ASTRAL FOODS LIMITED
GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2021

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 2021, 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
10 November 2021

Chief Executive Officer and Chief Financial Officer's Responsibility Statement

The directors, whose names are stated below, hereby confirm that:

a) the Annual Financial Statements set out on pages 21 to 55 of the Integrated Report, fairly present in all material respects the financial position, financial performance and cash flows of Astral in terms of IFRS;

b) no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to Astral and its consolidated subsidiaries have been provided to effectively prepare the Annual Financial Statements of Astral; and

d) the internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function within the combined assurance model pursuant to Principle 15 of King IV™ Report. Where we are not satisfied, we have disclosed to the Group Audit and Risk Committee and the Independent Auditor the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

CE Schutte
Chief Executive Officer
10 November 2021

DD Ferreira
Chief Financial Officer

Preparation and publication of the Annual Financial Statements

The Annual Financial Statements for the year ended 30 September 2021 that were published on 15 November 2021, 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).

DD Ferreira
Chief Financial Officer
10 November 2021

Directors' responsibilities and approval

For the year ended 30 September 2021

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 auditor 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 2022 and, in the 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 10 November 2021 and were signed on its behalf by

CE Schutte

DD Ferreira

Directors' Report

The directors present their report which forms part of the Annual Financial Statements for the year ended 30 September 2021.

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 21 to 55 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 Long-Term Incentive Scheme, 173 874 shares (2020: 1 140 500 shares) were acquired and disclosed as treasury shares.

Dividends

The following ordinary dividends were declared:

	2021 R'000	2020 R'000
Interim dividend: 300 cents per share (2020: Nil cents per share)	128 767	-
Less: Dividends received on treasury shares held by a subsidiary	**(13 096)**	-
Final dividend: (No 40) of 400 cents per share declared post year-end (2020: 775 cents per share)	**171 689**	332 647
Less: Dividends received on treasury shares held by a subsidiary	**(17 461)**	(33 921)
Total dividend at 700 cents per share (2020: 775 cents per share)	**269 899**	298 726

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 429 334 (2020: 214 088) 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 2021 and the date of approval of the Annual Financial Statements on 10 November 2021.

Share Option Incentive scheme

As at 30 September 2021, no options in respect of any shares remained outstanding.

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, except for in terms of the Share Incentive Scheme whereby shares were bought in the market and allocated as restricted shares to the participants in the scheme.

Subsequent events

A final dividend of 400 cents per share has been declared on 10 November 2021. The payment of the dividend will be on Monday, 17 January 2022. 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 2021 and the date of this Integrated Report.

Annual Financial Statements

The Annual Financial Statements for the year ended 30 September 2021 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 full year at R473.7 million was down on the previous year's R561.2 million. The high raw material costs, unrest in July 2021, outbreak of Avian Influenza and other headwinds negatively impacted trading operations. There was no disruption in the operating activities of the Group during the year under review.

Solvency and liquidity

As at 30 September 2021, the Consolidated Balance Sheet reflects total equity of R4 161.2 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. 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 2022 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 10 November 2021 and were signed on their behalf by

Chris Schutte	**Daan Ferreira**
Chief Executive Officer	***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 2021 financial year.

On behalf of the Audit and Risk Management Committee

Diederik Fouche
Chairman
10 November 2021

Constitution and duty of the committee

The Audit and Risk Management Committee (the committee) was appointed by the shareholders at the AGM in February 2021.

The members of the committee are all Independent Non-Executive Directors, and no new members were appointed to the committee during the year. Details of the number of meetings held and attendance by members at meetings are included on page xx of this Report. The directors of the Company continue to believe that the committee members collectively have the necessary skills to carry out its duties effectively and with due care.

The committee has reporting responsibilities to both the shareholders and the Board and is accountable to them. Its duties, as set out in the Audit and Risk Management Committee Charter, are reviewed annually and incorporate the committee's statutory obligations as set out in the Companies Act and King IV™. A work plan is drawn up annually incorporating all these obligations, and progress is monitored to ensure these obligations are fulfilled.

It is the duty of the committee, among other things, to monitor and review:

- The preparation of the annual financial statements, ensuring fair presentation and compliance with IFRS and the Companies Act, and recommending same to the Board for approval.
- The integrity of the Integrated Report by ensuring that its content is reliable, includes all relevant operational, financial and other non-financial information, risks and other relevant factors.
- Interim and operational reports and all other widely distributed documents.
- Accounting policies of the Group and proposed revisions, significant and unusual transactions, estimates and accounting judgements.
- The effectiveness of the internal control environment.
- The effectiveness of the internal audit function.
- The effectiveness of the external audit function.
- The recommendation and appointment of the external auditor, approving remuneration of external auditor, reviewing the scope of their audit, their reports and findings, and pre-approving all non-audit services in terms of policy.
- The reports of both internal and external auditors.
- The evaluation of the performance of the CFO.
- The adequacy and effectiveness of the Group's enterprise-wide risk management policies, processes and mitigating strategies.

- The governance of IT and the effectiveness of the Group's information systems.
- Determine that the going concern basis of reporting is appropriate.
- The combined assurance model and provide independent oversight of the effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance arrangements.
- Compliance with applicable legislation, requirements of appropriate regulatory authorities and the Company's Code of Conduct.
- Policies and procedures for mitigating fraud.

Statutory duties

The committee is satisfied that it has performed the statutory requirements for an audit committee as set out in the Companies Act as well as the functions set out in its Mandate and Terms of Reference and that it has therefore complied with its legal, regulatory and other responsibilities.

There were no reportable irregularities.

Risk management

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. 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.

During the year, the committee has received assurances that the process and procedures followed in terms of risk management are adequate to ensure that risks are identified and monitored.

Combined assurance

The committee is of the view that the framework in place for combined assurance is adequate and is achieving the objectives of an integrated approach across the disciplines of risk management and compliance of audit.

Whistle blowing

The committee receives and deals with any concerns or complaints, whether from within or outside the Group, relating to fraud, accounting practices, internal financial controls, and auditing of the Group's financial records/statements and related matters.

Information Technology (IT)

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

An IT Charter, aligned to King IV™ has been implemented. The IT strategy is reviewed by the committee and by the Board. The IT Charter can be viewed on our website, www.astralfoods.com.

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

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.

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.

During the current year, the Internal Audit Department was subject to an Independent External Quality Assurance review conducted by the Institute of Internal Auditors. The Internal audit department received a satisfactory rating and generally conforms to the IPPF Standards

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:

	2021 R'000	2020 R'000
Audit fees	7 686	7 001
Non-audit services	310	365
General expenses	106	230

Under provision	276	680
Total	**8 378**	**8 276**

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 is followed. Non-audit services performed during the financial year included:

Division	Non-audit services	Nature
Astral Operations Ltd	PAYE: VDP and directive assistance	Tax consulting services
Astral Operations Ltd	Long-Term Incentive policy review	Tax consulting services
Astral Foods Ltd	Conveyance report AUP agreed upon procedures	Tax consulting services

Based on our satisfaction with the results of the activities outlined above, we have recommended the re-appointment 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 re-appoint 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 re-appointed 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.

PwC will be replaced as auditor from 2024, in line with mandatory audit firm rotation after a 10 year tenure period. The Company will therefore in the near future commence with the process of requesting tenders for the replacement of PwC as auditor. Due to the specialised nature of the business activities of the Company, a transition period for the 2023 financial year is planned in order to assure a proper hand-over to the new auditor.

The committee, after discussion with management and the external audit, concurred with the key audit matters set out in the Independent Auditor's Report on the audit of the Consolidated Annual Financial Statements for the year ended 30 September 2021.

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 confirmed his suitability in terms of the JSE Listings Requirements.

Integrated Report

The committee oversees the compilation of the Integrated Report, and in particular:

- Takes cognisance of all factors and risks that may impact on the integrity of the Integrated Report including, matters that may predispose management to present a misleading picture, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body and any evidence that brings into question previously published information and 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 ESG Report of the Integrated Report. This decision was based on the fact that environmental, social and governance 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 environmental and social sustainability within the Group. The Group Company Secretary is responsible for the governance sustainability.

Internal control statement

Management is accountable to the Board for the design, implementation, monitoring and integrating of internal financial controls for the day-to-day running of the Group, focusing on the efficiency and effectiveness of operations, safeguarding the Group's assets, legal and regulatory compliance, business sustainability and reliable reporting, including financial reporting.

The committee has reviewed significant issues raised by the external auditor in their reports and reviewed policies and procedures for preventing and detecting fraud.

The committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

The committee is of the opinion that the internal controls are effective and the financial records can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements.

Audit committee statement

The committee considered and discussed the Annual Financial Statements and the Integrated Report, which includes the ESG Report, with both management and the external auditor.

