirements of Section 30(2)a of the Companies Act.

Going concern

Performance

As reflected in Astral's results, most of the Group's businesses reported satisfactory results under tough market conditions.

Profit for the first half of the year at R371 million was marginally higher compared to the same period for the prior year (2019: R370 million), whereas the profit for the full year at R561 million was down on the previous year's R647 million. The Covid-19-related hard lockdown of the economy during the second half of the financial year had an impact on revenue. However, as the lockdown moved to Level 1, the revenue stream and sales volumes are in a process to recover. There was no disruption in the operating activities of the Group during the lockdown period due to the Group being classified as an essential service provider. No bad debts were written off. Direct Covid-19-related costs amounting to R41 million were incurred.

Solvency and liquidity

As at 30 September 2020, the Consolidated Balance Sheet reflects total equity of R4 122.3 million. The Group has access to R1.1 billion of facilities at various banks and remained in a net surplus cash position throughout the year despite the impact of the lockdown. The net surplus cash position was in an upward trajectory towards the end of the financial year, a trend which continues post balance sheet date. The dividend that was declared post year-end of 775 cents per share will be funded from existing surplus cash resources.

The major capital expenditure on the expansion of the processing facilities at Festive has been completed which will result in lower capital expenditure-related cash outflows for the 2021 financial year. It is expected that the Group will continue to have a strong balance sheet for the foreseeable future.

Conclusion

On the basis outlined above, the directors consider it appropriate for the going concern basis to be adopted in preparing the Annual Financial Statements.

The Annual Financial Statements of the Group and Company were approved by the directors on 11 November 2020 and were signed on their behalf by

Chris Schutte
Chief Executive Officer

Daan Ferreira
Chief Financial Officer

Audit and Risk Management Committee Report

Dear shareholders
Our Audit and Risk Management Committee is a formally constituted sub-committee of the Board and in addition to having specific statutory responsibilities to the shareholders in terms of Section 94 of the Companies Act, it assists the Board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance..

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2020 financial year.

On behalf of the Audit and Risk Management Committee

Diederik Fouché
Chairman

11 November 2020

Risk management

We are committed to the following risk management action plan:

- identifying the risks to which the Group is exposed;
- identifying the most effective ways of eliminating or mitigating risk exposures as far as is reasonably practical;
- insuring against catastrophic incidents and other losses beyond our self-insurance capacity; and
- minimising in the long term, the total cost of risk.

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

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

Internal audit

We have established an independent, objective and effective Internal Audit Department governed by a charter approved by the Board. The internal audit function reports to the CEO 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, ensure the accuracy and completeness of accounting records and the preparation of reliable Annual Financial Statements.

The Internal Audit Department is staffed by qualified and experienced internal auditors. The annual internal audit programme is approved by the committee and all significant findings, together with steps taken to rectify lapses in internal control, are reported at every committee meeting.

The internal audit function is reviewed by the committee to satisfy itself of the independence of the Internal Audit Department. The appointment and removal of the Head of Internal Audit is a matter for the committee in consultation with management.

In terms of the International Standards for the Professional Practice of Internal Auditing the Internal Audit Department will be subject to an independent quality assurance assessment during the 2021 financial year.

Information Technology (IT)

The Board has delegated responsibility for IT to the committee, but retains overall accountability.

An IT Charter, aligned to the King IV™ Report has been implemented. The IT strategy is reviewed by the committee and by the Board. The

Audit and Risk Management Committee Report

(continued)

IT Charter can be viewed on our website, www.astralfoods.com.

Management has the responsibility for the management of IT and the governance framework which includes:
- Three IT Steering Committees to monitor and manage IT governance.
- IT policies and procedures to regulate the management of all IT functions.
- Relevant standards and processes that are subject to audits, reviews and benchmarks.
- Policies and procedures to govern the active directory and exchange which has been outsourced.
- IT best practices are implemented.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

A formalised disaster recovery programme is in place to ensure the minimum disruption in the event of disaster.

Periodic independent assurance is obtained on the effectiveness of technology and information, including the outsourced infrastructure.

Integrated Report

The committee oversees the compilation of the Integrated Report, and in particular:
- Takes cognisance of all factors and risks that may impact the integrity of the Integrated Report including matters that may predispose 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 Report.
- Recommends to the Board whether or not to engage an external assurance provider on material sustainability issues.
- Recommends the Integrated Report for approval by the Board.
- Considers whether the external auditor should perform assurance procedures on interim results or be engaged for any non-audit assignments.

The committee recommended to the Board to continue not to publish a Summarised Integrated Report or engage an external assurance provider to confirm material elements of the sustainability part of the Integrated Report. This decision was based on the fact that sustainability reporting formed part of the budget process and is reported on by business units and approved by the Executive Directors. This approach will be reviewed every year. We have appointed a full-time Sustainability Manager who is responsible for sustainability within the Group.

Key focus areas – 2020

Duties

In execution of its compliance duties during the 2020 financial year, the committee:
- nominated the re-appointment of PwC as external auditor and EJ Gerryts as the designated auditor for the 2021 financial year, after satisfying itself through enquiry that PwC are independent as defined in terms of the Companies Act. This will be EJ Gerryts' third year as designated auditor of the Group;
- confirmed that PwC and the designated auditor, EJ Gerryts, are accredited by the JSE;
- at the end of each meeting during the year, met with the external auditor where management was not present: no matters of concern were raised;
- determined the fees to be paid to PwC as disclosed on page 110 of this Report and their terms of engagement;
- noted the non-audit services policy which determines the nature and extent of any non-audit services which the external auditor may provide to the Group;
- pre-approved any proposed contract with PwC for the provision of non-audit services to the Group;
- received no complaints relating to the accounting practices of the Group, the content or auditing of its Annual Financial Statements, the internal financial controls of the Group, or other related matters;
- reviewed the draft Audited Annual Financial Statements and Integrated Report, the preliminary profit announcement and interim statements;
- met with the external auditor 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 hotline;
- approved the internal audit plan for the year;

- monitored and provided oversight of the internal audit function;
- confirmed that there had not been significant changes in the management of Astral during the external audit firm's tenure;
- made submissions to the Board on matters concerning the Group's accounting policies, financial controls, records and reporting;
- concurred that the adoption of a going concern premise in the preparation of the Annual Financial Statements was appropriate; and
- recommended to the Board the declaration of a dividend.

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

Oversight of risk management

During the year, the committee has:

- received assurances that the process and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored;
- satisfied itself that the following areas have been appropriately addressed:
  - financial reporting risks;
  - internal financial controls;
  - fraud risks as they relate to financial reporting; and
  - IT risks as they relate to financial reporting;
- reviewed tax and IT risks, in particular how they are managed;
- reviewed the outcome of the audit by PwC of selected IT general controls; and
- received assurances that the impact of the Covid-19 pandemic on operations have been appropriately addressed including the following:
  - health, safety and other HR considerations;
  - liquidity and going concern;
  - impairment and valuations;
  - governance implications;
  - strategic and economic implications;
  - regulatory implications;
  - impact on internal controls; and
  - technology implications.

Internal financial controls

The committee has:

- reviewed the effectiveness of the Group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the external auditor in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective. Where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weakness so identified.

Legal and regulatory compliance

The committee has complied with all applicable Companies Act regulations and JSE Listings Requirements.

Audit and Risk Management Committee Report

(continued)

External audit

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

	2020 R'000	2019 R'000
Audit fees	**7 001**	6 584
Non-audit services	**365**	289
General expenses	**230**	189
Underprovision	**680**	386
Total	**8 276**	7 448

Any non-audit services to be rendered by the external auditor are normally initiated by the business units following a formal process that is approved by the CFO. A formal policy regarding the pre-approval of non-audit services are followed and non-audit services performed during the financial year included:

Division	Non-audit services	Nature
Astral Operations Ltd	2019: EVA incentive review	Tax consulting services
Astral Operations Ltd	PAYE: VDP and directive assistance	Tax consulting services
Meadow Standerton (Pty) Ltd	Assistance with responding to SARS' requests	Tax consulting services
Astral Operations Ltd	Long-Term Incentive policy review	Tax consulting services
Astral Foods Ltd	Tax consulting, planning and structuring	Tax consulting services

Based on our satisfaction with the results of the activities outlined above, we have recommended the reappointment of PwC to the Board and the shareholders. Consideration was also given to the length of PwC's tenure when making the recommendation to the shareholders to reappoint the firm for a further year.

PwC has been the external auditor of Astral since listing in 2001. During 2013 a tender process was followed whereby three audit firms, including PwC, were interviewed and where they presented their services to the committee. The committee was of the opinion that the services offered by PwC remained the most suitable for the Group and PwC was reappointed as external auditor. The designated audit partner is rotated every five years.

As per the new IRBA rule on Mandatory Audit Firm Rotation for auditors of all public interest entities, as defined in section 290.25 to 290.26 of the amended IRBA Code of Professional Conduct for Registered Auditors, an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years, although this rule is only effective for financial years commencing on or after 1 April 2023.

The committee, after discussion with management and the external audit, concurred with the key audit matter set out in the Independent Auditor's Report on the audit of the Consolidated Annual Financial Statements for the year ended 30 September 2020.

The committee confirms that it has received from the auditor all decision letters/explanations issued by the Independent Regulatory Board for Auditors (IRBA) or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by the auditor.

The committee was satisfied that the Consolidated Annual Financial Statements appropriately addressed the critical judgements and key estimates pertaining to the key audit matters contained in the Independent Auditor's Report, in respect of both amounts and disclosure. The committee noted that both the consolidated and separate Annual Financial Statements were presented fairly in all material respects.

Financial function and CFO review

In accordance with King IV™ requirements, we have reviewed the expertise, resources and experience of the Group's financial function and are satisfied that these are adequate and effective for the forthcoming year. We have also reviewed the performance, appropriateness and expertise of the CFO, Mr DD Ferreira, and confirm his suitability in terms of the JSE Listings Requirements.

Financial reporting procedures

The committee is satisfied that Astral has established appropriate financial reporting procedures, and that those procedures are operating.

Integrated Report

We have evaluated the Integrated Report of Astral for the year ended 30 September 2020 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 IFRS, and we recommend the Integrated Report to the Board for approval.

A detailed Sustainability Report will be published on our website and extracts are reported elsewhere in the Integrated Report.

King IV™

The King IV™ Report became effective for companies with financial years starting on or after 1 April 2017. The practices underpinning the principles espoused in King IV™ are entrenched in many of Astral's internal controls, policies and procedures governing corporate conduct. Our outcomes-based approach resulted in this report evolving and Astral has applied the principles of King IV™, the details of which are set out in various sections included in the Integrated Report.

Additional items reviewed:

- commodity procurement;
- impact of new accounting standards;
- significant accounting estimates:
  - goodwill
  - biological assets
  - post-retirement medical aid
  - long-term retention plan
  - EVA and PBIT bonus

Future focus areas

The following areas are considered to be future focus areas that will receive attention in the new financial year:

- internal audit and other assurance plans;
- internal audit quality assurance review;
- integrity of internal control and effectiveness of risk management across the Group;
- oversight of the most significant risks within the Group;
- monitor the implementation of new IFRS standards; and
- privacy compliance.

Going concern

We have reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the Group and are comfortable in our recommendation to the Board regarding the Annual Financial Statements as well as the combined assurances contained in the Integrated Report, that the Group will be a going concern for the next financial period, at the end of which a similar assessment will be done.

Independent Auditor's Report

To the Shareholders of Astral Foods Limited

Report on the audit of the Consolidated Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the consolidated financial position of Astral Foods Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Astral Foods Limited's Consolidated Financial Statements set out on pages 117 to 166 comprise:

- the Consolidated Balance Sheet as at 30 September 2020;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report.

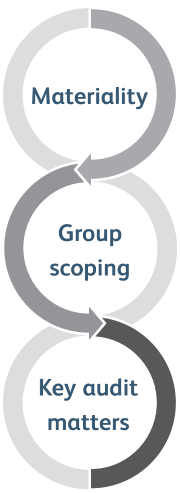
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall Group materiality

- *Overall Group materiality: R52,500,000, which represents 5% of the average consolidated profit before tax.*

Group audit scope

- *Full scope audits were performed over nine financially significant components in South Africa.*
- *Specified audit procedures were performed on certain account balances and transactions of a further two components.*
- *Review procedures were performed on an additional three components and analytical review procedures were performed on the remaining components.*

Key audit matters

- *Goodwill impairment assessment.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Consolidated Financial Statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the Consolidated Financial Statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	*R52,500,000.*
How we determined it	*5% of the average consolidated profit before tax.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We used a five-year average consolidated profit before tax figure as this is representative of the normal earnings cycle of this industry. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Consolidated Financial Statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has three principal reportable operating segments that align with its organisational design namely Poultry, Feed, and Other Africa.

The Group's Consolidated Financial Statements are a consolidation of thirty reporting components, which make up the Group's three operating segments. Of these reporting components, we selected nine for full scope audit testing due to their financial significance, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. We selected a further two components where specified audit procedures were performed on certain account balances and transactions due to these being material to the Group audit. These reporting components are all located in South Africa. Review procedures were performed at three additional reporting components, and for the remaining components, we performed further analytical review procedures as considered appropriate.

This together with additional procedures performed at the Group level, including testing of consolidation journal entries and intercompany eliminations, gave us the evidence we needed for our opinion on the Consolidated Financial Statements as a whole.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network teams or firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Consolidated Financial Statements as a whole.

We met with certain of the component auditors in the Poultry and Feed operating segments and attended divisional audit committee meetings for all components as part of planning the audit, as well as part of the completion of the audit work performed.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the Consolidated Financial Statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Independent Auditor's Report (continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to accounting policies note 9 (Impairment of non-financial assets) and note 15 (Goodwill) to the Consolidated Financial Statements. Management tested the Group's goodwill, which had a carrying amount of R136,135,000 as at 30 September 2020, for impairment. They concluded that there is no impairment as the recoverable amounts, based on value in use (VIU) calculations, exceeded the carrying amounts of the individual cash generating units (CGUs) to which goodwill has been allocated. The most significant balance of goodwill related to the Goldi/Festive CGU, which had a carrying amount of R106,020,000 as at 30 September 2020. In assessing goodwill for impairment, management applied significant judgement and assumptions in determining the VIU. These included the following: ▪ Forecasting future volumes when determining future cash flows based on normalised operations, which is influenced by factors that are difficult to predict, namely changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and consumers' behaviour in response to the economic environment; ▪ Growth rates; ▪ Discount rates; ▪ Broiler feed costs; and ▪ Selling prices of poultry products. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the significant judgement and assumptions applied by management in determining the VIU of the individual CGUs.	Through discussion, we obtained an understanding of the process and procedures applied by management during their impairment assessment of goodwill. In respect of goodwill relating to the Goldi/Festive CGU, we performed the following procedures: ▪ We evaluated management's future cash flow forecasts, which were based on budgets and forecasts approved by the board of directors. In this regard we agreed the amounts used in the future cash flow forecasts to the budgets and forecasts approved by the board of directors. No material differences were noted; and ▪ We assessed the reasonableness of management's assumptions such as net realisations of poultry products, broiler feed prices, sales volumes, working capital movements and capital expenditures, by comparing the assumptions to information obtained from the South African Poultry Association, and Gross Domestic Product forecasts obtained from the Industrial Development Corporation's forecasts. Based on the results of our comparisons, we accepted the assumptions used by management. We compared the Group's 2019 and 2020 actual results to the forecasts for these years, to identify any situations where actual results achieved were significantly different from the forecasted results. We discussed with management the reasons for the differences identified and inspected relevant documentation. We noted no matters requiring further consideration. We tested the discount rate and growth rates applied by management in their impairment assessment of goodwill by performing the following procedures: ▪ Utilising our valuation expertise, we recalculated a range of discount rates, considering inputs for similar entities, industry data and entity-specific data. Where differences in discount rates were noted, we included this in our sensitivity analysis to consider whether this would lead to an impairment charge being recognised. In this regard we did not identify any impairment to be recognised. Based on our procedures performed, we accepted the discount rates used by management; and ▪ We assessed the reasonableness of the long-term growth rate used by management by comparing it to the long-term consensus on the South African Consumer Price Index. Based on the results of our comparison, we accepted the rate used by management. We tested the mathematical accuracy of management's impairment assessment and noted no material differences. We utilised our valuation expertise to assess the valuation methodology applied by management against generally accepted valuation methodology and against the requirements of International Accounting Standard (IAS 36), Impairment of Assets. We performed independent sensitivity calculations on management's impairment assessments, with respect to key assumptions, which included the discount and growth rates, sales volumes, net realisations of poultry products and broiler feed prices. We discussed these with management and considered the likelihood of such changes occurring. Based on our procedures performed, we did not identify any impairments to be recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Astral Foods Limited Group Annual Financial Statements for the year ended 30 September 2020 ”and the document titled “Astral Foods Limited Annual Financial Statements for the year ended 30 September 2020”, which includes the Directors’ Report, the Audit and Risk Management Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this Independent Auditor’s Report, and the other sections of the document titled “Astral Integrated Report for the year ended 30 September 2020”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our Independent Auditor’s Report thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this Independent Auditor’s Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (continued)

