ASTRAL

A leading Southern African integrated poultry producer

INTEGRATED REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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Astral at a GLANCE

More than just feed

Astral Foods was established and listed in April 2001 on the JSE Limited, after Tiger Brands unbundled its agricultural operations. Currently Astral Foods is ranked in the top 100 companies listed on the JSE Limited with some 4 000 shareholders and approximately 12 500 full-time and contract employees.

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

PROFILE

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

CONTENT

Astral Foods' Integrated Report covers the economic, environmental and social activities of the group and their consequences for stakeholders in respect of the year ended 30 September 2017. It aims to provide a broad range of stakeholders with a transparent and a holistic view of the group's financial and non-financial performance and how we created value. Six capitals (financial, manufactured, human, social, natural and intellectual) and how we build or deplete them are addressed in this report, while not specifically referred to in this manner.

The report is evolving to present these aspects in an integrated manner confirming operational responsibility and accountability for business sustainability and covers the operations of the group and major subsidiaries for the period from 1 October 2016 to 30 September 2017. This report was approved by the board on 15 November 2017.

MATERIALITY

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

ASSURANCE

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

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

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

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

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

SCOPE

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

STATEMENT BY THE BOARD OF DIRECTORS OF ASTRAL FOODS LIMITED

The board acknowledges its responsibility to ensure the integrity of this Integrated Report which in the board's opinion addresses all material issues and presents fairly the group's integrated performance. The board applied its judgement regarding the disclosure of Astral's strategic plans, and has ensured that these disclosures do not place the group at a competitive disadvantage. The Audit and Risk Management Committee recommended the approval of the 2017 audited financial statements and the Integrated Report on 14 November 2017.

Theuns Eloff
Chairman

Diederik Fouché
Chairman: Audit and Risk Management Committee

15 November 2017

CONTACT

For questions regarding this report contact:
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KEY ACTIVITIES COMPRISE

Manufacturing of animal feeds	Broiler genetics	Production and sale of day-old chicks and hatching eggs	Breeder and broiler production	Abattoir and further processing operations	Sales and distribution of various key poultry brands

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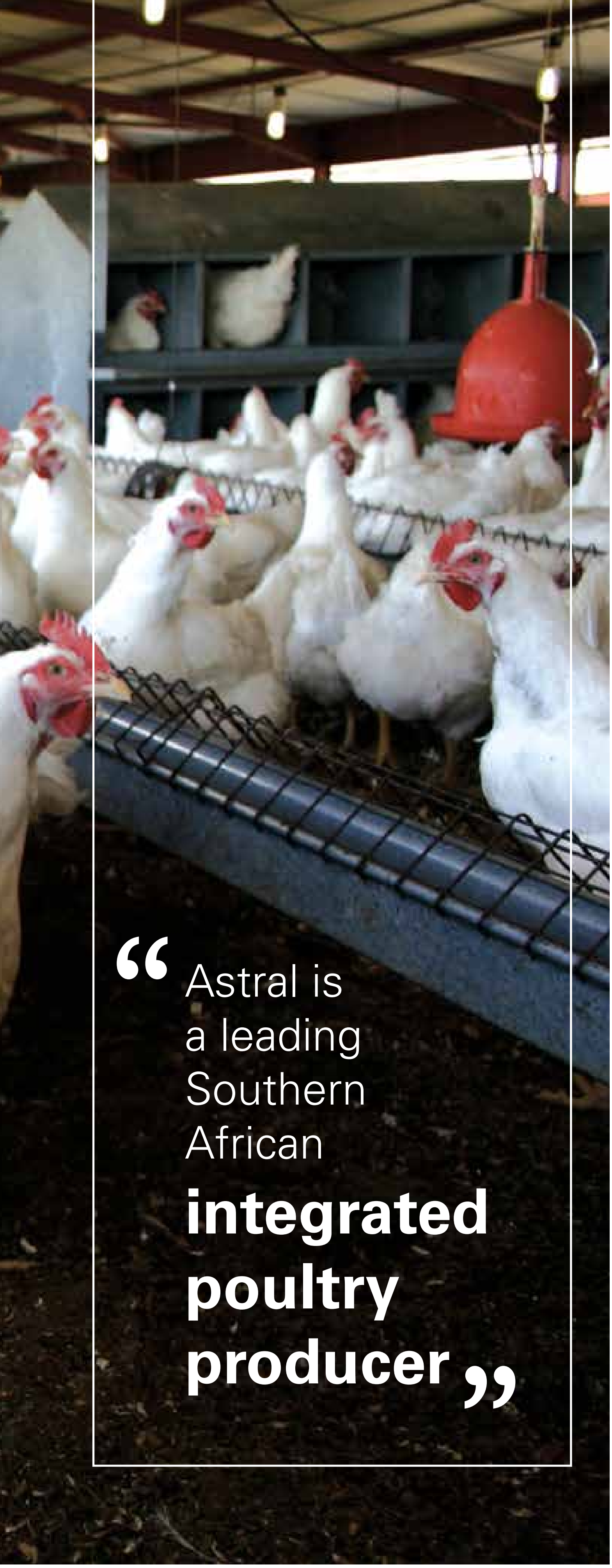
OVERVIEW



“Astral is a leading Southern African **integrated poultry producer**”

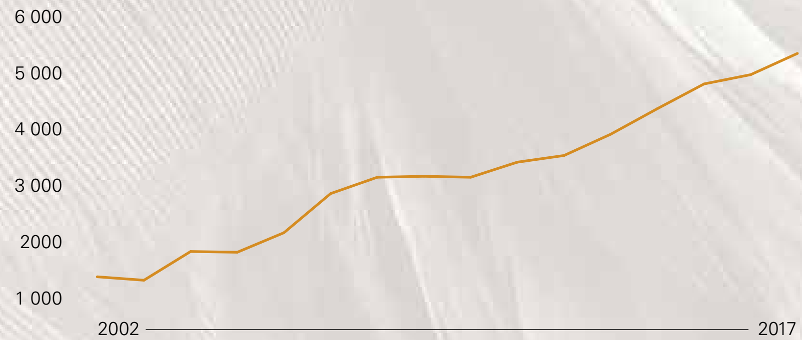
Financial HIGHLIGHTS

Revenue (Rm)

Operating profit (Rm)

Dividend per share (Rm)

Total assets (Rm)



Revenue

3.3%

Profit before interest and tax

96.5%

Headline earnings per share

96.8%

Total dividend of

1 055c

per share

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

Group ACTIVITIES

INTEGRATED BROILER OPERATIONS

We have four fully integrated broiler production, processing, distribution, sales and marketing operations with a combined processing capacity of 5 140 000 processed broilers per week made up as follows:

County Fair	1 600 000
Festive	1 450 000
Goldi	1 900 000
Mountain Valley	190 000

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

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

DAY-OLD BROILER AND HATCHING EGG SUPPLIER

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

BROILER GENETICS

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

ANIMAL FEED

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

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

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

LABORATORY SERVICES

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

STRATEGIC FOCUS

- To be a best cost integrated poultry producer in selected African countries

POULTRY

R9 850m

REVENUE

(2016: R9 129 million)

FEED

R6 583m

REVENUE

(2016: R7 190 million)

OTHER AFRICA

R427m

REVENUE

(2016: R575 million)

Integrated broiler operations
We have four fully integrated broiler production, processing, distribution, sales and marketing operations.

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

Three **hatcheries** situated in Mozambique, Swaziland and Zambia. One breeder farm in Zambia with a further breeder farm under construction in Mozambique.

Day-old broiler and hatching egg supplier
Conducting business as a day-old chick and hatching egg supplier to our integrated broiler operations and the independent non-integrated broiler producers.

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

Two **animal feed mills** situated in Mozambique and Zambia.

Broiler genetics
Ross Poultry Breeders is the sole distributor and supplier of Ross 308 parent stock to the South African broiler industry.

Astral as an INVESTMENT

LARGEST INTEGRATED POULTRY PRODUCER IN SOUTHERN AFRICA

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

PEOPLE SKILLS

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

STRONG CASH FLOW

Proven record with the ability to generate strong cash flows

LEADING BRANDS

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

REGIONAL AND NATIONAL FOOTPRINT

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

THE RESULT

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

Group STRUCTURE

ASTRAL OPERATIONS LIMITED

100%

POULTRY

ROSS

National Chicks

Tender n Tasty GOLDI Chicken

County Fair

Great South African Chicken Every Day!

Festive

Great South African Chicken Every Day!

Mountain Valley

FEED

MEADOW More than just feed
RANDFONTEIN

MEADOW More than just feed
DELMAS

MEADOW More than just feed
PAARL

MEADOW More than just feed
LADISMITH

MEADOW More than just feed
PIETERMARTIZBURG

AL LABS

MEADOW More than just feed
MEADOW FEEDS STANDERTON PTY LIMITED
100%

MEADOW More than just feed
MEADOW FEEDS EASTERN CAPE PTY LIMITED
100%

MEADOW Mais do que simples ração
MEADOW MOÇAMBIQUE LIMITADA
80%

MOZPINTOS
MOZPINTOS LIMITADA
100%

We manage a **dedicated programme to engage** with analysts, investors and large individual shareholders

Our BUSINESS MODEL

INTEGRATED ACROSS THE ANIMAL FEED AND POULTRY PRODUCTION CHAIN

INPUTS
(WHAT WE HAVE)

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

Astral as an integrated poultry producer

Processing

Standerton

Olifantsfontein

Camperdown

Agter-Paarl

Brands

OUTPUTS

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

KEY DRIVERS THAT BRING OUR STRATEGY TO LIFE (what we measure)

WE INVEST IN HIGH QUALITY, BEST-COST OPERATIONS

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

WE INVEST IN OUR PEOPLE

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

WE FOCUS ON PERFORMANCE, RELIABILITY AND SUSTAINABILITY

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

WE ARE PASSIONATE ABOUT OUR EXTERNAL RELATIONSHIPS

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

Strategic focus AREAS

Our approach to sustainable value creation

	MATERIAL FOCUS AREAS	OPERATIONAL/STRATEGIC RESPONSE	
ECONOMIC	**Operational efficiencies**	Vertical integration	Optimising Ross 308 genetic potential
	Income and growth	Increase processing capacity	Market segment participation
	Cost and cash management	Best cost approach	Reduce impact of administered cost increases
	Business risk	Regulatory compliance	Internal control environment
SOCIAL	**Human rights**	Compliance policies	Code of ethics
	Employees	Skills development – CEO Pinnacle Programme	Staff retention
	Equality, empowerment and transformation	Preferential procurement	Overall BBBEE rating
ENVIRONMENT	**Regulatory compliance**	Underlying environmental policy	Environmental risk assessments
	Alternative energy sources	Waste to energy solutions	Establish carbon emissions baseline
	Resource optimisation	Waste management	Electricity management
EXTERNAL RELATIONSHIPS	**Strategic alliances**	Membership of industry bodies	Strategic local and international partners
	Clients and customers	Brand awareness	Product responsibility
	Corporate social investment	Wellness programme	Community investment
	Stakeholder engagement	Integrated reporting	Continuous, open and transparent communication
PRODUCTS	**Quality standards from farm-to-fork**	HACCP and ISO certifications	Product traceability
	Compliance audits	Quality audits	Quality audits conducted by customers
	Consumer Protection Act	Standard operating procedures	Group compliance policy

OPERATIONAL/STRATEGIC RESPONSE

Information management	Optimise farm performances	Mechanisation	
Product innovation	Integrated planning	Feed milling capacity	African expansion
Sound working capital management	Maintain a strong balance sheet		
Internal and external audits	Policies and procedures		
Occupational health and safety			
Leadership and senior management succession planning	Workplace improvement programme		
Employment equity			
Environmental impact assessments	Responsibility to monitor emissions		
Sustainability reporting			
Land management			
Preferred suppliers			
New products			
Investor roadshows	Press releases	SENS reporting	
Hygiene programmes			

Business OVERVIEW

SOUTH AFRICA

FESTIVE	GOLDI	MOUNTAIN VALLEY	COUNTY FAIR	NATIONAL CHICKS	ROSS POULTRY BREEDERS
Festive – This processing facility is located in Olifantsfontein (Gauteng). It has its own breeding and hatching operation and processes approximately 1.45 million broilers per week making use of a large number of contract growers to rear birds for slaughter. Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Products are supplied to the quick-service restaurant industry, most notably, Spur and the Famous Brands group (Wimpy, Steers). Meadow Feeds' operations situated in Randfontein and Delmas supply feed to this integrated broiler operation.	Goldi – This processing facility is located in Standerton (Mpumalanga). It has its own breeding and hatching operation and processes approximately 1.90 million broilers per week and makes use of a large number of contract growers to rear birds for slaughter. Various well-known brands such as Festive, Goldi and SupaStar are marketed and distributed into the wholesale and retail sectors. Products are supplied to the quick-service restaurant industry most notably, Spur and the Famous Brands group (Wimpy, Steers). Meadow Feeds' operations situated in Delmas and Standerton supply feed to this integrated broiler operation.	Mountain Valley – This processing facility situated in Camperdown (KwaZulu-Natal), provides Astral with a strategic fresh processing presence in KwaZulu-Natal, processing 0.19 million broilers per week. Meadow Feeds situated in Pietermaritzburg, supplies feed to Mountain Valley.	County Fair – This processing facility located in Agter-Paarl (Western Cape), is a fully integrated broiler producer processing 1.60 million broilers per week, including the broilers supplied by Tydstroom on a contract grower agreement. The abattoir supplies birds to a fresh and frozen further processing facility in Epping Industria, Cape Town. A wide range of products is marketed under the County Fair brand. The day-old chicks hatched and placed on County Fair's grow-out farms are supplied by its in-house breeding operations. Meadow Feeds, situated in Paarl supplies all the poultry feed requirements.	Conducts business as an international supplier of day-old chicks and hatching eggs to the Astral group and to non-integrated independent operations in South Africa, Swaziland and Mozambique. Plays a key role in every step of the supply chain, whether from chicken to egg or from egg to chicken.	Sole distributor and supplier of the Ross 308 parent stock to the South African broiler industry. In close association with Aviagen Limited, the global leader in poultry genetics based in Scotland, Ross Poultry Breeders continually develops and implements progressive bio-security and production processes to ensure the delivery of disease-free genetic material to the South African poultry industry.

		OUTSIDE SOUTH AFRICA				
MEADOW FEEDS	**CAL**	**TIGER CHICKS Zambia**	**TIGER ANIMAL FEEDS Zambia**	**MOZPINTOS Mozambique**	**MEADOW Mozambique**	**NATIONAL CHICKS Swaziland**
Acknowledges and supports consumers' increased awareness and demand for ethical practices leading to safer food and product quality guarantees. This is increasingly relevant to modern agriculture with commercial and emerging farmers demanding the very best in animal feed. The application of world-class technology, production standards in feed safety and production methods ensure that Meadow delivers what farmers require most – good value, safe feed and superior yields.	Offers a diverse range of laboratory analyses to the animal feed industry. Employs the latest instruments and methods to provide the best possible service to its client base.	A breeder farm and hatchery producing day-old broiler chicks for the Zambian and export markets. TigerChicks has introduced a new broiler breed, the Lohmann Meat, into the African market. This is the first slow feathering broiler bird to be bred in Africa.	Tiger Animal Feeds has been the leading animal feed supplier in Zambia for more than ten years. Its world-class range of feeds, strong distribution network and on-site nutritional service has greatly contributed to the growth and the profitability of farmers and the establishment of new farmers through training and after-sales support programmes. All products conform to the quality assurance standards of the Zambian Bureau of Standards and are backed by an array of quality assurance systems.	A hatchery south of Maputo in Mozambique with a capacity to hatch 67 000 day-old broiler chicks per week and a footprint to expand to 158 000 day-old chicks by adding additional incubation equipment.	A feed mill situated in Maputo that supplies breeder feed to Mozpintos. Also supplies animal feed to the external market throughout Mozambique.	The largest hatchery in Swaziland, producing 340 000 day-old chicks per week for the local and export markets.

Chairman's OVERVIEW

Astral markedly improved on its financial results of 2016, with profit before interest and tax (PBIT) at

R1 078m.

Business confidence index – RMB/BER
Quarterly 31/12/2007 – 30/06/2017

Business confidence index – RMB/BER (29)

Source: Iress

2017 – YET ANOTHER DIFFICULT YEAR

Has the past year been the worst in the history of our young democracy? Many South Africans will ask this question – and with reason. It seems that we have slipped further and further away from the dream of Mandela and Tutu's rainbow nation, with state capture and corruption, rampant crime and lawlessness, insignificant economic growth, poverty and worsening race relations all contributing to a bleak picture. Globally, the political situation does not look much better, with conflict occurring on a widespread basis. Because many OECD countries were able to shrug off the downturn of 2009, the global economic situation does look better than South Africa's.

THE PAST AND THE PRESENT

South Africa's political scenario

The political situation has worsened considerably since 2016. The revelations in the #Guptaleaks have become commonplace, and companies associated with or in alliance with the Gupta family have been discredited. President Zuma has almost weekly been accused of another instance of poor governance or corruption, the latest concerning his tax affairs. In reshuffle after reshuffle of the cabinet, the president has shown little regard for the main business of government.

The medium-term budget expenditure framework presented by finance minister Gigaba, gave a horrific account of the state of the country's finances, with the bottom line that we are in serious trouble. The state of the finances of several state owned entities (such as SAA, SABC and Eskom) could finally bankrupt the country. Given all of the above, a further and catastrophic downgrading of the country's credit rating seems inevitable.

At a local level, municipalities are on the verge of implosion, with little or no service delivery taking place. Astral has had first-hand experience of this fact at our poultry and feed milling operations in Standerton, with electricity and water provision problems by the local authority.

The governing party's leadership race will conclude in December 2017. The uncertainty created in this regard has had a negative impact on the functioning of government departments at all levels.