During this process, the committee:

- Reviewed the financial statements included in the Annual Financial Statements for consistency, fair presentation and compliance with IFRS.
- Evaluated significant estimates and judgements and reporting decisions.
- Reviewed the documentation supporting the going concern basis of accounting and concluded that it is appropriate.
- Evaluated the material factors and risks that could impact the Annual Financial Statements and Integrated Report.
- Evaluated the completeness of the financial and ESG disclosures.
- Discussed the treatment of significant and unusual transactions with management and the external auditor.
- Reviewed and discussed the sustainability information disclosed and is satisfied, based on discussions, that the information is reliable.

The committee considers that the Annual Financial Statements and the Integrated Report comply in all material respects with the statutory requirements of the various regulations governing disclosure and reporting, and the Annual Financial Statements comply in all material respects with the Companies Act and IFRS.

The committee has recommended to the Board that the Annual Financial Statements be adopted and approved by the Board.

pwc

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 2021, 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 21 to 55 comprise:

- the consolidated balance sheet as at 30 September 2021
- 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.

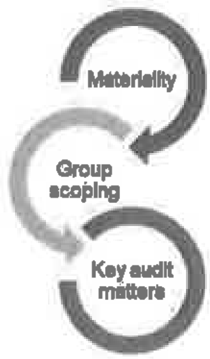
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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: R53,400,000, 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.

pwc

Overall group materiality	***R53,400,000***
How we determined it	***5% of the average consolidated profit before tax***
Rationale for the materiality benchmark applied	***We chose consolidated average 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.

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 2021, 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 balances of goodwill related to the Goldi/Festive CGU and the Mountain Valley CGU, which had a carrying amount of R106,020,000 and 15,599,000 respectively as at 30 September 2021.** **In assessing goodwill for impairment, management applied significant judgement and assumptions in determining the VIU. These included the following:** • **Growth rates;** • **Discount rates;** • **Broiler feed costs; and** • **Selling prices of poultry products.**	**Through discussion, we obtained an understanding of the process and procedures applied by management during their impairment assessment of CGUs containing goodwill.** **In respect of goodwill relating to the Goldi/Festive and Mountain Valley CGUs, 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 National Agriculture Marketing Council Report, and Grain SA local supply and demand for maize forecasts. Based on the results of our comparisons, we accepted the assumptions used by management.**

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.	We compared the Group's 2020 and 2021 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, 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 2021" and the document titled "Astral Foods Limited Annual Financial Statements for the year ended 30 September 2021 which includes the Directors' Report, the Audit and Risk Management Committee's Report and the Group Company Secretary Certificate as required by the Companies Act of South Africa, and the other sections of the document titled "Astral Integrated Report for the year ended 30 September 2021", which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 21 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: EJ Gerryts
Registered Auditor
Johannesburg, South Africa
12 November 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2021

	Notes	2021 R'000	(Restated) 2020 R'000
Revenue	1	15 865 938	13 932 210
Cost of sales	2	(13 024 968)	(11 197 192)
Gross profit		2 840 970	2 735 018
Administrative expenses	2	(746 092)	(692 794)
Distribution costs	2	(1 149 456)	(1 031 325)
Marketing expenditure	2	(243 994)	(232 159)
Other income	4	10 911	39 492
Other losses	5	(1 340)	(5 704)
Profit before interest and tax		710 999	812 528
Finance income	6	12 426	27 838
Finance expense	6	(61 103)	(84 547)
Profit before tax		662 322	755 819
Tax expense	7	(202 681)	(213 577)
Profit for the year from continuing operations		459 641	542 242
Profit for the year from discontinued operations		14 082	18 992
Profit for the year		473 723	561 234
Other comprehensive income for the year, net of tax		(2 113)	(48 036)
Items that may subsequently be reclassified to profit and loss		11 402	(22 548)
Currency gain/(loss) on investment loans to foreign subsidiaries		1 064	(2 718)
Foreign currency translation gain/(loss)		10 338	(19 830)
Items that will not be reclassified to profit or loss		(13 515)	(25 488)
Re-measurement of post employment benefit obligations (note 25)		2 684	12 219
Deferred tax on re-measurement of post employment benefit obligations		(754)	(3 421)
Changes in fair value of equity instruments		(15 445)	(34 286)
Total comprehensive income for the year		471 610	513 198
Profit for the year attributable to:			
Equity holders of the company		472 504	556 267
Arised from			
- Continuing operations		459 641	542 242
- Discontinued operations		12 863	14 025
Non-controlling interest		1 219	4 967
Profit for the year		473 723	561 234
Total comprehensive income attributable to:			
Equity holders of the company		470 391	508 231
Arised from			
- Continuing operations		457 528	494 206
- Discontinued operations		12 863	14 025
Non-controlling interest		1 219	4 967
Total comprehensive income for the year		471 610	513 198

(Prior year has been restated to account for certain businesses as discontinued operations)

SHAREHOLDERS' INFORMATION on SHARES

		cents per share	cents per share
Earnings per share			
Earnings per share	8	1225	1435
Diluted earnings per share	8	1217	1432
Headline earnings per share			
Headline earnings per share	9	1228	1441
Diluted headline earnings per share	9	1220	1438
Dividends			
Dividends declared in respect of the current year's profits	10	700	775

CONSOLIDATED BALANCE SHEET

at 30 September 2021

	Notes	2021 R'000	2020 R'000
Assets			
Non-current assets			
Property, plant and equipment	11	2 942 859	2 946 643
Intangible assets	12	49 984	55 421
Right-of-use assets	14	340 029	537 061
Goodwill	15	136 135	136 135
Financial assets at fair value through other comprehensive income	16	105 575	121 020
		3 574 582	3 796 280
Current assets			
Biological assets	17	976 316	851 252
Inventories	18	921 104	861 241
Trade and other receivables	19	1 595 721	1 218 097
Current tax asset		27 146	30 595
Cash and cash equivalents	20	668 532	573 581
		4 188 819	3 534 766
Assets held for sale		71 584	
		4 260 403	3 534 766
Total assets		7 834 985	7 331 046
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	(39 161)	(59 596)
Treasury shares		(250 633)	(228 111)
Retained earnings		4 348 271	4 304 572
		4 148 877	4 107 265
Non-controlling interest		12 314	15 055
Total equity		4 161 191	4 122 320
Liabilities			
Non-current liabilities			
Deferred tax liabilities	23	704 279	639 482
Employee benefit obligations	24	126 653	140 730
Leases	14	274 371	365 956
		1 105 303	1 146 168
Current liabilities			
Trade and other payables	26	1 785 351	1 556 294
Employee benefit obligations	24	268 570	263 757
Current tax liabilities		8 240	6 158
Leases	14	102 097	206 057
Borrowings	27	390 840	27 453
Shareholders for dividend		3 046	2 839
		2 558 144	2 062 558
Liabilities held for sale		10 347	
		2 568 491	2 062 558
Total liabilities		3 673 794	3 208 726
Total equity and liabilities		7 834 985	7 331 046

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2021

	Attributable to ordinary shareholders of Astral Foods Limited					Non-controlling interests	Total equity
	Share capital and premium R'000	Treasury shares R'000	Other reserves (Note 22) R'000	Retained earnings R'000	Total R'000	R'000	R'000
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							
- from continuing operations				542 242	542 242		542 242
- from discontinued operations				14 025	14 025	4 967	18 992
Other comprehensive income for the year, net of tax							
- from continuing operations			(22 548)	(25 488)	(48 036)		(48 036)
Increase in share-based payment reserve			3 525		3 525		3 525
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
2021							
Balance at 1 October 2020	90 400	(228 111)	(59 596)	4 304 572	4 107 265	15 055	4 122 320
Profit for the year							
- from continuing operations				459 641	459 641		459 641
- from discontinued operations				12 863	12 863	1 219	14 082
Other comprehensive income/(loss) for the year, net of tax							
- from continuing operations			11 402	(13 515)	(2 113)		(2 113)
Increase in share-based payment reserve			9 033		9 033		9 033
Shares acquired in terms of restricted share incentive scheme		(24 920)			(24 920)		(24 920)
Shares sold in terms of restricted share incentive scheme		2 398		(894)	1 504		1 504
Dividends declared and paid				(414 396)	(414 396)	(3 960)	(418 356)
Balance at 30 September 2021	90 400	(250 633)	(39 161)	4 348 271	4 148 877	12 314	4 161 191