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Astral Foods Limited for 20 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: EJ Gerryts
Registered Auditor

Johannesburg
13 November 2020

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	1	**14 104 281**	13 485 475
Cost of sales	2	**(11 321 550)**	(10 856 468)
Gross profit		**2 782 731**	2 629 007
Administrative expenses	2	**(706 625)**	(723 290)
Distribution costs	2	**(1 034 573)**	(833 734)
Marketing expenditure	2	**(236 234)**	(201 848)
Other income	4	**39 492**	15 126
Other losses	5	**(6 679)**	(2 982)
Profit before interest and tax		**838 112**	882 279
Finance income	6	**28 279**	41 286
Finance expense	6	**(84 547)**	(10 914)
Profit before tax		**781 844**	912 651
Tax expense	7	**(220 610)**	(265 116)
Profit for the year		**561 234**	647 535
Other comprehensive income for the year, net of tax		**(48 036)**	(1 300)
Items that may subsequently be reclassified to profit and loss		**(22 548)**	878
Currency loss on investment loans to foreign subsidiaries		**(2 718)**	(414)
Foreign currency translation (loss)/gain		**(19 830)**	1 292
Items that will not be reclassified to profit or loss		**(25 488)**	(2 178)
Re-measurement of post-employment benefit obligations (note 25)		**12 219**	(3 025)
Deferred tax on re-measurement of post-employment benefit obligations		**(3 421)**	847
Changes in fair value of equity instruments		**(34 286)**	–
Total comprehensive income for the year		**513 198**	646 235
Profit for the year attributable to:			
Equity holders of the Company		**556 267**	643 653
Non-controlling interest		**4 967**	3 882
Profit for the year		**561 234**	647 535
Total comprehensive income attributable to:			
Equity holders of the Company		**508 231**	642 353
Non-controlling interest		**4 967**	3 882
Total comprehensive income for the year		**513 198**	646 235
Earnings per share attributable to the equity holders of the Company during the year:			
Earnings per share (cents)	8	**1 435**	1 659
Diluted earnings per share (cents)	8	**1 432**	1 658

Headline earnings per share			
Headline earnings per share (cents)	9	**1 441**	1 674
Diluted headline earnings per share (cents)	9	**1 438**	1 674
Dividends			
Dividends per share declared in respect of the current year's profits (cents)	10	**775**	900

Consolidated Balance Sheet

at 30 September 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	11	**2 946 643**	2 462 918
Intangible assets	12	**55 421**	59 183
Right-of-use assets	14	**537 061**	–
Goodwill	15	**136 135**	136 135
Financial assets at fair value through other comprehensive income	16	**121 020**	–
		3 796 280	2 658 236
Current assets			
Biological assets	17	**851 252**	758 721
Inventories	18	**861 241**	691 058
Trade and other receivables	19	**1 218 097**	1 512 398
Current tax asset		**30 595**	19 717
Cash and cash equivalents	20	**573 581**	598 989
		3 534 766	3 580 883
Total assets		**7 331 046**	6 239 119
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	21	**429**	429
Share premium	21	**89 971**	89 971
Other reserves	22	**(59 596)**	(40 573)
Treasury shares		**(228 111)**	(204 435)
Retained earnings		**4 304 572**	3 938 835
		4 107 265	3 784 227
Non-controlling interest		**15 055**	11 408
Total equity		**4 122 320**	3 795 635
Liabilities			
Non-current liabilities			
Deferred tax liabilities	23	**639 482**	539 421
Employee benefit obligations	24	**140 730**	166 179
Leases	14	**365 956**	–
		1 146 168	705 600
Current liabilities			
Trade and other payables	26	**1 556 294**	1 411 135
Employee benefit obligations	24	**263 757**	254 107
Current tax liabilities		**6 158**	25 772
Leases	14	**206 057**	–
Borrowings	27	**27 453**	44 115
Shareholders for dividend		**2 839**	2 755
		2 062 558	1 737 884
Total liabilities		**3 208 726**	2 443 484
Total equity and liabilities		**7 331 046**	6 239 119

Consolidated Statement of Changes in Equity

for the year ended 30 September 2020

	Attributable to ordinary shareholders of Astral Foods Limited						
	Share capital and premium R'000	Treasury shares R'000	Other reserves (Note 22) R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
2019							
Balance at 1 October 2018	86 751	(204 435)	(41 451)	3889 116	3 729 981	10 496	3 740 477
Profit for the year	–	–	–	643 653	643 653	3 882	647 535
Other comprehensive income for the year, net of tax	–	–	878	(2 178)	(1 300)	–	(1 300)
Shares issued – share options exercised	3 649	–	–	–	3 649	–	3 649
Dividends declared and paid	–	–	–	(591 756)	(591 756)	(2 970)	(594 726)
Balance at 30 September 2019	90 400	(204 435)	(40 573)	3 938 835	3 784 227	11 408	3 795 635
2020							
Balance at 1 October 2019	**90 400**	**(204 435)**	**(40 573)**	**3 938 835**	**3 784 227**	**11 408**	**3 795 635**
Profit for the year	**–**	**–**	**–**	**556 267**	**556 267**	**4 967**	**561 234**
Increase in share-based payment reserve	**–**	**–**	**3 525**	**–**	**3 525**	**–**	**3 525**
Other comprehensive income for the year, net of tax	**–**	**–**	**(22 548)**	**(25 488)**	**(48 036)**	**–**	**(48 036)**
Shares acquired in terms of restricted share incentive scheme	**–**	**(23 676)**	**–**	**–**	**(23 676)**	**–**	**(23 676)**
Dividends declared and paid	**–**	**–**	**–**	**(165 042)**	**(165 042)**	**(1 320)**	**(166 362)**
Balance at 30 September 2020	**90 400**	**(228 111)**	**(59 596)**	**4 304 572**	**4 107 265**	**15 055**	**4 122 320**

Consolidated Statement of Cash Flows

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash operating profit	A	1 231 706	936 440
Changes in working capital	B	(74 117)	257 308
Cash generated from operations		1 157 589	1 193 748
Tax paid	C	(153 280)	(213 907)
Cash generated from operating activities		1 004 309	979 841
Cash used in investing activities		(580 976)	(615 982)
Purchases of property, plant and equipment	D	(453 931)	(653 444)
Costs incurred on intangibles		(2 049)	(4 141)
Proceeds on disposal of property, plant and equipment		2 031	317
Finance income		28 279	41 286
Equity instruments acquired		(155 306)	–
Cash flows to financing activities		(441 736)	(595 871)
Dividends paid to the Company's shareholders	E	(164 958)	(591 397)
Dividends paid to non-controlling shareholders		(1 320)	(2 970)
Proceeds from shares issued		–	3 649
Finance expense on borrowings		(5 855)	(5 153)
Treasury shares acquired in terms of the forfeitable share plan		(23 676)	–
Lease payments – principal element		(177 966)	–
Finance cost paid on lease contracts		(67 961)	(16 140)
Net inflow of cash and cash equivalents		(18 403)	(232 012)
Effects of exchange rate changes		9 657	(1 680)
Cash and cash equivalents at the beginning of the year		554 874	788 566
Cash and cash equivalents at the end of the year	20	546 128	554 874

Notes to the Consolidated Statement of Cash Flows

		2020 R'000	2019 R'000
A.	**Cash operating profit**		
	Profit before interest and tax	**838 112**	882 279
	Adjustments for:		
	Depreciation and amortisation	**403 465**	176 230
	Scrapping of property, plant and equipment	**2 811**	8 364
	(Profit)/loss on disposal of property, plant and equipment	**(7)**	(74)
	Change in provision for employee benefit obligations	**(7 078)**	(129 942)
	Fair value adjustments	**(5 597)**	(417)
	Cash operating profit	**1 231 706**	936 440
B.	**Changes in working capital**		
	Decrease/(increase) in inventories	**(184 718)**	146 428
	Decrease/(increase) in biological assets	**(93 866)**	8 854
	Decrease/(increase) in trade and other receivables	**54 489**	47 980
	Increase in trade and other payables	**149 978**	54 046
	Total change in working capital	**(74 117)**	257 308
C.	**Tax paid**		
	Balance at the beginning of the year	**(6 055)**	(10 177)
	Normal tax provision	**(123 970)**	(207 671)
	Translation differences	**132**	138
	Provision against recoverability of tax receivable balance of a foreign subsidiary	**1 050**	(2 252)
	Net balance at the end of the year	**(24 437)**	6 055
	Total tax paid	**(153 280)**	(213 907)
D.	**Purchases of property, plant and equipment**		
	Purchase of property, plant and equipment to improve and/or expand operations	**(584 544)**	(265 331)
	Purchase of property, plant and equipment to maintain operations	**(103 863)**	(162 671)
	Total purchases	**(688 407)**	(428 002)
	(Increase)/decrease in advance capital expenditure payments	**233 319**	(225 608)
	Increase/(decrease) in outstanding capital expenditure payments	**1 157**	166
	Purchases of property, plant and equipment	**(453 931)**	(653 444)
E.	**Dividends paid**		
	Balance at the beginning of the year	**(2 755)**	(2 396)
	Per statement of changes in equity	**(165 042)**	(591 756)
	Balance at the end of the year	**2 839**	2 755
	Total dividends paid	**(164 958)**	(591 397)

Notes to the Financial Statements

for the year ended 30 September 2020

1. Segment information

Astral is an integrated poultry producer whose process starts with broiler genetics in its breeding operations through the selling of day old chicks and hatching eggs, broiler production and the processing of broilers through four abattoirs, and ends with the marketing, selling and distribution of poultry products. Alongside the entire process, feed is produced in nine feed mills of which about 60 % is for own internal requirements, with the balance sold to external commercial farmers. Two of the feed mills and three poultry breeding and hatchery operations are situated in African countries outside South Africa. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The activities have been divided into three operating segments, Poultry, Feed, and Other Africa. The business activities are grouped in these segments based on the nature of their business and in the case of Other Africa, the geographical area in which they conduct their business activities. Transactions between reportable segments are conducted on similar terms as other external transactions of this nature. All revenue between segments are at market-related prices.

Revenue per segment

Revenue in respect of all three segments comprises the following:

- The sales of product net of value-added tax (where applicable), normal discounts, rebates and returns.
- Revenue is recognised at the point in time when control has passed to the customer. This is when delivery of the product is made to the customers, or when customers collect the product from one of the Group's locations.
- Payment terms for non-cash sales are generally 30 days from date of statement.
- A receivable is recognised in respect of non-cash sales in the Balance Sheet as an unconditional right to receive payment exist.

Poultry: External revenue comprises the sale of poultry-related products for human consumption as well as day old broilers, hatching eggs and day old parent stock.

The customer profile for poultry products is mainly wholesale and retail outlets, which includes the major national food retailers in South Africa.

Sales of day old broilers, hatching eggs and day old parent stock are mainly to external poultry producers.

Inter-segment revenue consists of poultry by-products sold to the Feed segment as a source of protein for feed.

Feed: External revenue comprises the sale of a wide range of specialised feed products for commercially farmed animal species.

The customer profile for feed products is mainly external poultry producers and commercial farmers farming with other animal species.

Inter-segment sales consist of feed to the Poultry segment.

Other Africa: Revenue comprises the sale of animal feed and day old broilers to external customers.

	External customer revenue R'000	Inter-segment revenue R'000	Total segment revenue R'000
2019			
Poultry	10 698 577	178 558	10 877 135
– Poultry products	10 056 987	–	–
– Day old broilers, hatching eggs and day old parents	641 590	–	–
Feed	2 307 253	4 266 485	6 573 738
Other Africa	479 645	–	479 645
– Feed products	309 709	–	–
– Day old broilers and hatching eggs	169 936	–	–
	13 485 475	4 445 043	17 930 518
2020			
Poultry	**11 168 108**	**175 123**	**11 343 231**
– Poultry products	**10 440 662**	**–**	**–**
– Day old broilers, hatching eggs and day old parents	**727 446**	**–**	**–**
Feed – Feed products	**2 453 753**	**4 525 669**	**6 979 422**
Other Africa	**482 420**	**–**	**482 420**
– Feed products	**298 221**	**–**	**–**
– Day old broilers and hatching eggs	**184 199**	**–**	**–**
	14 104 281	**4 700 792**	**18 805 073**

	2020 R'000	2019 R'000
The Group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	**13 621 861**	13 005 830
Revenue denominated in foreign functional currencies	**482 420**	479 645
	14 104 281	13 485 475
Revenue from the top five customers are all from the Poultry segment		
Customer 1	**3 451 320**	3 798 663
Customer 2	**2 627 809**	1 369 765
Customer 3	**508 363**	560 821
Customer 4	**492 156**	530 966
Customer 5	**482 144**	520 209
Revenue from customer 1 and 2 individually exceeds 10 % of total revenue		
Operating profit per segment		
Contribution to the profit is as follows:		
Poultry	**295 015**	370 977
Feed	**508 091**	489 483
Other Africa	**35 006**	21 819
Profit before interest and tax	**838 112**	882 279
Finance income	**28 279**	41 286
Finance expense	**(84 547)**	(10 914)
Profit before tax	**781 844**	912 651
Tax expense	**(220 610)**	(265 116)
Profit for the year	**561 234**	647 535

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

1. Segment information (continued)

	Property, plant and equipment and intangibles		Right-of-use assets	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Depreciation, amortisation and impairment				
Poultry	162 562	148 223	67 811	–
Feed	22 701	22 623	143 018	–
Other Africa	5 036	5 288	–	–
Corporate	248	96	2 089	–
	190 547	176 230	212 918	–

	Property, plant and equipment		Right-of-use assets	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Capital expenditure				
Poultry	667 396	372 081	155 312	–
Feed	17 422	56 617	–	–
Other Africa	5 772	3 381	–	–
Corporate	12	64	–	–
	690 602	432 143	155 312	–

	Inventory		Trade receivables	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Other				
Poultry	497 235	337 220	894 512	904 469
Feed	316 771	291 179	211 436	224 107
Other Africa	47 157	62 659	19 786	23 785
	861 163	691 058	1 125 734	1 152 361

2. Expenses by nature

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2019					
Cost of raw material	7 191 194	–	–	–	7 191 194
Inventory written down and losses	17 757	–	–	–	17 757
Fair value adjustment to biological assets	3 108	–	–	–	3 108
Lease costs	75 162	10 175	219 579	1 032	305 948
Amortisation of intangibles	–	6 092	–	–	6 092
Depreciation on property, plant and equipment	160 498	6 646	2 885	109	170 138
Repairs and maintenance	458 561	10 640	6 548	130	475 879
Water	117 004	86	78	–	117 168
Energy	604 437	4 557	8 068	2 811	619 873
Information technology-related costs	47	63 202	19	15	63 283
Advertising, marketing, promotional-related costs	–	–	–	128 615	128 615
Transport and distribution costs	27 481	–	440 864	–	468 345
Employee benefit expense (note 3)	1 350 305	337 409	59 626	48 617	1 795 957
Directors' remuneration (note 32)	–	62 005	–	–	62 005
Auditors' remuneration and related expenses	–	7 681	–	–	– 7 681
Other	850 914	214 797	96 067	20 519	1 182 297
	10 856 468	723 290	833 734	201 848	12 615 340
2020					
Cost of raw material	**7 670 218**	**–**	**–**	**–**	**7 670 218**
Inventory written down and losses	**37 384**	**–**	**–**	**–**	**37 384**
Fair value adjustment to biological assets	**(5 390)**	**–**	**–**	**–**	**(5 390)**
Lease costs	**48 441**	**5 482**	**1 662**	**1 322**	**56 907**
Amortisation of intangibles	**–**	**5 586**	**–**	**–**	**5 586**
Depreciation on property, plant and equipment	**175 232**	**7 068**	**2 601**	**60**	**184 961**
Amortisation of right-of-use assets	**40 774**	**8 196**	**163 948**	**–**	**212 918**
Repairs and maintenance	**457 951**	**13 242**	**12 312**	**24**	**483 529**
Water	**118 428**	**137**	**61**	**–**	**118 626**
Energy	**685 380**	**4 327**	**7 642**	**2 251**	**699 600**
Information technology-related costs	**14**	**65 034**	**19**	**24**	**65 091**
Advertising, marketing, promotional-related costs	**–**	**–**	**–**	**161 801**	**161 801**
Transport and distribution costs	**32 482**	**–**	**682 474**	**–**	**714 956**
Employee benefit expense (note 3)	**1 435 860**	**341 591**	**70 563**	**57 428**	**1 905 442**
Directors' remuneration (note 32)	**–**	**56 257**	**–**	**–**	**56 257**
Auditors' remuneration and related expenses	**–**	**7 651**	**–**	**–**	**7 651**
Other	**624 776**	**192 054**	**93 291**	**13 324**	**923 445**
	11 321 550	**706 625**	**1 034 573**	**236 234**	**13 298 982**