South Africa's economic scenario

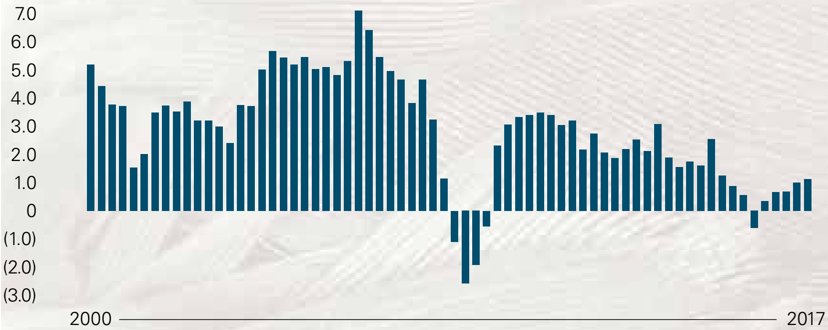
The country's economic woes can be directly linked to the extremely negative political scenario. If two finance ministers are fired without any good reason, when state capture and corruption are rife, when there is political uncertainty as to the direction of the leadership of the governing party and with policy uncertainty in a number of key areas, business confidence is bound to suffer. The graph on the left shows how business confidence has deteriorated during the Zuma government's reign, especially since 2010.

This had a serious negative impact on economic growth as shown on the graph overleaf.

Chairman's OVERVIEW

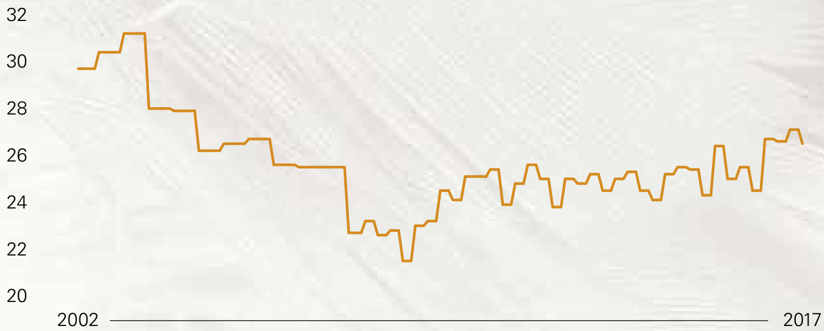
(continued)

Growth – South Africa
Quarterly 30/06/2000 – 30/06/2017



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

Employment – official unemployment rate ILO
Monthly 30/04/2002 – 30/06/2017



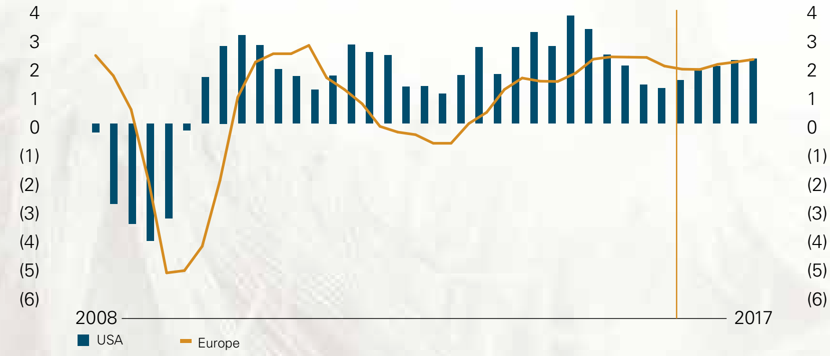
These three graphs are indisputable evidence of the havoc that President Zuma and his faction of the governing party have inflicted on South Africa and its economy. In the past, although South Africa's economic growth lagged international trends, the country had recovered. Now the gap between our growth and the rest of the world is getting bigger and bigger. This indicates that domestic factors and specifically political factors are to blame.

This has not left international investors impressed. According to Rand Merchant Bank, Egypt has replaced SA as the investment country of choice in Africa. Even local businesses are sitting on cash, not wanting to invest in a very volatile and uncertain future.

Global situation

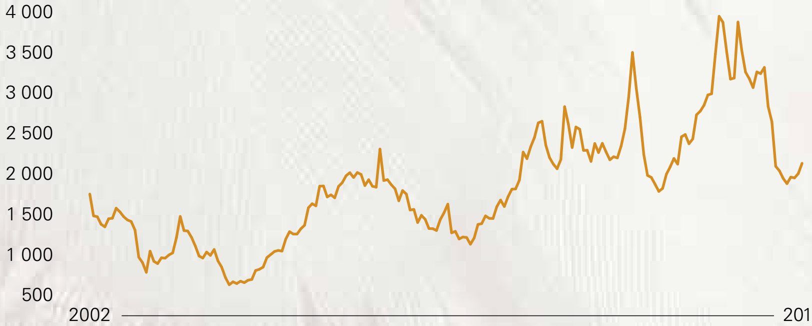
The GDP growth in the US and Europe since 2010 stands in stark contrast to that of South Africa. The trend has been firmer and upwards. This is also true of the emerging markets.

Growth – USA vs EU
Monthly 31/01/2002 – 31/10/2017



In terms of Astral's business, there is some good news internationally. Not only has the price of yellow maize dropped to levels that offer sustainable profits for poultry production (see graph below), but sizeable crops globally indicate a surplus of maize and sustained lower prices for the short- to medium-term.

Yellow maize near future (Close)
Monthly 31/01/2002 – 31/10/2017



Chairman's OVERVIEW

(continued)

HIGHLIGHTS OF ASTRAL'S PAST YEAR

Following on what was arguably the most difficult year in Astral's history, the past year was one in which the company produced its second best results ever. Even though our biggest input cost factor, yellow maize, was high for more than six months of the year, we benefited from a lower maize price in the last few months of the financial year. Despite some negative factors (such as continued dumping, difficult market conditions and notably the outbreak of Avian Influenza), Astral markedly improved on its financial results of F2016, with profit before interest and tax (PBIT) at R1 078m. This is a remarkable performance, especially when most other poultry companies struggled under the same circumstances. Once again, good efficiencies, a low cost culture and good management and leadership accounted for the outstanding results.

A special word of appreciation should go the management team for the way in which the H5N8 crisis was managed over a prolonged period of time, stretching into the new financial year. Quick and sustained strategic action on a number of the farms where the outbreak manifested itself, ensured that the potential catastrophic consequences could to a large extent be limited. Facing a totally new threat, with very little government support, the team learnt lessons quickly and improved the actions to combat and block the virus from spreading to neighbouring farms. It has, however, become clear that for future outbreaks a more sustainable and pro-food security solution such as immunisation should be considered by government and implemented.

Corporate governance

The Astral board again conducted the annual performance self-assessment by each individual director, as well as an assessment of fellow directors' performance. Board committees, the board itself, the Chairman, the Chief Executive and the Company Secretary were all subject to the same assessment process. As has become its custom, the board had in its meetings open and robust discussions on a variety of issues, including the King IV principles.

During the financial year, the board said goodbye to one of the executive directors, Theo Delport. Theo resigned to pursue his own interests. The board noted its appreciation for the long and faithful service that Theo has given to Astral for eight years and wishes him well in his future endeavours.

The board decided to appoint Mr Diederik Fouché, a non-executive director since November 2015, as lead independent director from 1 August 2017. It was deemed necessary to have such a position, and Diederik has in the relatively short time since his appointment already made a valuable contribution in this capacity.

The board conducted its annual strategic review in early April 2017, confirming its present strategy to be the best cost integrated poultry producer in selected African countries.

THE FUTURE

South Africa's political prospects

The country is holding its proverbial breath about the outcome of the governing party's elective conference in December 2017. Only after this, will there be a larger measure of certainty about the political, as well as the economic future of the country.

It cannot be predicted what the outcome of the election will be. The three front runner candidates are Dr Dlamini-Zuma, the current deputy president Cyril Ramaphosa and treasurer-general Zweli Mkize. Victory for any of these will have its own complications and complexities. Another worrying scenario is that the conference might be legally contested and postponed indefinitely. In terms of policy certainty and a potential start of a process to end state capture and corruption, this scenario is the worst. It will cause a further weakening of the currency, dent business confidence even further and stall local and international investment in the country for even longer.

South Africa's economic prospects

Against this background, it is almost impossible to forecast the country's macro-economic prospects. The International Monetary Fund (IMF) has projected less than 1% growth for 2017, followed by 1.2% for 2018 and 1.6% for 2018. This is clearly not enough to create all important new jobs and improve the living conditions of the majority of South Africans. It also means that the consumer market will remain depressed. The drought and accompanying water shortages in the Western Cape will hurt the agricultural industry in the new financial year. The one bit of good news is that, because of an international oversupply of maize (see below), the cost of poultry production will be kept within reasonable limits. This may be to Astral's benefit.

Global economic prospects

The improvement in global economic growth remains on track and the IMF's latest world economic outlook released in October 2017 projects global growth to increase to 3.6% in 2017, further accelerating to 3.7% in 2018 and 2019. The cyclical recovery continues in large emerging and developing economies and in several advanced economies. U.S. growth projections at 2.2% in 2017 and 2.3% in 2018 are however more subdued, reflecting the assumption that fiscal policy will be less expansionary. Growth has been revised up for Japan and the euro area, where positive surprises to activity in late 2016 and early 2017 point to solid momentum. China's growth projections have also been revised up, reflecting a strong first quarter of 2017 and expectations of continued fiscal support.

Real GDP Growth Projections (YoY % change)

	2015	2016	2017E	2018F	2019F
World output	3.4	3.2	**3.5**	**3.6**	**3.7**
Advanced economies	2.1	1.7	**2.0**	**1.9**	**1.8**
United States	2.6	1.6	**2.1**	**2.1**	**1.9**
Euro Area	2.0	1.8	**1.9**	**1.7**	**1.7**
Japan	1.1	1.0	**1.3**	**0.6**	**0.8**
EM and Developing Economies	4.3	4.3	**4.6**	**4.8**	**5.0**
China	6.9	6.7	**6.7**	**6.4**	**6.3**
India	8.0	7.1	**7.2**	**7.7**	**7.8**
Brazil	-3.8	-3.6	**0.3**	**1.3**	**1.8**
Russia	-2.8	-0.2	**1.4**	**1.4**	**1.5**
South Africa	1.3	0.3	**1.0**	**1.2**	**1.6**
Mexico	2.6	2.3	**1.9**	**2.0**	**2.3**
Nigeria	2.7	-1.6	**0.8**	**1.9**	**1.7**

Source: IMF

In Sub-Saharan Africa, the outlook remains challenging. Growth is projected to rise in 2017 and 2018, but will barely return to positive territory in per capita terms this year for the region as a whole and would remain negative for about a third of the countries in the region.

Even though there has been, since January 2016, a steady increase in commodity prices, food prices on average are currently almost at the same levels as early 2016. Prices of agricultural commodities however increased across the board, with strong gains for the indices of meat, seafood and cereals, and a more modest gain for the index of vegetable oils. The table below shows some commodity prices with a baseline projection to 2019.

Commodity Price Baseline Projections

Commodity	Units	2015	2016	2017E	2018F	2019F
Brent crude	$/bbl	52.4	44.0	**56.3**	**55.9**	**55.0**
Maize	$/MT	169.8	159.2	**155.7**	**162.2**	**172.2**
Wheat	$/MT	185.6	143.2	**149.0**	**167.0**	**179.8**
Soybean	$/MT	347.4	362.7	**352.5**	**347.2**	**348.9**
Soymeal	$/MT	352.7	350.2	**342.2**	**337.0**	**343.3**
Rice	$/MT	380.0	388.3	**421.4**	**472.1**	**472.1**
Fishmeal	$/MT	1 759	1 418	**1 102**	**1 082**	**1 082**
Beef	cts/lb	200.49	178.21	**191.29**	**187.16**	**187.16**
Lamb	cts/lb	107.88	106.92	**131.11**	**130.80**	**130.80**
Pork	cts/lb	67.91	62.41	**72.79**	**74.08**	**59.09**
Fish	$/kg	5.31	7.14	**7.72**	**7.71**	**7.16**
Poultry	cts/lb	114.67	111.48	**133.33**	**137.91**	**137.91**

Source: IMF

With regard to maize (or corn as it is internationally known), the world ending stocks of total grains (that is the leftover supplies before a new harvest) have increased for four years in a row and are poised to reach a record 638 million tonnes in 2016/17, according to United States Department of Agriculture (USDA) data. Even with dry conditions in North America, Europe and Australia, the USDA forecasts that this year will bring the second-biggest global corn, wheat and soybean harvests ever. This is largely attributable to a combination of increased farming productivity and Genetically Modified improved maize. For instance, US farmers reaped 20.5 bushels of corn per acre harvested in 1930, jumping to an incredible 174.6 bushels per acre in the last year. All of his has led to what is called "glut conditions" and these are expected to ease modestly this year, amid dry conditions in China and the United States, but supplies are still so large that prices remain depressed.

CONCLUSION

Politically and economically, South Africa seems to be firmly on a low road scenario. As a country, our capacity to get on the high road, or even the middle road, is extremely challenging. Almost all hinges on what happens at the ANC's elective conference in December and in the months thereafter. In addition, continued low growth and unemployment will have a negative impact on the business environment.

Despite these difficult external circumstances, I am confident that Astral will remain a profitable and sustainable business. Its strategy of being the best cost integrated poultry producer in selected African countries will therefore remain extremely important.

In these trying times, the board is grateful (and I am sure I speak for our shareholders, too) that Astral has a management team under the able leadership of Chris Schutte, that has shown itself to be nimble, adaptable and extremely effective. The board will remain dedicated and committed to giving strategic guidance and leadership to this excellent management team.

Theuns Eloff
Chairman

15 November 2017

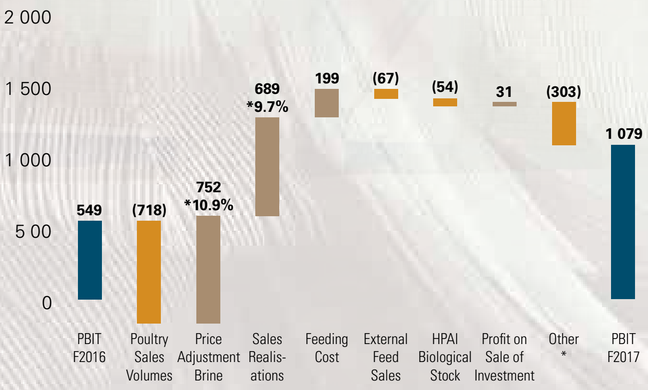
Chief Executive Officer's REPORT

Profitability for the poultry division improved to

R630 million

(2016: R59 million) as the improvement in sales realisations secured the recovery of feed, brine adjustment and other inflationary cost contributors.

Astral PBIT – Relative Movement F2016 vs. F2017
(R Million)



*Increased in sales realisations

Source: Own Data

INTRODUCTION

Astral's 17th integrated report provides an overview of the results for the 2017 financial year, illustrating the group's financial and operational performance and achievements, highlighting how the business has performed within the macro-environment in which it operates.

The local poultry industry faced tough trading conditions during the first half of the reporting period, on the back of record high feed prices and subdued market conditions for poultry. However, Astral's second half performance improved significantly led by substantially lower feed costs following a record local maize harvest, and enhanced by higher poultry selling prices and broiler performance efficiencies that all culminated in an improved margin contribution.

The impact on the profitability for the period under review relative to the prior year is graphically illustrated above. It is evident that the impact of the new brine legislation was fully recovered in the selling price for individually quick frozen chicken (IQF). In addition, increases in poultry selling prices (contributing R689 million) more than recovered rising input costs.

The positive contribution of R199 million categorised as "Feeding Cost" is largely the combination of providing an enhanced feeding programme, which although resulting in higher broiler feed costs per ton year-on-year, was offset by a significant improvement in feed conversion efficiency.

The outbreak of a highly pathogenic bird flu in South Africa caused significant damage to the local poultry industry following the rapid spread of the H5N8 strain. The impact of this bird flu on Astral resulted in a write off of R54 million in broiler breeding stock, as birds were culled to limit the spread of the disease.

THE PERIOD IN PERSPECTIVE

The first half of the reporting period stands in stark contrast to the second half of the year. The first half witnessed short-term production cutbacks across the industry as well as permanent cutbacks in production, with one large producer reducing production by approximately 700 000 birds per week. Based on our own estimates we expect that the number of birds slaughtered over the past year has decreased marginally from an average of approximately 19.2 million to 18.5 million birds per week. The second half of the reporting period points to an improvement in the supply and demand balance for poultry as protein supply across various categories was constrained and prices increased substantially for beef, mutton and table eggs.

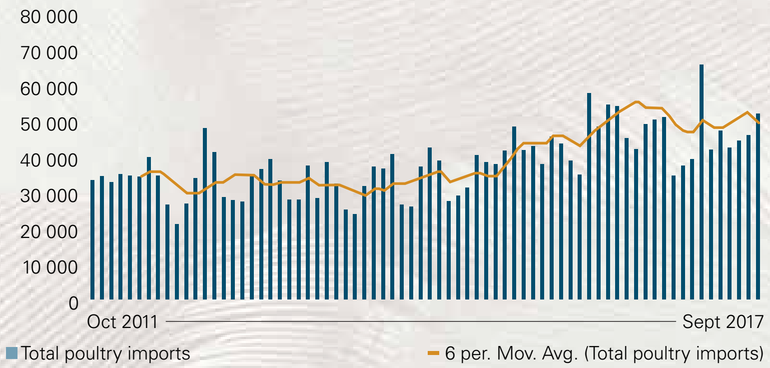
Astral realised the necessity to make changes to the group's operational structure aimed at better aligning the organisation within the primary activities of its integration, by introducing a specialised focus around the agricultural activities of the business at the outset of F2017. The poultry division was separated into two more specialised and focused activities centred on extracting the optimal genetic potential within the integrated farming operations, as well as commercial activities responsible for processing, sales and distribution of Astral's chicken products.

This decision delivered positive results during the period, as although broiler feed prices increased marginally year-on-year based on a decision to supply a nutritionally enhanced feeding programme to the birds, the increased cost of this was more than fully recovered through improved broiler performance results, particularly in feed conversion efficiency. Considerably less feed was used as broilers were slaughtered one day earlier when compared to the prior year to achieve a similar live weight target, thus a significant reduction in the total feeding cost (a combination of feed price and bird performance efficiencies) was made.

Chief Executive Officer's REPORT (continued)

Average sales realisations increased as Astral discontinued the lower priced IQF range with a brine uptake of 30%, and replaced this with a higher cost product offering with a maximum brine uptake of 15%. In total average sales realisations increased by 20.6% of which more than half relates to the necessary price adjustment to offset the legislated change in brine levels of specific product lines.