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash operating profit	A	1 155 792	1 231 706
Changes in working capital	B	(343 625)	(74 117)
Cash generated from operations		812 167	1 157 589
Tax paid	C	(135 738)	(153 280)
Cash generated from operating activities		676 429	1 004 309
Cash used in investing activities		(241 343)	(580 976)
Purchases of property, plant and equipment	D	(259 233)	(453 931)
Costs incurred on intangibles		(237)	(2 049)
Proceeds on disposal of property, plant and equipment		3 855	2 031
Finance income		12 317	28 279
Dividends received		1 955	
Equity instruments acquired			(155 306)
Cash flows to financing activities		(700 370)	(441 736)
Dividends paid to the company's shareholders	E	(414 190)	(164 958)
Dividends paid to non-controlling shareholders		(3 960)	(1 320)
Proceeds from the sale of treasury shares		1 504	
Finance expense on borrowings		(6 039)	(5 855)
Treasury shares acquired in terms of the Forfeitable share plan		(24 920)	(23 676)
Lease payments - principal element		(204 557)	(177 966)
Finance cost paid on lease contracts		(48 208)	(67 961)
Net outlow of cash and cash equivalents		(265 284)	(18 403)
Effects of exchange rate changes		283	9 657
Less: Disclosed as assets held for sale		(3 435)	
Cash and cash equivalents at beginning of year:		546 128	554 874
Cash and cash equivalents at end of year	20	277 692	546 128

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2021

	2021 R'000	2020 R'000
A. Cash operating profit		
Profit before interest and tax		
- from continued operations	710 999	812 528
- from discontinued operations	20 427	25 584
Adjustments for:		
Depreciation and amortisation	424 865	403 465
Scrapping of property, plant and equipment	5 426	2 811
Profit on disposal of property, plant and equipment	(3 437)	(7)
Profit on early termination of capitalised leases	(1 830)	
Change in provision for employee benefit obligations	(4 123)	(7 078)
Fair value adjustments	5 420	(5 597)
Dividends received	(1 955)	
Cash operating profit	1 155 792	1 231 706
B. Changes in working capital		
Increase in inventories	(58 949)	(184 718)
Increase in biological assets	(137 789)	(93 866)
(Increase)/decrease in trade and other receivables	(382 890)	54 489
Increase in trade and other payables	236 003	149 978
Total change in working capital	(343 625)	(74 117)
C. Tax paid		
Balance at beginning of year	24 437	(6 055)
Normal tax provision	(141 256)	(123 970)
Translation differences	(496)	132
Interest accrued	364	
Provision against recoverability of tax receivable balance of a foreign subsidiary		1 050
Less: Disclosed as Liabilities held for sale	119	
Net balance at end of year	(18 906)	(24 437)
Total tax paid	(135 738)	(153 280)
D. Purchases of property, plant and equipment		
Purchase of property, plant and equipment to improve and/or expand operations	(88 399)	(584 544)
Purchase of property, plant and equipment to maintain operations	(166 244)	(103 863)
Total purchases	(254 643)	(688 407)
(Increase)/decrease in advance capital expenditure payments	(3 715)	233 319
(Decrease)/increase in outstanding capital expenditure payments	(875)	1 157
Purchases of property, plant and equipment	(259 233)	(453 931)
E. Dividends paid		
Balance at beginning of year	(2 839)	(2 755)
Per statement of changes in equity	(414 397)	(165 042)
Balance at end of year	3 046	2 839
Total dividends paid	(414 190)	(164 958)

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 of the following:

- The sales of product net of value-added tax (where applicable), normal discounts, rebates and returns.
- Revenue is recognised at the point in time when control has passed to the customer. This is when delivery of the product is made to the customers, or when customers collect the product from one of the group's locations.
- Payment terms for non-cash sales are generally 30 days from date of statement.
- A receivable is recognised in respect of non-cash sales in the Balance Sheet as an unconditional right to receive payment exist.

Poultry: External revenue comprises the sale of poultry related products for human consumption as well as day-old broilers, hatching eggs and day-old parent stock.
The customer profile for poultry products is mainly wholesale and retail outlets, which includes the major national food retailers in South Africa
Sales of day-old broilers, hatching eggs and day-old parent stock are mainly to external poultry producers.
Inter-segment revenue consists of poultry by-products sold to the Feed segment as a source of protein for feed.

Feed: External revenue comprises the sale of a wide range of specialised feed products for commercially farmed animal species.
The customer profile for feed products are mainly external poultry producers and commercial farmers farming with other animal species.
Inter-segment sales consist of feed to the Poultry segment

Other Africa: Revenue comprises the sale of animal feed and day-old broilers to external customers.

	External customer Revenue R'000		Inter-segment Revenue R'000	Total segment Revenue R'000
2020 (*Restated*)				
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	2 453 753		4 525 669	6 979 422
Other Africa	310 349			310 349
- Feed products		265 064		
- Day-old broilers, and hatching eggs		45 285		
From continuing operations	13 932 210		4 700 792	18 633 002
From discontinued operations	172 071			172 071
	14 104 281		4 700 792	18 805 073
2021				
Poultry	12 856 308		221 156	13 077 464
- Poultry products		12 030 064		
- Day-old broilers, hatching eggs and day-old parents		826 244		
Feed - Feed products	2 720 195		5 581 760	8 301 955
Other Africa	289 435			289 435
- Feed products		214 761		
- Day-old broilers, and hatching eggs		74 674		
	15 865 938		5 802 916	21 668 854

	2021 R'000	(*Restated*) 2020 R'000
The group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	15 576 503	13 793 935
Revenue denominated in foreign functional currencies	289 435	310 346
	15 865 938	14 104 281
Revenue from the top five customers are all from the Poultry segment.		
Customer 1	4 629 129	3 451 320
Customer 2	2 868 416	2 627 809
Customer 3	611 803	508 363
Customer 4	523 753	492 156
Customer 5	408 014	482 144

Revenue from customer 1 and 2 individually exceeds 10% of total revenue.

Operating profit per segment

Contribution to the group profit is as follows:	2021 R'000	(*Restated*) 2020 R'000
Poultry	140 742	295 015
Feed	520 615	508 091
Other Africa	34 642	9 422
Profit before interest and tax	710 999	812 528
Finance income	12 426	27 838
Finance expense	(61 103)	(84 547)
Profit before tax	662 322	755 819
Tax expense	(203 228)	(213 577)
Profit for the year from continuing operations	459 094	542 242
Profit for the year from discontinued operations	14 082	18 992
Profit for the year	473 176	561 234

	2021 R'000	(*Restated*) 2020 R'000	2021 R'000	(*Restated*) 2020 R'000
Depreciation, amortisation and impairment	Property, plant and equipment and intangibles		Right of use assets	
Poultry	187 444	162 562	69 627	67 811
Feed	23 755	22 701	136 158	143 018
Other Africa	2 410	2 838		
Corporate	339	248	2 089	2 089
Continuing operations	213 948	188 349	207 874	212 918
Discontinued operations	3 043	2 198		
	216 991	190 547	207 874	212 918
Capital expenditure	Property, plant and equipment		Right of use assets	
Poultry	219 819	667 396	24 025	155 312
Feed	24 776	17 422	286	
Other Africa	3 175	1 397		
Corporate	105	12		
Continuing operations	247 875	686 227	24 311	155 312
Discontinued operations	7 005	4 375		
	254 880	690 602		
Other	Inventory		Trade receivables	
Poultry	536 904	497 235	1 190 767	894 512
Feed	328 287	316 771	236 064	211 436
Other Africa	56 913	47 157	9 196	19 786
	921 104	861 163	1 436 027	1 125 734

(Prior year has been restated to account for certain businesses as discontinued operations)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

2. Expenses by nature

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2020 (*Restated*)					
Cost of raw material	7 567 735				7 567 735
Inventory written down and losses	37 384				37 384
Fair value adjustment to biological assets	(5 156)				(5 156)
Lease costs	48 441	5 184	1 662	336	55 623
Amortisation of intangibles		5 568			5 568
Depreciation on property, plant and equipment	173 519	6 778	2 424	60	182 781
Amortisation Right of use assets	40 774	8 196	163 948		212 918
Repairs and maintenance	454 561	13 099	11 908	24	479 592
Water	117 528	137	61		117 726
Energy	680 917	3 950	7 098	2 217	694 182
Information technology related costs	14	64 726	19		64 759
Advertising, marketing, promotional related costs				161 775	161 775
Transport and distribution costs	32 482		681 321		713 803
Employee benefit expense (note 3)	1 429 945	332 735	69 883	54 650	1 887 213
Directors' remuneration (note 32)		56 257			56 257
Auditors' remuneration and related expenses		7 082			7 082
Other	619 048	189 082	93 001	13 097	914 228
	11 197 192	692 794	1 031 325	232 159	13 153 470
(Prior year has been restated to account for certain businesses as discontinued operations)					
2021					
Cost of raw material	8 994 805				8 994 805
Inventory written down and losses	51 125				51 125
Fair value adjustment to biological assets	5 852				5 852
Lease costs	44 177	4 866	3 031	448	52 522
Amortisation of intangibles		5 489			5 489
Depreciation on property, plant and equipment	195 426	10 085	2 766	128	208 405
Amortisation Right of use assets	41 315	7 080	159 533		207 928
Repairs and maintenance	514 448	9 269	8 730	14	532 461
Water	131 067	177	38		131 282
Energy	742 568	4 897	7 849	2 299	757 613
Information technology related costs	67	71 773	18	2	71 860
Advertising, marketing, promotional related costs				169 659	169 659
Transport and distribution costs	28 942		780 244		809 186
Employee benefit expense (note 3)	1 508 204	364 626	77 173	56 932	2 006 935
Directors' remuneration (note 32)		39 214			39 214
Auditors' remuneration and related expenses		7 390			7 390
Other	766 972	221 226	110 074	14 512	1 112 784
	13 024 968	746 092	1 149 456	243 994	15 164 510