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

		2020 R'000	2019 R'000
3.	**Employee benefit expense**		
	Cost of employment of permanent employees	**1 532 960**	1 360 621
	Performance incentives	**66 591**	77 352
	Long-term retention benefits	**35 901**	44 195
	Termination benefits	**4 793**	2 475
	Post-employment benefits	**9 132**	8 434
		1 649 377	1 493 077
	Cost of contracted labour	**256 065**	302 880
		1 905 442	1 795 957
	Number of employees at 30 September:		
	– Permanent employees	**9 067**	9 047
	– Contracted labour	**2 394**	2 452
		11 461	11 499
4.	**Other income**		
	Scrap sold	**966**	1 008
	Amounts written off recovered	**1 497**	888
	Storage fee income	**4 308**	4 344
	Insurance recoveries related to costs incurred	**30 138**	3 894
	Rental received	**2 583**	4 953
	Rebates received	**–**	39
		39 492	15 126
5.	**Other (losses)/gains**		
	Foreign exchange (losses)/gains on financial instruments and monetary items	**(3 858)**	1 161
	Profit/(loss) on sale of property, plant and equipment	**7**	74
	Assets scrapped	**(2 811)**	(8 364)
	Trade receivables written off	**(17)**	(1 869)
	Fair value adjustment to outstanding receivables – gain	**–**	1 939
	Fair value adjustment to outstanding payables – gain	**–**	4 077
		(6 679)	(2 982)
6.	**Finance income and expense**		
	Interest income		
	Bank balances	**25 780**	38 981
	Other	**2 499**	2 305
		28 279	41 286
	Interest expense		
	Bank borrowings	**4 539**	4 398
	Interest accrued on right-of-use liabilities	**67 961**	–
	Interest accrued on provision for long outstanding liabilities	**10 712**	5 761
	Other	**1 335**	755
		84 547	10 914
	Net finance (expense)/income	**(56 268)**	30 372

	2020 R'000	2019 R'000
7. Tax expense		
Current tax	123 214	206 378
Deferred tax	99 493	53 960
	222 707	260 338
Current tax – prior year	315	417
Deferred tax – prior year	(2 853)	3 485
Withholding tax	441	876
	220 610	265 116
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	781 844	912 651
Tax calculated at a tax rate of 28 % (2019: 28 %)	218 916	255 542
Effect of different tax rates in other countries	(818)	(1 368)
Training allowances received	(1 381)	(1 512)
Non-trading- related expenses	1 856	1 993
Legal expenses	421	992
Donations and social investments not tax deductible	531	465
Costs incurred by foreign subsidiaries not tax deductible	1 441	1 523
Other expenses not deductible for tax purposes	140	943
Temporary differences on which no deferred tax is recognised	93	141
Adjustments to prior year's normal tax provision	315	417
Adjustments to prior year's tax base used for calculating deferred tax	(2 853)	3 485
Withholding tax paid	441	876
Tax losses not utilised/(utilised) to reduce current and/or deferred tax	469	1 619
Finance charges not tax deductible	1 038	–
Tax charge per income statement	220 610	265 116
Further information about deferred tax is presented in note 23.		
8. Earnings per share		
Profit attributable to equity holders of the Company used for calculating earnings per share and diluted earnings per share	556 267	643 653

	2020 Cents	2019 Cents
Basic earnings per ordinary share	1 435	1 659
Diluted earnings per share	1 432	1 658

	2020 Number of shares	2019 Number of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	38 755 135	38 806 070
Adjustments for forfeitable shares	78 523	10 846
Weighted average number of ordinary shares for calculating diluted earnings per share	38 833 658	38 816 916

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

8. Earnings per share (continued)

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 for the current year is based on the number of shares, currently held as treasury shares, which will per the forfeitable share incentive scheme, either vest depending on the meeting of certain performance criteria, or will be sold back into the market in the event the performance conditions have not been met.

Diluted earnings per share for the prior year has been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the exercise of share options. The number of shares that could have been issued at fair value (determined as the average annual market share price of the Company's shares) to equal the monetary value of the subscription rights attached to the outstanding share options, are calculated. A higher number of shares that would have been issued in the event the share options were exercised, versus the number of shares that could have been issued at fair value, have a dilutive effect on the earnings per share. No adjustment is made where the issue of share options have no dilutive effect on the number of shares in issue.

9. Headline earnings

	Gross R'000	Net R'000
2019		
Net profit attributable to shareholders		643 653
Adjusted for:		
Profit on sale of property, plant and equipment	(74)	(38)
Loss on assets scrapped	8 364	6 023
Headline earnings		649 638
2020		
Net profit attributable to shareholders		**556 267**
Adjusted for:		
Loss on sale of property, plant and equipment	**(7)**	**5**
Loss on assets scrapped	**2 811**	**2 015**
Headline earnings		**558 287**

	2020 cents	2019 cents
Headline earnings per share (cents)		
Headline earnings per share (cents)	**1 441**	1 674
Diluted headline earnings per share (cents)	**1 438**	1 674

	2020 R'000	2019 R'000
10. Dividends		
The following dividends (net of treasury shares) were declared in respect of the current year's profits:		
Interim dividend – nil (2019: 475 cents per share)	–	184 337
Final dividend (Dividend number 38) – declared on 11 November 2020 775 cents per share (2019: 425 cents per share)	**300 961**	165 043
Total dividends declared in respect of the year ended 30 September 2020 – 775 cents per share (2019: 900 cents per share)	**300 961**	349 380

The current year financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2020.

	Land and buildings R'000	Plant and equipment R'000	Vehicles R'000	Total R'000
11. Property, plant and equipment				
2019				
Net book amount at 1 October 2018	913 626	1 258 313	40 266	2 212 205
Changes for the year:				
Reclassifications	757	(763)	6	–
Exchange translation changes	881	362	172	1 415
Additions – Expansion/improvement	171 071	93 661	599	265 331
Additions – Replacement	43 433	114 850	4 388	162 671
Disposals	(61)	(18)	(123)	(202)
Assets scrapped	(2 780)	(5 578)	(6)	(8 364)
Depreciation recognised in the statement of comprehensive income	(30 769)	(132 175)	(7 194)	(170 138)
Closing net book amount	1096 158	1 328 652	38 108	2 462 918
Balance at 30 September 2019:				
Cost	1 569 147	2 558 336	144 958	4 272 441
Accumulated depreciation	(472 989)	(1229 684)	(106 850)	(1 809 523)
Closing net book amount	1 096 158	1 328 652	38 108	2 462 918
2020				
Net book amount at 1 October 2019	**1 096 158**	**1 328 652**	**38 108**	**2 462 918**
Changes for the year:				
Reclassifications	**(132)**	**(338)**	**470**	**–**
Exchange translation changes	**(8 114)**	**(6 483)**	**(402)**	**(14 999)**
Additions – Expansion/improvement	**69 400**	**512 070**	**3 074**	**584 544**
Additions – Replacement	**12 433**	**67 282**	**24 148**	**103 863**
Disposals		**(1 418)**	**(493)**	**(1 911)**
Assets scrapped	**(315)**	**(2 453)**	**(43)**	**(2 811)**
Depreciation recognised in the statement of comprehensive income	**(30 983)**	**(146 561)**	**(7 417)**	**(184 961)**
Closing net book amount	**1 138 447**	**1 750 751**	**57 445**	**2 946 643**
Balance at 30 September 2020:				
Cost	**1 638 293**	**3 071 378**	**165 294**	**4 874 965**
Accumulated depreciation	**(499 846)**	**(1 320 627)**	**(107 849)**	**(1 928 322)**
Closing net book amount	**1 138 447**	**1 750 751**	**57 445**	**2 946 643**

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

11. Property, plant and equipment (continued)

Details of the individual properties are on record, which are open for inspection by members or their nominees at the registered office of the Company.

Certain assets at a Zambian subsidiary stand as security for bank facilities – refer note 29.5.

Determination of useful life and annual depreciation

- Buildings, plant and equipment are of a specialised nature and the expected useful lives at initial recognition are based on past experience of deployment of similar assets in the Group.
- Subsequent to the initial determination of useful lives, the remaining useful life is assessed annually, taking into account the physical condition of the asset item and how long it can still be operational without incurring excessive repairs and maintenance costs. When the cost of repairs and maintenance reaches such a level where it is not feasible to continue to use a particular plant item, it is replaced. Continuous technology changes could also have a bearing on the economic life of existing assets. The impact of lower operating costs of using the latest technology in processes thereby warranting investment in such assets could make the use of existing assets uneconomical and have an impact on their useful economic lives. Due to the above variable factors, predictions of future replacement dates are based on subjective assessments, and remaining life expectancies are therefore subject to variability.
- Depreciation on specialised buildings, plant and equipment is calculated on the basis that they will have no residual value when they reach the end of their estimated economical lives.
- Depreciation on vehicles is calculated on the basis that it will have residual values of between 10 % and 20 % of the original cost when they reach the end of their estimated economic lives.
- Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its estimated useful life. The estimated life of assets per asset category falls within the following ranges:
  - Buildings 50 years
  - Plant and equipment – poultry 8 – 25 years
  - Plant and equipment – feed 5 – 50 years
  - Vehicles 5 – 10 years
  - Intangible assets – software 5 – 15 years

	2020 R'000	2019 R'000
12. Intangible assets		
Software		
Opening net book amount	59 183	61 159
Changes for the year:		
Exchange translation changes	(112)	16
Capitalisation of costs incurred	2 049	4 141
Disposals	(113)	(41)
Amortisation – included in administrative expenses	(5 586)	(6 092)
Closing net book amount	55 421	59 183
Cost	98 291	96 792
Accumulated amortisation	(42 870)	(37 609)
Closing net book amount	55 421	59 183
13. Capital commitments		
Capital expenditure approved not contracted for	170 157	191 153
Capital expenditure contracted but not recognised in the financial statements	127 682	342 646
Cost on intangibles contracted but not recognised in the financial statements	69	2 906

The capital commitments will be financed from a combination of operating cash flows, surplus cash and borrowings when required. No abnormally high debt levels are foreseen resulting from future capital expenditure.

14. Leases

Information regarding lease contracts in the Group is provided below.

The nature of lease contracts in the Group are in respect of leases of office space, movable plant items in the processing plants, general office equipment, farm vehicles and vehicles for outbound transport of finished goods to customers.

Lease contracts vary from contracts for individual items to contracts where a number of items are leased per contract, as the case is in respect of certain vehicles.

Qualifying leases are recognised as right-of-use assets with corresponding lease liabilities.

Take-on values of the right-of-use assets and lease liabilities have been based on future lease payments, discounted at the prevailing incremental borrowing rate to present values. The incremental borrowing rates used are based on the cost of borrowing from third-party financiers.

Future index or rate-related increases in variable lease payments are not taken into account in determining the carrying values until they take effect. When these adjustments take effect the lease liability is re-measured with a corresponding adjustment to the right-of-use assets.

In instances where there is a reasonable degree of certainty that options to extend lease periods will be exercised, the extended periods have been used in calculating the present values of lease payments.

The impact of leases on the deferred tax provision, are separately calculated and provided for the of right-of-use assets and for the lease liabilities. Refer note 23 – Deferred tax.

Refer note 37 for the impact of this change in accounting policy on the current year financial reporting.

	Buildings R'000	Plant and equipment R'000	Vehicles R'000	Total R'000
14.1 Right-of-use assets				
2020				
Opening balance 1 October 2019	53 091	3 210	539 293	595 594
Changes for the year:				
Additions	–	21 005	134 307	155 312
Re-measurements	–	–	(927)	(927)
Amortisation	(8 690)	(4 324)	(199 904)	(212 918)
Closing net book amount	44 401	19 891	472 769	537 061
Balance at 30 September 2020:				
Capitalised costs	53 091	22 138	672 673	747 902
Accumulated amortisation	(8 690)	(2 247)	(199 904)	(210 841)
Closing net book amount	44 401	19 891	472 769	537 061

The take-on values of the right-of-use assets were based on the present value of outstanding lease payments as at 1 October 2019.

The value of new right-of-use assets added during the year, are the initial measurement of the related lease liability.

Right-of-use assets are amortised over the shorter of its useful life or the lease term, including an extended term, where applicable.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	2020 R'000	2019 R'000
14. Leases (continued)		
14.2 Lease liabilities		
Non-current	365 956	–
Current	206 057	–
Total	572 013	–
Maturity profile of lease liabilities:		
Capital payments next year	206 057	–
Capital payments from the second up to the fifth year	335 376	–
Capital payments after five years	30 580	–
	572 013	–
Total lease payments relating to capitalised leases	245 927	–
Interest expense on lease liability included in finance cost	67 961	–

Lease payments are apportioned between a finance cost component, recognised as a finance charge, and a reduction of the outstanding principal amount of the lease liabilities.

	2020 R'000	2019 R'000
14.3 Other leases		
Lease payments included in operating profit as lease expenses:		
– Lease payments relating to low value items	8 163	–
– Lease payments relating to short-term leases	7 463	–
– Variable lease payments not linked to an index or rate and not recognised in right-of-use assets	41 281	–
– Lease payments as per IAS 17	–	305 948
Future other lease commitments:	10 617	793 060
Not later than one year:		
– Short-term leases: property	4 054	–
– Short-term leases: plant and equipment	281	–
– Low value items	3 778	–
– Lease payments as per IAS 17	–	224 296
Later than one year and not later than five years:		
– Low value items	2 044	–
– Lease payments as per IAS 17	–	491 367
Later than five years		
– Low value items	460	–
– Lease payments as per IAS 17	–	77 397

Short-term leases are those with terms of not more than 12 months.

Low value leases are generally leases of office equipment and of personal IT equipment.

Lease payments in respect of short-term leases and leases of low value items are expensed in the income statement, as and when incurred.

15. Goodwill

Goodwill is allocated to the Group's cash-generating units identified according to business segment. Goodwill is assessed for impairment at each reporting date. The recoverable amount of the relevant cash-generating units is determined based on value-in-use calculations. These calculations use cash flow projections as contained in the annual budget and business plan forecasts approved by the Board of directors.

The discount rates used to determine values of individual cash- generating units are based on the weighted average cost of capital for these business units and incorporate specific business risks related to the industry as well as the different geographical and economical areas in which business activities are conducted. The discount rate is lower than the previous year due to increased level of debt resulting from the inclusion of lease liabilities as part of the debt funding of the businesses.

The cash flow projections have been projected over five years. Abnormal trends in the forecasts, given the cyclical nature of the industry in which the businesses operate, for example the impact of abnormal weather patterns, are eliminated in the perpetuity calculations of future cash flows.

Feed costs for broilers and the selling prices for poultry products are regarded as the two most critical assumptions that impact the profitability of the relevant business units. These two key assumptions are also exposed to the most volatility compared to other assumptions used in the forecasts.

The perpetual growth rate is based on the Group's assessment of the long-term economic outlook and takes into account a view on market conditions and the strategic positioning of the business units within the markets in which they operate. The valuations, using a perpetuity growth rate of 4.8 %, account for the impact of inflation on future cash flow streams only, and do not take into account further expansion. It is also expected that the businesses will maintain their respective market positioning and no reduction of volumes are assumed in the calculation of the valuation of the business units.

Broiler feed costs

The major components of the broiler feed ration are the cost of maize and soya. The costs of these two ingredients are influenced by a number of factors like weather patterns, the size of annual national and international crops, stock holdings and rate of consumption of these commodities. Market forces impact prices of these commodities and assumptions for future prices take into account most recent stock-to-use ratios and prices of futures traded for these commodities in the open market. Specific adjustments are made for known abnormal weather patterns such as droughts or above average rainfall periods which could impact prices. The feed cost also includes an allowance for the impact of inflation on the production cost of broiler feed.

Selling prices poultry products

Selling prices for poultry products are influenced by market forces which impact the supply and consumption thereof. Assumptions for future price levels take into account the most recent market conditions adjusted for known price volatility such as changes in regulations, periods of over and short supply conditions, and forecasted trends in consumer spending. Long-term pricing assumes normalised market conditions and any prolonged period of over or under food inflationary increases in poultry products, are normalised in the long-term outlook for selling prices.

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
2019				
Poultry				
Goldi/Festive	13.1 %	5	5.0 %	106 020
Mountain Valley	13.1 %	5	5.0 %	15 599
National Chicks	13.1 %	5	5.0 %	3 749
County Fair	13.1 %	5	5.0 %	2 559
Feed				
Meadow – South African operations	13.1 %	5	5.0 %	5 648
Other Africa				
Africa Feeds Limited (Zambia)	17.0 %	5	5.0 %	2 560
				136 135

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
15. Goodwill (continued)				
2020				
Poultry				
Goldi/Festive	12.9%	5	4.8%	106 020
Mountain Valley	12.9%	5	4.8%	15 599
National Chicks	12.9%	5	4.8%	3 749
County Fair	12.9%	5	4.8%	2 559
Feed				
Meadow – South African operations	12.9%	5	4.8%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	17.3%	5	10%	2 560
				136 135

The pre-tax discount rates are as follows:
Goldi/Festive (15.7 %), Mountain Valley (15.9 %), National Chicks (16.3 %), County Fair (15.6 %), Meadow (15.9 %) and Africa Feeds Limited (Zambia) (20.7 %)
(2019: Goldi/Festive (15.4 %), Mountain Valley (16.1 %), National Chicks (16.6 %), County Fair (16.1 %), Meadow (15.4 %) and Africa Feeds Limited (Zambia) (20.3 %)).