Total Imports in tons per month

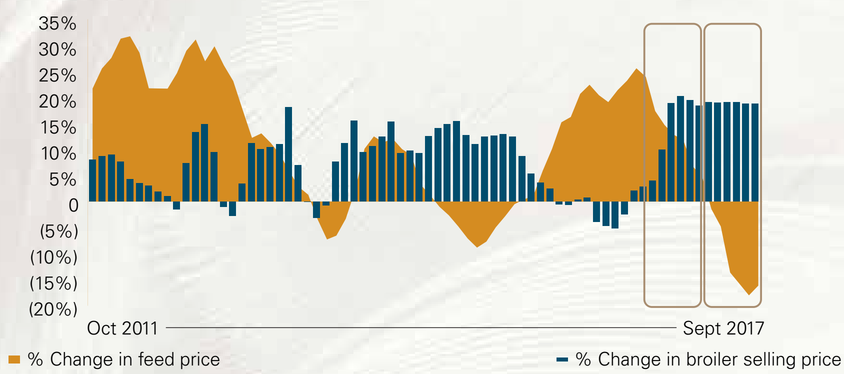


Source: South African Poultry Association (SAPA)

The flood of poultry imports into the country continued unabated, however remaining relatively stable year-on-year. Imports from the European Union (EU) reduced considerably due to the outbreak of HPAI in those exporting countries, however imports swung towards product from Brazil and the USA replacing those volumes traditionally sourced in the EU. Total poultry imports peaked at an unprecedented 65 658 tons in March 2017, the equivalent of 11.7 million birds per week or approximately 63% of local production. On average the monthly total poultry imports for the period under review equalled approximately 44% of local production or 46 000 tons per month, which is on par with the prior year.

During 2015/2016 South Africa experienced the worst drought since 1904 coupled with the strongest El Niño on record, which severely impacted the maize crop harvested in 2016 at 7.8 million tons. Local maize prices reached record highs in 2016 with feed prices peaking in the latter half of F2016 and the first half of F2017. A dramatic swing in planting conditions and the crop size resulted in a record maize harvest for 2017 at 16.7 million tons following good summer season rainfall in the past season. Feed costs reduced substantially into the second half of F2017, which together with firmer poultry pricing levels and poultry production efficiencies contributed significantly to Astral's earnings for the full year.

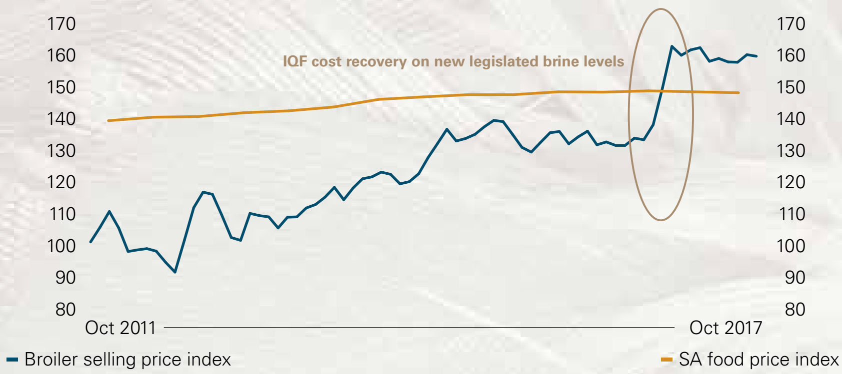
Year-on-year change in broiler selling price vs. change in feed price



Source: CJA Strategic Risk Brokers

Local food inflation continued its upward trend, however in stark contrast poultry prices increased relatively more over the same period, indicative of the recovery of the higher cost of producing product with a lower yield as prescribed by the new legislated brine levels. Due to numerous supply constraints influenced by the past drought, production cutbacks and the devastating bird flu, some inflation in the food basket was seen, benefiting poultry sales realisations.

SA Food Price Index versus Broiler Selling Price Index



Source: CJA Strategic Risk Brokers

Astral continued to focus on variables within its control, specifically improving bird performance in the areas of weight for age and feed conversion efficiency crucial to the low cost production of poultry. This allowed Astral to contain the impact of high feed costs in the first half of the year on the production cost of a broiler.

The unexpected and devastating HPAI outbreak in South Africa caused significant damage to the local poultry industry since the H5N8 bird flu strain was first isolated on a farm in Mpumalanga during June 2017. The virus impacted virtually all producers with long lived birds particularly affected, such as broiler breeders and commercial laying hens. The impact of the virus will be felt for a long period of time particularly in the table egg industry as producers count the losses of the disease and proceed to restock.

The impact on Astral was significant with the group losing approximately 18% of all broiler parent breeding stock valued at approximately R54 million. However, with various contingency plans in place, Astral was able to avert a short supply of broiler hatching eggs to the broiler supply chain, and continues to place approximately 5 million broilers per week. At the date of writing, the quarantine on two of the Astral farms affected by the H5N8 virus has been lifted and a restocking programme is proceeding well. Additional bio-security costs are being carried with the advent of this disease, as additional controls which have now become a new norm, have been implemented to mitigate the risk of contracting the virus in the poultry farming operations.

Municipal infrastructure weaknesses, particularly with water supply, continued to play havoc with a number of Astral's manufacturing and processing facilities. The availability of adequate potable water in the Western Cape due to the drought conditions remains a primary concern for Astral. A programme is underway to survey for underground water sources on those properties and operations at higher risk, and boreholes are currently being drilled.

The risk of interruption in electricity supply to the poultry and feed operations in Standerton was negated in May 2017 when Astral received a High Court order guaranteeing Astral uninterrupted electricity supply and provides for the direct payment of the electricity bill to Eskom and not the local municipality. Astral will continue to use all legal avenues in an endeavour to ensure uninterrupted services to all its facilities.

Chief Executive Officer's REPORT (continued)

Zambia's profitability improved markedly for the year under review with a good performance posted by the animal feed business in that country as opportunities in cheaper raw material supply were well utilised. The Mozambican operations have experienced a positive turnaround year-on-year, however results remain below historical levels and the year ahead will see strong focus on improving operational results in that country. Expansion plans into Ethiopia have been placed on hold due to no progress being made on the allocation of land to Astral Foods East Africa, due to a Government moratorium on the allocation of agricultural land to foreign investors in certain regions.

SALIENT POINTS

- **Feed sales volumes decreased** due to planned internal poultry production cutbacks, internal poultry efficiency improvements and lower external feed sales
- **Loss of poultry sales volumes** and higher IQF product costs due to new legislated brine levels which impacted Astral's product basket offering, were negated as IQF prices were adjusted accordingly.
- **Planned poultry cutbacks at 3 million birds** in the first half of the reporting period, followed by normalised production in the second half as the animal protein segment experienced short supply and higher pricing levels for beef, mutton, pork and eggs.
- **Poultry sales realisations increased year-on-year** (excluding the new brined product price adjustment) to recover inflationary non-feed costs.
- **Feed costs dropped off dramatically in the second half** of the reporting period on the back of a record local maize crop in the 2016/17 harvest year.
- Continued **improvement in farm production results** and in particular feed conversion efficiency, more than offset a marginal increase in broiler feed costs over the year due to a nutritionally improved feeding programme.
- **Poultry imports remained at high levels** with average monthly numbers for the period under review being approximately equal to 44% (≈ 46 000 tons per month) of local production.
- **Highly pathogenic avian influenza outbreak** in South Africa negatively impacted Astral's broiler breeding operations and a number of corrective actions had to be taken to avoid a short supply of broilers.
- **Non-feed expenses were well managed** to ensure that the year-on-year increase was contained to 5.9%, in line with inflation.
- **Disposal of the remaining 25% interest in Provimi SSA** for R56 million, with a long-term supply agreement for vitamin and mineral feed premixes concluded.
- **Record unemployment levels** at just under 28% curbed disposable income of the South African consumer.
- **Positive cash flow** generated by the operations for the year of R703 million, resulted in a strong balance sheet with surplus cash on hand of R553 million at year-end.

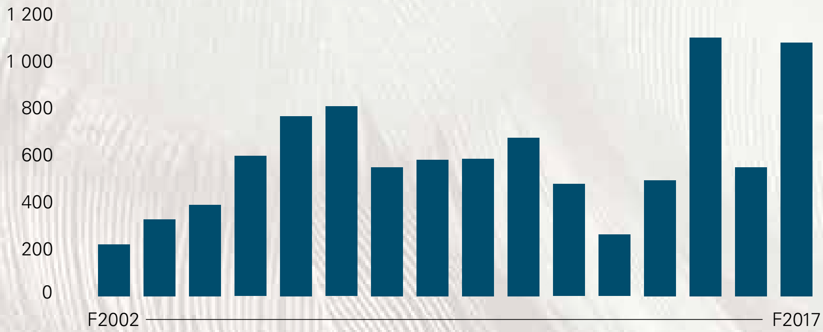
Financial overview of operations

External revenue for the group increased by 3.3% to R12,4 billion (2016: R12,0 billion) notwithstanding the lower volumes, but supported by higher poultry selling prices. Stable prices for poultry products during the winter months together with materially lower feed raw material costs in the second half of the financial year, were the main drivers for the profits of the year.

Profit before interest and tax increased by 96.5% to R1 078 million (2016: R549 million) and the operating margin at 8.7% reflects this increase (2016: 4.6%). Profitability was supported by improvements in poultry selling prices and bird performance efficiency gains. Production cut-backs and feed conversion efficiency improvements had a negative impact on the upstream integrated feed operations through reduced internal feed sales.

The operating profit includes a R31 million profit on the sale of an investment, following the disposal of a 25% minority stake held by Astral in Provimi SSA, a feed premix business. Direct ownership in the supply chain for animal feed premixes was not considered core to Astral's poultry integration, and a supply agreement with a limited term has been negotiated with Provimi.

Operating profit
(R million)



Source: South African Poultry Association (SAPA)

Poultry division

Revenue increased by 7.9% to R9.9 billion (2016: R9.1 billion) impacted by a shift in the product offering where average sales realisations increased as Astral discontinued the lower priced individually quick frozen (IQF) range with a brine uptake of 30%, and replaced this with a higher cost product offering with a maximum brine uptake of 15%.

Sales volumes were down by 8.6% (41 325 tons) due to lower brining levels, with a negligible amount ascribed to planned poultry production cutbacks of 3 million birds in the first half of the reporting period. Sales realisations increased by 20.6% of which more than half relates to the necessary price adjustment to offset the legislated change in brine levels of specific product lines.

The product mix was affected by the impact of lower brining levels. Sales of IQF portions decreased to 53.4% (2016: 56.4%). The contribution of fresh and further processed products to the mix was flat year-on-year. Sales to Quick Service Restaurants (QSR) did however increase by 4.6% (2016: 2.5%).

Broiler feed prices increased marginally year-on-year despite lower raw material costs in the second half of the reporting period. In an effort to support Astral's best cost strategy, an enhanced nutritional programme (albeit at a higher feed cost per ton) was fed through the year resulting in an improved broiler performance. Feed conversion efficiency improved markedly, contributing to the division's profitability which more than offset the higher feed costs.

Profitability for the poultry division improved to R630 million (2016: R59 million) as the improvement in sales realisations secured the recovery of feed, brine adjustment and other inflationary cost contributors. A significant contribution to profitability for the year was supported by materially lower feed prices in the second half of the reporting period. Non-feed expenses in the division increased year-on-year by 6.3%, with a net profit margin improvement to 6.4% (2016: 0.6%).

Total poultry imports continued unabated. Poultry imports from the EU reduced considerably due to the outbreak of highly pathogenic bird flu in those exporting countries; with a swing in imports towards Brazil and the USA. On average the monthly total poultry imports for the period under review equalled approximately 44% of local production or 46 000 tons per month, which is on par with the prior year.

The outbreak of a highly pathogenic bird flu in South Africa, caused significant damage to the local poultry industry following the rapid spread of the H5N8 strain. The impact of this bird flu on Astral resulted in a write off of R54 million in broiler breeding stock, as birds were culled to limit the spread of the disease. Astral's contingency plans allowed the group to avert a short supply of broiler hatching eggs and day old chicks, and continued to maintain broiler slaughter volumes at approximately 5 million birds per week.

Feed division

Revenue declined by 8.4% to R6.6 billion (2016: R7.2 billion) as a direct result of lower sales volumes (down by 4.8%), which were negatively affected by lower inter-group volumes largely due to an improved feed conversion efficiency and planned poultry production cut-backs. Lower external sales volumes (4.7%) were experienced on the back of a general contraction in the commercial animal feed market.

Despite lower volumes, expense increases were contained to a sub-inflationary 4.4% year-on-year across all feed mills. Efficiencies from the Standerton feed mill again supported the group's focus and efforts towards continuous poultry live cost improvement.

Operating profit decreased by 19.3% to R391 million (2016: R485 million) with a drop in operating profit margin to 5.9% (2016: 6.7%). Rand per ton margins were down on the prior year, impacted by a lower recovery of fixed costs due to the reduced sales volumes. Competitive intensity in the commercial feed market increased on surplus capacity available in the industry.

The local maize crop for the 2017/2018 marketing year is a record 16.7 million tons, which is a substantial swing on the 2016/2017 crop of 7.8 million tons, being the smallest crop in the past decade. The record crop for the recent harvest resulted in a significant decrease in feed prices for the second half of the reporting period.

Other Africa

Revenue for the division decreased by 17.2% to R427 million (2016: R515 million) due to lower volumes largely attributable to a significant decrease in feed sales volumes in Mozambique. Operating profit increased to R27 million (2016: R5 million) driven by a good performance from Tiger Animal Feeds in Zambia and a turnaround in the profits of the Mozambican poultry business, albeit a small contribution to group profitability.

Operational Performance

Astral's Poultry division comprises three separate activities:

- broiler operations.
- day-old chicks and hatching eggs.
- broiler and breeder genetics.

Broiler operations

The four integrated broiler operations are strategically located in the major growth areas of Gauteng, Mpumalanga, the Western Cape and KwaZulu-Natal. The broiler operations slaughtered approximately 4,8 million birds per week for the 52 reporting weeks of F2017 similar to the 4,8 million birds per week in the prior year (53 weeks), and this is made up as follows:

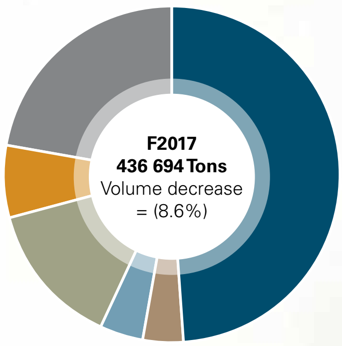
Chief Executive Officer's REPORT (continued)

Birds per week	F2017	F2016
Festive (Olifantsfontein)	**1 347 000**	1 357 000
Goldi (Standerton)	**1 723 000**	1 732 000
County Fair (Agter-Paarl)	**1 559 000**	1 546 000
Mountain Valley (Camperdown)	**189 000**	187 000
Total	**4 818 000**	4 822 000

The weekly F2017 bird slaughter numbers were on average the same as the prior year.

The product mix was impacted by the change in brining legislation which was primarily responsible for lower total sales volumes (8.6%) for the year. This was evident in the decrease of IQF product from 56% to 53% of the mix in 2017. The value added segment increased sales to 7.0% of the mix in F2017, up from 5% in the prior year.

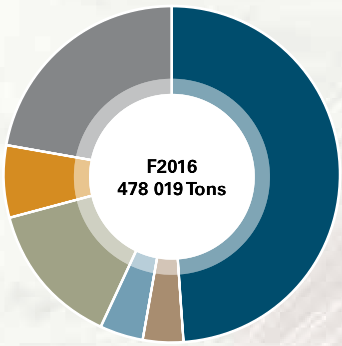
2017 Product mix



IQF Mixed Portions	49%
IQF Single Portions	4%
Fresh	4%
Value added	14%
Frozen	7%
Tertiary	22%

Source: Own Data

2016 Product mix



IQF Mixed Portions	53%
IQF Single Portions	3%
Fresh	5%
Value added	13%
Frozen	5%
Tertiary	21%

Source: Own Data

The Poultry division achieved an improvement in on-farm results for the period under review. Continuous improvement in nutrition and on-farm management practices resulted in better expression of the Ross birds' genetic potential, with intense emphasis on feed conversion efficiency.

Broiler and breeder genetics

The group's genetic operation, Ross Poultry Breeders, operates in association with Aviagen Limited, a global leader in the development and genetic improvement of commercial chicken breeds. Ross Poultry Breeders posted a good result due mainly to an increase in the sales of parent stock volumes into the external market and a marked improvement in key biological efficiencies.

Day-old chicks and hatching eggs

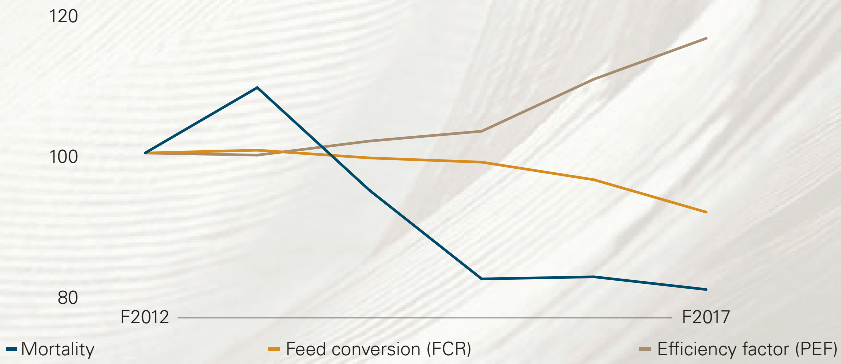
National Chicks, the group's commercial hatching egg and day old chick producer operating in South Africa and Swaziland, experienced a decrease in day old chick sales due to industry cut-backs during the first half of the year. Hatching egg sales were lower than the prior year and budget as a result of lower export volumes into the rest of Africa, primarily due to the short supply of foreign currency in those markets traditionally serviced by National Chicks. National Chicks posted a much improved second half result on strong demand for day old chicks on the back of the outbreak of HPAI in South Africa.