3. Employee benefit expense

	2021 R'000	*(Restated)* 2020 R'000
Cost of employment of permanent employees	1 566 205	1 516 487
Performance incentives		
- EVA based incentives	15 272	28 931
- Operational PBIT based incentives	17 322	12 764
- Operational target driven incentives	49 062	23 727
Long-term retention benefits	37 267	35 314
Essential service bonusses	20 000	
Termination benefits	3 690	4 793
Post-employment benefits	9 211	9 132
	1 718 029	1 631 148
Cost of contracted labour	288 906	256 065
	2 006 935	1 887 213
Number of employees and contracted services **at 30 September:**		
- Permanent employees	9 679	9 716
- Contracted labour	3 810	3 404
	13 489	13 120

(Prior year has been restated to account for certain businesses as discontinued operations)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

		2021 R'000	*(Restated)* 2020 R'000
4.	**Other Income**		
	Scrap sold	**1 587**	966
	Amounts written off recovered	**458**	1 497
	Storage fee income	**3 604**	4 308
	Insurance recoveries related to costs incurred		30 138
	Rental received	**3 307**	2 583
	Dividend received	**1 955**	
		10 911	39 492
5.	**Other (losses)/gains**		
	Foreign exchange (losses)/gains on financial instruments and monetary items	**(1 304)**	(2 961)
	Profit on sale of property, plant and equipment	**3 516**	85
	Assets scrapped	**(5 426)**	(2 811)
	Trade receivables written off		(17)
	Profit on early termination of capitalised leases	**1 830**	
	Other	**45**	
		(1 340)	(5 704)
6.	**Finance income and expense**		
	Interest income		
	Bank balances	**10 591**	25 339
	Other	**1 835**	2 499
		12 426	27 838
	Interest expense		
	Bank borrowings	**3 706**	4 539
	Interest accrued on lease liabilities	**48 208**	67 961
	Unwinding of discount on long outstanding liabilities	**6 856**	10 712
	Other	**2 333**	1 335
		61 103	84 547
	Net finance expense	**48 677**	56 709
7.	**Tax expense**		
	Current tax	**132 100**	116 239
	Deferred tax	**67 140**	99 435
		199 240	215 674
	Current tax - prior year	**1 337**	315
	Deferred tax - prior year	**1 021**	(2 853)
	Withholding tax	**1 083**	441
		202 681	213 577
	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	**662 322**	755 819
	Tax calculated at a tax rate of 28% (2020: 28%)	**185 450**	211 629
	Effect of different tax rates in other countries	**(4 175)**	(816)
	Fringe benefits tax in arrear in respect of housing benefits paid on behalf of employees	**14 714**	
	Dividends paid recognised as cash settled share based payment	**858**	
	Capital gains portion not taxable	**(194)**	
	Training allowances received	**(1 532)**	(1 381)
	Non-trading related expenses- holding company	**1 866**	1 856
	Legal expenses and fines	**597**	421
	Donations and social investments not tax deductible	**436**	531
	Costs incurred by foreign subsidiaries not tax deductible	**1 190**	1 441
	Other income/expenses not (taxable)/deductible for tax purposes	**(472)**	140
	Temporary differences on which no deferred tax is recognised	**66**	93
	Adjustments to prior year's normal tax provision	**1 337**	315
	Adjustments to prior year's tax base used for calculating deferred tax	**1 021**	(2 853)
	Withholding tax paid	**1 083**	441
	Tax losses not utilised/(utilised) to reduce current and/or deferred tax	**1 026**	469
	Dividends received	**(547)**	
	Finance charges not tax deductible	**(42)**	1 038
	Tax charge per income statement	**202 681**	213 322

Further information about deferred tax is presented in note 23.

(Prior year has been restated to account for certain businesses as discontinued operations)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

	2021 R'000	2020 R'000
8. Earnings per share		
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	472 504	556 267
- From continuing operations	459 641	542 242
- From discontinued operations	12 863	14 025
	cents	cents
Basic earnings per ordinary share	1225	1435
- From continuing operations	1192	1399
- From discontinued operations	33	36
Diluted earnings per share	1217	1432
- From continuing operations	1184	1396
- From discontinued operations	33	36
	No of shares	No of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	38 584 560	38 755 135
Adjustments for forfeitable shares	249 099	78 523
Weighted average number of ordinary shares for calculating diluted earnings per share	38 833 658	38 833 658

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 vests 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.

	Gross R'000	Net R'000	Continuing operations R'000	Discontinued operations R'000
9. Headline earnings				
2020				
Net profit attributable to shareholders		556 267	542 242	14 025
Adjusted for:	2 804	2 020	1 954	66
Profit on sale of property, plant and equipment	(7)	5	(61)	66
Loss on assets scrapped	2 811	2 015	2 015	
Headline earnings		558 287	544 196	14 091
2021				
Net profit attributable to shareholders		472 504	459 641	12 863
Adjusted for:	1 989	1 243	1 188	55
Profit on sale of property, plant and equipment	(3 437)	(2 668)	(2 723)	55
Loss on assets scrapped	5 426	3 911	3 911	
Headline earnings		473 747	460 829	12 918

	2021 cents	2020 cents
Headline earnings per share (cents)		
Headline earnings per share (cents)	1228	1441
- From continuing operations	1194	1404
- From discontinued operations	34	37
Diluted headline earnings per share (cents)	1220	1438
- From continuing operations	1187	1402
- From discontinued operations	33	36

	R'000	R'000
10. Dividends		
The following dividends (net of treasury shares) were declared in respect of the current year's profits:		
Interim dividend (Dividend no 39) - 300 cents per share (2020: nil)	115 670	
Final dividend (Dividend no 40) - declared on 10 November 2021 400 cents per share (2020: 775 cents per share)	154 227	298 726
Total dividends declared in respect of the year ended 30 September 2021 - 700 cents per share (2020: 775 cents per share)	269 897	298 726

The current year financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2021.

The prior year number has been updated to reflect the actual payment which was made post the prior year end.

11. Property, plant and equipment

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
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)	(1320 627)	(107 849)	(1928 322)
Closing net book amount	1 138 447	1 750 751	57 445	2 946 643
2021				
Net book amount at 1 October 2020	**1 138 447**	**1 750 751**	**57 445**	2 946 643
Changes for the year:				
Reclassifications	**41 429**	**(41 429)**		
Exchange translation changes	**1 433**	**1 623**	**364**	**3 420**
Additions - Expansion/improvement	**53 915**	**26 359**	**8 125**	**88 399**
Additions - Replacement	**36 602**	**108 564**	**21 078**	**166 244**
Disposals		**(341)**	**(44)**	**(385)**
Assets scrapped	**(1 351)**	**(3 904)**	**(171)**	**(5 426)**
Depreciation recognised in the statement of comprehensive income	**(35 262)**	**(167 000)**	**(9 223)**	**(211 485)**
Less: Held for sale operations	(25 692)	(16 435)	(2 424)	**(44 551)**
Closing net book amount	**1 209 521**	**1 658 188**	**75 150**	**2 942 859**
Balance at 30 September 2021:				
Cost	**1 732 364**	**3 060 957**	**184 110**	**4 977 431**
Accumulated depreciation	**(522 843)**	**(1 402 769)**	**(108 960)**	**(2 034 572)**
Closing net book amount	**1 209 521**	**1 658 188**	**75 150**	**2 942 859**

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

	2021 R'000	**2020 R'000**
12. Intangible assets		
Software		
Opening net book amount	**55 421**	59 183
Changes for the year:		
Exchange translation changes	**11**	(112)
Capitalisation of costs incurred	**737**	2 049
Disposals	**(33)**	(113)
Amortisation - included in administrative expenses	**(5 506)**	(5 586)
Less: Held for sale operations	**(146)**	
Closing net book amount	**49 984**	**55 421**
Cost	**97 438**	**98 291**
Accumulated amortisation	**(47 454)**	**(42 870)**
Closing net book amount	**49 984**	**55 421**
13. Capital commitments		
Capital expenditure approved not contracted for	**185 517**	170 157
Capital expenditure contracted but not recognised in the financial statements	**54 743**	127 682
Cost on intangibles contracted but not recognised in the financial statements	**139**	69

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 varies 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.