Sensitivity analysis

Changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and consumers' behaviour in response to the economic environment, may affect the assumptions used in the calculation of the recoverable amounts.

The percentages indicated below are regarded as reasonably possible changes to the long-term assumptions used for the more critical assumptions.

In the event that any one of the critical assumptions should change without compensating changes in the other assumptions, the impact on the carrying value of goodwill could be as follows:

	2020 R'000	2019 R'000
Potential impairment if the discount rates are increased by 1 %	Nil	(666)
Potential impairment if the net realisations of poultry products decrease by 1 %	Nil	(15 599)
Potential impairment if the net realisations of poultry products decrease by 3 %	(15 599)	(15 599)
Potential impairment if the net realisations of poultry products decrease by 5 %	(15 599)	(15 599)
Potential impairment if the broiler feed price increased by 1 %	Nil	(484)
Potential impairment if the broiler feed price increased by 3 %	(1 932)	(15 599)
Potential impairment if the broiler feed price increased by 5 %	(15 599)	(15 599)

16. Financial assets at fair value through other comprehensive income

	2020 R'000	2019 R'000
Listed shares in Quantum Foods Holdings Ltd		
The shares are not held for trading as it is regarded as a strategic investment.		
An irrevocable election has been made to recognise changes in the fair value of the shares in this category.		
At cost – 19 550 855 shares	155 306	–
Fair value adjustment	(34 286)	–
Fair value	121 020	–

The carrying value of the investment is based on the share price on 30 September as listed on the Johannesburg Stock Exchange (JSE), and it falls in level 1 of the fair value measurement hierarchy.

17. Biological Assets

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2019				
Fair value at 1 October 2018	91 400	307 914	–	399 314
Amortised cost at 1 October 2018	–	–	371 147	371 147
Increase due to establishment costs	616 785	5 251 188	605 833	6 473 806
Decrease due to harvest/sales	(619 702)	(5 255 423)	(112 846)	(5 987 971)
Decrease due to amortisation	–	–	(496 029)	(496 029)
Fair value adjustment	(190)	(1 356)	–	(1 546)
Closing balance	88 293	302 323	368 105	758 721
Balance at 30 September 2019:				
At fair value	88 293	302 323	–	390 616
At amortised cost	–	–	368 105	368 105
2020				
Fair value at 1 October 2019	**88 293**	**302 323**	**–**	**390 616**
Amortised cost at 1 October 2019	**–**	**–**	**368 105**	**368 105**
Increase due to establishment costs	**670 560**	**5 548 388**	**666 401**	**6 885 349**
Decrease due to harvest/sales	**(642 415)**	**(5 541 016)**	**(100 064)**	**(6 283 495)**
Decrease due to amortisation	**–**	**–**	**(513 115)**	**(513 115)**
Fair value adjustment	**1 812**	**1 980**	**–**	**3 792**
Closing balance	**118 250**	**311 675**	**421 327**	**851 252**
Balance at 30 September 2020:				
At fair value	**118 250**	**311 675**	**–**	**429 925**
At amortised cost	**–**	**–**	**421 327**	**421 327**

The quantity of egg, broiler and breeding stock is based on the number of eggs and bird placements at the beginning of each production cycle adjusted for mortalities.

Egg stock

The carrying value of egg stock is based on fair value, and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of eggs are capitalised during their growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment of eggs is determined as the price difference between the sum total of the capitalised cost at point of sale and the price at which the hatching eggs are sold in the external market.

Broiler stock

The carrying value of broiler stock is based on fair value and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of broiler stock are capitalised during its growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment for live broiler birds is based on the ratio at which the cumulated costs per kilogram of live broilers at point of harvest differs with the bought-in price per live kilogram paid for broiler birds delivered by outside contract growers for processing through the abattoirs. This adjustment ratio is applied to the sum of costs of the total broiler stock holding.

Biological assets include assets held at contract growers, as the Group retains ownership of these assets.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

17. Biological Assets (continued)

Breeder stock

The carrying value of breeder stock is based on amortised cost.

The cost of breeding stock includes the cost of the day old chick, feeding and other related costs, which are capitalised during its rearing cycle of approximately 22 weeks. The capitalised costs are then amortised during its productive (laying) cycle of approximately 40 weeks, to a cull value at the end of its productive life cycle. There is no market for breeder birds, except for when sold as a day old chick, and when sold at its cull value at the end of its productive cycle. In the absence of any fair value indicators for mature breeder birds, the carrying value of the breeding stock, as calculated on the basis of amortised costs, is regarded as an accurate indicator of the fair value thereof in the integrated poultry producing process.

	2020 R'000	2019 R'000
18. Inventories		
Feed raw materials	**265 235**	258 784
Feed finished goods	**39 189**	43 424
Poultry products	**364 663**	255 141
Consumable stores	**192 154**	133 709
	861 241	691 058

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R7 830 million (2019: R7 191 million).

Certain inventories at the Zambian subsidiaries serve as security for bank facilities – refer note 29.5.

	2020 R'000	2019 R'000
19. Trade and other receivables		
Financial instruments		
Trade receivables	**1 126 166**	1 152 983
Provision for loss allowance/doubtful debts	**(432)**	(622)
Trade receivables – net	**1 125 734**	1 152 361
Other receivables	**23 576**	38 879
Receivable in respect of investment sold	**12 215**	16 000
Non-financial instruments		
Prepayments	**13 566**	17 845
Advance capital expenditure payments	**22 672**	255 991
VAT recoverable	**19 819**	30 569
Other receivables	**515**	753
	1 218 097	1 512 398
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	**1 208 568**	1 489 485
Zambian Kwacha	**9 529**	19 737
Mozambican Meticais	**–**	3 176
	1 218 097	1 512 398

Certain trade receivables at a Zambian subsidiary serve as security for bank facilities – refer note 29.5.

19. Trade and other receivables (continued)

Categories

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

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

	2020 R'000	2019 R'000
Poultry	894 512	904 469
Farming	13 457	23 166
Retail and wholesale	881 055	881 303
Feed	211 868	224 729
Farming	182 243	197 475
Retail and wholesale	29 625	27 254
Other Africa	19 786	23 785
Farming	18 488	22 391
Retail and wholesale	1 298	1 394
	1 126 166	1 152 983

	2020 R'000	2019 R'000
20. Cash and cash equivalents		
Cash at bank and in hand	573 581	598 989
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	573 581	598 989
Bank overdrafts (note 27)	(27 453)	(44 115)
Cash and cash equivalents per the statement of cash flow	546 128	554 874
21. Share capital		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each		
(2019: 75 000 000 ordinary shares of 1 cent each)	750	750
Issued share capital		
42 922 235 ordinary shares of 1 cent each	429	429
(2019: 42 922 235 ordinary shares of 1 cent each)		
Share premium	89 971	89 971
Total issued share capital and premium	90 400	90 400

All issued shares are fully paid.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	Number of shares 2020	Number of shares 2019
21. Share capital (continued)		
Number of shares effectively in issue		
Issued shares	**42 922 235**	42 922 235
Treasury shares held by subsidiary and by participants in the forfeitable share scheme.	**(4 203 077)**	(4 088 577)
	38 719 158	38 833 658

Unissued share capital

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

	Number of shares 2020	Number of shares 2019
Number of share options available at the beginning of the year	**4 292 400**	4 255 900
Number of share options exercised	**–**	34 850
Number of share options forfeited	**–**	1 650
Number of shares under the control of directors for the purpose of the share option scheme at the end of the year	**4 292 400**	4 292 400

	Share-based payment reserve R'000	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/(losses) on investment loans R'000	Total other reserves R'000
22. Other reserves					
2019					
Balance at 1 October 2018	–	782	(34 533)	(7 700)	(41 451)
Currency loss on investment loans to foreign subsidiaries	–	–	–	(414)	(414)
Currency translation differences arising in year	–	–	1 292	–	1 292
Balance at 30 September 2019	–	782	(33 241)	(8 114)	(40 573)
2020					
Balance at 1 October 2019	**–**	**782**	**(33 241)**	**(8 114)**	**(40 573)**
Provision for equity-settled payment costs	**3 525**	**–**	**–**	**–**	**3 525**
Currency loss on investment loans to foreign subsidiaries	**–**	**–**	**–**	**(2 718)**	**(2 718)**
Currency translation differences arising in year	**–**	**–**	**(19 830)**	**–**	**(19 830)**
Balance at 30 September 2019	**3 525**	**782**	**(53 071)**	**(10 832)**	**(59 596)**

The non-distributable legal reserve relates to a foreign statutory requirement whereby a portion of reserves of a foreign subsidiary is regarded as non-distributable.

The movement in the currency translation reserve relates to the fluctuations of the functional currencies in which the Other African subsidiaries conduct their business activities, against the South African Rand.

23. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28 % (2019: 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.

	2020 R'000	2019 R'000
Deferred tax liabilities		
Movement on the deferred tax liability account is as follows:		
At the beginning of the year	**539 421**	482 823
Charge related to items in Other Comprehensive Income	**3 421**	(847)
Charge to profit and loss	**96 640**	57 445
Originating and reversal of temporary differences	**99 493**	53 960
Adjustment to amounts recognised in prior year	**(2 853)**	3 485
At end of year	**639 482**	539 421

	Opening balance R'000	Charge to profit and loss R'000	Charged/ (release) to other comprehensive income R'000	Closing balance R'000
Analysis of deferred tax liabilities:				
2019				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	467 283	30 770	–	498 053
Temporary difference on livestock and farming consumables	189 636	(8 092)	–	181 544
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 032)	(737)	(847)	(27 616)
Provision for long-term retention payments	(35 811)	(2 890)	–	(38 701)
Provision for outstanding leave pay	(23 952)	(1 953)	–	(25 905)
Rental equalisation reserve	(1 231)	896	–	(335)
Provision for incentive bonuses	(60 056)	37 958	–	(22 098)
Provision for claims and trade discounts	(10 581)	2 686	–	(7 895)
Provision for long service awards	(5 753)	2 393	–	(3 360)
Other	(10 680)	(3 586)	–	(14 266)
	482 823	57 445	(847)	539 421

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	Opening balance R'000	Charge to profit and loss R'000	Charged/ (released) to other comprehensive income R'000	Closing balance R'000
23. Deferred tax (continued)				
2020				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	498 053	68 188	–	566 241
Temporary difference on livestock and farming consumables	181 544	41 351	–	222 895
Lease liability	–	160 164	–	160 164
Temporary differences giving rise to deferred tax assets				
Right-of-use assets	–	(150 377)	–	(150 377)
Provision for retirement benefit obligations	(27 616)	(859)	3 421	(25 054)
Provision for long-term retention payments	(38 701)	1 366	–	(37 335)
Provision for outstanding leave pay	(25 905)	(4 472)	–	(30 377)
Rental equalisation reserve	(335)	335	–	–
Provision for incentive bonuses	(22 098)	4 408	–	(17 690)
Provision for claims and trade discounts	(7 895)	(21 293)	–	(29 188)
Provision for long service awards	(3 360)	560	–	(2 800)
Tax losses utilised to reduce deferred tax liability	–	(2 447)	–	(2 447)
Other	(14 266)	(284)	–	(14 550)
	539 421	96 640	3 421	639 482

A deferred tax liability of R24 088 000 (2019: R18 985 000) has not been recognised in respect of withholding tax in the event of all the retained earnings of the foreign subsidiaries are distributed by future dividends declarations.

	Post-employment medical benefits (Note 25) R'000	Long-term retention benefits R'000	Performance incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
24. Employee benefit obligations					
2019					
Balance at 1 October 2018	92 971	136 440	226 487	85 544	541 442
Payments against provision	–	(70 919)	(210 021)	–	(280 940)
Increase/(decrease) in provision	5 657	72 697	74 455	6 975	159 784
Balance at 30 September 2019	98 628	138 218	90 921	92 519	420 286
Non-current provision	91 719	67 460	7 000	–	166 179
Current provision	6 909	70 758	83 921	92 519	254 107
	98 628	138 218	90 921	92 519	420 286

	Post-employment medical benefits (Note 25) R'000	Long-term retention benefits R'000	Performance incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
2020					
Balance at 1 October 2019	98 628	138 218	90 921	92 519	420 286
Payments against provision	–	(69 138)	(88 440)	–	(157 578)
Increase/(decrease) in provision	(9 151)	64 260	70 698	15 972	141 779
Balance at 30 September 2020	89 477	133 340	73 179	108 491	404 487
Non-current provision	82 024	52 706	6 000	–	140 730
Current provision	7 453	80 634	67 179	108 491	263 757
	89 477	133 340	73 179	108 491	404 487

The amounts provided for payment in respect of long-term retention benefits have been discounted at rates varying between 7.0 % and 8.2 % (2019: 7.0 and 8.2 %).

The long-term retention benefits are based on achieving certain performance conditions over a three-year vesting period from the date of allocation of the benefit. Allocations are made every year effective 1 October. The provision is based on an assessment to the extent that performance targets will be achieved. It is estimated that not all performance targets will be achieved.

The decrease in the employee benefit obligations is mainly as a result of a decrease in short-term incentives, following the lower profits for the year.

25. Post-employment medical benefits

The Group provides post-retirement healthcare benefits to some of its current and retired employees – refer to paragraph 18 of the accounting policies for more detail regarding the post-employment medical plan. Benefits paid and the movement in the provision are charged against profits in the current period. Re-measurements are charged to other comprehensive income.

	2020 R'000	2019 R'000
Present value of funded obligations per actuarial valuation at 30 September		
Balance at the beginning of the year	98 628	92 971
Current service cost	566	466
Interest costs	9 411	8 752
Re-measurement	(12 219)	3 025
Benefits payments	(6 909)	(6 586)
Balance at the end of the year	89 477	98 628

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	2020 R'000	2019 R'000
25. Post-employment medical benefits (continued)		
Amounts recognised in profit and loss:	**9 977**	9 218
Current service costs	**566**	466
Interest costs	**9 411**	8 752
Amounts recognised in other comprehensive income:		
Re-measurement	**(12 219)**	3 025
Arising from changes in financial assumptions	**(14 571)**	(2 000)
Arising from changes in demographic assumptions	**1 554**	4 532
Miscellaneous	**798**	493
Estimated employer benefits payable during next 12 months	**7 453**	6 909
The liability recognised in the financial statements was actuarially valued at 30 September 2020 (previous valuation date: 30 September 2019). The liability was valued using the Projected Unit Credit valuation method which is the same method used in the prior year.		
Discount rate	**11.64%**	9.91 %
Health care cost inflation:		
In service members	**8.37%**	7.71 %
Continuation members	**8.37%**	7.71 %

Pre-retirement mortality rates as per SA 85-90 (Light) ultimate table.

Post-retirement mortality rates as per PA (90) ultimate table rated down two years plus an improvement of 0.75 % per annum from a base year of 2006.

	Accrued liability	% change
Sensitivity analysis		
Discount rate increases by 1 % p.a.	82 247	-8 %
Discount rate reduces by 1 % p.a.	97 946	9 %
Subsidy inflation increases by 1 % p.a.	96 368	8 %
Subsidy inflation reduces by 1 % p.a.	82 206	-8 %
Mortality rate decreases by 1 year	92 325	3 %

A deterministic model has been used to calculate the projected cash flows and the corresponding sensitivity results. The results are point estimations and a limitation of this model is that a limited range of results is available for the sensitivity results.

	R'000	Experience adjustment
The present values of the defined benefit obligation and the experience adjustment were as follows:		
30 September 2020	89 477	-13.7 %
30 September 2019	98 629	12.4 %
30 September 2018	92 971	+3.9 %
30 September 2017	93 636	+5.4 %

	2020 R'000	2019 R'000
26. Trade and other payables		
Financial instruments		
Trade payables	1 273 939	1 133 002
Outstanding payment in respect of capital expenditure incurred	3 941	2 784
Accruals and other payables	189 481	213 253
Non-financial instruments		
VAT payable	24 484	19 066
Provision for contribution to local government water supply infrastructure repairs	10 000	–
Operating lease equalisation	–	1 197
Other	54 449	41 833
	1 556 294	1 411 135
Payment terms for trade payables are usually 30 days from date of statement.		
The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
SA Rand	1 526 647	1 450 376
Zambian Kwacha	15 015	19 023
Mozambican Meticais	3 591	4 113
US Dollar	11 041	11 068
	1 556 294	1 484 580
27. Net borrowings/surplus cash		
27.1 Current borrowings		
Bank overdrafts	27 453	44 115
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
SA Rand	8 917	9 236
Zambian Kwacha	18 536	34 879
	27 453	44 115
27.2 Net debt/surplus cash reconciliation		
Bank surplus funds	573 581	598 989
Bank overdrafts	(27 453)	(44 115)
Cash and cash equivalents per statement of cash flows	546 128	554 874
Lease liabilities	(572 013)	–
Net (debt)/surplus funds	(25 885)	554 874

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	Leases R'000	Cash and cash equivalents R'000	Total R'000
27. Net borrowings/surplus cash (continued)			
27.3 Financing activities			
Balance at 30 September 2018	–	788 566	788 566
Cash flows	–	(232 012)	(232 012)
Effect of exchange rate changes	–	(1 680)	(1 680)
Balance at 30 September 2019	**–**	**554 874**	**554 874**
Lease liabilities take-on balance – change in accounting policy	**(595 594)**	**–**	**(595 594)**
Cash flows	**177 966**	**(18 403)**	**159 563**
Effect of exchange rate changes	**–**	**9 657**	**9 657**
New leases	**(155 312)**	**–**	**(155 312)**
Re-measurements	**927**	**–**	**927**
Balance at 30 September 2020	**(572 013)**	**546 128**	**(25 885)**

	Amortised cost R'000	Financial liabilities at amortised costs R'000	Total on Balance sheet R'000
28. Financial instruments			
2019			
Current receivables			
Trade receivables	1 207 240	–	1 207 240
Cash and cash equivalents			
Cash and bank	598 989	–	598 989
Current borrowings			
Bank overdrafts	–	44 115	44 115
Shareholders for dividend	–	2 755	2 755
Current financial liabilities			
Trade payables	–	1 133 002	1 133 002
Accruals	–	216 037	216 037
2020			
Current receivables			
Trade receivables	**1 161 525**	**–**	**1 161 525**
Cash and cash equivalents			
Cash and bank	**573 581**	**–**	**573 581**
Current borrowings			
Bank overdrafts	**–**	**27 453**	**27 453**
Shareholders for dividend	**–**	**2 839**	**2 839**
Current financial liabilities			
Trade payables	**–**	**1 273 939**	**1 273 939**
Accruals	**–**	**193 422**	**193 422**

Trade receivables represent the payment of principal amounts and interest, are held for contractual cash flows and are therefore accounted at amortised cost.