Feed division

Meadow Feeds continued to supply 60% of its total volume to the group's downstream poultry operations in F2017. Total volumes decreased year-on-year to 1.3 million tons per annum (2016: 1.4 million tons). Increased sales were experienced in beef and sheep, licks, and independent poultry, but dairy and pig volumes were lower than the prior year.

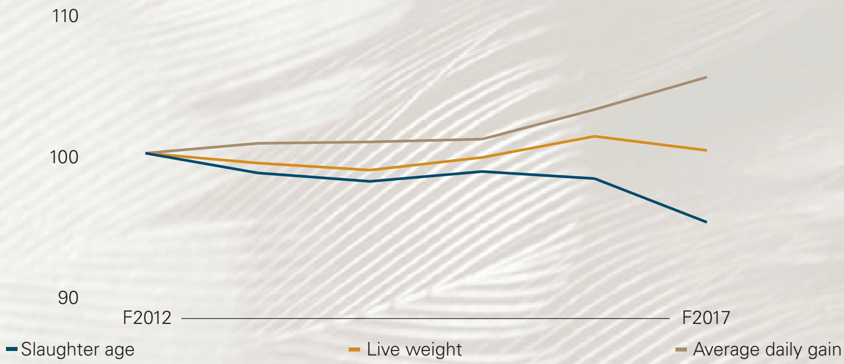
Improvements in on-farm feed performance coupled with planned cutbacks in the year resulted in a drop in average production to 28 500 tons of poultry feed per month at the feed mill in Standerton (2016: 29 200 tons). With Meadow's national production capacity remaining at approximately 1.96 million tons per annum, the year saw operating capacity drop to 66% (F2016: 70%).

Poultry division combined broiler key indicators:
September 2017



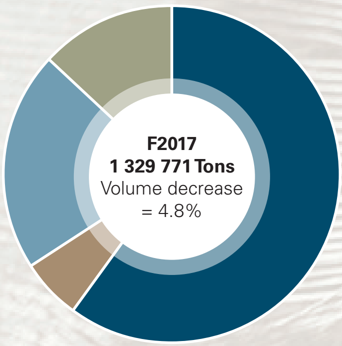
Source: Own data

Poultry division combined broiler key indicators:
September 2017



Source: Own data

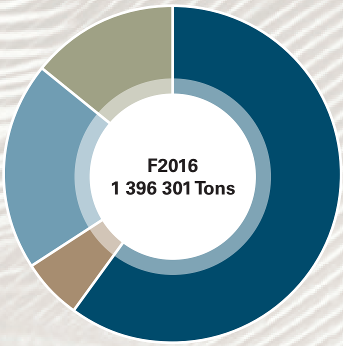
2017 Meadow sales



Poultry Integrated	60%
Poultry External	6%
Dairy	21%
Other	13%

Source: Own Data

2016 Meadow sales



Poultry Integrated	60%
Poultry External	6%
Dairy	20%
Other	14%

Source: Own Data

The price of maize and soymeal, the key drivers of input costs into feed and the production cost of poultry meat, decreased for the period under review off the highs seen in F2016. After a poor maize crop (9.9 million tons) in the 2015/16 marketing year, South Africa experienced a further drop in the size of the national crop following the worst drought since 1904, with the 2016/17 maize crop of 7.8 million tons being the smallest crop in nine years. The final crop estimate for the 2017/18 harvest year is a new record of 16.7 million tons, following a maize production season with near perfect weather which will result in a highest ever yield of 6.37 tons per hectare and a SAFEX yellow maize price decrease of 26% (an average of R890 per ton) experienced in F2017.

With local maize exports estimated at 2.9 million tons for this season, a maize carry-out in excess of 3.4 million tons is expected to support a comfortable stock-to-use ratio of 25.4% for South Africa. It is anticipated that additional hectares will be allocated to the planting of oilseeds this season, with maize reducing to approximately 2.4 million hectares. Given normal weather, South Africa should produce well in excess of its local consumption and with normal exports projected for the 2018/19 production season, prices should remain lower for longer, tracking export parity going forward.

Global grain stocks are expected to be marginally lower than last year, with the world corn stock-to-use ratio projected at 16.1%, whereas the United States forecast is projected at 16.4%, the highest in the past ten years. In the medium-term, international maize prices are expected to move sideways, with a small upward bias. When compared to export parity, South African maize is currently somewhat overpriced (approximately R150 per ton) but measured over the past three years, is relatively cheap when compared to world prices. Agricultural commodity markets are well supplied.

Chief Executive Officer's REPORT (continued)

Imported soya oilcake prices were also lower for the year, with healthy global stocks benefiting the import parity price, but China's appetite for this oilseed has resulted in prices dropping by only 12.7% off the very high levels seen in 2016.

Weather forecasters are predicting La Niña conditions for the year ahead which should see normal to above normal rainfall over the South African maize growing area but conversely, this could have an adverse impact on rainfall in the United States and parts of South America.

As the company's important maize supply contract with Senwes is now in its second year, it is pleasing to report that the services afforded by Senwes to Meadow Feeds' procurement team continue to provide valuable insight into local weather patterns and crop related statistics.

Other Africa

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

Zambia

Feed sales from Tiger Animal Feeds decreased by 8% for the period under review as growth in volumes was hampered by significant increases in the selling price of feed during the first half of the year, and the related negative impact associated with demand from the small scale market. However favourable raw material positions during the latter half of the period and improved sales, resulted in a full year profit exceeding the prior year and budget.

Tiger Chicks reported a 6% decrease in day old chick sales due to a competitive market on an oversupply of broiler day old chicks, which negatively impacted the realisations achieved.

Mozambique

Meadow Mozambique feed sales decreased by 36% for the period under review and were impacted by the high cost of raw materials and poor demand for animal feed. Restructuring in the business and improved sales coupled with the availability of well-priced local raw materials, has resulted in a turnaround in the performance of the business the past quarter.

Day old chick sales increased by 41% over the period due to an improvement in the cost of a day old chick sold. This together with a shortage in supply in the market due to suppliers exiting the industry resulted in a favourable turnaround in business performance.

Swaziland

The performance of the Swaziland hatchery and broiler breeder operation was good with an improvement over the prior year.

Key Investments

Investment in plant, equipment and information technology for the period under review of R150 million was down on the prior year's R168 million and represents expenditure on normal on-going replacement and improvement items.

The year focussed on incurring only the necessary replacement capital expenditure, with expansion expenditure including amongst others;

- County Fair processing plant intake in the Western Cape;
- Spiral freezer and multi-head weighing in the County Fair processing plant;
- Enterprise Resource Pricing (ERP) software implementation project in the poultry division.

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

Key Challenges Going Forward

Industry

Trade relations between the EU and South Africa are governed by the TDCA (Trade, Development and Cooperation Agreement) which is a bilateral free trade agreement (FTA) between the whole of the EU and South Africa. In terms of the TDCA there were no duties on poultry imports from the EU with effect from the 1st of January 2012. The South African Poultry Association (SAPA) launched an application for the International Trade Administration Commission of South Africa (ITAC) to investigate the general safeguard duty on EU imports on 19 February 2016. Provisional measures were implemented in December 2016. These measures expired on 3 July 2017 and a decision on more permanent measures are awaited following efforts made by an industry, DTI and DAFF working group to secure better trade terms to support local industry jobs and reinvestment.

In an attempt to level the playing field, SAPA has approached government to lobby the application of equal standards on poultry imports in terms of the enforcement of phytosanitary standards, veterinary inspections, brining legislation and re-working of poultry meat. A court challenge by SAPA to the Salmonella testing standards which were lowered to suit the US poultry imports under AGOA, is still in progress.

The much publicised takeover attempt of Sovereign Foods by Country Bird Holdings (CBH) reached closure recently. CBH, which held a 34.1% stake in Sovereign, abandoned its attempt to gain control of Sovereign during September 2017, as it accepted an offer from a private equity firm Capital Works, which provided a 33% premium over the R9 a share that CBH had bid for Sovereign shares in September 2016. Sovereign now looks set to delist from the Johannesburg Stock Exchange.

More recent events have seen the take-over of Daybreak Farms by the Public Investment Corporation (PIC) who bought out the BBBEE shareholders thereby becoming the sole owners of this poultry producer.

RCL Foods introduced permanent cutbacks in production from March 2017 which saw the company shedding approximately 1 500 jobs and reducing production by some 700 000 birds per week in their Hammarsdale operation based in KwaZulu-Natal.

Astral resigned from SAPA effective end July 2017. Producer membership of SAPA was not reflective of the local poultry industry demographics, and the high cost burden left with the remaining members was intolerable for Astral. Following Astral's resignation from SAPA and the new threat presented by HPAI, approximately 75% of the broiler producers and a majority of the table egg producers have agreed to re-join SAPA on new conditions, in an effort to restructure the activities of the association and work on industry matters of common interest. It is expected that progress on renewed membership of the association will be made before the end of 2017.

Avian Influenza

A key challenge for the industry is the potential impact of HPAI on operations. The H5N8 strain of the virus isolated the past winter in South Africa is a highly contagious disease to which poultry populations are extremely susceptible. Industry working closely with the Poultry Interest Group of the South African Veterinary Association, have engaged DAFF and more particularly the Director for Animal Health in an effort to propose the use of vaccination as a tool to mitigate the impact of H5N8 infection in South African poultry.

A number of technical submissions have been made in this regard to DAFF, however some clear differences exist in the expectations with regards to the use of the vaccine and the consequential actions should a vaccinated flock be infected with the field strain of the virus. Industry is working with the relevant authorities to find a solution to the impasse; however time is of the essence in this matter as the industry faces a serious risk of further impacts from this disease.

In the meantime DAFF has requested the following; (1) efficacy studies be conducted on selected commercially available international vaccines as well as a locally available autogenous H5N8 vaccine. At the time of writing the necessary approvals from DAFF to start with the trial work are awaited by a local animal health test facility. It is expected that this process (application to conduct the trial and the challenge study) could take approximately three months, (2) following completion of the challenge studies and DAFF is satisfied with all other conditions they requested of the industry, DAFF will invite public comment on vaccination against H5N8 and that process is expected to take an additional three months at a minimum.

Poultry selling prices

A key challenge for Astral is to continuously achieve a poultry selling price that allows for the satisfactory recovery of input costs to ensure sufficient cash holdings for future investment in the business, and provide reserves to account for the volatility that is inherent in the poultry industry. This should position Astral for growth, the continuing payment of dividends to shareholders and a contribution to the fiscus through the payment of taxes.

Chief Executive Officer's REPORT (continued)

Municipal infrastructure

Municipal infrastructure continues to pose a business risk to Astral, particularly cuts by Eskom in delivery of electricity due to non-payment by municipal structures of arrears Eskom accounts. Astral however continues to work with local authorities and various experts to address these challenges and implement measures to ameliorate the deteriorating service delivery on the business.

The risk of interruption in electricity supply to the Goldi operation in Standerton was negated in May 2017 when Astral received a High Court order which guarantees Astral uninterrupted electricity supply to its Standerton poultry and feed operations for the foreseeable future. Astral will continue to use legal processes in an endeavour to ensure uninterrupted service to all our facilities.

Principal Risks

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

Key risks identified include:

- HPAI outbreak impact on operations;
- water supply and quality;
- energy costs and security of supply of electricity;
- prolonged high raw material costs;
- prolonged imbalance in supply and demand;
- breakdown in bio-security and threat of new diseases;
- premix micro ingredient deficiency and/or contamination with an undesirable substance;
- non-conformance to final feed specifications on the breeding programme;
- genetic performance;
- raw material price volatility.

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

Acquisitions and Disposals

Provimi SSA (Pty) Ltd (25%)

The disposal of Astral's remaining 25% interest in Provimi SSA to Cargill was concluded during September 2017. A purchase consideration of R56 million for the shares was agreed upon.

Expansion into a fourth African country

Astral registered a new company in Ethiopia (Astral Foods East Africa S.C.), and received Board approval to proceed with a Greenfields investment in a new feed mill and hatchery operation. However, constant delays in the allocation of land to Astral slowed progress on this project, which can be attributed to civil unrest and protests in the country against government over the past year. This has forced the Ethiopian authorities to place a moratorium on land allocations of property where local small scale farmers are compensated and removed from the land. Astral pursued a number of identified opportunities where developed land could be acquired through the purchase from existing businesses, but unfortunately these sites were inappropriately highly priced. Astral made a decision in February 2017 to withdraw activities from the country until further notice.

Market developments

Astral's focus has been to maintain a balance in the wholesale and retail market segments on Fresh, Frozen and Value Added products. The company focuses on optimising returns by improving customer service, new product innovation and gaining direct access to customers and non-traditional markets.

This will be achieved by a more focused approach by the Sales and Marketing teams to which additional resources have been allocated to support these key functions. There is good volume growth in the quick service restaurant channel with Spur, Famous Brands, Kentucky Fried Chicken, Hungry Lion and Nando's all showing increased demand through the year.

Skills development

Astral embarked on an employee skills development programme during 2011, with elected individuals participating in management development courses hosted by the North West University School of Business and Governance. Each employee embarking on this "CEO Pinnacle Programme" is studying towards a specific certificate qualification. The programme includes three tiers of management development courses namely Fundamental Management Programme, Middle Management Programme and the Advanced Management Programme. A number of students, with a representation of 55% of the designated groups, have completed their studies with a pass rate of above 90%. The group endeavours to promote these students within their respective fields. By the end of 2017 the group would have developed a total 126 students, across all three tiers, through its CEO Pinnacle Programme.

Transformation update

Astral received an updated BBBEE score (A or level 4 rating) during the period under review with the group score being 68.05 points towards the employment equity targets as stipulated in the AgriBEE Charter. The group continues to pursue positive progress in this area and its focus will remain on improving the company in those areas identified (especially skills development) as lacking against targets set on the scorecard.

Astral is an equal opportunity employer, committed to the principles and objectives of the Employment Equity Act.

Alliances

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

Alliances include:

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

Strategic service providers include:

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

Outlook

- The negative political landscape and policy uncertainty has contributed to a weak economic environment that could lead to a further downgrade by the credit rating agencies. Record unemployment levels and lower levels of disposable income are unlikely to improve due to a poor economic outlook for the foreseeable future.
- Continued high level of poultry imports with weak tariff protection, has allowed foreign produced poultry to become further entrenched in the local market leading to a contraction in production amongst South African producers.
- On a positive note and key to local protein production, both global and local coarse grains (maize and soybeans) exhibit healthy stock-to-use ratios. Current consensus points towards the promise of another year where at least average grain production is predicted.
- Numerous supply constraints influenced by the past drought, production cutbacks and the devastating bird flu could result in further inflation in the food basket.
- Further unlocking the inherent genetic potential of the Ross broiler breed through optimised broiler nutrition, and the cementing of Astral's best cost strategy.
- The threat of a further spread of the highly pathogenic bird flu virus (H5N8) is a major contributor towards uncertainty around the sustainability of certain sectors of the local poultry industry. The role of vaccination of high value breeding stock as a preventative measure, together with the concept of compensation for losses incurred is paramount to managing this highly virulent avian disease.

Appreciation

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

Again, I would also like to express my sincere appreciation to all my colleagues in management and the staff, for your loyalty and support. Thank you!

To the teams that spent many long hours managing the business through the bird flu crisis, and those responsible for implementing the new ERP software in the poultry division, a special word of appreciation for your unwavering determination and commitment.

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

To our Chairman, Dr Theuns Eloff, a word of appreciation for your support.

Chris Schutte
Chief Executive Officer

15 November 2017

Chief Financial Officer's REPORT

The improvement in the financial results for F2017 compared to F2016 was mainly as a result of the

recovery in the profits of the Poultry segment.

FINANCIAL RESULTS

	2017 R'm	2016 R'm	% change
Revenue	**12 351**	11 954	+ 3.3
Gross profit	**2 570**	1 869	+ 37.5
Cost of raw materials	**6 595**	6 942	- 5.0
Total expenses (excluding cost of raw materials)	**4 743**	4 479	+ 5.9
Profit before interest and tax (PBIT)	**1 078**	549	+ 96.5
Operating profit margin	**8.7%**	4.6%	
Net finance cost	**15**	22	
Profit for the year	**755**	372	+ 102.8

External revenue for the group increased by 3.3%. The Feed segment reported lower external sales (down 9.5%) on the back of a general contraction in the commercial animal feed market. Poultry's external revenue increased by 8.1% following increased selling prices for poultry products.

The improvement in the financial results for F2017 compared to F2016 was mainly as a result of the recovery in the profits of the Poultry segment. Improvements in live bird efficiencies and selling prices for poultry products not only recovered the impact of lower brining levels, but also inflation-related increases.

Total expenses (excluding cost of raw materials) increased by 5.9% on the previous year. It includes an increased provision for incentive bonuses, payable to employees, of R173 million (F2016: R17 million), following the improvement in profits and thereby meeting qualifying performance conditions in terms of the Remuneration Policy on annual incentive bonuses. Total employee benefit expenses (excluding incentives) increased by 6.7% whilst repairs and maintenance increased by 17.4% following an accelerated maintenance programme. Breeding and egg stock to the value of R54 million were written off as a result of the highly pathogenic avian influenza (HPAI) outbreak.

Included in **operating profit** (PBIT) of R1 078 million is R30.5 million profit on the sale of assets previously disclosed as held for sale.

Net finance cost at R15 million was down on the previous year's R22 million as a result of strong cash flows during the second half of F2017.

Tax was provided at 28% for the South African operations and at the official tax rates of the tax jurisdictions in which foreign operations conduct their business activities. The total tax charge represents a combination of normal and deferred tax provisions. The bulk (95%) of the total tax provision was in respect of South African business units (F2016: 98%).

Profit for the year at R755 million (F2016: R372 million) was mainly contributed by South African business units (R745 million), with a contribution of R5 million each from the Zambian and Swaziland operations. The businesses in Mozambique, albeit an improvement on F2016, were at breakeven, an indication of the poor state of the Mozambican economy.