The 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 on the of right-of-use assets and for the lease liabilities. Refer note 23 - Deferred tax.

14.1 Right-of-Use assets

	Buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
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
2021				
Opening balance 1 October 2020	44 401	19 891	472 769	537 061
Changes for the year:				
Additions	809	19 860	3 642	24 311
Re-measurements	(1 054)	62	9 058	8 066
Derecognitions			(21 535)	(21 535)
Amortisation	(7 440)	(6 861)	(193 573)	(207 874)
Closing net book amount	36 716	32 952	270 361	340 029
Balance at 30 September 2021:				
Capitalised costs	52 429	41 913	571 797	666 139
Accumulated amortisation	(15 713)	(8 961)	(301 436)	(326 110)
Closing net book amount	36 716	32 952	270 361	340 029

The value of new right-of-use assets added during the year, are the initially 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.

	2021 R'000	2020 R'000
14.2 Lease liabilities		
Non-current	274 371	365 956
Current	102 097	206 057
Total	376 468	572 013
Maturity profile of lease liabilities:		
Capital payments next year	102 089	206 057
Capital payments from the second up to the fifth year	257 063	335 376
Capital payments after five years	17 316	30 580
	376 468	572 013
Total lease payments relating to capitalised leases	262 765	245 927
Interest expense on lease liability included in finance cost	48 206	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.

	2021 R'000	2020 R'000
14.3 Other leases		
Lease payments included in operating profit as lease expenses :		
Lease payments relating to low value items	6 926	8 163
Lease payments relating to short-term leases	12 404	7 463
Variable lease payments not linked to an index or rate and not recognised in right-of-use assets	34 193	41 281
Future commitments - Other leases:	8 466	10 617
Not later than one year :		
Short term leases: property	3 570	4 054
Short term leases: plant and equipment	356	281
Short term leases: vehicles	160	
Low value items	2 007	3 778
Later than one year and not later than five years :		
Low value items	2 285	2 044
Later than five years		
Low value items	88	460

Short term leases are those with terms of not more than twelve 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.

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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 5% accounts for the impact of inflation on future cash flow streams only, and does not take into account further expansion. It is also expected that the businesses will maintain their respective market positioning and no reduction of volumes are assumed in the calculation of the valuation of the business units.

Broiler feed costs

The major components of the broiler feed ration are the cost of maize and soya. The cost of these two ingredients are influenced by a number of factors like weather patterns, the size of annual national and international crops, stock holdings and rate of consumption of these commodities. Market forces impact prices of these commodities and assumptions for future prices take into account most recent stock-to-use ratios and prices of futures traded for these commodities in the open market. Specific adjustments are made for known abnormal weather patterns such as droughts or above average rainfall periods which could impact prices. The feed cost also includes an allowance for the impact of inflation on the production cost of broiler feed.

Selling prices poultry products

Selling prices for poultry products are influenced by market forces which impact the supply and consumption thereof. Assumptions for future price levels take into account the most recent market conditions adjusted for known price volatility such as changes in regulations, periods of over and short supply conditions, and forecasted trends in consumer spending. Long term pricing assumes normalised market conditions and any prolonged period of over or under food inflationary increases in poultry products, are normalised in the long term outlook for selling prices.

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
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
2021				
Poultry				
Goldi/Festive	**13.3%**	**5**	**5.0%**	**106 020**
Mountain Valley	**13.3%**	**5**	**5.0%**	**15 599**
National Chicks	**13.3%**	**5**	**5.0%**	**3 749**
County Fair	**13.3%**	**5**	**5.0%**	**2 559**
Feed				
Meadow - South African operations	**13.3%**	**5**	**5.0%**	**5 648**
Other Africa				
Africa Feeds Limited (Zambia)	**17.3%**	**5**	**10.0%**	**2 560**
				136 135

The pre-tax discount rates are as follows:

Goldi/Festive (15.9%), Mountain Valley (15.7%), National Chicks(15.7%), County Fair(15.9%), Meadow(16.2%) and Africa Feeds Limited (Zambia)(22.1%).

(2020: 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%)).

	2021 R'000	2020 R'000
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:		
Potential impairment if the discount rates are increased by 1%	**(8 887)**	Nil
Potential impairment if the discount rates are increased by 2%	**(18 158)**	
Potential impairment if the net realisations of poultry products decrease by 1%	**(18 158)**	Nil
Potential impairment if the net realisations of poultry products decrease by 3%	**(18 158)**	(15 599)
Potential impairment if the net realisations of poultry products decrease by 5%	**(18 158)**	(15 599)
Potential impairment if the broiler feed price increased by 1%	**(18 158)**	Nil
Potential impairment if the broiler feed price increased by 3%	**(18 158)**	(1 932)
Potential impairment if the broiler feed price increased by 5%	**(18 158)**	(15 599)

	2021 R'000	2020 R'000
16. Financial assets at fair value through other comprehensive income		
Listed shares in Quantum Foods Holdings Ltd		
The shares are not held for trading as it is regarded as an strategic investment.		
An irrevocable election has been made to recognise changes in the fair value of the shares in this category.		
At cost - 19 550 555 shares	155 306	155 306
Fair value adjustment	(49 731)	(34 286)
Fair value	105 575	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.

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17. Biological Assets

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2020				
Fair value at 1 October 2019	88 293	302 323		390 616
Cost less accumulated amortisation 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 cost less accumulated amortisation			421 327	421 327
2021				
Fair value at 1 October 2020	118 250	311 675		429 925
Cost less accumulated amortisation at 1 October 2020			421 327	421 327
Increase due to establishment costs	813 760	6 742 350	840 048	8 396 158
Decrease due to harvest/sales	(787 007)	(6 668 402)	(106 051)	(7 561 460)
Decrease due to amortisation			(695 499)	(695 499)
Fair value adjustment	(3 225)	(1 336)		(4 561)
Less: Held for sale operations	(7 667)		(1 907)	(9 574)
Closing balance	134 111	384 287	457 918	976 316
Balance at 30 September 2021:				
At fair value	134 111	384 287		518 398
At cost less accumulated amortisation			457 918	457 918

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.

Breeder stock

The carrying value of breeder stock is based on cost less accumulated amortisation.

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 cost less amortisation, is regarded as an accurate indicator of the fair value thereof in the integrated poultry producing process.

18. Inventories

	2021 R'000	2020 R'000
Feed raw materials	284 102	265 235
Feed finished goods	43 961	39 189
Poultry products	409 418	364 663
Consumable stores	183 603	192 154
	921 104	861 241

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R 8 995 million (2020: R 7 568 million)

Certain inventories at the Zambian subsidiaries serve as security for bank facilities - refer note 29.5.

19. Trade and other receivables

	2021 R'000	2020 R'000
Financial Instruments		
Trade receivables	1 438 027	1 126 166
Provision for loss allowance/doubtful debts		(432)
Trade receivables - net	1 438 027	1 125 734
Other receivables	24 607	23 576
Receivable in respect of investment sold	8 142	12 215
Non financial instruments		
Prepayments	55 653	13 566
Advance capital expenditure payments	26 387	22 672
VAT recoverable	42 901	19 819
Other receivables	4	515
	1 595 721	1 218 097

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:

	2021 R'000	2020 R'000
SA Rand	1 583 661	1 208 568
Zambian Kwacha	12 060	9 529
	1 595 721	1 218 097

Certain trade receivables at a Zambian subsidiary serve as security for bank facilities - refer note 29.5.

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.

	2021 R'000	2020 R'000
Poultry	1190 767	894 512
Farming	19 612	13 457
Retail and wholesale	1171 155	881 055
Feed	238 064	211 868
Farming	219 259	182 243
Retail and wholesale	18 805	29 625
Other Africa	9 196	19 786
Farming	8 311	18 488
Retail and wholesale	885	1 298
	1436 027	1126 166

NOTES TO THE FINANCIAL STATEMENTS

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	2021 R'000	2020 R'000
20. Cash and cash equivalents		
Cash at bank and in hand	668 532	573 581
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	**668 532**	**573 581**
Bank overdrafts (note 27)	**(390 840)**	**(27 453)**
Cash and cash equivalents per the statement of cash flow	**277 692**	**546 128**
21. Share capital		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each		
(2020: 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
(2020: 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.		
Number of shares effectively in issue	**No of shares**	No of shares
Issued shares	**42 922 235**	42 922 235
Treasury shares held by subsidiary and by participants in the forfeitable share scheme.	**(4 365 352)**	(4 203 077)
	38 556 883	38 719 158
Unissued share capital		
	No of shares	No of shares
Number of shares under the control of directors and available to be utilised for the purpose of the share option scheme at the end of the year	4 292 400	4 292 400

22. Other reserves

	Share based payment reserve R'000	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/(losses) loans R'000	Total other reserves R'000
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 2020	3 525	782	(53 071)	(10 832)	(59 596)
2021					
Balance at 1 October 2020	**3 525**	**782**	**(53 071)**	**(10 832)**	**(59 596)**
Provision for equity settled payment costs	**9 033**				**9 033**
Currency loss on investment loans to foreign subsidiaries				1 064	**1 064**
Currency translation differences arising in year			10 338		**10 338**
Balance at 30 September 2021	12 558	782	(42 733)	(9 768)	(39 161)

The non-distributable legal reserve relates to a foreign statutory requirement whereby a portion of reserves of a foreign subsidiary is regarded as non-distributable.