29. Financial Risk Management

The responsibility of the overall financial risk of the Group vests with the Board of directors which has an overall responsibility to ensure the Group operates within acceptable risk parameters.

In exercising this responsibility, the Board assesses amongst others, the appropriate levels of capital investment on expansion projects, the quantum of dividend payments, and strategy on procurement of raw materials against the outlook of near and longer term trading conditions.

The Board is assisted in this function by the Audit and Risk Management Committee which also assesses the business risks, as identified by management from time to time, and the appropriate compensating controls to manage and mitigate the impact of the risks.

The Group is exposed to the following major financial risks:

29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Trade receivables and deposits with banks are subject to credit risk and are managed by the Group Credit Executive and Chief Financial Officer.

Trade receivables:
The Group's main credit risk is concentrated in the aggregate balance of trade receivables.

Trade receivables are categorised according to the different business segments as the profile of customers differs between the operating segments.

The credit risks of each individual customer within these categories are reviewed annually.
- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

The Group assesses credit risk on initiation and continuously monitors exposure.

Initially: The granting of credit in relation to trade receivables is controlled by the application of a number of credit controlling procedures, namely:
- Credit risk insurance cover.
- Customers' credit risks are individually assessed and, where necessary, additional security is requested from the customer.
- Credit limits are set for customers and control procedures are in place to ensure adherence to those limits.
- Requirement that customers should provide updated statements of assets and liabilities.
- No credit terms to customers regarded as high risk as per the internal credit risk assessment.
- New credit terms are approved and signed off by the Chief Executive Officer.

Subsequently: The subsequent credit control procedures include:
- Regular visits and communication with customer.
- Annual reassessment of the creditworthiness of customers.
- Immediate follow-up on late payments.
- In the event a customer is unable to pay, further trading with the customer is suspended.
- Changes to existing credit terms are approved and signed off by the Chief Executive Officer.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

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

	2020 R'000	2019 R'000
Accounts receivable	**1 126 166**	1 152 983
Less: Loss allowance	**(36)**	(622)
Less: Provision for doubtful debts	**(396)**	–
Net accounts receivable	**1 125 734**	1 152 361
Other receivables	**35 791**	54 879
	1 161 525	1 207 240
The table below sets out fully performing, past due but not impaired as well as the impaired receivables and the provision against such receivables:		
Fully performing – due by up to 30 days	**1 123 990**	1 139 988
Outstanding longer than 30 days	**2 176**	12 995
Past due by 31 to 60 days	**321**	7 477
Past due by more than 60 days	**1 855**	5 518
	1 126 166	1 152 983

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
The receivables outstanding longer than 30 days per category:				
2019				
Past due by 31 to 60 days	7 205	52	220	7 477
Past due by more than 60 days	5 507	11	–	5 518
	12 712	63	220	12 995
2020				
Past due by 31 to 60 days	**317**	**4**	**–**	**321**
Past due by more than 60 days	**1 269**	**586**	**–**	**1 855**
	1 586	**590**	**–**	**2 176**

Loss allowance

The trade receivables do not have a significant financing component and the simplified approach has been applied to calculated the loss allowance based on lifetime expected credit losses.

A loss allowance is calculated by each individual business unit in the Group, based on its historical loss experience and its particular customer profile which represents trade receivables with shared characteristics and specific characteristics which are influenced by the geographical area where they operate as well as the nature of their businesses.

Provision for losses against specific trade receivables is made in the event circumstances indicate to a high probability of non-payment. A loss allowance is then calculated on the balances of the trade receivables.

The following expected loss rates ranges were calculated by different business units:

	Current	30 days	60 days +
2020			
Ageing profile of the relevant trade receivables			
Value range of applicable trade receivable groupings – R'000	**R36 411**	**R11 489**	**R400**
Expected credit loss rate range – %	**0.05**	**0.16**	**nil**
Loss allowance – R'000	**R17**	**R19**	**nil**
2019			
Ageing profile of the relevant trade receivables			
Value range of applicable trade receivable groupings – R'000	R16 030 to R61 377	R4 124 to R9 444	R376
Expected credit loss rate range – %	0.06 to 0.10	4.19 to 4.28	nil
Loss allowance – R'000	R49	R573	nil

The movement in the impairment loss allowance in respect of trade receivables was as follows:

	2020 R'000	2019 R'000
Balance at the beginning of the year	**(622)**	(4 150)
Net movement for the year	**188**	3 528
Release as a result of change in the calculation of the loss allowance	**–**	4 150
Reversal of prior year loss allowance	**622**	–
Current year loss allowance	**(36)**	(622)
Provision against specific trade receivables	**(396)**	–
Balance at the end of the year	**(434)**	(622)

Movement in the loss allowance has been included in the profit and loss as part of administrative expenses under other expenses.

The loss allowance is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2019				
Farming	–	622	–	622
Retail and wholesale	–	–	–	–
	–	622	–	622
2020				
Farming	**–**	**432**	**–**	**432**
Retail and wholesale	**–**	**–**	**–**	
	–	**432**	**–**	**432**

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

The Group holds the following security over trade receivables in the form of bank guarantees, covering bonds over property and credit guarantee insurance cover:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2019				
Bank guarantees	9 500	–	–	9 500
Notarial bonds over moveable assets	24 200	–	–	24 200
Covering bonds over property	–	2 000	–	2 000
Credit Guarantee Insurance Cover	316 815	–	–	316 815
	350 515	2 000	–	352 515
2020				
Bank guarantees	**7 500**	**–**	**1 650**	**9 150**
Notarial bonds over moveable assets	**22 000**	**–**	**–**	**22 000**
Covering bonds over property	**–**	**2 000**	**–**	**2 000**
Credit Guarantee Insurance Cover	**312 343**	**–**	**–**	**312 343**
	341 843	**2 000**	**1 650**	**345 493**

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

	Poultry R'000	Feed R'000	Other Africa R'000	**Total 2020 R'000**	2019 R'000
Low risk	863 466	–	–	**863 466**	645 799
General risk	29 777	211 282	19 786	**260 845**	501 666
High risk	1 269	586	–	**1 855**	5 518
	894 512	211 868	19 786	**1 126 166**	1 152 983

Trade receivables are categorised into the following risk profiles:

- Low risk: National customers with a low risk profile
- General risk: All other customers not classified as low or high risk
- High risk: Customers with solvency and liquidity concerns, and existing customers in arrears as a result of financial difficulties

The largest single credit risk at 30 September amounts to R414 million (2019: R231 million) in the Poultry segment which has a low credit risk profile.

Cash and cash equivalents:

Dealings with counterparties arising from derivative instruments are limited to well-established financial institutions of high credit standing.

Cash at bank represent surplus funds on current bank and overnight call accounts. These funds are held by financial institutions of good standing with Standard & Poor's ratings for short-term local currency of B.

29.2 Market risk – interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk is limited to surplus funds on cash deposits, loan liabilities and funds borrowed on bank overdrafts.

Interest is at variable rates which are linked to money market-related rates and the bank prime lending rates.

Interest rate risk is managed by the Chief Financial Officer considering the Group's net borrowings and surplus funds, as well as considering forward levels of interest rates from time to time.

Based on the financial instruments as at 30 September 2020, the after tax effect of a 1 % movement in the interest rates on the statement of comprehensive income would be R3 932 000 (2019: R3 995 000).

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

29.3 Market risk – foreign exchange rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group enters into transactions from time to time in currencies which are different from the functional currencies in which it conducts its business activities, which result in exposure to foreign exchange rate fluctuations.

Exposure to exchange rate fluctuations is managed by utilising forward exchange contracts and currency option contracts in consultation with the Chief Financial Officer when management regards it prudent. Forward exchange contracts entered into are related to specific statement of financial position items.

There are no open contracts at year-end (2019: nil).

The following Rand value items reported in the financial statements are exposed to foreign exchange rate fluctuations at 30 September:

	US Dollar R'000
2019	
Financial assets – cash and cash equivalents	2 087
Financial liabilities – Trade and other payables	(7 160)
	(5 073)
2020	
Financial assets – cash and cash equivalents	**1 349**
Financial liabilities – Trade and other payables	**(8 755)**
	(7 406)

A 10 % movement in the exchange rate against the US Dollar will result in a R481 000 after tax effect in the profits of the group (2019: R365 000).

There were no open foreign exchange contracts at 30 September 2020 (2019: nil).

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

29. Financial Risk Management (continued)

29.4 Market risk – price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Commodity price risk

The prices of commodities used by the Group fluctuate widely and in a competitive market it is not always possible to recover material commodity price increases from broiler customers. This impacts the Group's profitability. Commodity price fluctuations are normally caused by factors such as supply conditions, weather, exchange rate fluctuations and other economic conditions which are outside the control of Astral.

These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Decisions on the procurement of raw materials as well as the utilisation of derivative instruments to hedge against these risks are taken by executive management within Board approved mandates. Detailed statements of raw material contracts and hedging positions are prepared and submitted on a monthly basis to the Chief Executive Officer.

Poultry products price risk

Poultry producers have limited influence over prices of broiler products in the retail market. These prices are highly sensitive to the supply and demand balance for broiler products. Imbalances in supply and demand are caused by a combination of a number of factors; the uncontrolled import and dumping of chicken products on to the South African market, production levels and supply from local producers, and the financial strength of the local consumer are the more important factors.

The management of this risk is done by the poultry management team through appropriate production planning, cost control, improvement in efficiencies and reduction of costs through continuous upgrading of processes, equipment and facilities.

Investments

The value of the interest in Quantum Foods Holdings Ltd is exposed to changes in the value of its shares which are listed on the Johannesburg Stock Exchange.

In the event the value of the shares change with 1 %, it will have a R1 210 000 impact on other comprehensive income.

29.5 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group has borrowings and other financial liabilities.

The Group has good cash flow generation capabilities. During periods of normalised profit margins, i.e. when there are no prolonged adverse movements in the cost of commodities and/or prices of poultry products, surplus cash is generated and accumulated in the business. During periods of lower profit margins, both working capital requirements as well as capital expenditures on property, plant and equipment, are financed from cash generated from business activities and available short-term bank facilities.

The following table compares the contractual cash flows of debt owed at 30 September 2020, with the carrying amount in the consolidated balance sheet, in Rand. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt, remain constant.

	Within 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000	Total R'000
2019				
Trade and other payables	1 349 039	–	–	1 349 039
Shareholders for dividend	2 755	–	–	2 755
Bank overdraft	44 115	–	–	44 115
	1 395 909	–	–	1 395 909

	Within 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000	Total R'000
2020				
Lease payments	256 302	409 807	36 208	702 317
Trade and other payables	1 467 361	–	–	1 467 361
Shareholders for dividend	2 839	–	–	2 839
Bank overdraft	27 453	–	–	27 453
	1 753 955	409 807	36 208	2 199 970

The following table sets out the contractual terms of the borrowings and other financial liabilities:

	Repayment date	Fixed/ variable interest	Interest rate	Security or other relevant terms
Trade payables	current	n.a.	n.a.	none
Accruals	current	n.a.	n.a.	none
Bank overdraft – ZAR denominated	current	variable	7 % (2019: 10 %)	none
Bank overdrafts – Kwacha denominated	current	variable	16.5 – 19 % (2019: 16.5 – 19 %)	Mortgage bond over property and floating charge over inventory and trade receivables

The liquidity risks are managed by the Chief Financial Officer on a Group level through a combination of the following:

- monitoring of trading stock levels;
- monitoring of outstanding trade receivables;
- monitoring of daily bank balances;
- calculating an eight-week rolling forecast of bank balances on a weekly basis;
- conducting long-term cash flow forecasts at regular intervals;
- the arrangement of access to short and long-term borrowing facilities from financial institutions; and
- financing of major capital expenditure items are done from a combination of borrowed funds as well as from surplus cash when accumulated over a period of time.

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

Borrowing facilities

The borrowing facilities, which are reviewed on an annual basis, are held at four different banks and R517 000 000 is immediately accessible, and may be drawn at any time. The balance of the facilities can be utilised on short notice, subject to a review.

	2020 R'000	2019 R'000
The Group has the following general borrowing facilities at floating interest rates:		
– Denominated in SA Rand		
Total facilities	1 091 000	1 091 000
Unutilised facilities at year-end	1 091 000	1 091 000
– Denominated in Zambian Kwacha		
Total facilities	26 446	36 488
Unutilised facilities at year-end	7 910	1 610
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying values:		
Land and buildings	1 468	2 085
Inventory	42 625	56 844
Trade debtors	11 754	12 169

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

29. Financial Risk Management (continued)

29.6 Capital risk

The Group manages its capital in order not to have exposure to abnormal high debt position and to provide adequate return on capital employed.

The Board of directors mandates the long-term capital structure of the group with debt to equity not to exceed a target of 43 %.

The Group continuously monitors its net debt to equity ratio.

Debt incurred from time to time by the Group consists mainly of the following:

- bank overdrafts
- long-term loans for the financing of specific major expansion projects when required

Surplus cash situations occur from time to time as result of cyclicality in profits.

Equity comprises all components of equity as disclosed in the statement of financial position.

The Group is in a net surplus cash position with the net surplus cash relative to equity as at 30 September as follows:

	2020 R'000	2019 R'000
Cash and cash equivalents – refer note 20	**573 581**	598 989
Total debt – refer note 27	**(27 453)**	(44 115)
Net surplus cash	**546 128**	554 874
Total capital		
Equity	**4 122 320**	3 795 635

30. Share-based payments

Forfeitable share plan

The forfeitable share plan which is equity-settled, allows the allocation of Astral Foods Ltd shares to participants in the scheme. The allocated shares are subject to a three-year vesting period during which the shares are disclosed as treasury shares.

The shares are registered in the name of the participants and they are entitled to receive dividends on the shares. Dividends paid, and received by the participants, are disclosed as cash-settled remuneration and is expensed in the income statement.

Detail of restricted shares acquired during the year are as follows:

The shares were acquired by Astral Operations Limited at a cost of R23 674 000.

114 500 shares were acquired which were allocated to executive directors and prescribed officers. Refer to note 32 for detail.

The service cost recognised in the income statement by the Group in the current year in respect of the restricted shares granted, amounts to R3 625 000 (2019: nil).

31. Related-party transactions

Directors' remuneration

Details of directors' remuneration is given in note 31. Executive directors are eligible for an annual performance-related bonus payment linked to appropriate Group targets. The structure and payment of bonuses are decided by the Human Resources, Remuneration and Nominations Committee.

Details of participation in the forfeitable share plan are given in note 32.

31. Related-party transactions (continued)

Key management

Employees fulfilling the role of key management are the executive directors and the prescribed officers as listed in note 32.

Principal subsidiary undertakings

Details of subsidiaries in the Group are set out in note 35 to the financial statements.

Cross Guarantees

A cross guarantee incorporating a pledge and cession of loan funds between the bank and Group companies has been given by Astral Foods Limited, Astral Operations Limited, Meadow Feeds Eastern Cape (Pty) Limited, and Meadow Feeds Standerton (Pty) Limited in respect of borrowing facilities.