Chief Financial Officer's REPORT (continued)

STATEMENT OF FINANCIAL POSITION

	2017 R'm	2016 R'm	% change
Non-current assets	**2 228**	2 230	- 0.1
Assets held for sale		25	
Current assets (excluding cash)	**2 461**	2 588	- 4.9
Total assets	**4 689**	4 843	- 3.2
Non-current liabilities (excluding borrowings)	**(610)**	(646)	- 5.6
Current liabilities (excluding borrowings)	**(1 599)**	(1 585)	+ 0.9
Net cash	**553**		
Net assets	**3 033**	2 612	+ 16.1
Financed by:			
Equity	**3 033**	2 372	+ 27.9
Net borrowings		240	
	3 033	2 612	+ 16.1

Net assets increased by 16.1% to R3 033 million (F2016: R2 612 million) mainly as a result of R553 million surplus cash included in the total. The group reported net borrowings of R240 million at the end of the previous year.

A further expenditure of R22.8 million was incurred on the new Enterprise Resource Planning information system at the Poultry operations that started during the previous year. The balance of capital expenditure of R158 million relates to normal replacement and on-going expenditure on improvements.

Current assets were 4.9% down on the previous year as a result of both lower poultry and feed inventories. Feed raw material (maize) stocks are back to normalised levels after being at abnormally high levels at the end of the previous year as a precautionary measure against possible shortage of maize in South Africa following the drought of F2015/F2016. The increase of R52 million in trade receivables to R1 051 million was the result of higher sales during the month of September 2017.

Cash flow for the year was positive. The good recovery in profit, lower inventory levels and relative low dividend payments supported the cash flow.

The closing balance of cash and cash equivalents was a surplus of R553 million.

RATIOS

The profit margin for the year at 8.7% has been impacted by the relative low profits reported for the first half of the financial year. Profit margins for the second half of F2017 was at 13.2%, benefited from the impact of lower raw material costs and stable selling prices for poultry products during the winter period.

CONCLUSION

Although breeding stock with a value of R54 million had to be written off as a result of the highly pathogenic avian influenza outbreak, the group reported a strong recovery in profits during the second half of the financial year and, apart from the results for 2015, the second best year for Astral in terms of reported profits.

DD Ferreira
Chief Financial Officer

15 November 2017

Ratios and STATISTICS

		2017	2016	2015	2014	2013	2012	2011	2010	2009
Profit information										
Revenue	R million	**12 351**	11 954	11 266	9 602	8 509	8 160	7 227	7 006	7 407
EBITDA	R million	**1 227**	693	1 254	627	384	600	793	694	685
EBITDA margin	%	**9.9**	5.8	11.1	6.5	4.5	7.4	11.0	9.9	9.3
Operating profit	R million	**1 078**	549	1 100	493	262	477	675	585	581
Operating profit margin	%	**8.7**	4.6	9.8	5.1	3.1	5.8	9.3	8.4	7.8
Profit for year	R million	**755**	372	780	341	211	333	435	364	353
Headline earnings for year	R million	**736**	373	780	330	165	300	437	365	338
Financial position information										
Total assets	R million	**5 356**	4 979	4 814	4 375	3 921	3 544	3 425	3 157	3 174
Total equity	R million	**3 033**	2 373	2 372	1 945	1 695	1 596	1 586	1 446	1 366
Total liabilities	R million	**2 323**	2 607	2 442	2 430	2 227	1 947	1 839	1 711	1 807
Net assets	R million	**2 928**	3 060	2 843	2 566	2 375	2 107	2 012	1 950	1 918
Profitability and asset management										
Return on total assets	%	**21.0**	11.3	24.1	11.9	7.0	13.8	20.7	18.6	18.5
Return on equity	%	**28.0**	15.8	36.3	18.7	12.7	20.8	28.6	25.8	26.0
Return on net assets	%	**36.0**	18.6	40.7	20.0	11.7	23.2	34.1	30.3	31.3
Net asset turn	times	**4.1**	4.1	4.2	3.9	3.8	4.0	3.7	3.6	4.8
Shareholders' ratios										
Earnings per share	cents	**1 948**	964	2013	884	545	865	1 128	940	906
Headline earnings per share	cents	**1 899**	965	2016	864	434	787	1 148	960	890
Dividend per share	cents	**1 055**	490	1150	440	222	672	810	760	700
Dividend cover	times	**1.8**	2.0	1.8	2.0	2.0	1.2	1.4	1.3	1.3
Stock exchange statistics										
Market value per share										
– At year end	cents	**17 208**	11 775	17 414	15 225	9 500	10 400	11 700	11 150	10 399
– Highest	cents	**17 634**	18 490	20 679	16 000	10 900	13 200	13 956	11 939	11 200
– Lowest	cents	**11 600**	8 820	14 051	7 950	8 530	10 100	10 811	9 400	7 380
Closing dividend yield	%	**5.5**	4.2	6.6	2.9	2.3	6.5	6.9	6.8	6.7
Closing earnings yield*	%	**11.0**	8.2	11.6	4.8	4.6	7.6	9.8	8.6	8.6
Closing price/earnings ratio	times	**8.8**	12.2	8.7	20.7	21.4	13.2	10.2	11.6	11.7
Number of shares issued@	'000	**42 841**	42 775	42 761	42 723	42 149	42 149	42 149	42 136	42 136
Number of transactions		**122 620**	156 224	179 049	54 683	45 653	40 209	37 385	20 613	13 439
Number of shares traded	'000	**32 276**	34 453	36 676	26 440	21 922	24 820	17 890	18 873	18 411
Number of shares traded as a percentage of issued shares	%	**75**	81	86	62	52	59	42	45	44
Value of shares traded	R million	**4 697**	4 277	6 405	2 947	2 064	2 912	2 214	2 007	1 715
Closing market capitalisation	R million	**7 372**	5 037	7 446	6 505	4 004	4 383	4 931	4 698	4 382

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

* *Based on headline earnings per share*

DEFINITIONS

OPERATING PROFIT MARGIN
Operating profit before interest and tax as a percentage of revenue.

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

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

RETURN ON TOTAL ASSETS
Operating profit as a percentage of average total assets.

RETURN ON EQUITY
Net profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' interest.

RETURN ON NET ASSETS
Operating profit before interest and income tax as a percentage of average net assets.

NET ASSET TURN
Revenue divided by average net assets.

BASIC EARNINGS PER SHARE
Net profit for the year divided by the weighted average number of ordinary shares in issue during the year(net of treasury shares).

HEADLINE EARNINGS PER SHARE
Headline earnings divided by the weighted average number of ordinary shares in issue during the year(net of treasury shares).

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

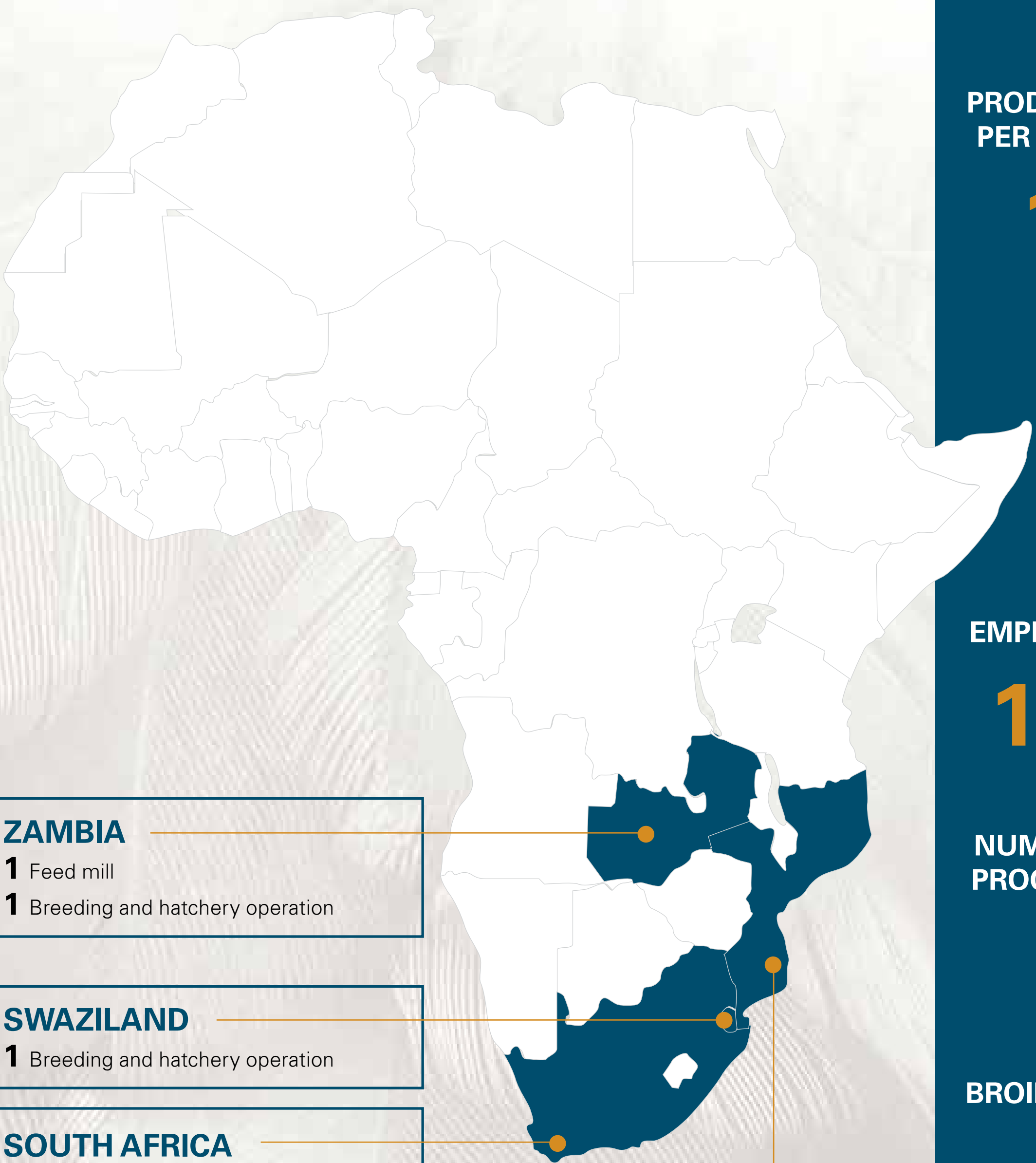
DIVIDEND COVER
Headline earnings per share divided by dividend per share declared out of earnings for the year.

CLOSING DIVIDEND YIELD
Dividends per share as a percentage of market value per share at year end.

CLOSING EARNINGS YIELD
Headline earnings per share as a percentage of market value per share at year end.

CLOSING PRICE/EARNINGS RATIO
Market value per share divided by headline earnings per share at year end.

Quick FACTS



ZAMBIA
1 Feed mill
1 Breeding and hatchery operation

SWAZILAND
1 Breeding and hatchery operation

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

MOZAMBIQUE
1 Feed mill
1 Hatchery operation

PRODUCTION OF FEED PER ANNUM IN TONS
1,3m

NUMBER OF FEED MILLS
9

ASTRAL EMPLOYMENT COUNT
12 860

NUMBER OF BROILER PROCESSING PLANTS
4

BROILERS PROCESSED PER WEEK
4.818m

NUMBER OF COUNTRIES OPERATING IN
4

Our Operating ENVIRONMENT

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

COMMODITY AVAILABILITY/PRICES

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

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

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

IMBALANCE OF POULTRY SUPPLY AND DEMAND

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

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

THE CONSUMER MARKET

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

POULTRY PRICES

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

PRODUCT MIX

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

POULTRY IMPORTS

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

Imports were flat year-on-year at 46m tons per annum equating to 40% of local production during our 2017 financial year resulting in immense pressure on the supply and demand status.

SUPPLY

- Imports of poultry meat including dumping
- Poultry industry stock levels
- Domestic production levels
- Foreign exchange rates
- Long poultry production cycle

DEMAND

- Population growth
- Per capita consumption
- Level of employment
- Changes in consumer preferences
- Prices of competing products
- Disposable income
- Urbanisation

Risk Management REPORT

RISK MANAGEMENT

Astral is committed to the following risk management action plan:

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

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

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

RISK MANAGEMENT FRAMEWORK

BOARD
Overall responsibility of group strategy and managing risk

AUDIT AND RISK MANAGEMENT COMMITTEE
Oversight of the group's material risks and sustainability strategy

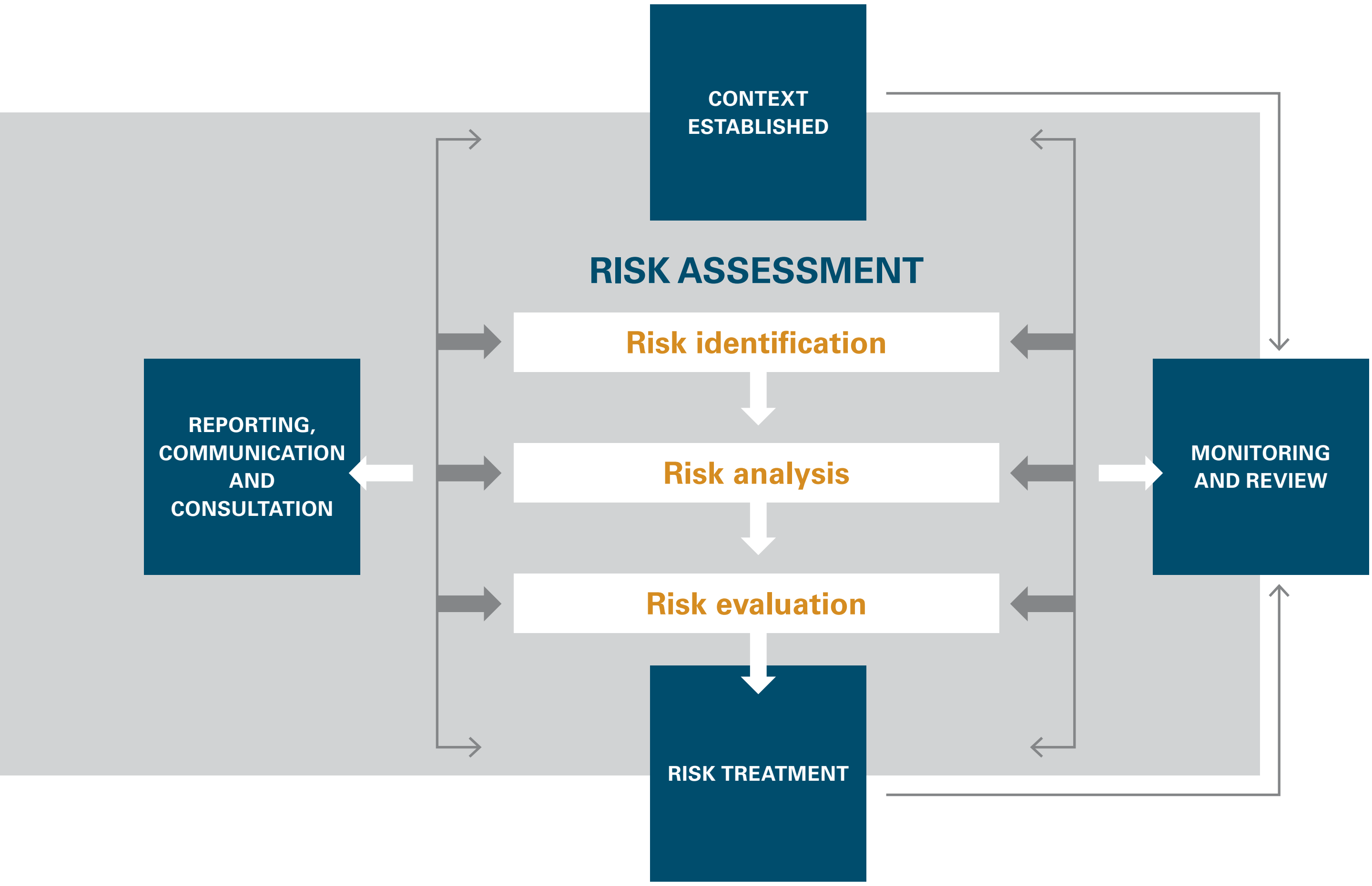
CORPORATE RISK MANAGEMENT COMMITTEE
Developing and enhancing risk management practices and systems to ensure that risks are managed within acceptable tolerance levels

DIVISIONAL SUB RISK COMMITTEE
Review and monitor of risk management action plans, policies and procedures

OPERATIONAL UNITS
Responsible for risk assessment and implementing of risk management policies and procedures

Risk Management REPORT
(continued)

RISK MANAGEMENT PROCESS



RISK RECOGNITION, EVALUATION AND MANAGEMENT

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

The management team of each operation within the group analyses the main risks affecting that operation. The executives in the various operations categorise each risk they have identified and evaluate it in terms of criteria as defined in the business risk methodology, including the potential impact of the risk on the group and the expected probability of its occurrence.

When analysing the impact of the risk, Astral considers not only the impact on the results of operations, but also the impact on non-monetary aspects such as safety, service, reputation and strategy.