The movement in the currency translation reserve relates to the fluctuations of the functional currencies in which the Other African subsidiaries conducts their business activities, against the South African Rand.

23. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2020: 28%). Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

Deferred tax liabilities

	2021 R'000	2020 R'000
Movement on the deferred tax liability account is as follows:		
Opening balance	**639 482**	539 421
Less: Held for sale operations	**(4 117)**	
Charge related to items in Other Comprehensive Income	**753**	3 421
Charge to profit and loss	**68 161**	**96 640**
Originating and reversal of temporary differences	**67 140**	**99 493**
Adjustment to amounts recognised in prior year	**1 021**	**(2 853)**
At end of year	704 279	639 482

Analysis of deferred tax liabilities :

	Opening balance R'000	Charge to profit and loss R'000	Charged/(release) to other comprehensive income R'000	Closing balance R'000
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 utilized to reduce deferred tax liability		(2 447)		(2 447)
Other	(14 266)	(284)		(14 550)
	539 421	96 640	3 421	639 482
Continuing operations		96 582		635 365
Discontinued operations		58		4 117
2021				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	**564 607**	**24 255**		**588 862**
Temporary difference on livestock and farming consumables	**218 848**	**26 429**		**245 277**
Lease liability	**160 164**	**(54 753)**		**105 411**
Temporary differences giving rise to deferred tax assets				
Right-of-use assets	**(150 377)**	**55 169**		**(95 208)**
Provision for retirement benefit obligations	**(25 054)**	**(823)**	753	**(25 124)**
Provision for long term retention payments	**(37 074)**	**9 774**		**(27 300)**
Provision for outstanding leave pay	**(30 132)**	**(3 015)**		**(33 147)**
Rental equalisation reserve		**-**		**-**
Provision for incentive bonuses	**(17 251)**	**(6 978)**		**(24 229)**
Provision for claims and trade discounts	**(29 188)**	**(5 194)**		**(34 382)**
Provision for long service awards	**(2 800)**	**(81)**		**(2 881)**
Tax losses utilized to reduce deferred tax liability	**(2 447)**	**2 447**		**-**
Other	**(13 931)**	**20 931**		**7 000**
	635 365	**68 161**	753	**704 279**

A deferred tax liability of R 26 526 000 (2020: R24 088 000) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

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 customers,
- Annual re-assessment of the credit worthiness of customers,
- Immediate follow-up on late payments,
- In the event a customer is unable to pay, further trading with the customer is suspended.
- Changes to existing credit terms are approved and signed off by the Chief Executive Officer.

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

	2021 R'000	2020 R'000
Accounts receivable	1 438 027	1 126 166
Less: Loss allowance		(36)
Less: Provision for doubtful debts		(396)
Net accounts receivable	1 438 027	1 125 734
Other receivables	32 749	35 791
	1 470 776	1 161 525

The table below sets out fully performing, past due but not impaired as well as the impaired receivables and the provision against such receivables:

	2021 R'000	2020 R'000
Fully performing - due by up to 30 days	1 426 669	1 123 990
Outstanding longer than 30 days	11 358	2 176
Past due by 31 to 60 days	8 286	321
Past due by more than 60 days	3 072	1 855
	1 438 027	1 126 166

The receivables outstanding longer than 30 days per category:	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
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
2021				
Past due by 31 to 60 days	8 142	144		8 286
Past due by more than 60 days	2 310	762		3 072
	10 452	906		11 358

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

	2021 R'000	2020 R'000
26. Trade and other payables		
Financial instruments		
Trade payables	1 484 797	1 273 939
Outstanding payment in respect of capital expenditure incurred	3 066	3 941
Accruals and other payables	256 758	189 481
Non financial instruments		
VAT payable	2 722	24 484
Provision for contribution to local government water supply infra-structure repairs	4 845	10 000
Operating lease equalisation		
Other	33 163	54 449
	1 785 351	1 556 294

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:

	2021 R'000	2020 R'000
SA Rand	1 760 116	1 526 647
Zambian Kwacha	19 171	15 015
Mozambican Meticais	3 197	3 591
US Dollar	2 867	11 041
	1 785 351	1 556 294

27. Net borrowings/surplus cash

27.1 Current borrowings

	2021 R'000	2020 R'000
Bank overdrafts	390 840	27 453

Bank overdrafts are repayable on demand.
The carrying amounts of the group's borrowings are denominated in the following currencies:

	2021 R'000	2020 R'000
SA Rand	377 387	8 917
Zambian Kwacha	13 453	18 536
	390 840	27 453

27.1 Net debt/surplus cash reconciliation

	2021 R'000	2020 R'000
Bank surplus funds	668 532	573 581
Bank overdrafts	(390 840)	(27 453)
Cash and cash equivalents per statement of cash flows	277 692	546 128
Lease liabilities	(376 468)	(572 013)
Net (debt)/surplus funds	(98 776)	(25 885)

Financing activities	**Leases R'000**	**Cash and cash equivalents R'000**	**Total R'000**
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)
Cash flows	204 557	(265 284)	(60 727)
Effect of exchange rate changes		283	283
Less: Held for sale operations		(3 435)	(3 435)
New leases	(24 311)		(24 311)
Termination of leases	23 366		23 365
Re-measurements	(8 066)		(8 066)
Balance at 30 September 2021	(376 468)	277 692	(98 776)

28. Financial instruments	**Amortised cost R'000**	**Financial liabilities at amortised costs R'000**	**Total on Balance sheet R'000**
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
2021			
Current receivables			
Trade receivables	1 470 776		1 470 776
Cash and cash equivalents			
Cash and bank	668 532		668 532
Current borrowings			
Bank overdrafts		390 840	390 840
Shareholders for dividend		3 046	3 046
Current financial liabilities			
Trade payables		1 484 797	1 484 797
Accruals		259 824	259 824

Trade receivables represents the payment of principal amounts and interest, are held for contractual cash flows and are therefor accounted at amortised costs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

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.

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- 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;

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

	2021 R'000	2020 R'000
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Less: Loss allowance		(36)
Less: Provision for doubtful debts		(396)
Net accounts receivable	1 438 027	1 125 734
Other receivables	32 749	35 791
	1 470 776	1 161 525

The table below sets out fully performing, past due but not impaired as well as the impaired receivables and the provision against such receivables:

	2021 R'000	2020 R'000
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	1 438 027	1 126 166

The receivables outstanding longer than 30 days per category:	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
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
2021				
Past due by 31 to 60 days	8 142	144		8 286
Past due by more than 60 days	2 310	762		3 072
	10 452	906		11 358

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2021

	2021 R'000	2020 R'000

Loss allowance

The trade receivables do not have a significant financing component and the simplified approach have been applied to calculated the loss allowance based on lifetime expected credit losses.

A loss allowance is calculated by each individual business unit in the group, based on its historical loss experience and its particular customer profile which represents trade receivables with shared characteristics and specific characteristics which are influenced by the geographical area where they operate as well as the nature of their businesses,

Provision for losses against specific trade receivables are made in the event circumstances indicate to a high probability of non payment. A loss allowance is than calculated on the balances of the trade receivables.

2021

No loss allowances was calculated for the year as no credit losses were experienced during the year.

2020

The expected loss rates ranges for the prior year were calculated by different business units:

Ageing profile of the relevant trade receivables	Current	30 days	60 days +
Value range of applicable trade receivable groupings - R '000	R36 411	R11 469	R 400
Expected credit loss rate range - %	0,05	0,16	nil
Loss allowance - R'000	R 17	R 19	nil

The movement in the impairment loss allowance in respect of trade receivables was as follows:

	2021 R'000	2020 R'000
Balance at the beginning of the year	(432)	(622)
Net movement for the year	432	190
Reversal of prior year loss allowance	432	622
Current year loss allowance		(36)
Provision against specific trade receivables		(396)
Balance at end of year		(432)

Movement in the loss allowance have been included in the profit and loss as part of administrative expenses under Other expenses.