32. Directors' and prescribed officers' remuneration

	Directors' fee/basic salary R'000	Travelling allowance and other payments R'000	Short-term incentives R'000	Long-term incentives R'000	Total 2020 R'000	Total 2019 R'000
Non-executive Directors' fees						
For services as Directors (excluding VAT)	3 701	–	–	–	3 701	3 457
T Eloff	1 038	–	–	–	1 038	993
DJ Fouché	947	–	–	–	947	906
TM Shabangu	675	–	–	–	675	646
S Mayet	489	–	–	–	489	87*
WF Potgieter	344	–	–	–	344	82*
T Maumela	208	–	–	–	208#	579
MT Lategan	–	–	–	–	–	164#
Executive Directors' remuneration						
For managerial services	21 502	86	6 107	24 861	52 556	58 548
CE Schutte	8 308	21	2 532	10 575	21 436	23 658
GD Arnold	3 997	28	1 083	4 328	9 436	11 394♦
AB Crocker	3 997	28	1 083	4 328	9 436	10 269
DD Ferreira	5 200	9	1 409	5 630	12 248	13 227
Total Directors' fees and remuneration	25 203	86	6 107	24 861	56 257	62 005
Prescribed officers' remuneration						
For managerial services	10 232	136	2 322	5 819	18 509	16 745
E Potgieter	2 641	46	596	2 372	5 655	5 816
MJ Schmitz	3 386	29	944	3 447	7 806	6 503
G Jordaan	2 625	24	592	–	3 241	641*
L Marupen	826	29	190	–	1 045	
MA Eloff	754	8	–	–	762#	2 722
FM Snyman	–	–	–	–	–	1 063#
Total directors' and prescribed officers' remuneration	35 435	222	8 429	30 680	74 766	78 750

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

Fee/salary paid to date of resignation as director/prescribed officer.
* *Fee/salary paid from date of appointment as director/prescribed officer.*
♦ *Includes a merit award for successfully managing the risks posed by the first break-out of bird flu in the South African poultry industry which is a major risk to the industry.*

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

32. Directors' and prescribed officers' remuneration (continued)

Indicative Long-term incentives (LTI) payable

Effective dates of allocation Vesting dates of performance conditions Payment dates	1 Oct 2017 30 Sep 2020 25 Jan 2021 R'000	1 Oct 2018 30 Sep 2021 25 Jan 2022 R'000	1 Oct 2019 30 Sep 2022 25 Jan 2023 R'000	Total 2020 R'000	Total 2019 R'000
Executive Directors					
CE Schutte	10 575	7 157	–	**17 732**	27 882
GD Arnold	4 328	3 061	1 607	**8 996**	11 224
AB Crocker	4 328	3 061	1 607	**8 996**	11 224
DD Ferreira	5 630	3 982	2 090	**11 702**	14 783
Expected payments on condition performance targets are achieved	24 861	17 261	5 304	**47 426**	65 113
Liability included in Employee benefit obligations (note 24)	(24 861)	(10 557)	(1 488)	**(36 906)**	(43 013)
Contingent liability – included in Contingencies (note 34)	–	6 704	3 816	**10 520**	22 100
Prescribed officers					
E Potgieter	2 372	1 685	885	**4 942**	5 995
MJ Schmitz	3 447	2 437	1 280	**7 164**	7 423
G Jordaan	–	–	879	**879**	–
Expected payments on condition performance targets are achieved	5 819	4 122	3 044	**12 985**	13 418
Liability included in Employee benefit obligations (note 24)	(5 819)	(2 521)	(854)	**(9 194)**	(8 186)
Contingent liability – included in Contingencies (note 34)	–	1 601	2 190	**3 791**	5 232

Securities issued

Shares in Astral Foods Ltd were issued in terms of the forfeitable share plan. The shares are restricted and vesting is after three years from date of allocation, subject to certain performance conditions are met.

Date of allocation Vesting date of performance conditions Date for vesting as unrestricted shares	1 Feb 2020 30 Sep 2022 31 Jan 2023 Costs of shares allocated R'000	Shares allocated Number of shares	Shares expected to vest Number of shares
Shares allocated			
Executive directors			
CE Schutte	**11 216**	**54 242**	**36 342**
GD Arnold	**2 398**	**11 599**	**7 771**
AB Crocker	**2 398**	**11 599**	**7 771**
DD Ferreira	**3 120**	**15 089**	**10 110**
	19 132	**92 529**	**61 994**

Date of allocation Vesting date of performance conditions Date for vesting as unrestricted shares	1 Feb 2020 30 Sep 2022 31 Jan 2023 Costs of shares allocated R'000	Shares allocated Number of shares	Shares expected to vest Number of shares
Prescribed officers			
MJ Schmitz	1 910	9 237	6 189
E Potgieter	1 320	6 387	4 279
G Jordaan	1 312	6 347	4 252
	4 542	21 971	14 720
Total allocation to executive directors and prescribed officers	23 674	114 500	76 714

Note: Allocations made on 1 October 2019 consists of a combination of Long-term incentives as well as securities issued.

Note 1 – Long-term incentives (LTI)

The executive directors and prescribed officers participate in both the Long-term Retention Plan (LRP) which is a deferred cash scheme, and in the Forfeitable Share Plan (FSP), in terms of which restricted shares are allocated to participants.

Details of the allocations made are as follows:

- **1 October 2017 with vesting date 30 September 2020**

  All allocations are in terms of the LRP.

  Performance conditions relate to above-threshold production performance (PEF) and headline earnings per share (HEPS) growth, measured over the three-year vesting period. Payment of 25% of the allocated amounts are not subject to performance conditions.

  The performance conditions in respect of the HEPS growth was not met in full, and as a result the allocated amounts have not vested in full.

- **1 October 2018 with vesting date 30 September 2021**

  All allocations are in terms of the LRP.

  Performance conditions relate to above-threshold production performance (PEF), headline earnings per share (HEPS) growth and return on net assets (RONA) which must be achieved over the three-year vesting period. Elation report for more detail on the scheme.

  It is expected that not all of the performance conditions will be achieved, and lower payments are forecasted.

- **1 October 2019 with vesting date 30 September 2022**

  Allocations are apportioned between the LRP and the FSP.

  Performance conditions for both schemes relate to above-threshold production performance (PEF), headline earnings per share (HEPS) growth and return on net assets (RONA) which must be achieved over the three-year vesting period. Elation report for more detail on the scheme.

  It is expected that not all of the performance conditions will be achieved, and both lower payments and vesting of lower number of shares, are forecasted.

Note 2 – Short-term incentives (STI)

The Executive Directors and prescribed officers participate in an annual performance-based bonus scheme.

The bonus is calculated based on a pro rata share of 20% of the economic value added (EVA) during the past year. The net operating profit after tax (NOPAT) must be in excess of a predetermined threshold before bonuses will be paid. Refer to the remuneration report for more detail on the scheme.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	2020 Number of shares	2019 Number of shares
33. Directors' shareholding		
Directly held number of shares		
Beneficial interests		
Non-Executive Directors		
T Eloff	**1 150**	–
DJ Fouché	**9 571**	5 650
S Mayet	**1 000**	–
WF Potgieter	**1 400**	–
Executive Directors		
CE Schutte	**32 000**	26 450
DD Ferreira	**158 000**	158 000
AB Crocker	**4 967**	3 725
GD Arnold	**6 000**	3 000
	214 088	196 825

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

	2020 R'000	2019 R'000
34. Contingencies and commitments		
Commitments		
Raw material contracted amounts not recognised in the statement of financial position	**1 129 870**	1 376 532
The Group has contracted its raw material requirements from various suppliers in terms of future supply agreements.		
Orders placed for capital equipment included under capital commitments (note 14), payable in the following currencies:		
Euro	**–**	49 248
British pound	**–**	4 074
Contingencies		
Long-term retention incentives not recognised in the statement of financial position	**61 936**	76 220

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

35. Interest in subsidiary companies

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

		Issued ordinary capital		Effective percentage holding	
		2020 R'000	2019 R'000	**2020 %**	2019 %
Unlisted investments					
Astral Operations Limited	a	**12**	12	**100**	100
National Chicks Limited	b	**23 720**	23 720	**100**	100
Meadow Feeds Eastern Cape (Pty) Ltd	c	**–**	–	**100**	100
Meadow Feeds Standerton (Pty) Ltd	c	**–**	–	**100**	100
Africa Feeds Limited (Zambia)^	c	**24**	24	**100**	100
Meadow Moçambique Limitada*	c	**4 393**	4 393	**80**	80
Progressive Poultry Limited^	d	**10**	10	**100**	100
Mozpintos Limitada*	d	**100**	100	**100**	100
National Chicks Swaziland (Pty) Limited#	d	**1**	1	**67**	67

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

Nature of business

(a) Animal feed and pre-mix production, broiler genetics and broiler breeding production, broiler operations, production and sale of day old broilers and hatching eggs and analytical services.
(b) Investment holding.
(c) Animal feed production.
(d) Production and sale of day old broilers and hatching eggs.

36. Events subsequent to balance sheet date

A final dividend of 775 cents per share has been declared on 11 November 2020. The payment of the dividend will be on 21 January 2021.

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

37. Change in accounting policies

The Group adopted IFRS 16: *Leases* at the beginning of the 2020 financial year:

The Group followed the modified retrospective approach with the implementation of IFRS 16 on 1 October 2019, without restating comparatives in the financial statements. Existing contracts were not reassessed to determine whether they are leases in terms of IFRS 16, and exemption was applied to existing lease contracts with remaining terms less than 12 months on implementation date.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4: Determining whether an Arrangement contains a Lease.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

	R'000
37. Change in accounting policies (continued)	
The impact on the financial statements for 2020 is as follows:	
Recognition of additional amortisation charges on right-of-use assets	(212 918)
Derecognition of lease payments as operating expenses in the operating profit	245 927
Net increase in operating profit	33 009
Additional finance charges	(67 961)
Net decrease in profit before tax	(34 952)
Decrease in tax charge	9 787
Net decrease in earnings	(25 165)
Increase in total assets at the end of the year	537 061
Increase in interest-bearing liabilities at the end of the year	(572 013)
Decrease in deferred tax provision	9 787
	(25 165)
Reconciliation of lease commitments on 30 September 2019 with lease liabilities on 1 October 2019	
Total outstanding lease commitments on 30 September 2019	793 060
Less lease commitments in respect of:	
– Low value items	(3 281)
– Short-term leases	(10 238)
Lease commitments on 1 October 2019 disclosed as right-of-use assets	779 541
Discounting of commitments at the incremental borrowing rate	(183 947)
Lease liabilities recognised on 1 October 2019	595 594

38. Impact of Covid-19 and of economic lockdown

	Assessment	Impact
Revenue	The Group, being both a food and an animal feed producer, was classified as providing essential goods during the Covid-19 lockdown period, and business activities continued uninterrupted. Sales to the Quick Service Restaurants (QSR) was negatively impacted as result of their forced close down during the initial stages of the lockdown period. The products normally sold to the QSR outlets were processed into IQF products, which were sold via the normal wholesale and retail channels. Pricing of products were, however, adversely impacted resulting from surplus stock in the IQF market – refer to the inventory impact below.	**Limited** With the subsequent opening up of the economy, sales are in the process of returning to normality.
Financial assets (expected credit losses)	The Group calculates expected credit losses (ECL) based on the past experience of default rates of its own customer base, with any forward looking adjustments taken into account where necessary. The impact of the lockdown on customers has been, and is still closely monitored in order to establish if an adjustment to the default rate from the impact of Covid-19 is warranted. To date, no necessary adjustment has been identified. Outstanding balances from major customers are also covered by credit insurance – also refer to note 29.1. Other financial assets have not been impacted by the economic lockdown.	**Low** Payments from some customers were delayed during the early stages of the lockdown period, however all overdue amounts have been settled within a relative short period of time, prior to the financial year end. No credit losses were experienced to date relating to the impact of Covid. The strict application of its credit control processes proved its value during this period.

	Assessment	Impact
Inventories	As standard practice the carrying value of inventories (finished goods stock) is disclosed at the lower of cost or net realisable value. The net realisable value of poultry products in the market has been influenced by the general surplus of stock in the market. This was a result of the lockdown of the QSR outlets and lower buying power of consumers following a portion of the population not earning income at levels before the lockdown.	**Low** The Group experienced more normalised stock levels towards the end of its financial year, and the carrying value as at the end of the year will be recovered through normal trading activities.
Non-financial assets (property, plant and equipment – "PPE", intangibles and goodwill)	The group was classified as an essential service provider and as result production and trading activities continued uninterrupted during the lock down period. Negative impact to trading profits were experienced during the second half of the year as result of the temporary closure of QSR outlets and consumer spending behaviour during the hard lockdown period. These were not regarded as impairment indicators as sales have largely recovered as the lockdown moved to Level 1 towards the end of the financial year.	**Low** Long-term forecasts indicates that the carrying value of assets will be recovered from future cash generation.
Going concern	The impact to sales volumes and pricing had an adverse result on profitability; however, the group still operated at a profit during the lockdown period. The group conducts annually as standard practice, detail four-year forecasts of profitability, capital expenditure, working capital requirements and cash flows. This year a more conservative outlook was assumed as a result of the uncertainties following the outbreak of Covid-19. However, there are no indications that the Group will not be a going concern at any point in time in the future, nor are there any indications of future liquidity issues. Any potential future volatility in profitability, which is typical of the business environment in which the Group operates, is regarded as normal business risks, and does not pose a going concern risk for the Group.	**Low** The group has a strong balance sheet and good cash flow generation capabilities. This is supported by a strong improvement in cash flows during the last quarter of the financial year.
Liquidity	Negative cash flows were experienced for a limited period of time during which finished good stockholding increased and payments from customers, which were impacted by the lockdown, were in arrears. Stockholding of critical input raw materials were increased in order to secure uninterrupted supply. All stock levels and the ageing of trade receivables returned to normality towards the end of the year. In spite of the adverse conditions as result of the lockdown, the group remained in as a surplus cash position throughout the period – refer to the statement of cash flows.	**Low** Apart from being in a net surplus cash position, the Group is in good standing with the banks and has access to sufficient facilities.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

39. ACCOUNTING POLICIES

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

39.1 BASIS OF PREPARATION

The consolidated financial statements of Astral Foods Limited group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The basis of preparation is consistent with the prior year, except for the mandatory adoption of IFRS 16 (Leases).

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 the relevant notes to the annual financial statements.

39.2 INTEREST IN GROUP ENTITIES

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group.

39.3 FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency'). The consolidated financial statements are presented in Rand, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Other (losses)/gains – net".

Foreign Operations

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different to the Company's presentation currency, are translated into the presentation currency as follows:

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

(ii) Income and expense items are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) Equity items are translated at the exchange rates ruling when they arose.

All resulting exchange differences are classified as a foreign currency translation reserve and recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings which are long-term investments in nature, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

39.4 PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly of feed mills, poultry processing facilities, poultry farms and offices which are measured at historical cost.

Land is not depreciated and its carrying value is stated at historical cost.

Plant and equipment consists mainly of equipment used in the production of feed, feeding of birds in poultry houses, hatchery equipment the slaughtering of poultry in abattoirs and the processing and packaging of poultry meat products.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to profit or loss during the financial period in which they are incurred.

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technology developments and maintenance programmes.

39.5 INTANGIBLE ASSETS

Computer software

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Computer software recognized as assets are amortised, using the straight-line method, over their estimated useful lives. The estimated useful lives are reassessed on an annual basis.

39.6 LEASES

The accounting policies regarding leases are described in note 14 to the financial statements

39.7 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 comprise all purchase costs of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) incurred in bringing the inventories to their present location and condition. Borrowing cost is excluded.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

39. ACCOUNTING POLICIES (continued)

39.8 BIOLOGICAL ASSETS

The value of live broiler birds and hatching eggs are assessed based on fair values less estimated point-of-sale costs at appropriate reporting dates. Gains and losses arising from changes in the fair values are recorded in cost of sales for the period in which they arise.

Breeding stock includes grandparent breeding and parent rearing and laying stock which are carried at amortised costs.

All the expenses incurred in establishing and maintaining the assets are recognised in cost of sales. All costs incurred in acquiring biological assets are capitalised to the cost of the biological assets.

Assessment of control over contract growers

The Group utilises contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets. The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis the Group concluded that it does not control the activities of any contract grower, as it does not have any decision-making powers and that these businesses are managed independently. Furthermore, these businesses retain the residual risk associated with production.

39.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

39.10 FINANCIAL ASSETS

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset. Financial assets carried at reporting date include cash and bank balances, investments in equity instruments, and receivables.

The Group's receivables are held to collect the contractual cash flows and are classified in the following category:

- Amortised costs

Investments in equity instruments are classified in the following category:

- Fair value through other comprehensive income

Impairment

A loss allowance is calculated based on the lifetime expected credit losses of financial assets.

39.11 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 asset or to exchange financial instruments with another on potentially unfavourable terms.

All the financial liabilities have been classified as: Financial liabilities at amortised cost.

39.12 TRADE RECEIVABLES

Adjustments in the provision for loss allowances is recognised in the statement of comprehensive income under administrative expenses. When a trade receivable is uncollectible it is written off in the statement of comprehensive income or when previously written off amounts are recovered, it is credited in the statement of comprehensive income, both within other gains/losses.

39.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

39.14 TRADE PAYABLES

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

39.15 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.

39.16 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.

39.17 CURRENT AND DEFERRED TAX

The charge for current tax is based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

Upon the initial recognition of an asset or a liability in a transaction which is not a business combination, and the recognition does not affect accounting profit or taxable profit at the time of the transaction, the group has made the policy choice to treat the asset and the liability separately for deferred tax purposes.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

39. ACCOUNTING POLICIES (continued)

39.18 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. It is the Group's policy not to apply hedge accounting.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately under other income/expenses in the statement of comprehensive income.