Risks are evaluated in relation to the following parameters:

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

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

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

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

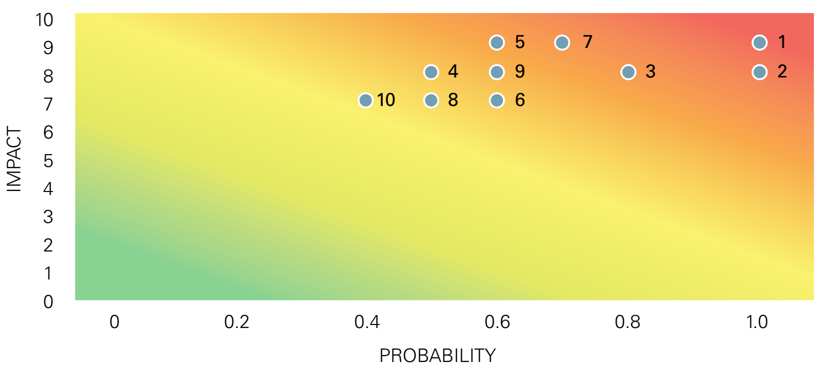
BUSINESS RISKS

Business Risk	Risk Mitigation Plans
Outbreak of highly pathogenic avian influenza (HPAI) HPAI outbreak can adversely impact our ability to conduct our operations and supply of products.	• Additional bio-security measures. • Production contingency plans in case of an outbreak. • Vaccination programme – awaiting approval from the relevant authorities.
Water supply and quality • Current drought in Western Cape • Quality and availability of water • Unscheduled water interruptions • Municipal infrastructure not maintained	• Water savings initiatives. • Increase in water reservoir capacity. • Additional Boreholes. • Improved distribution and flexibility of use. • Use of waste water for dirty areas. • Improvement of waste water treatment facilities • Purification and recycling of water.
Energy and Electricity security of supply and pricing • Cost and availability of electricity • Unscheduled power interruptions • Cable theft resulting in business interruption • Regional and seasonal shortages of specifically liquefied petroleum gas are experienced	• Alternative energy sources identified and utilised. • Municipal infrastructure investigation. • Centralised procurement. • Planned production runs.
Prolonged high raw material cost Future severe drought conditions could result in high raw material prices and volatility. Although all producers would be exposed to similar prices, the main risk is the inability to recover this higher input cost.	• Explore cost effective raw material import opportunities. • Astral Executive Procurement Committee frequently reviews the procurement strategy. • Endeavour to recover the higher input cost through selling prices of poultry.
Prolonged imbalance in supply and demand of poultry as a result of the following factors: • excessive local expansion • high levels of imports • classic dumping of poultry meat in South Africa • suppressed disposable income	• Participation in industry bodies presenting arguments for the protection of local industry against subsidised imports and dumping. • Responsible expansion and production programmes. • Monitoring of bird weight and production mix. • Planned temporary production cut backs. • Entrench least cost strategy.
Breakdown in bio-security and threat of diseases Diseases would not only impact the group through the possible depletion of flocks, but could influence growth, fertility and hatchability.	• Regular disease monitoring. • Serological, microbiology and molecular surveillance. • Increased level of bio-security, including suppliers. • Availability of vaccination procedures. • Culling and disposal protocols. • Elimination of vectors e.g. bird proofing. • Cleaning and disinfection programmes. • Contingency plan formulated in case of outbreak.
Premix micro ingredient deficiency and/or contamination with undesirable substance Vitamin, mineral and feed additive premixes are included in animal feed. Should this premix not conform to the required specification with respect to micronutrient content it could impact the health and growth of livestock.	• Pre-screening of suppliers. • Country of origin quality control. • Ongoing improvement in quality and production technology.

Risk Management REPORT
(continued)

Business Risk	Risk Mitigation Plans
Non-conformance to final feed specifications impact on the breeding programme Should animal feed not conform to the required quality standards and nutritional levels it could impact the growth, performance and production efficiency of livestock.	• Pre-screening of raw materials. • Country of origin quality control. • Analytical laboratory competency. • Stringent quality standards. • Independent quality audits. • Ongoing improvement of technology. • Inclusion of ingredient tracers.
Lack of continuous genetic improvement Genetic improvement programmes to ensure that the performance of the Ross 308 is maintained at optimal levels.	• Benchmarking. • Utilisation of technology. • Standardisation of best practice. • Alignment with best genetic provider.
Raw material price volatility Prices of all agricultural inputs tend to fluctuate with a major impact on input costs.	• Alignment with well-established suppliers who have global reach. • Key raw material procurement centrally co-ordinated. • Astral Executive Procurement Committee reviews and updates procurement strategy and prices regularly.

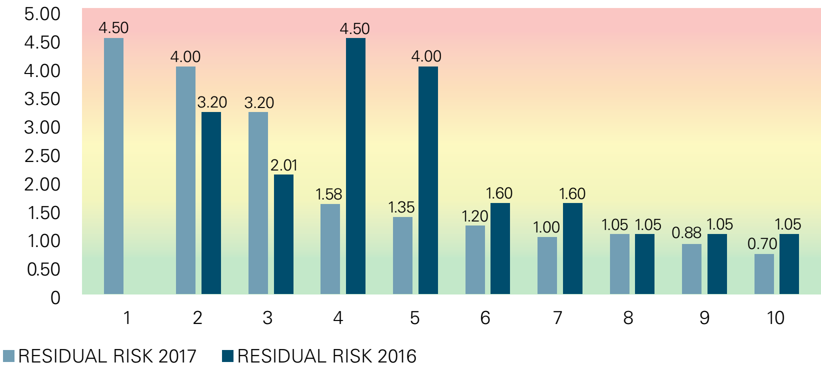
Inherent Risk Rating



Risk

1 HPAI outbreak impact on operations
2 Water supply and quality
3 Energy and electricity security and pricing
4 Prolonged high raw material cost
5 Prolonged imbalance in supply and demand
6 Breakdown in bio-security and threat of diseases
7 Premix micro ingredient deficiency and/or contamination with undesirable substance
8 Non-conformance to final feed specifications
9 Genetic performance
10 Raw material price volatility

Residual risk rating



RESIDUAL RISK STATUS

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

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

Stakeholder ENGAGEMENT

Proactive and frank stakeholder engagement sits at the heart of our efforts to maintain the sustainability of our business.

Our inclusive stakeholder engagement is based on the principles of:

RELEVANCE

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

COMPLETENESS

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

RESPONSIVENESS

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

We have identified all our stakeholders and we engage directly with them by way of organised dialogues, roundtable discussions, one-on-one meetings and regular engagement with local communities at each operation. Enquiries from shareholders are generally handled by our Chief Executive Officer directly and only information that is in the public domain is disclosed.

We also make use of external benchmarking and standards that are designed to reflect and address societal expectations.

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

At a strategic level our corporate and regional management teams implement ongoing programmes of timely direct and indirect engagement with stakeholders and we use a variety of channels such as our website, media, advertising and integrated reporting.

Astral has adopted a formal stakeholder engagement policy that outlines our approach to communicating and working with our stakeholders. The following broad stakeholder groups have been identified:

- employees
- customers
- communities
- investors
- suppliers and contractors
- governments and regulatory bodies
- industry bodies
- civil society

Surveys are conducted twice a year by an outside party to determine whether the quality and quantity of information shared with shareholders at the results presentations are of a high standard. Executive management reviews all results and where possible, endeavours to make improvements by expanding or reducing the information shared with shareholders.

Astral has adopted a formal Corporate Governance Framework and its overall intention is to ensure continuous performance improvement while meeting its governance obligations and, simultaneously, adhering to legislative requirements. Additional information regarding the Corporate Governance Framework is available in the Corporate Governance section of this Integrated Report and the full Corporate Governance Framework is available on www.astralfoods.com.

Directors are encouraged to attend annual general meetings of Astral and to respond to shareholders' queries on how the board executed its governance duties. The designated partner of the external audit firm attends all annual general meetings of Astral.

During the year under review, management has met with major stakeholders and the following key matters formed part of their discussion:

GLOBAL AND LOCAL MAIZE PRODUCTION

- The maize crop for the 2016/2017 marketing year was only 7 779 million tons after the disastrous effects of the worst El Niño on record, resulted in South Africa's worst drought since 1904. White maize in particular was in short supply, requiring the exceptional importation of white maize for human consumption. Imported maize was required for production at Meadow Feeds' coastal mills throughout the first half of the financial year necessitating increased strategic stock levels during this period to reduce the company's exposure to unpredictable deliveries of imported shipments.
- Despite a slow start to the maize crop for the F2017/F2018 marketing year it ended at a record 16 744 million tons after good rains in early January allowed for late plantings in the western regions. Ample rain was received from January to March to make the crop. Contrary to weather forecasts dry conditions returned in March 2017 resulting in early deliveries of maize, which in conjunction with imports, resulted in supply side pressure on maize prices. Prices moved from import parity to export parity within two months. Crop estimates continued to increase as harvesting progressed resulting in significantly lower prices for both white and yellow maize.

- Global grain stocks remained at high levels, and this is expected to continue into next year keeping international prices low. Against this backdrop, South Africa was expected to price competitively to export its surplus maize. However, sustainable export parity pricing was not achieved because farmers entered storage agreements with the various Co-ops to defer the oversupply problem into the 2018/2019 marketing year. If the new crop, which is to be planted from October 2017, produces an average type harvest of 12 million tons then prices are expected to remain low well into the 2018/2019 marketing year as the deferred physical maize stocks return to the market.
- Soya Bean prices also remained low on the back of large global stock levels that weighed on the market. These lower protein prices in conjunction with reduced maize prices resulted in the systematic reduction in feed prices over the second half of Astral's financial year.

HIGHLY PATHOGENIC AVIAN INFLUENZA

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

The impact on Astral was significant with the group losing approximately 18% of all broiler parent breeding stock valued at approximately R54 million.

The impact of HPAI on Astral resulted in the loss of R54 million in biological stock, as measures were taken to limit the spread of the disease and affected poultry populations were culled. Through Astral's contingency plans the group was able to avert a short supply of broiler hatching eggs to the broiler supply chain, and continued to slaughter just over 4.8 million broilers per week. At the date of writing, the quarantine on two of the Astral farms affected by the H5N8 virus has been lifted and a restocking programme is proceeding well. Additional bio-security costs are being carried with the advent of this disease, as additional controls have been implemented to mitigate the risk of contracting the virus in the poultry farming operations.

As at 18 October 2017 a total of 92 locations in South Africa had been identified that tested positive for HPAI H5N8 and reported to the World Organisation for Animal Health (OIE). These cases can be broken down as 29 confirmed incidents in commercial poultry, 23 in wild birds, 16 in Ostriches, 16 in birds kept as a hobby and Zoos and eight in backyard chickens. The Western Cape has been hardest hit with 61 confirmed cases, 13 in Gauteng, 11 in Mpumalanga, two in the North West Province, two in the Free State, two in the Eastern Cape and one in KwaZulu-Natal at that date.

Further information regarding our stakeholders is contained in the Sustainability Report on pages 84 and 85. The Stakeholder Engagement Policy is available on www.astralfoods.com.

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GOVERNANCE

"Astral is a leading Southern African **integrated poultry producer**"

Board of DIRECTORS

NON EXECUTIVE DIRECTORS

Theunis Eloff (62)

(Independent Non-executive Director)

BJur (Econ), ThB, ThM, ThD.

Director of companies

Appointed to the board on 8 May 2007

Chairman of the board from June 2014

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

Member of the Social and Ethics Committee from May 2017

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

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

Diederik J Fouché (63)

(Lead Independent Non-executive Director)

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

Director of companies

Appointed to the board on 12 November 2015

Chairman of the Audit and Risk Management Committee from June 2016

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

Appointed Lead Independent Non-executive Director in August 2017

Experience: Former PwC partner for 34 years and head of PwC Southern Africa Consumer, Industrial Products and Services industry practice ("CIPS") for 17 years. Served as member of the PwC Southern Africa & Africa Board and was chairman of the Finance and Risk Committee. He also represented the firm on the PwC Europe, Middle East and Africa CIPS Committee.

He has extensive experience in the consumer industrial products and services industry and has engaged with clients, global experts and industry on various surveys, trends and strategic issues. He has provided clients with merger and acquisition transaction structuring and support. Also assisted clients with the issue of bonds listed in foreign markets as part of the PwC Global Capital Markets team.

He has been involved in the audits of major listed and multinational clients and the control of audits as the corporate engagement partner of companies with multi locations and foreign operations.

External appointments: Currently serves as a Non-executive Director and Chairman of the board of Directors of Distribution and Warehousing Network Limited (DAWN).

Marthinus Theunis Lategan (60)

(Independent Non-executive Director)

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

Director of companies

Appointed to the board on 21 September 2016

Member of the Audit and Risk Management Committee from September 2016

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

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

External appointments: Since 2011 he has served as a Non-executive member of the Board and Audit Committee of Steinhoff International Holdings Limited and currently also chairs its Remuneration Committee. He joined Barclays Africa Corporate and Investment Banking division in 2013 as Non-executive Vice Chairman.

Refer to the web for full CV's

Takalani Patricia Maumela (49)

(Independent Non-executive Director)

BCur, MBL

General Manager

Appointed to the board on 1 July 2013

Chairman of the Social and Ethics Committee from February 2016

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

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

Tshepo Monica Shabangu (46)

(Independent Non-executive Director)

BProc, LLB, LLM

Attorney and Notary Public

Appointed to the board on 1 July 2013

Member of the Audit and Risk Management Committee from November 2014

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

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

Previously the Chairman of the Anglo Inyosi Coal Community Trust and a Director of Inyosi (Pty) Limited, the broad-based black empowerment partner of Anglo Coal Limited. Resigned from these positions in November 2011 and currently sits as Trustee of one of Royal Bafokeng's employee trusts. Past President of the South African Institute of Intellectual Property Law and Legal Resources Trust. Previously a member of the Ethics Committee of the Law Society of South Africa and Company Law Committee of the Law Society of the northern provinces. Appointed by the Law Society of South Africa as a Council representative of South Africa at the International Bar Association (IBA). Member of the Policy and Credentials Committee of the IBA. Appointed as Council member of the Law Society of the northern provinces, a statutory body governing the attorneys profession.

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

Board of DIRECTORS (continued)

EXECUTIVE DIRECTORS

Christiaan Ernst Schutte (57)

Management Business Administration and Finance Dip.

Chief Executive Officer with effect from 1 May 2009

Appointed to the board on 18 August 2005

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

Appointed as Managing Director for the Animal Feeds division in July 2004 responsible for Meadow Feeds Southern Africa and various other service related business units. Appointed as Chief Executive Officer of Astral Foods Limited on 1 May 2009.

External appointments: None.

Daniel Dirk Ferreira (61)

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

Chief Financial Officer

Appointed to the board on 1 May 2009

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

External appointments: None.

Gary Desmond Arnold (45)

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

Managing Director: Agriculture

Appointed to the board on 1 March 2012

Member of the Social and Ethics Committee from November 2011

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

Appointed as Director: Business Development of Astral Operations Limited on 1 November 2010 and in April 2017 he was appointed to his current position as Managing Director of the Agriculture division.

External appointments: None.

Andrew Barry Crocker (46)

BSc Agric, MBA, PrSci.Nat.

Managing Director: Commercial

Appointed to the board on 1 April 2016

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

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

External appointments: None.

MEADOW 75 SINCE 1942

More than just feed

Executive MANAGEMENT

1. Chris Schutte (57)

Chief Executive Officer

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

2. Daan Ferreira (61)

Chief Financial Officer

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

3. Gary Arnold (45)

Managing Director: Agriculture

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

4. Andy Crocker (46)

Managing Director: Commercial

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

5. Michael Schmitz (56)

Managing Director: Feed

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

6. Faan Greyling (65)

Agriculture Executive

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

7. Obed Lukhele (42)

Veterinary Executive

Obtained his junior veterinary degree from the Medical University of South Africa (Medunsa), a veterinary honours degree and an honours degree in entomology from Pretoria University. Spent six years in the veterinary pharmaceutical industry as Poultry Technical and Export Manager from 2001 to 2007. During mid-2007, joined Astral as Veterinary Technical Manager and two years later was appointed as Group Veterinary Director, a position that he resigned from on 11 February 2016 to concentrate his efforts on the overall veterinary function of the group.

8. Nikki Moodley (47)

Operations Improvement Executive

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

9. Evert Potgieter (47)

Director: Risk Management

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

10. Gerhard Pretorius (41)

Nutrition Executive

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

11. Anil Rambally (45)

Purchasing and Sustainability Executive

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

12. Colin Smith (56)

Marketing Executive

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

13. Mike Snyman (43)

Human Resources Executive

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

14. Daniel Tshabalala (65)

Industrial Relations Executive

Daniel started his career as a Teacher after which he joined Earlybird as a Training Instructor. Later he became the Human Resources Officer and gained experience dealing with trade unions and strikes. He has attended to more than 1 000 arbitration cases and has more than 25 years' experience in an unionised environment.

15. Louis Vermaas (45)

Sales Executive

Started his career with Earlybird in 1994 in the Sales Department. In 2004 he joined Merlog Foods, a meat trading company as a partner. In 2009 he joined Afgri Poultry as Sales and Marketing Director before returning Astral in 2012. He currently holds the position of Sales Executive in the group.

16. Gerrit Visser (59)

Processing Executive

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

Corporate SERVICES

Maryna Eloff (64)

CSSA (Int.)

Group Company Secretary

Appointed in June 2005

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

Braam Spies (60)

Group Credit Manager

Appointed in September 2004

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

Willem Stander (60)

BSc Argic (Hons)

Group Procurement Manager

Appointed in February 2001

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

Corporate GOVERNANCE

BOARD

- AUDIT AND RISK MANAGEMENT COMMITTEE
- HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE
- SOCIAL AND ETHICS COMMITTEE

OPERATIONAL MANAGEMENT

EXECUTIVE MANAGEMENT

- Chief Executive Officer
- Chief Financial Officer
- Managing Director: Commercial
- Managing Director: Agriculture
- Managing Director: Feeds
- Director: Risk Management
- Human Resources
- Veterinary Control
- Sales
- Marketing
- Industrial Relations
- Operations Improvement
- Sustainability and Preferential Purchasing and Procurement

CORPORATE

- Company Secretary
- Credit
- Procurement

Corporate GOVERNANCE
(continued)

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

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

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

THE BOARD

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

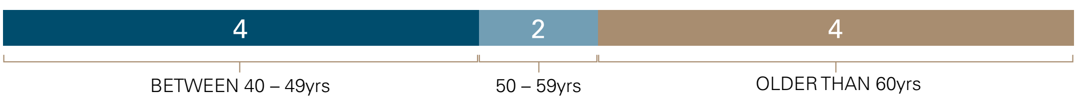
- the Chairman of the board must be an Independent Non-executive Director;
- a formal orientation programme for new directors must be followed;
- specific policies, in line with the King IV Report, must exist with regard to conflicts of interest and the maintenance of a register of directors' interests;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

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

Demographics

Gender

Age



Split between executive and independent non-executive

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

We believe that the Non-executive Directors are of suitable calibre and number for their views to carry significant weight in the board's decisions. An Independent Non-Executive Chairman leads the board. A schedule of beneficial interests of directors appears on page 160 of this report. A succession plan is in place for the Chairman of the board. Astral's memorandum of incorporation specifies that Non-executive Directors do not have a fixed term appointment.

In September 2017, an evaluation of each of the Non-executive Directors' performance was conducted. The overall findings were presented to the board and discussed. This evaluation supported the board's decision to endorse all retiring directors standing for re-election.