The Loss allowance is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2020				
Farming		432		432
Retail and wholesale				-
	-	432	-	432

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
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
2021				
Bank guarantees	6 500		6 508	13 008
Notarial bonds over moveable assets	22 000			22 000
Covering bonds over property		2 000		2 000
Credit Guarantee Insurance Cover	327 407			327 407
	355 907	2 000	6 508	364 415

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	2021 Total R'000	2020 Total R'000
Low risk	1065 279			1060 279	863 466
General risk	123 178	237 302	[illegible]	[illegible]	260 845
High risk	2 310	762		3 072	1 855
	1 190 767	238 064	9 196	1 438 027	1 126 166

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 R613 million (2020: R414 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 2021, the after tax effect of a 1% movement in the interest rates on the statement of comprehensive income would be R 1 999 000 (2020: R3 932 000).

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.

The following rand value items reported in the financial statements are exposed to foreign exchange rate fluctuations at 30 September:

	US Dollar R'000
2020	
Financial assets - cash and cash equivalents	1 349
Financial liabilities - Trade and other payables	(8 755)
	(7 406)
2021	
Financial assets - cash and cash equivalents	2 163
Financial liabilities - Trade and other payables	(2 867)
	(704)

A 10% movement in the exchange rate against the US Dollar, will result in a R 51 000 after tax effect in the profits of the group (2020: R 461 000)

There were no open foreign exchange contracts at 30 September 2021 (2020: nil)

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 on the group's profitability. Commodity price fluctuations are normally caused by factors such as supply conditions, weather, exchange rate fluctuations and other economic conditions which are outside the control of Astral.

These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Decisions on the procurement of raw materials as well as the utilisation of derivative instruments to hedge against these risks are taken by executive management within board approved mandates. Detailed statements of raw material contracts and hedging positions are prepared and submitted on a monthly basis to the Chief Executive Officer.

Poultry products price risk.

Poultry producers have limited influence over prices of broiler products in the retail market. These prices are highly sensitive to the supply and demand balance for broiler products. Imbalances in supply and demand are caused by a combination of a number factors; the uncontrolled import and dumping of chicken products on to the South African market, production levels and supply from local producers, and the financial strength of the local consumer are the more important factors.

The management of this risk is done by the poultry management team through appropriate production planning, cost control, improvement in efficiencies and reduction of costs through continuous upgrading of processes, equipment and facilities.

Investments

The value of the interest in Quantum Foods Holding 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 56 000 (2020: 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 2021, with the carrying amount in the consolidated balance sheet, in Rands. The contractual amounts reflect the differences from carrying amounts due to the effects of discounting and premiums. Interest is estimated assuming interest rates applicable to variable rate debt, remain constant.

	Within 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
2021				
Lease payments	134 639	297 181	19 675	451 495
Trade and other payables	1 744 621			1 744 621
Shareholders for dividend	3 046			3 046
Bank overdraft	390 840			390 840
	2 273 146	297 181	19 675	2 590 002

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

The following table sets out the contractual terms of the borrowings and other financial liabilities:

	Repayment date	Fixed / variable interest	Interest rate	Security or other relevant terms
Trade payables	current	n.a.	n.a.	none
Accruals	current	n.a.	n.a.	none
Bank overdrafts - ZAR denominated	current	variable	7% (2020: 7%)	none
Bank overdrafts - Kwacha denominated	current	variable	14,75 - 16,75% (2020: 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, and
- the arrangement of access to short and long term borrowing facilities from financial institutions.
- Financing of major capital expenditure items are done from a combination of borrowed funds as well as from surplus cash when accumulated over a period of time.

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

	2021 R'000	2020 R'000
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.		
The group has the following general borrowing facilities at floating interest rates:		
- Denominated in SA Rand		
Total facilities	**1 802 400**	1091 000
Unutilised facilities at year end	**1 602 819**	1091 000
- Denominated in Zambian Kwacha		
Total facilities	**29 203**	26 446
Unutilised facilities at year end	**15 760**	7 910
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying values:		
Land and buildings	**2 363**	1 468
Inventory	**63 983**	42 625
Trade receivbles	**6 509**	11 754

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:

	2021 R'000	2020 R'000
Cash and cash equivalents - refer note 20	668 532	573 581
Total debt - refer note 27	(390 840)	(27 453)
Net surplus cash	277 692	546 128
Total capital		
Equity	4 151 191	4 122 320

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

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:

Shares acquired during by Astral Operations Limited at a cost of R 24 920 000 (2020: R 23 674 000).

173 874 (2020: 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 R12 098 000 (2020: R 3 625 000).

31. Related party transactions

Directors' remuneration

Details of directors' remuneration is given in note 32. 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 note 32.

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 notes 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.

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2021

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 2021 R'000	Total 2020 R'000
Non-executive Directors' fees						
For services as Directors (excluding VAT)	3 790				3 790	3 701
T Eloff	1 084				1 084	1 038
DJ Fouche	985				985	947
TM Shabangu	683				683	675
S Mayet	509				509	489
WF Potgieter	529				529	344
T Maumela						208 #
Executive Directors' remuneration						
For managerial services	20 388	100	1 755	13 181	35 424	52 556
CE Schutte	8 641	19	885	6 644	16 189	21 436
GD Arnold	4 157	39	378	2 841	7 415	9 436
DD Ferreira	5 408	13	492	3 696	9 609	12 248
AB Crocker	2 182 *	29			2 211 #	9 436
Total Directors' fees and remuneration	24 178	100	1 755	13 181	39 214	56 257
Prescribed officers' remuneration						
For managerial services	13 287	163	1 175	5 213	19 838	18 509
MJ Schmitz	3 626	24	330	2 263	6 243	7 806
FG van Heerden	3 300	42	363	1 385	5 090 @	
E Potgieter	2 747	35	208	1 565	4 555	5 655
G Jordaan	2 730	30	207		2 967	3 241
L Marupen	884	32	67		983	1 045
MA Eloff						762 #
Total directors and prescribed officers remuneration	37 465	263	2 930	18 394	59 052	74 766

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

(@) Salary paid from date of appointment as prescribed officer

($) Merit award for successfully managing the risks posed by the Covid-19 virus and the impact on business activities of the resulting lock downs enforced by the authorities.

(*) Includes R969 000 accumulated leave paid on termination of services

Indicative Long-term Incentives (LTI) payable

Effective dates of allocation	1 October 2018	1 October 2019	1 October 2020		
Vesting dates of performance conditions	30 September 2021	30 September 2022	30 September 2023		
Payment dates	25 January 2022	25 January 2023	25 January 2024	Total	Total
	R'000	R'000	R'000	R'000	R'000
Executive Directors :					
CE Schutte	6 644			6 644	17,732
GD Arnold	2 841	1 607	1 671	6 119	8 996
DD Ferreira	3 696	2 090	2 174	7 960	11 702
AB Crocker					8 996
Expected payments on condition performance targets are achieved	13 181	3 697	3 845	20 723	47 426
Liability included in Employee benefit obligations (note 23)	(13 181)	(2 261)	(1 119)	(16 561)	(36 906)
Contingent liability - included in Contingencies (note 34)	-	1 436	2 726	4 162	10 520
Prescribed officers :					
MJ Schmitz	2 263	1 280	1 457	5 000	7 164
FG van Heerden	1 385	1 573	1 447	4 405	
E Potgieter	1 565	885	920	3 370	4 942
G Jordaan		879	914	1 793	879
L Marupen			296	296	
Expected payments on condition performance targets are achieved	5 213	4 617	5 034	14 864	12 985
Liability included in Employee benefit obligations (note 24)	(5 213)	(2 824)	(1 466)	(9 503)	(9 194)
Contingent liability - included in Contingencies (note 34)	-	1 793	3 568	5 361	3 791

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2021

32. Directors and prescribed officers remuneration(continued)

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	1 February 2020	1 December 2020
Vesting date of performance conditions	30 September 2022	30 September 2023
Date for vesting as unrestricted shares	31 January 2023	1 December 2023

Costs of restricted shares allocated	R'000	R'000	Total R'000	Total R'000
Executive directors				
CE Schutte	11 216	11 665	**22 881**	11 216
GD Arnold	2 398	2 494	**4 892**	2 398
DD Ferreira	3 120	3 245	**6 365**	3 120
AB Crocker				2 398
	16 734	17 404	**34 138**	19 132
Prescribed officers				
MJ Schmitz	1 910	2 176	**4 086**	1 910
FG van Heerden		2 160	**2 160**	
E Potgieter	1 320	1 373	**2 693**	1 320
G Jordaan	1 312	1 365	**2 677**	1 312
L Marupen		442	**442**	
	4 542	7 516	**12 058**	4 542
	21 276	24 920	**46 196**	23 674