Over-the-counter (OTC) contracts

The Group enters into over-the-counter (OTC) forward purchases for the purchase of commodities for own use. These contracts are settled by taking physical delivery in the normal course of business and are therefore not regarded as financial instruments.

Fair value estimation

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

39.19 EMPLOYEE BENEFITS

Pension obligations

The Group operates defined contribution retirement schemes.

A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group recognises the expense in the statement of comprehensive income as an employee benefit expense.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Post-employment medical benefits

The Group provides post-retirement healthcare benefits to some of its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income. These obligations are valued every year, and the assumptions are reviewed annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders. These profit-sharing and bonus plans are approved annually by the Board.

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term retention bonus scheme

The Group has a long-term retention bonus scheme for certain employees. In terms of the scheme, 25 % of the allocated amount is guaranteed, and for certain employees, 75 % is subject to specified performance conditions measured over a three-year period being met. Allocations from 1 October 2018 onwards are 100 % subject to performances conditions for all employees.

Once vested, amounts are paid at the end of the three-year vesting period.

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

Share-based plans

The **share option scheme** which is equity-settled, provides the right to purchase shares in the Company at the exercise price. The contractual life of options granted is seven years. The options vest one third after each of the third, fourth and fifth year of date of granting the option. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market conditions. Non-market conditions are included in assumptions about the number of options that are expected to vest. The Group recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The fair value calculations are done by external consultants.

The **forfeitable share plan** which is equity-settled, affords employees the opportunity to own shares in Astral through awarding of forfeitable shares. Participants receive the shares, with voting and dividend rights, on the date of the award subject to performance conditions and the risk of forfeiture during a three-year vesting period.

The shares acquired and subsequently awarded are disclosed as treasury shares.

The fair value of the employee service received in exchange for the awarding of the shares is based on the market value of the shares on grant date. The amount to be expensed over the three-year vesting period is determined by reference to the fair value of the shares awarded, adjusted the impact of non-market conditions on the assumption of the number of shares that are expected to vest.

Dividends received by participants during the vesting period are regarded as a cash settled portion of the scheme and are recognised as an employee benefit expense as and when dividends are paid.

39.20 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Refer to note 1 of the financial statements for a description of the revenue streams of the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

- Poultry – sales of poultry products are recognised when the products are delivered at the premises of the customer;
- Feed – sales of feed are recognised when the feed is delivered at the farm as agreed with the customer or when a customer collects it from the feedmills.

Notes to the Financial Statements (continued)

for the year ended 30 September 2020

39. ACCOUNTING POLICIES (continued)

39.20 REVENUE RECOGNITION (continued)

In all instances, sales are recognised when upon delivery, the customer has accepted the products; and collectability of the related receivables is reasonably assured.

Volume rebates and settlement discounts are deducted from revenue where they can be reliably measured.

In the prior year, the Group made use of an intermediary company which purchased finished goods from the group, and sold these to the retail market. Significant judgements were made by management when concluding whether the intermediary was transacting as an agent or as a principal. The assessment required an analysis of key indicators, specifically whether the intermediary:

- carried any inventory risk;
- had the primary responsibility for providing the goods or services to the retail market;
- had the latitude to influence pricing; and
- exercised control over the finished goods.

These indicators were used to determine whether significant risks and rewards associated with the sale of goods have passed to the intermediary company. Where significant risks and rewards have not transferred to the intermediary company, revenue is recognised when the goods are sold to the retail market.

Where the Group delivers finished goods to another party for sale to end customers, the Group evaluates whether the other party has obtained control of the finished goods at that point in time. Finished goods that have been delivered to another party are held in a consignment arrangement when the other party has not obtained control of the product. The Group does not recognise revenue where finished goods are delivered to another party if the finished goods are held on consignment.

This assessment required analysis of key indicators, specifically:

- The Group retains control over the finished goods until a specified event occurs, which is the sale of the finished goods to a customer;
- The Group is able to require the return of the finished goods or can transfer the finished goods to a third party;
- The other party does not have the unconditional obligation to pay for the product.

39.21 INTEREST INCOME

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and is recognised in profit or loss as part of other income.

39.22 NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards.

There are no new standards and interpretations that are expected to impact the financial statements and reporting of the Group.

ADMINISTRATION

Shareholders' diary

Integrated Report for the year ended 30 September 2020 and Notice of AGM posted to shareholders	Friday, 11 December 2020
Ordinary dividend No 38 of 775 cents per share	
Last date to trade cum dividend	Tuesday, 12 January 2021
Shares commence trading ex dividend	Wednesday, 13 January 2021
Record date	Friday, 15 January 2021
Payment date	Monday, 18 January 2021
AGM (refer to important dates and times below)	**4 February 2021**
Interim results for the six months ending 31 March 2021	May 2021
Final results for the year ending 30 September 2021	November 2021

IMPORTANT DATES AND TIMES (Notes 1 and 2)

Record date for determining which shareholders are entitled to receive the Notice of AGM (Notice Record Date)	Friday, 4 December 2020
Notice of AGM posted to shareholders	Friday, 11 December 2020
Last day to trade in order to be eligible to participate and vote at the AGM	Tuesday, 26 January 2021
Record date for attending and voting at the AGM (Meeting Record Date)	Friday, 29 January 2021
Last day for shareholders to lodge Forms of Proxy by 08:00	Wednesday, 3 February 2021

NOTES:

1. All times referred to in this notice are local times in South Africa.
2. Any material variation to the above dates and times will be announced on SENS and published in the press.
3. The Board has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive the Notice of the twentieth AGM is Friday, 4 December 2020 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 29 January 2021. Accordingly, only shareholders who are recorded in the register maintained by the transfer secretaries of Astral on Friday, 29 January 2021 will be entitled to participate in and vote at the AGM.

Shareholders' analysis

Through analysis of the Strate registered holdings and Combined Share Register, and pursuant to the provisions of section 56 of the Companies Act, the following shareholder statistics have been prepared as at 30 September 2020:

Registered shareholder spread

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	3 870	77.32	910 712	2.12
1 001 – 10 000 shares	810	16.18	2 639 087	6.15
10 001 – 100 000 shares	244	4.88	7 835 194	18.25
100 001 – 1 000 000 shares	74	1.48	16 625 632	38.73
1 000 001 shares and above	7	0.14	14 911 610	34.74
Total	**5 005**	**100.00**	**42 922 235**	**100.00**

Beneficial shareholder categories

	Total shareholdings	% of issued capital
Category		
Pension Funds	12 520 147	29.17
Unit Trusts	12 133 875	28.27
University	102 735	0.24
Mutual Fund	4 125 695	9.61
Private Investor	2 641 435	6.15
Trading Position	2 212 021	5.15
Insurance Companies	1 070 521	2.49
Hedge Fund	975 377	2.27
Sovereign Wealth	679 773	1.58
Corporate Holding	4 220 019	9.83
Custodian	246 385	0.57
Exchange-Traded Fund	175 638	0.41
Investment Trust	90 740	0.21
Local Authority	52 298	0.12
Medical Aid Scheme	64 749	0.15
Charity	45 600	0.11
Remainder	1 565 228	3.65
Total	**42 922 235**	**100.00**

Public and non-public shareholdings

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders*	9	0.18	4 300 140	10.02
Directors and associates	8	0.16	211 563	0.49
Astral Operations	1	0.02	4 088 577	9.53
Public shareholders	4 996	99.82	38 622 095	89.98
Total	**5 005**	**100.00**	**42 922 235**	**100.00**

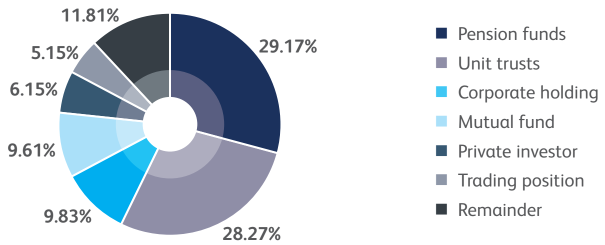
** Includes Directors, Pension/Retirement Funds and Treasury shares.*

Shareholders' analysis (continued)

Beneficial shareholdings above 3%

	Total shareholdings	% of issued capital
Beneficial shareholdings		
Government Employees Pension Fund (PIC)	5 813 471	13.54 %
Astral Operations Ltd	4 203 077	9.79 %
Total	**10 016 548**	**23.34%**

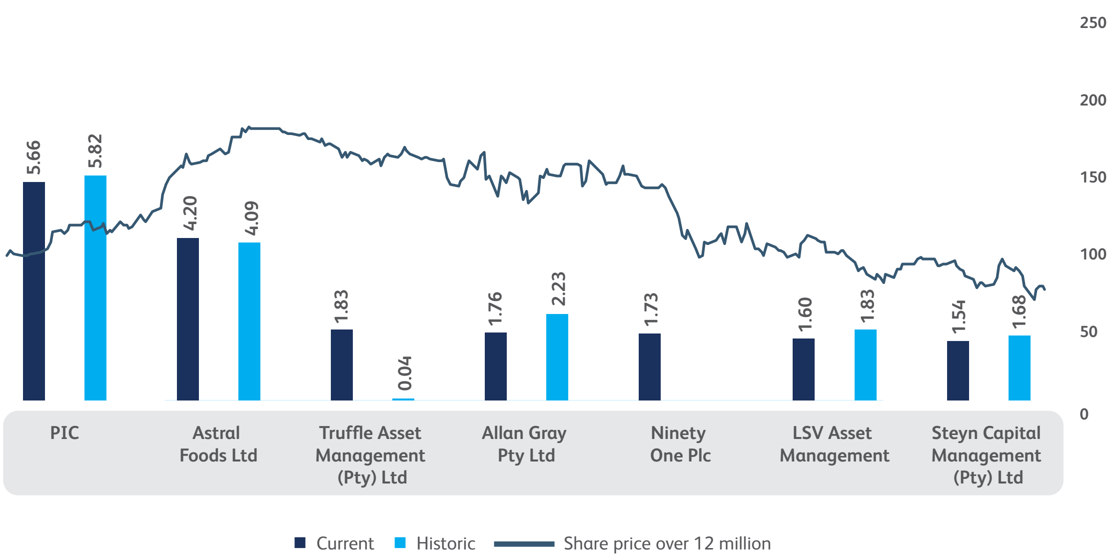
Beneficial shareholders split by category[1]



Investment management shareholdings

	Total shareholdings	% of issued capital
Investment manager		
PIC	5 663 175	13.19
Astral Foods Ltd	4 203 077	9.79
Truffle Asset Management (Pty) Ltd	1 829 869	4.26
Allan Gray Pty Ltd	1 755 360	4.09
Ninety One Plc	1 732 680	4.04
LSV Asset Management	1 603 519	3.74
Steyn Capital Management (Pty) Ltd	1 539 669	3.59
Total	**18 327 349**	**42.70**

Beneficial shareholding positions above 3% with 12-month change



Abbreviations and definitions

The following abbreviations and definitions listed below have been used throughout this Integrated Report.

"1H" or "1Q"	First half or first quarter, or any reference in the same manner
"AGM"	Annual General Meeting
"Astral"	Astral Foods Limited and its subsidiaries
"Aviagen"	Aviagen Limited
"Basic EPS"	Earnings for the year attributable to equity holders of Astral divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BEE"	Black Economic Empowerment
"CAGR"	Compound Annual Growth Rate
"CAL"	Central Analytical Laboratories
"CBOT"	Chicago Board of Trade
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"CIO"	Chief Information Officer
"CIPC"	Companies and Intellectual Property Commission
"Closing earnings yield"	Headline earnings per share as a percentage of market value per share at 30 September
"Closing PE ratio"	Market value per share at 30 September divided by headline earnings per share
"Companies Act"	Companies Act No 71 of 2008, as amended
"COO"	Chief Operating Officer
"CPI"	Consumer Price Index
"CSI"	Corporate Social Investment
"DEA"	Department of Environmental Affairs
"Dividend cover"	HEPS divided by dividend per share declared out of earnings for the year
"Dividend yield"	Dividend per share as a percentage of market value per share at year-end
"Earnings yield"	HEPS as a percentage of market value per share at year-end
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"EPS"	Earnings per share, being net profit for the year divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares)
"ESG"	Environmental, Social and Governance
"EU"	European Union
"EVA"	Economic Value Added
"FMCG"	Fast Moving Consumer Goods
"FY" or "HY"	Full Year or Half Year
"GDP"	Gross Domestic Product
"Gearing"	Interest-bearing borrowings less cash and cash equivalents as a ratio to total equity
"GJ"	Gigajoule
"HACCP"	Hazard Analysis & Critical Control Points
"Headline earnings"	Net profit for the year adjusted for profit/loss on sale of property, plant and equipment and investments
"HEPS"	Headline earnings per share, being headline earnings divided by the weighted average number of ordinary shares in issue during the year(net of treasury shares)
"HPAI"	Highly Pathogenic Avian Influenza
"IAS"	International Auditing Standards
"IFRS"	International Financial Reporting Standards
"IQF"	Individually Quick Frozen

Abbreviations and definitions (continued)

"IT"	Information Technology
"JSE"	JSE Limited
"King IV™"	The King Code of Corporate Governance Principles and the King Report on Governance for South Africa 2016
"kl"	kilolitre
"KPI"	Key Performance Indicators
"KZN"	KwaZulu-Natal
"Listings Requirements"	Listings Requirements of the JSE
"Ltd"	Limited
"MDM"	Mechanically Deboned Meat
"MoI"	Memorandum of Incorporation
"Net assets"	Total assets less total liabilities excluding cash and cash equivalents, borrowings, normal and deferred tax and shareholders for dividends
"Net asset turn"	Revenue divided by average net assets
"NOPAT"	Net operating profit after tax
"Operating profit margin"	Operating profit before interest and tax as a percentage of revenue
"PBIT"	Profit Before Interest and Tax
"PE"	Price/Earnings, being market value per share divided by HEPS
"PEF"	Performance Efficiency Factor
"(Pty) Ltd"	Proprietary Limited
"PwC"	PricewaterhouseCoopers Inc.
"QSR"	Quick Service Restaurant
"Quantum"	Quantum Foods Holdings Limited
"R"	Rand, the South African currency
"Remco"	Remuneration Committee
"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
"Return on total assets"	Operating profit as a percentage of average total assets
"RONA"	Return on net operating assets, calculation being EBIT after tax as a percentage of average net operating assets
"S&P"	Standard and Poor's
"SA"	South Africa
"SAFEX"	South African Futures Exchange
"SAPA"	South African Poultry Association
"SARS"	Share Appreciation Rights Scheme
"SENS"	Stock Exchange News Service
"SETA"	Sector Education and Training Authority
"Strate"	Strate Limited
"the Board"	the Board of directors of Astral
"the Company"	Astral Foods Limited
"USA" or "US"	United States of America
"VAT"	Value Added Tax
"WACC"	Weighted Average Cost of Capital
"WC"	Western Cape

Notice of Annual General Meeting

TWENTIETH ANNUAL GENERAL MEETING

This document is important and requires your immediate attention

If you are in any doubt as to what action to take, please consult your stockbroker, Central Securities Depository Participant (CSDP), banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all your shares in the Company please forward this document, together with the enclosed Form of Proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Notice is hereby given that the twentieth AGM of members of Astral Foods Limited will be held in the Boardroom, 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 4 February 2021 at 08:00, to transact the following business: (Salient dates for the AGM are listed below.)

Important dates

The Board has determined, in accordance with section 59(1)(a) and (b) of the Companies Act, No 71 of 2008, as amended (Companies Act) the following important dates:

Event	
Record date to receive the Notice of the AGM (Notice Record Date)	Friday, 4 December 2020
Notice of AGM distributed to shareholders	Friday, 11 December 2020
Last day to trade to be eligible to vote at the AGM	Tuesday, 26 January 2021
Record date for voting purposes at the AGM (Voting Record Date)	Friday, 29 January 2021
For administrative purposes, Forms of Proxy to be lodged by 08:00	Wednesday, 3 February 2021

ORDINARY RESOLUTIONS

CONSIDERATION AND ADOPTION OF ANNUAL FINANCIAL STATEMENTS

Ordinary resolution number 1

Resolved to receive and consider the Annual Financial Statements for the Group for the year ended 30 September 2020, together with the Directors' and Independent Auditor's reports.

RE-ELECTION OF DIRECTORS

Ordinary resolution number 2

Resolved that in terms of article 34.4.1 of the Company's Memorandum of Incorporation (MoI), Mr DJ Fouché and Mr S Mayet retire by rotation at the AGM and being eligible, have offered themselves for re-election by individual separate resolution.

2.1 Mr DJ Fouché

2.2 Mr S Mayet

It is proposed that any vacancies that occur as a result of the above directors not being available for re-election, will not be filled at the meeting and the normal nomination and selection processes as laid down by the Company's Human Resources, Remuneration and Nominations Committee will be followed for the appointment of new directors.

Brief particulars of the qualifications and experience of the above directors are available on pages 8 and 9 of the Integrated Report.