At the annual general meeting held on 9 February 2017, Dr N Tsengwa resigned as Non-executive Director and Chairman of the Human Resources, Remuneration and Nominations Committee due to her expanded role at her employer. Mrs T M Shabangu was appointed member and as Chairman of the Human Resources, Remuneration and Nominations Committee on 9 February 2017. Mr T Delport resigned as Executive Director on 28 April 2017 to pursue private interests.

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

In line with King IV, the board appointed Mr D J Fouché as Lead Independent Director during the year. His responsibilities are in line with King IV, namely:

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

No director is disqualified in terms of the criteria for independence as laid down by the JSE Listings Requirements or by King IV. We currently have two (22%) historically disadvantaged South African directors on the board who are Independent Non-executive Directors. The board has set a target of 25% for race and gender representation in its membership.

Astral currently has a Diversity Policy in place which will be expanded during the 2018 financial year to include race, in line with the JSE Listings Requirements. The Diversity Policy is available on our website, www.astralfoods.com.

We do not have retirement age restrictions as we believe that a board member's effectiveness does not necessarily correlate with the length of his/her board service or his/her age.

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

On a quarterly basis, we actively solicit from our directors details regarding their external shareholdings and directorships, which potentially could create conflicts of interest while they serve as directors on our board. The declarations received are closely scrutinised and are tabled at the beginning of each quarterly board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recuse themselves from discussions in meetings.

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

Corporate GOVERNANCE
(continued)

A complete list of board members and their CVs appear on pages 52 to 55 of this report. In terms of our memorandum of incorporation all new Non-executive Directors appointed during the year, as well as one third of the existing Non-executive Directors, have to retire on a rotational basis each year but may offer themselves for re-election.

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

The board is accountable for the actions of management and has retained full and effective control of the organisation over the past year. The board defines levels of materiality, reserving specific powers to itself, and delegates other matters to management.

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

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

The board conducts assessments of each Director annually based on several factors including expertise, objectivity, judgement, understanding the group's business, willingness to devote the time needed to prepare for and participate in committee deliberations.

The performance evaluations were completed and reviewed by the Chairman and found to be generally satisfactory and if required, the Chairman meets with individual board members to discuss their performance. The following assessments were completed during the year:

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

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

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

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

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

ATTENDANCE AT MEETINGS

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

Attendance at meetings was as follows:

	SCHEDULED BOARD MEETINGS				STRATPLAN MEETING
	2016		**2017**		**2017**
DIRECTOR	16.11	**09.02**	**10.05**	**16.08**	**07.04 and 08.04**
GD Arnold	√	√	√	√	√
T Delport	√	√	1	1.	1
T Eloff	√	√	√	√	√
DD Ferreira	√	√	√	√	√
DJ Fouché	√	√	√	√	√
TP Maumela	√	√	√	√	√
CE Schutte	√	√	√	√	√
TM Shabangu	√	√	√	√	√
N Tsengwa	A	A	2	2	2
MT Lategan	√	√	√	√	√

√ Present
1. Resigned 28 April 2017
2. Resigned 9 February 2017
A Submitted apologies and granted leave of absence

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE

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

	2016		**2017**
DIRECTOR	15.11	09.05	**20.10**
DJ Fouché	√	√	**√**
TM Shabangu	√	√	**√**
MT Lategan	√	√	**√**

√ Present

HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE

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

	2016	**2017**	
DIRECTOR	26.10	**01.03**	**25.07**
T Eloff	√	**√**	**√**
DJ Fouché	√	**√**	**√**
N Tsengwa	A	**1**	**1**
TM Shabangu	√	**√**	**√**

√ Present
1. Resigned 9 February 2017
A Submitted apologies and granted leave of absence

SOCIAL AND ETHICS COMMITTEE

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

	2016	**2017**	
DIRECTOR	26.10	**01.03**	**25.07**
T Eloff			**1**
GD Arnold	√	**√**	**√**
LW Hansen	√	**√**	**√**
TP Maumela	√	**√**	**√**

√ Present
1. Appointed 25 July 2017

Corporate GOVERNANCE
(continued)

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

	Fixed fee per annum R'000
Chairman of the board (All inclusive fee)	**1 100**
Member of the board	**290**
Chairman of the Audit and Risk Management Committee	**220**
Member of the Audit and Risk Management Committee	**115.5**
Chairman of the Human Resources, Remuneration and Nominations Committee	**160**
Member of the Human Resources, Remuneration and Nominations Committee	**90**
Chairman of the Social and Ethics Committee	**120**
Member of the Social and Ethics Committee	**80**

The remuneration is payable on a monthly basis.

BOARD COMMITTEES

To enable the board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to board committees. All board committees are chaired by an Independent Non-executive director. Particulars of the composition of the board of Directors and committees appear on pages 52 to 55 of this report. Board committee Mandates and Terms of Reference are reviewed on an annual basis to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and keep abreast of developments in this field. Copies of board committee Mandates and Terms of Reference are available on our website, www.astralfoods.com.

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

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

The board committees are as follows:

The Audit and Risk Management Committee

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

The opportunity is created at each meeting for discussion with the external and internal auditors without the presence of management. The members of the committee are knowledgeable about the affairs of the company and have extensive expertise in finance, accounting, legal and risk management practices.

The Audit and Risk Management Committee fulfills the responsibilities as set out in the Audit and Risk Management Committee Mandate and Terms of Reference, which include:

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

A copy of the Mandate and Terms of Reference of the committee is available on our website, www.astralfoods.com.

Both the Director: Risk Management and the external auditors have unfettered access to the Chief Executive Officer, the Chairman of the board and the Audit and Risk Management Committee.

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

- the independence of the external audit function;
- the competence of the Chief Financial Officer and the finance function of the company; and
- the Integrated Report.

Divisional Audit Committee meetings are scheduled twice a year at every business unit. These meetings are chaired by the Chief Financial Officer, attended by the Chief Executive Officer, internal audit, external audit and the business unit Chief Operating Officer and Finance Executive.

The committee annually assesses the external auditors, nominates the re-appointment of the auditors as well as the designated auditor after satisfying itself through enquiry that the auditors are independent as defined in terms of the Act.

Risk management

We are committed to the following risk management action plan:

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

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

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

Members of the Audit and Risk Management Committee are:

Member	Independent Non-executive	Period
DJ Fouché (Chairman)	Yes	November 2015 to date
TM Shabangu	Yes	November 2014 to date
MT Lategan	Yes	September 2016 to date

Internal audit

We have established an independent, objective and effective internal audit department governed by a charter approved by the board. The internal audit function reports to the Chief Executive Officer and has unfettered access to the Chairman of the board and the Chairman of the Audit and Risk Management Committee.

The role of internal audit is to review compliance with internal controls, systems and procedures. The board is satisfied that the internal controls are adequate to safeguard the assets, prevent and detect errors and fraud, ensure the accuracy and completeness of accounting records and the preparation of reliable financial statements.

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

The independence of the internal audit function is reviewed by the Audit and Risk Management Committee to satisfy itself of the independence of the internal audit function. The appointment and removal of the head of internal audit is a matter for the Audit and Risk Management Committee in consultation with management.

Information technology (IT)

The board has delegated responsibility for information technology to the Audit and Risk Management Committee, but retains overall accountability.

An IT Charter, aligned to the King IV report has been implemented. The IT strategy is reviewed by the Audit and Risk Management Committee and by the board. The IT Charter can be viewed on our website, www.astralfoods.com.

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

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

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

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

The outsourced active directory and exchange environment as well as an independent application review will take place in the 2018 financial year.

Integrated reporting

The committee oversees integrated reporting, and in particular:

- takes cognisance of all factors and risks that may impact on the integrity of the Integrated Report including matters that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body and any evidence that brings into question previously published information, forward-looking statements or information;
- reviews for reliability, the disclosure of sustainability in the Integrated Report;
- recommends to the board whether or not to engage an external assurance provider on material sustainability issues;
- recommends the Integrated Report for approval by the board; and
- considers whether the external auditor should perform assurance procedures on interim results or be engaged for any non-audit assignments.

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

Further information regarding the activities of the committee is available in the Audit and Risk Management Report on pages 116 to 118.

Corporate GOVERNANCE
(continued)

THE HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE

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

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

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

Member	Independent Non-executive	Period
N Tsengwa (Chairman for Human Resources and Remuneration function)	Yes	May 2009 to February 2017
T Eloff (Chairman for Nominations function)	Yes	June 2014 to date
DJ Fouché	Yes	June 2016 to date
TM Shabangu (Chairman for Human Resources and Remuneration function)	Yes	February 2017 to date

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

Further information regarding the activities of the committee is available in the Remuneration Policy and Remuneration Implementation Report on pages 69 to 75.

SOCIAL AND ETHICS COMMITTEE

A Social and Ethics Committee has been appointed consisting of four members. A formal mandate and terms of reference have been approved by the board. The Chairman of the committee, TP Maumela, will be present at the annual general meeting and will be available to report to shareholders on the matters within its mandate. A copy of the committee's mandate and terms of reference is available on our website, www.astralfoods.com.

Members of the Social and Ethics Committee are:

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

The main functions of the committee are:

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

- social and economic development;
- good corporate citizenship;
- environment, health and public safety;
- consumer relationships;
- labour and employment;
- drawing matters within its mandate to the attention of the board; and
- reporting annually to the shareholders at the company's annual general meeting on matters within its mandate.

The committee's approved workplan for the short to medium-term will focus on:

- **Human Rights**

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

- **Labour**

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

- **Environment**

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

- **Anti-corruption**

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

- **Social and ethical awareness**

  To conduct ethical climate surveys.

- **Community upliftment and donations**

  To develop guidelines for charities and sponsorships.

- **Consumer development**

  To ensure compliance with the Consumer Protection Act.

- **Environment and sustainability reporting**

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

For more information regarding the activities of the committee, refer to the Social and Ethics Report on pages 76 and 77.

ORGANISATIONAL INTEGRITY AND ETHICS

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

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

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

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

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

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

The Code of Ethics deals with:

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

In terms of accountability, all employees are required to:

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

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

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

RESTRICTIONS ON SHARE DEALINGS

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

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

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

Corporate GOVERNANCE

(continued)

MANAGEMENT REPORTING

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

COMPANY SECRETARY

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

The board assesses the qualification, competence and expertise of the Company Secretary and confirms her suitability in terms of the JSE Listings Requirements on an annual basis. For further information on the Company Secretary, please refer to Corporate Services on page 58.

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

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

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

ENGAGEMENT WITH SHAREHOLDERS AND INVESTORS

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

Astral has adopted a formal Stakeholder Engagement Policy that is available on www.astralfoods.com.

For further information on stakeholder communication, please refer to the Stakeholder Engagement Report on page 48.

POLITICAL PARTY CONTRIBUTIONS

We do not make any contributions to political parties.

WHISTLEBLOWING MEASURES

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

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

Remuneration POLICY

HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE – COMPOSITION AND TERMS OF ENGAGEMENT

The committee operates under a mandate from the board and written terms of reference approved by the board.

The members of the committee at 30 September 2017 were Mr DJ Fouché, Ms TM Shabangu (Chairman) and Dr T Eloff. Ms Shabangu was appointed as Chairman of the committee on 9 February 2017.

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

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

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

HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE – ADVISORS

The committee consults with external independent advisors from time to time on market information and remuneration trends. These include PE Corporate Services (Pty) Limited, 21st Century Pay Solutions Group and PricewaterhouseCoopers Inc. In addition, the committee frequently reviews remuneration and board best practice reports published by external parties. It also considers the views of the Chief Executive Officer on the remuneration and performance of his colleagues on the Astral Foods and Astral Operations boards of Directors.

REWARD STRATEGY, INTENT AND PRINCIPLES

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

Astral's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the group and providing attractive and appropriate remuneration packages to employees. The remuneration practices of the group have been structured to be comparable with similar mid-cap companies listed on the JSE Limited and to ensure that the group can attract, motivate, reward and retain high-calibre people, with above average industry ability and leadership potential, required to effectively run the group and its subsidiary companies. Astral has adopted an integrated approach to reward strategy, encompassing a balanced design in which all reward components are aligned to the strategic direction and business specific value drivers of Astral.

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

EXECUTIVE REMUNERATION POLICIES

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

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

REMUNERATION IS MADE UP OF THREE COMPONENTS:

1. Guaranteed pay

The Astral group adopted a total cost of employment (TCOE) philosophy for all salaried employees that incorporates, as part of the group's value proposition, base pay, fixed car allowance, provident fund and medical aid contributions. TCOE packages do not include annual incentives or long-term incentives.

It is mandatory for all permanent employees to join the Alexander Forbes Provident Fund and all employees have the option to choose their level of contribution to the provident fund in their election of the risk profile of their investment portfolio through the usage of the Alexander Forbes Life Stage model.

Guaranteed packages within the Astral group are structured to be between the 50th percentile and the 75th percentile of other mid-cap companies on the Johannesburg Stock Exchange. It is at the discretion of the committee, as mandated by the board, to remunerate key employees above the 75th percentile in order to retain such employees, should the need arise.

2. Annual incentive bonuses

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

Remuneration POLICY (continued)

The goal of the annual incentive bonuses is to reward for the achievement of the group's financial performance. The committee ("committee") satisfies itself that the performance criteria utilised are relevant, stretching and designed to enhance shareholder value.

Participants within this plan fall into two categories:

(a) An EVA-based calculated bonus, covering members of executive management and senior management (EVA Incentive Bonus Scheme);

(b) A business unit operating profit target bonus, covering all other employees of the different business units (PBIT Incentive Bonus Scheme).

(a) EVA Incentive Bonus Scheme

- Incentive bonuses for members of executive management and senior management are based on achieving economic value added (EVA) targets. EVA is for purposes of the scheme defined as the excess of net operating profit after tax (NOPAT), over the return on net assets at year-end calculated at the weighted average cost of capital (WACC) applied to the net assets per the closing balance sheet and as prevalent at September annually.
- The following two safety nets are to be considered in calculating the EVA bonus:
  - First safety net: No individual bonus may exceed twice the targetable bonus (for the particular individual), irrespective of the total bonus payments being within the 20% share of the economic value added i.e. participant with a targetable bonus of 40% may not receive a EVA bonus in excess of 80% of that participants' total annual cost to company employment.
  - Second safety net: The total amount available for bonuses to the members of executive management and senior management is limited to 20% of the economic value added (i.e. excess of actual NOPAT over the required return on net assets).
- Incentive bonuses of members of executive management are 100% based on achieving economic value added targets.
- Incentive bonuses for senior management is 50% based on achieving economic value added targets, and 50% based on achieving operating profit targets (for the respective business units where they are employed).
- The committee sets the annual EVA target, and individual target bonuses are determined according to the different levels of Paterson grades, i.e. D (40%), E (50%) of the cost to company employment cost. Sharing percentages are set for each participant.
- The committee sets the annual EVA target, and individual target bonuses are determined according to the different levels of Paterson grades, i.e. D (40%), E (50%) and members of executive management (60%) of the cost to company employment cost. Sharing percentages are set for each participant.
- An external consultant calculates the EVA incentive bonus payments which calculation is then subject to a review and sign off by PricewaterhouseCoopers Inc.

(b) PBIT Incentive Bonus Scheme

- The incentive bonus payable to employees participating in this scheme is based on achieving a combination of budgeted operating profit and an improvement on the previous year's operating profit.
- Half of the incentive payable is limited to 20% of the excess of operating profit over budget and the other half is limited to 20% of the excess of operating profit over the previous year.
- A second limit is also applied whereby any individual bonus payment may not exceed between 12% and 20% of the employees' cost of employment to the company.

The costs recognised in profit and loss are as follows:

	2017 R'000	2016 R'000
Executive Directors	**20 721**	–
Members of executive management and senior management	**93 282**	2 048
All other employees	**69 560**	16 133
	183 563	18 181

3. Long-term Retention Incentives

(a) Share option incentives

No share options have been granted and shareholders have not been requested to approve any allocations since 2013.

(b) Long Term Retention Bonus Scheme (LRP)

The LRP was introduced in the place of share options in order to achieve retention of members of executive management and senior management members.

The participants within the scheme fall into two categories, namely:

(i) **Members of executive management**
Performance conditions must be met for 75% of the bonus amount, whilst 25% of the allocated amount is guaranteed.

(ii) **Senior management**

No performance conditions are set and the full allocated amount is guaranteed.

- The bonus amounts are allocated annually during October and are approved by the committee.
- The LRP payments vest over a period of three years and are subject to meeting predetermined conditions.
- The following applies in respect of the performance conditions set for the 75% portion of the bonus amount:
  - 37% of the bonus amount is subject to achieving a predetermined average annual increase in earnings per share (EPS) over a three-year period. The actual payment is calculated according to a sliding scale. An average annual increase in EPS over a three-year period of inflation plus 8% per annum, will secure a payment equal to 37% of the allocated bonus amount and an average increase in EPS equal to the inflation rate will secure a payment equal to 10% of the allocated bonus amount.
  - 38% of the bonus amount is subject to achieving a predetermined performance condition of an average Performance Efficiency Factor (PEF)* over a three-year period. The actual payments are calculated on a sliding scale according to the average PEF achieved over the three-year period.

    (*) *PEF is an internationally recognised standard to measure performance on broiler farms. PEF measures a number of biological factors of the birds (mortality rates, feed conversion ratio (FCR), live weight of the bird and slaughter age). The purpose of using the PEF as a performance condition is to focus on one of the most important factors in the business under management control which impacts on profitability.*
  - No payments are made if the minimum performance condition targets are not achieved.
  - The committee reserves the right to change the performance conditions for new LRP amounts awarded. Targets for the performance conditions are reviewed by the committee annually at the time of allocation of new bonus amounts. Performance conditions and amounts allocated are not changed once the awards have been made.
  - Vested bonus amounts payable are calculated based on the performance conditions achieved during each three-year period ending on 30 September of the respective year. Actual payment of the amounts is made during the following financial year.

The costs recognised in profit and loss, according to the principles of accounting standard IAS 19 – *Employee Benefits*, are as follows:

	2017 R'000	2016 R'000
September 2012 allocation	**–**	(3 504)
September 2013 allocation	**(630)**	13 140
September 2014 allocation	**18 810**	16 564
September 2015 allocation	**21 174**	19 297
September 2016 allocation	**21 456**	–
	60 810	45 497
Actual payments made during the financial year	**47 147**	47 348

Proposed Forfeitable Share Plan (FSP)

The long-term incentive plan was reviewed in the course of the financial year and the decision was made by the committee to implement a new Forfeitable Share Plan ("FSP") for future awards as of 2018. In line with local and global best practice awards of forfeitable shares will be issued, which will be used to implement performance shares which shares will be subject to stretching performance conditions over the vesting period.