Number of restricted shares allocated	No of shares	No of shares	Total No of shares	Total No of shares
Executive directors				
CE Schutte	54 242	81 389	**135 631**	54 242
GD Arnold	11 599	17 403	**29 002**	11 599
DD Ferreira	15 089	22 640	**37 729**	15 089
AB Crocker				11 599
	80 930	121 432	**202 362**	92 529
Prescribed officers				
MJ Schmitz	9 237	15 180	**24 417**	9 237
FG van Heerden		15 071	**15 071**	
E Potgieter	6 387	9 583	**15 970**	6 387
G Jordaan	6 347	9 524	**15 871**	6 347
L Marupen		3 084	**3 084**	
	21 971	52 442	**74 413**	21 971
	102 901	173 874	**276 775**	114 500

Number of restricted shares expected to vest	No of shares	No of shares	Total No of shares	Total No of shares
Executive directors				
CE Schutte	36 342	54 531	**90 873**	36 342
GD Arnold	7 771	11 660	**19 431**	7 771
DD Ferreira	10 110	15 169	**25 279**	10 110
	54 223	81 360	**135 583**	54 223
Prescribed officers				
MJ Schmitz	6 189	10 171	**16 360**	6 189
FG van Heerden		10 098	**10 098**	
E Potgieter	4 279	6 421	**10 700**	4 279
G Jordaan	4 252	6 381	**10 633**	4 252
L Marupen		2 066	**2 066**	
	14 720	35 137	**49 857**	14 720
	68 943	116 497	**185 440**	68 943

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2021

Note 1. - Long-term Incentives (LTI)

The executive directors and prescribed officers participate in both a Long-term Retention Plan (LRP) which is a deferred cash scheme, and in a Forfeitable Share Plan (FSP), in terms of which restricted shares are allocated to participants.

Details of the allocations made, are as follow:

- 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.

Not all of the performance conditions have been achieved, and lower payments have vested.

- 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.

- 1 October 2020 with vesting date 30 September 2023

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

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 tm) during the past year. The net operating profit after tax (NOPAT) was not in excess of a predetermined threshold for the past year and no bonuses payments in terms of the schem have been provided.. Refer to the

33. Directors' shareholding

	2021 No of shares	2020 No of shares
Directly held number of shares		
Beneficial interests		
Non-Executive Directors		
T Eloff	**1 150**	1 150
DJ Fouche	**9 571**	9 571
S Mayet	**1 000**	1 000
WF Potgieter	**1 400**	1 400
Executive Directors		
CE Schutte	**32 000**	32 000
DD Ferreira	**158 000**	158 000
GD Arnold	**6 000**	6 000
AB Crocker		4 967
	209 121	214 088

The shareholdings represent discretionary investments by the Directors.

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

34. Contingencies and commitments

	2021 R'000	2020 R'000
Commitments		
Raw material contracted amounts not recognised in the statement of financial position	1 687 543	1129 870
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		
British pound		
Contingencies		
Long term retention incentives not recognised in the statement of financial position.	55 384	61 936
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 group are as follows:

		Issued ordinary capital 2021 R'000	Issued ordinary capital 2020 R'000	Effective percentage holding 2021 %	Effective percentage holding 2020 %
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 400 cents per share has been declared on 10 November 2021. The payment of the dividend will be on 15 January 2022.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2021

37. Discontinued operations

During the year the following agreements were reached;

National Chicks Swaziland Pty Ltd

National Chicks Swaziland Pty Ltd is a day old chick supplier to the eSwatini market.

Astral accepted an offer received during the year from the minority shareholder to acquire its entire 67% interest in the company.

Meadow Mozambique Limitada and Mozpinto Limitada

Meadow Mozambique and Mozpinto conduct their businesses as a feed mill and day old chick supplier to the Mozambique market.

An agreement was reached during the year to sell the respective propeties, plant and equipment and inventories as going concerns.

The companies will cease its trading activities and will become dormant subsidiaries.

It is expected that the sale of the above businesses will be concluded early during the 2022 financial year.
The associated assets and liabilities are presented as held for sale in the current year financial statements.
The financial performance and cash flow information for the years ended September 2021 and 2020, are set out below.

	2021 R'000	2020 R'000
Revenue	181 300	172 071
Cost of sales	(138 808)	(124 358)
Gross profit	42 492	47 713
Administrative expenses	(21 053)	(13 831)
Distribution costs	(3 014)	(3 248)
Marketing expenditure	(3 904)	(4 075)
Other losses	5 906	(975)
Profit before interest and tax	20 427	25 584
Finance income	255	441
Profit before tax	20 682	26 025
Tax expense	(6 600)	(7 033)
Profit for the year from discontinued operations	14 082	18 992
Statement of cash flows information		
Cash generated from operating activities	20 403	18 960
Cash used in investing activities	(6 750)	(3 934)
Cash from financing activities	(3 960)	(1 320)
Statement of Assets and Liabilities disclosed as held for sale		
Non-Current assets	44 696	
Current assets	26 888	
Total assets	71 584	
Non-Current liabilities	3 981	
Current liabilities	6 368	
Total liabilities	10 349	

A potential capital gain tax liability of R10 800 000 could arise on sale of the interest in the businesses which is dependant on the net selling prices to be realised.

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2021

38. Impact of COVID-19 and of economic lock down

	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 periods, and business activities continued uninterrupted.	**Low** With the subsequent opening up of the economy, sales largely returned 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 are still closely monitored in order to establish if an adjustment to the default rate from the impact of Covid, 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** 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.
Inventories	As standard practice the carrying value of inventories (finished goods stock) are disclosed at the lower of cost or net realisable value.	**Low** The group experienced normalised stock levels during the 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 and processing activities continued uninterrupted during the lock down periods. No material negative trends as result of the Covid -19 related lockdowns were experienced	**Low** Long term forecasts indicates that the carrying value of assets will be recovered from future cash generation.
Going concern	Changes to sales volumes and pricing had a result on profitability, however the group continue to operated at a profit. The group conducts annually, as standard practice, detailed four year forecasts of profitability, capital expenditure, working capital requirements and cash flows. 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 indication 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.
Liquidity	Negative cash flows were experienced for the year, however the group remained in 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 have access to sufficient facilities.

39. ACCOUNTING POLICIES

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

1. BASIS OF PREPARATION

The consolidated financial statements of Astral Foods Limited group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the relevant notes to the annual financial statements.

2. INTEREST IN GROUP ENTITIES

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group.

3. FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other (losses)/gains – net'.

Foreign Operations

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different to the company's presentation currency, are translated into the presentation currency as follows:

(i) Assets and liabilities at the closing exchange rate at the reporting date;
(ii) Income and expense items are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
(iii) Equity items are translated at the exchange rates ruling when they arose.

All resulting exchange differences are classified as a foreign currency translation reserve and recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings which are long term investments in nature, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. PROPERTY, PLANT AND EQUIPMENT

Land and buildings comprise mainly of feed mills, poultry processing facilities, poultry farms and offices which are measured at historical cost.

Land is not depreciated and its carrying value is stated at historical cost.
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 programs.

5. INTANGIBLE ASSETS

Computer software

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Computer software recognized as assets are amortized, using the straight-line method, over their estimated useful lives. The estimated useful lives are reassessed on an annual basis.

6. LEASES

The accounting policies regarding leases are described in note 14 to the financial statements

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 comprises all purchase costs of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) incurred in bringing the inventories to their present location and condition. Borrowing cost is excluded.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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 cost less accumulated amortisation.

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 utilizes 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.

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.

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.

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 other financial assets or to exchange financial instruments with another on potentially unfavourable terms.

All the financial liabilities have been classified as: Financial liabilities at amortised costs.

12. TRADE RECEIVABLES

Adjustments in the provision for loss allowances are recognised in the statement of comprehensive income under administrative expenses. When a trade receivable is uncollectible it is written off in the statement of comprehensive income or when previously written off amounts are recovered, it is credited in the statement of comprehensive income, both within other gains/losses.

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.

14. TRADE PAYABLES

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

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.

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.

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..

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 recognized 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.

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, the allocations are 100% subject to specified performance conditions, measured over a three-year period, being met.

Once vested, amounts are paid at the end of the three year vesting period.

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

Share-based plans

The **forfeitable share plan** which is equity settled, afford employees the opportunity to own shares in Astral through awarding of forfeitable shares. Participants receives 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 assumptions of the number of shares that is expected to vest.
Dividends received by participants during the vesting period is regarded as a cash settled portion of the scheme and is recognised as an employee benefit expense as and when dividends are paid.

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 recognized when the products are delivered at the premises of the customer;
- Feed – sales of feed are recognized when the feed is delivered at the farm as agreed with the customer or when a customer collects it from the feedmills

In all instances, sales are recognised when upon delivery, the customer has accepted the products; and collectability of the related receivables is reasonably assured.

Volume rebates and settlement discounts are deducted from revenue where they can be reliably measured.

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 recognize 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.

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.

22. CRITICAL ACCOUNTING ASSUMPTIONS AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting assumptions and judgements. The areas where critical assumptions or judgements have been made are identified in the relevant notes to the financial statements.

23. 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 is expected to impact the financial statements and reporting of the group.