REAPPOINTMENT OF MEMBERS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Ordinary resolution number 3

Resolved to appoint by way of individual separate resolution, the following Independent Non-Executive Directors as members of the Audit and Risk Management Committee:

3.1 Mr DJ Fouché

3.2 Mr S Mayet

3.3 Mrs TM Shabangu

The above members will hold office until the next AGM and will perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and the King IV™ Report and will perform such other duties and responsibilities as may from time to time be delegated by the Board of the Company and all subsidiary companies.

Notice of Annual General Meeting (continued)

Brief particulars of the qualifications and experience of the above directors are available on pages 8 and 9 of the Integrated Report.

REAPPOINTMENT OF MEMBERS OF THE SOCIAL AND ETHICS COMMITTEE

Ordinary resolution number 4

Resolved to appoint by way of individual separate resolution, the following directors/executives/consultants as members of the Social and Ethics Committee:

4.1 Mrs TM Shabangu (Non-executive director)
4.2 Dr T Eloff (Chairman of the Board)
4.3 Mr GD Arnold (Executive director)
4.4 Mr LW Hansen (Consultant)

The above members will hold office until the next AGM and will perform the duties and responsibilities as may from time to time be delegated by the Board.

Brief particulars of the qualifications and experience of the above are available on pages 8 to 10 of the Integrated Report.

APPOINTMENT OF THE INDEPENDENT AUDITOR

Ordinary resolution number 5

Resolved to appoint PricewaterhouseCoopers Incorporated, on the recommendation of the current Audit and Risk Management Committee, as independent registered auditor of the Group (with Mr EJ Gerryts as the individual designated auditor) for the 2021 financial year.

AUTHORITY FOR DETERMINATION OF AUDITOR'S REMUNERATION

Ordinary resolution number 6

Resolved that the authority of the Audit and Risk Management Committee to determine the remuneration of the External Auditor, be confirmed.

APPROVAL OF THE REMUNERATION POLICY

Ordinary resolution number 7

Resolved to consider and approve the Remuneration Policy as contained in Part 3 of the Remuneration Report for the year ended 30 September 2020.

The Group's Remuneration Policy is set out on pages 76 to 86 of this Integrated Report which contains a summary of the Group's Remuneration Policy.

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast be against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

APPROVAL OF THE IMPLEMENTATION OF THE REMUNERATION POLICY

Ordinary resolution number 8

Resolved to consider and approve Part 4 of the Remuneration Report setting out the implementation of the Remuneration Policy for the year ended 30 September 2020, details of which are set out on pages 86 to 91 of this Integrated Report.

Shareholders are reminded that in terms of King IV™, the passing of this ordinary resolution is by way of a non-binding advisory vote. Should 25% or more of the votes cast be against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

SIGNATURE OF DOCUMENTATION

Ordinary resolution number 9

Resolved to authorise and empower any one director or the Company Secretary, to do all such things and sign all such documents and take all such actions as they consider necessary to implement the resolutions set out in the Notice of AGM.

SPECIAL RESOLUTIONS

Resolved to consider and, if deemed fit, to pass, with or without modification, the following special resolutions in the manner required by the Companies Act and subject to the JSE Listings Requirements.

FEES PAYABLE TO NON-EXECUTIVE DIRECTORS

Special resolution number 1

Resolved that the level of Non-Executive Directors' fees be increased by 4% with effect from 1 October 2020 on the basis as set out as follows:

	2021 R'000	**2020 R'000**
Chairman of the Board	515	**491**
Member of the Board	358	**344**
Lead Independent Director	227	**218**
Chairman of the Audit and Risk Management Committee	291	**280**
Member of the Audit and Risk Management Committee	151	**145**
Chairman of the Human Resources, Remuneration and Nominations Committee	193	**186**
Member of the Human Resources, Remuneration and Nominations Committee	109	**105**
Chairman of the Social and Ethics Committee	171	**164**
Member of the Social and Ethics Committee	102	**98**

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act and the Company's MoI. An additional amount equal to the Value Added Tax amount (currently 15%), will be payable to directors earning Non-Executive Directors' fees in excess of R1 million per annum. The proposed remuneration is considered to be fair and reasonable and in the best interests of the Company.

Percentage of voting rights required for special resolution number 1 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 1

The reason for proposing special resolution number 1 is to ensure that the level of fees paid to Non-Executive Directors remain competitive to enable the Group to attract and retain persons of the calibre required in order to make a meaningful contribution to the Group, having regard to the appropriate capability, skill and experience required.

The effect of special resolution number 1 is the level of fees as set out above is increased with effect from 1 October 2020.

AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES

Special resolution number 2

Resolved that in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the Board may from time to time authorise the Company to provide any direct or indirect financial assistance, as defined in section 45(1) of the Companies Act, to any related or inter-related company or corporation as contemplated in section 45(2) of the Companies Act, for such amounts and on such terms and conditions as the Board may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the Company.

Percentage voting rights required for special resolution number 2 to be adopted: at least 75 percent of the voting rights exercised on this resolution.

Reasons for and effect of special resolution number 2

The reason for proposing special resolution number 2 is that the Company is a listed holding company with a number of subsidiary companies which together comprise the Group. Astral is not an operating company and all operations in the Group are conducted by subsidiary companies of Astral.

Astral is from time to time, as an essential part of conducting its business, required to provide financial assistance to its subsidiary companies including related and inter-related companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subsidiaries and Astral seeks approval for the Board until the next AGM to authorise the provision by the Company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Companies Act. This means that the Company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries. The financial assistance will be provided as part of the day-to-day operations of the Company in the normal course of its business and in accordance with its MoI and the provisions of the Companies Act.

Notice of Annual General Meeting (continued)

The effect of special resolution number 2 is that the directors of the Company will be granted the authority until the next AGM to authorise the provision by the Company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Companies Act. This means that the Company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries.

Compliance with section 45(3)(b) of the Companies Act

The directors of Astral will, in accordance with section 45(3)(b) of the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the Company satisfies the solvency and liquidity test set out in section 4(1) of the Companies Act.

Notice in terms of Section 45(5) is hereby given that any financial assistance contemplated in special resolution number 2 will in all likelihood exceed one-tenth of one percent of the Company's net worth at the date of adopting such a resolution. This notice is also relevant for any trade union representing any employees of the Group.

GENERAL AUTHORITY TO REPURCHASE SHARES IN THE COMPANY

Special resolution number 3

Resolved that the Company, or any of its subsidiaries, be and they are hereby authorised, by way of a general authority, to acquire ordinary shares in the Company, subject to the provisions of the Companies Act and the JSE Listings Requirements, provided that:

i. The general authority in issue shall be valid only until the Company's next AGM and shall not extend beyond 15 (fifteen) months from the date of this resolution;
ii. Any general repurchase by the Company and/or any of its subsidiaries of the Company's ordinary shares in issue shall not in aggregate in one financial year exceed 5% (five percent) of the Company's issued ordinary share capital at the time that the authority is granted;
iii. No acquisition may be made at a price more than 10% above the weighted average of the market price of the ordinary shares for 5 (five) business days immediately preceding the date of such acquisition;
iv. The repurchase of the ordinary shares is effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
v. The Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;
vi. The Company or its subsidiary may not repurchase ordinary shares during a prohibited period unless it has in place a repurchase programme where the dates and quantities of securities traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
vii. The general authority may be varied or revoked by special resolution of the members prior to the next AGM of the Company; and
viii. Should the Company or any subsidiary cumulatively repurchase 3% (three percent) of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class thereafter in terms of this general authority, an announcement shall be made in terms of the JSE Listings Requirements.

Having considered the effect on the Company of the maximum repurchase under this annual general authority, the directors are of the opinion that:

- The Company shall meet the solvency and liquidity test as contemplated in the Companies Act;
- The Company and the Group will be able to pay its debts for a period of 12 (twelve) months after the date of this notice of AGM;
- The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of this notice of AGM which assets and liabilities have been valued in accordance with the accounting policies used in the Audited Consolidated Annual Financial Statements of the Group for the year ended 30 September 2020;
- The share capital and reserves of the Company and the Group will be adequate for the ordinary course of business purposes for a period of 12 (twelve) months after the date of this Notice of AGM; and
- The working capital of the Company and the Group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this Notice of AGM.

Reason for and effect of special resolution number 3

The reason for proposing the special resolution number 3 is to grant the Company a general authority or permit a subsidiary company to acquire ordinary shares in the Company. The effect of this special resolution is to confer a general authority on the Company or a subsidiary to repurchase ordinary shares in the Company which are in issue from time to time.

The Board has considered the impact of a repurchase of up to 5% (five percent) of the Company's shares, being within the maximum permissible in terms of this general authority. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the Company to repurchase such shares, it is deemed appropriate that the Company or a subsidiary be authorised to repurchase the Company's shares. Any shares that may be repurchased for the time being shall be in connection with:

(a) a general repurchase of shares by the Company and/or any subsidiary; or
(b) awards made in the normal course in respect of the Company's Forfeitable Share Plan.

Disclosure in terms of section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the Audited Annual Financial Statements and this Integrated Report as set out below:

Major shareholders	Refer to page 170
Share capital	Refer to page 138

Authorised

75 000 000 ordinary shares of 1 cent each

Issued

42 922 235 ordinary shares of 1 cent each

Directors' responsibility statement

The directors, whose names appear on pages 8 to 10 collectively and individually accept full responsibility for the accuracy of the information pertained to this special resolution and certify to the best of their knowledge and belief that there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and this special resolution contains all the information required by the JSE Listings Requirements.

Material change

There has been no material change in the affairs of or financial position of the Company and its subsidiaries since year-end.

VOTING AND PROXIES

All ordinary resolutions will, in terms of the Companies Act, require the support of more than 50 percent of the voting rights of members exercised thereon at the AGM to be approved.

On a show of hands a member of the Company present in person or by proxy shall have only 1 (one) vote irrespective of the number of shares he holds or represents, provided that a proxy shall irrespective of the number of members he represents have only 1 (one) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the Company.

A member entitled to attend, speak and vote at the AGM 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 AGM and who wish to be represented at the AGM, must complete and return the attached Form of Proxy in accordance with the instructions contained in the Form of Proxy. The completed Forms of Proxy must be lodged with the share registrars, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (Private Bag X9000, Saxonwold, 2132) by Wednesday, 3 February 2021, to be received by them not later than 08:00 (South African time) for administrative purposes, provided that any Form of Proxy not delivered to the share registrars by this time may be handed to the Chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM.

Holders of Astral shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, CSDP or broker to enable them to attend and vote at the AGM or to enable their votes in respect of their Astral shares to be cast at the AGM by that nominee or a proxy or a representative. The completion of the form will not preclude the member from subsequently attending the AGM.

Notice of Annual General Meeting (continued)

ELECTRONIC COMMUNICATION AND PARTICIPATION

Shareholders or their proxies may participate in the AGM by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary, Leonie Marupen at leonie.marupen@astralfoods.com or (012) 667 5468, during business hours (08:00 to 16:30) on weekdays, by no later than 08:00 on Wednesday, 3 February 2021.
- Will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the AGM.

By order of the Board

Leonie Marupen
Company Secretary

Pretoria
30 November 2020

Form of Proxy

ASTRAL FOODS LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1978/003194/06)
(Share code: ARL)
(ISIN code: ZAE000029757)

Form of proxy for the use of shareholders, registered as such and who have not dematerialised their shares or hold own name dematerialised shares, at the twentieth Annual General Meeting of the Company to be held at 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 4 February 2021 at 08:00.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the AGM 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 AGM in person. Such shareholders must not return this form of proxy to the transfer secretaries.

I/We

of (address)

being the registered holder(s) of shares

in the Company and unable to attend the AGM of the Company to be held on Thursday, 4 February 2021, do hereby appoint (see note below)

or failing him/her

or failing him/her

the Chairman of the meeting with the mandate to speak on my behalf, and to exercise my votes as instructed below, on the proposed resolutions and any amendments thereto that are within the scope of the notice convening the meeting.

Signature

Signed this day of 20

(Indicate instructions to proxy by way of a cross in the space provided below)*
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit or abstain from voting.

	In favour*	Against*	Abstain*
ORDINARY RESOLUTIONS			
1. Consideration and adoption of Annual Financial Statements			
2. Re-election of directors			
2.1 Mr DJ Fouché			
2.2 Mr S Mayet			
3. Reappointment of members of the Audit and Risk Management Committee			
3.1 Mr DJ Fouché			
3.2 Mr S Mayet			
3.3 Mrs TM Shabangu			
4. Reappointment of members of the Social and Ethics Committee			
4.1 Mrs TM Shabangu			
4.2 Dr T Eloff			
4.3 Mr GD Arnold			
4.4 Mr LW Hansen			
5. Appointment of the Independent Auditor			
6. Authority for determination of Auditor's remuneration			
7. Approval of the Remuneration Policy			
8. Approval of the implementation of the Remuneration Policy			
9. Signature of documentation			
SPECIAL RESOLUTIONS			
10. Special resolution number 1 Fees payable to Non-executive Directors			
11. Special resolution number 2 Authority to provide financial assistance to related and inter-related companies			
12. Special resolution number 3 General authority to repurchase shares in the Company			

Form of Proxy (continued)

NOTES TO FORM OF PROXY

A shareholder may insert the name or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on the Form of Proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the Company, is entitled to attend, speak and vote on behalf of the shareholder.

A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.

If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the AGM be proposed, the proxy shall be entitled to vote as he thinks fit.

This Form of Proxy must be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or electronically to proxy@computershare.co.za by Wednesday, 3 February 2021, to be received by them not later than 08:00 (South African time) for administrative purposes, provided that any Form of Proxy not delivered to the Transfer Secretaries by this time may be handed to the Chairman of the meeting at any time before the appointed proxy exercises any shareholder rights at the AGM.

Documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached hereto unless previously recorded by the Company's Transfer Secretaries.

The completion and lodging of this Form of Proxy will not preclude a shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this Form of Proxy.

Any alteration or correction made to this Form of Proxy must be initialed by the signatory/ies.

The Chairman of the meeting may accept or reject any Form of Proxy, which is completed and/or received other than in accordance with these notes.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the necessary authorisation to attend the AGM or provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person but wish to be represented thereat. This must be done by the cut-off time as requested by the CSDP or broker.

If you are in any doubt as to what action you should take in relation to this notice of meeting and Form of Proxy, please consult your CSDP, broker, banker, investment adviser or other professional adviser immediately.

Corporate information

Registration No. 1978/003194/06
Share Code: ARL
ISIN Number ZAE000029757

COMPANY SECRETARY AND REGISTERED OFFICE
L Marupen
92 Koranna Avenue
Doringkloof
Centurion, 0157, South Africa

POSTAL ADDRESS
Postnet Suite 278
Private Bag X1028
Doringkloof, 0140, South Africa
Telephone (012) 667 5468
Telefax (012) 667 6665
e-mail: contactus@astralfoods.com

WEBSITE ADDRESS
www.astralfoods.com

AUDITORS
PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View, 2090, South Africa
Private Bag X36, Sunninghill, 2157, South Africa

PRINCIPAL BANKER
Nedbank Limited
135 Rivonia Road, Sandown, 2196, South Africa
PO Box 1144, Johannesburg, 2000, South Africa

SPONSOR
Nedbank CIB
135 Rivonia Road, Sandown, 2196
PO Box 1144, Johannesburg, 2000
Telephone (011) 295 8525

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196, South Africa
Private Bag X9000, Saxonwold, 2132
Telephone (011) 370 5000

INVESTOR RELATIONS
Keyter Rech Investor Solutions CC
Fountain Grove Office Park, Block 1, Ground Floor
5 2nd Road, Hyde Park, Johannesburg, 2195
Tel: +27 83 701 2021

MAJOR SUBSIDIARIES

Astral Operations Limited
Registration No. 1947/027453/06
Directors:
DD Ferreira
OM Lukhele
N Moodley
E Potgieter
CE Schutte

Africa Feeds Limited (Zambia)
Registration No. 36327
Directors:
GD Arnold
TD Banda*
NR Mwanyungwi*
H Nienaber
GNH Robinson*
* *Zambian.*

Meadow Feeds Eastern Cape (Pty) Ltd
Registration No. 2003/021458/07
Directors:
GD Arnold
DD Ferreira
CE Schutte
CL Sexton

Meadow Feeds Standerton (Pty) Ltd
Registration No. 2003/021462/07
Directors:
GD Arnold
DD Ferreira
CE Schutte

Meadow Moçambique Limitada
Registration No. 5710/MP/G/2001
Directors:
GD Arnold
GP de Witt
JR Tinga*
* *Mozambican.*

Mozpintos Limitada
Registration No. 100228777
Directors:
GD Arnold
GP de Witt

National Chicks Swaziland
Registration No. 94/63894/07
Directors:
GD Arnold
A Geldard
D Stock

Progressive Poultry Limited
Registration No. 70163
Directors:
GD Arnold
TD Banda*
H Nienaber
* *Zambian.*

Astral

Goldi Chicken

Meadow — More than just feed

Festive

Tiger Animal Feeds

County Fair

CAL Labs

Mountain Valley

TIGERChicks

ROSS

MOZPINTOS

NationalChicks