The performance conditions relating to the vesting of performance shares will be:

- 33.0% of Performance Efficiency Factor ("PEF");
- 34% of Headline Earnings per Share ("HEPS"); and
- 33.0% of Return on Net Assets ("RONA").

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

All awards to be issued to the participants will be subject to performance conditions, either on award or on vesting. The shares will vest over a three-year period and the overall quantum of the combined award will be set in line with market benchmarks.

The aggregate number of shares which may be settled in respect of this FSP to all participants will not exceed 1% of the issued share capital as at the date of the adoption of the FSP. The award of forfeitable shares to any participant will be approved by the committee prior to such forfeitable shares being issued.

Remuneration POLICY (continued)

The resolution to seek approval of the plan will be considered at the annual general meeting following the 2017 financial year.

In the event that either the Remuneration Policy or the Remuneration Implementation Report, or both were voted against by 25% or more of the voting rights exercised by shareholders at the annual general meeting the group will engage with shareholders in good faith in order to determine the reasons for the dissenting votes.

SERVICE CONTRACTS AND SEVERANCE ARRANGEMENTS

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

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

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

PROVIDENT FUND

During the year, the relevant group companies made contributions for Paterson D, E and F employees to the Alexander Forbes Retirement Fund (AFRF) – (Provident Section) – Astral Operations Limited – Management. The rate of contribution is 18% based on the pensionable salary of these individuals. The value of contributions for each executive director appears in the summary of directors' emoluments on page 158.

At its meeting in March 2017, the committee assessed the levels of funding and benefits of the AFRF Provident Funds and is satisfied that the Funds were solvent and did not pose a risk to any of the group's employees or retirees.

OTHER BENEFITS

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

EXECUTIVE DIRECTORS' REMUNERATION

For information regarding executive Directors' and prescribed officers' emoluments, other benefits and share incentive scheme interests, refer to the Directors' and Prescribed Officers' Remuneration on page 158.

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

	R'000
Employee 1	4 735
Employee 2	4 118
Employee 3	3 775

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

NON-EXECUTIVE DIRECTORS' FEES

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

The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on board members by new legislation and corporate governance principles.

The fees for Non-executive Directors is excluding Value Added Tax ("TAX") and is recommended by the committee and approved in advance by shareholders at the annual general meeting. Fees for F2017/2018 were reviewed by the committee and the board in August 2017 and will be approved by shareholders at the annual general meeting in February 2018. These fees apply until the next annual general meeting of the company. The committee retained the Chairman's fee as an all-inclusive flat fee for 2018. The Chairman of the board will be required to attend all board sub-committee meetings.

Based upon the recommendation of the King IV Report that a Lead Independent Non-executive Director should be appointed to the board, the committee has duly appointed a Lead Non-executive Director who took up his responsibilities on 1 August 2017 and will be remunerated at the approved level as of that date.

Astral's policy on remuneration for Non-executive Directors is that this should be:

- Market-related (having regard to the median fees paid and number of meetings attended by non-executive directors of companies of similar size and structure to Astral and operating in similar sectors);
- Should be in the range between the median and upper quartile of mid-cap companies of the Johannesburg Stock Exchange; and
- Not linked to share price or Astral's performance.

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

Work tendered by any Non-executive Director on any special project will be subject to written approval by the board and will be remunerated at a flat fee of R25 000 (excluding VAT) per pre-approved project.

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

An all-inclusive fee (excluding VAT) of R1 100 000 was paid to the chairman of the board.

The shareholders will be requested to approve a 6.5% increase for 2018, which brings the figure to R1 171 500 per annum. The primary condition for the payment of the all-inclusive fee paid to the Chairman is that he is required to attend all meetings of the board and sub-committees of the board during the year.

Shareholders will be required to vote on the Non-executive Directors' fees set out in the notice of the annual general meeting on page 172 of this integrated report at the annual general meeting to be held on 8 February 2018.

For information regarding fees for acting as Non-executive Director and member of the various board committees, refer to the Corporate Governance Report on page 64.

For more detailed information regarding executive Directors' and prescribed officers' remuneration, refer to Note 31 on pages 158 to 160.

Tshepo Shabangu
Chairman, Human Resources, Remuneration and Nominations Committee

Pretoria
15 November 2017

Remuneration Implementation REPORT

The Remuneration Implementation Report details the outcomes following the implementation of the approved Remuneration Policy detailed at page 69 of the Integrated Report, which policy was accordingly applied with no deviations.

2017 TOTAL COST OF EMPLOYMENT (TCOE) INCREASES

The base salaries of the executive Directors were benchmarked by external service providers as referred to on page 69 of the Remuneration Policy, with TCOE increase referenced to inflation.

The TCOE salaries for executive Directors, as stated in Notes 31 and 4 of the audited financial statements, and other employees of the group have been increased as follows for the period 1 October 2017 to 30 September 2018:

	TCOE % Increase
Chief Executive Officer	5.5%
Chief Financial Officer	5.5%
Executive Directors	5.5%
D band management	6%
E band management	6%
C band staff	6.5%
A & B band staff	7.5%

The aggregate TCOE increases as applied to executive Directors, members of executive management and senior management were below that of lower level employees employed within the group.

The TCOE as earned by executive Directors and prescribed officers for the period 2017 if compared with 2016 were as follows:

	2017 Total cost of employment R'000	2016 Total cost of employment R'000
Executive Directors	**58 072**	33 432
Prescribed officers	**18 669**	8 700
	76 741	42 132

Note
Inclusive of annual incentives and long-term retention bonuses.

The significantly improved group profits resulted in increased annual incentive bonuses calculated in terms of the group's Remuneration Policy. Refer to Note 31 on page 158 for further details.

2017 ANNUAL INCENTIVE BONUS

The awarding of annual incentive bonuses for the year ending 30 September 2017 were in line with the group's Remuneration Policy and stipulated allocation levels, which payments have been detailed at page 158 of the Integrated Report under Note 32, "Directors and prescribed officers remuneration".

Executive Directors and prescribed officers participate in an annual performance based bonus scheme, which bonus is calculated based on a sharing percentage of economic value added (EVA) during the past year, as detailed at page 70 of the Integrated Report.

The total Short-Term Incentives payable to members of the executive Directors and the prescribed officers, if compared with 2016, were as follows:

	2017 Annual incentive bonus R'000	2016 Annual incentive bonus R'000
Executive directors	**20 721**	
Prescribed officers	**7 608**	
	38 329	Nil

Note
No annual incentive bonuses were payable to the executive Directors or prescribed officers in 2016 due to performance targets not having been achieved.

2017 LONG-TERM RETENTION INCENTIVES

The awarding of Long-Term Retention Incentives as issued in October 2014 vested on 30 September 2017 and was in line with the group's remuneration policy and stipulated allocation levels. Details appear on pages 158 to 160 of the Integrated Report under Note 31, "Directors and prescribed officers remuneration".

The Long-Term Incentive total remuneration of the executive Directors and prescribed officers' for the period 2017 versus 2016 can be illustrated as follows:

	2017 Long-term retention payments R'000	2016 Long-term retention payments R'000
Executive directors	**16 040**	15 606
Prescribed officers	**3 620**	1 364
	19 660	16 970

NON-EXECUTIVE DIRECTORS' REMUNERATION

The participation of Non-executive Directors in the group is essential to the group achieving its strategic objectives and Non-executive Directors fees are therefore recommended by the Human Resources, Remuneration and Nominations Committee with this in mind. The Human Resources, Remuneration and Nominations Committee is advised in their recommendation by independent advisors in a detailed benchmarking study, from time to time, as prescribed in the Remuneration Policy.

In accordance with the company's memorandum of incorporation, Non-executive Directors fees are approved by the shareholders at the annual general meeting. The current fee level are approved by the shareholders at the annual general meeting held on the 9 February 2017 and is stated on page 64 of the Integrated Report. The annual increase that will be requested for approval from the shareholders at the annual general meeting will be based upon the considerations as stated in the Remuneration Policy.

The total amount spend on Non-executive Directors' fees for 2017 and 2016 (excluding VAT) were as follows:

	2017 Non-executive directors fees R'000	2016 Non-executive directors fees R'000
Non-executive directors	**3 184**	3 046

SERVICE CONTRACTS

Non-executive Directors are appointed by the group through a letter of appointment and not a service contract, which agreement may be terminated by the group without liability for compensation by the group.

Non-executive Directors are elected by the shareholders at an annual general meeting in terms of the memorandum of incorporation, with the next annual general meeting scheduled for the 8 February 2018. The terms of the elected Non-executive Directors are determined by the company's memorandum of incorporation.

The Human Resources, Remuneration and Nominations Committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2017 financial year.

Social and Ethics COMMITTEE REPORT

The Social and Ethics Committee was established in terms of Section 72 of the Companies Act and commenced its work in January 2012.

COMPOSITION

At 30 September 2017, the committee comprised TP Maumela (chairman), GD Arnold, LW Hansen and Dr T Eloff. The Chairman and Dr Eloff are Independent Non-executive Directors.

MANDATE AND TERMS OF REFERENCE

A formal mandate and terms of reference for the committee were adopted by the board of Astral.

WORK PLAN

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

- the United Nations Global Impact Principles
- social and ethical awareness
- community engagement and donations
- consumer development (ensuring compliance with the Consumer Protection Act)
- environmental and sustainability reporting

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

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

MEETINGS

The committee met three times during the year. Attendance of these meetings is shown in the table set out on page 62 of this report. No external advisers or invitees attended any of the committee's meetings during the year.

OUTCOMES

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

- Support and respect for the protection of internationally proclaimed human rights;
- Diseases control legislation;
- Credit legislation; and
- Human resources legislation.

The committee authorised that a further Employee Engagement Survey be conducted in order to understand the engagement and commitment levels of employees within the group. The survey focused on two business units and the results of the survey were reviewed by the committee. Feedback was given to the various management teams in order to draw up action plans to address relevant issues. During 2018 further surveys would be done at other business units in the group. The board's guidance would also be sought to determine what action should be taken to address deficiencies identified in the results of the Employee Engagement Survey.

During the year the committee reviewed the group's exposure to the Consumer Protection Act and Code of Advertising Standards Authority of South Africa as well as the update on the group's position regarding regulators and compliance.

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

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

Astral spent R6.122 million on the wellness programme during the past year and the return on investment was more than R39.9 million from inception of the programme. The programme has a huge motivational effect on our employees.

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

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

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

NEXT STEPS

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

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

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2017 financial year.

Taki Maumela
Social and Ethics Committee Chairman

15 November 2017

Sustainability REPORT

1. INTRODUCTION

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

2. RESPONSIBILITY FOR SUSTAINABLE DEVELOPMENT

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

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

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

2.1 Approach to data collection and reporting

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

Function	Responsibility
Chief Operating Officers and General Managers	Managing efficient operations, environmental controls, corporate social investment projects, components of social and labour plans and community engagement at operational level (See pages 78 to 109)
Company Secretary	Corporate governance, including all aspects related to the King IV Report (See pages 59 to 68)
Finance	Managing and providing advice on the company's finances, putting in place policies, procedures and systems to protect the company from fraud and corruption and ensuring economic sustainability (See pages 114 to 168)
Human Resources	Skills development, recruitment, transformation, protecting employee human rights, implementing the company's Wellness strategy (which includes the HIV/AIDS initiatives).

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

- monthly Health and Safety meetings;
- bi-monthly Corporate Risk Management meetings;
- quarterly Operational Risk Management meetings;
- three Audit and Risk Management meetings; and
- an annual Group Risk Management meeting.

2.2 Assurance

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

2.3 Governance, ethics and values

Governance, ethics and values are addressed in the corporate governance section of the report on pages 59 to 68. Financial compliance is assured through internal structures and controls and independent financial audit. We also have our own internal set of values and ethics which guide all our activities and relationships, both individual and corporate.

A copy of our Abridged Code of Ethics is available on our website, www.astralfoods.com.

2.4 Group risks

The major business risks that have been identified and which could have an impact on the group achieving its objectives are dealt with on page 43.

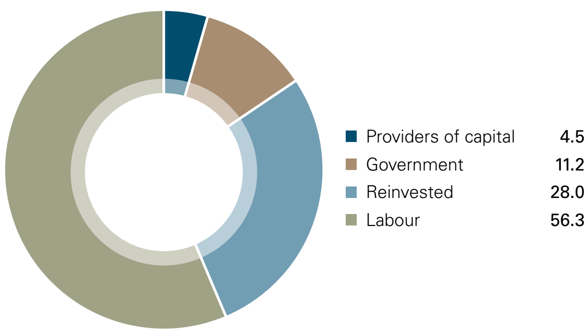
3. ECONOMIC SUSTAINABILITY PRACTICES

The distribution of economic value generated for stakeholders is reflected in the group's value added statement which is reflected below.

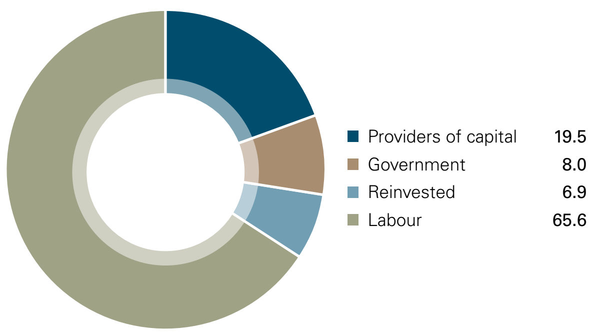
The value added statement measures performance in terms of value added by the group through the collective efforts of management employees and the providers of capital. The statement shows how value has been distributed to those contributing to its creation, and the portion retained for future investments.

	2017 R'000	%	2016 R'000	%
Value added				
Sales of goods and services	**12 351 125**		11 953 870	
Less cost of materials and services	**(9 516 407)**		(9 901 086)	
Value added from trading operations	**2 834 718**	**99.8**	2 052 785	99.7
Income from investments	**5 88**	**032**	5 219	0.3
Total value added	**2 839 806**	**100.0**	2 058 004	100.0
Value distributed				
To labour	**1 597 764**	**56.3**	1 350 330	65.6
To government	**318 469**	**11.2**	164 606	8.0
Tax	**308 709**		154 046	
Skills development levies	**9 760**		10 560	
To providers of capital	**128 368**	**4.5**	400 530	19.5
Dividends to shareholders	**108 441**		373 316	
Interest on borrowings	**19 927**		27 214	
Total distributions	**2 004 601**	**72.0**	1 915 466	93.1
Income retained in the business	**795 205**	**28.0**	142 538	6.9
Depreciation/Amortisation/Impairments	**148 733**		143 687	
Retained profit for the year	**646 472**		(1 149)	
Total value distributed and reinvested	**2 839 806**	**100.0**	2 058 004	100.0

2017



2016



Sustainability REPORT (continued)

3. ECONOMIC SUSTAINABILITY PRACTICES (continued)

	2017 %	2016 %
Revenue generated in South Africa	**97**	96
Net profit after tax generated in South Africa	**99**	100
Total taxes paid in South Africa	**97**	96

4. SOCIAL ASPECTS

Issues:

- Broad-based black economic empowerment (BBBEE)
- Equality
- Employees
  - Value creation
  - Health and safety
  - Employment equity
  - HIV/Aids
  - Training
  - Employee turnover and absenteeism
  - Human Rights
  - Workplace improvement programme

Broad-based black economic empowerment (BBBEE)

We support and are committed to the concept of broad-based black economic empowerment and actively promote the empowerment of staff members and the communities in which we operate. We have a 100% score on enterprise development, mainly as a result of our strategy to use contract growers with a Black ownership component. We also scored 100% in socio-economic development as a result of our wellness programme. Our rating improved to a Level BBBA, which is an improvement of 90% since our first rating.

Equality

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

Employees

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

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

	2017	
	AIC	**White**
Board (Non-executive directors)	**2**	**3**
Executive – F	**0**	**5**
Senior management – E	**9**	**40**
Middle management – D	**29**	**108**
Skilled upper/technical – C	**237**	**317**
Semi-skilled/apprentice/trainee – B	**1 536**	**177**
Labourers/unskilled – A	**4 989**	**6**
Total	**6 802**	**656**

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

Number of employees at the end of September – group

	Feed 2017	2016	Poultry 2017	2016	Other Africa 2017	2016	Corporate 2017	2016	Total 2017	2016
Permanent	**533**	557	**6 551**	6 550	**345**	566	**29**	24	**7 458**	7 697
Contract	**228**	118	**5 072**	4 735	**101**	7	**1**	0	**5 402**	4 860
Total	**761**	675	**11 623**	11 285	**446**	573	**30**	24	**12 860**	12 557

Group	**%**
Female employees	45.88
Workforce (employees and contractors operating in South Africa	96.00
Management (top and senior) who are deemed Historically Disadvantaged South Africans (HDSA)	0.12
Employees who are deemed HDSA	91.20
Permanent employees	57.99
Employees belonging to a Trade Union	34.31
Employee turnover (number of persons who departed relative to the total number of employees at year end)	3.10
Employees trained in South Africa	32.16
Training spend in South Africa	1.30
Total Person Days lost due to absenteeism	1.10
Total Person Days lost due to Industrial Action	0.00
Percentage of total CSI/SED spend in South Africa	100.00

Group	
Total number of Person Hours worked	20 942 064
Total number of employees trained including internal and external training interventions – skills development	2 399

Value creation for employees

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

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

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

A number of unions are represented in the company with a total membership of approximately 32% of bargaining units. The group experienced no strike action during the year.

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

Health and Safety

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

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

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

Sustainability REPORT (continued)

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

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

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

	Farming		Processing		Milling		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Number of fatalities	**0**	5	**0**	1	**0**	0	**0**	6
Number of first aid cases	**13**	28	**247**	79	**25**	14	**285**	121
Number of medical treatment cases	**0**	13	**87**	27	**4**	7	**91**	47
Number of disabling injuries	**64**	65	**182**	137	**24**	17	**270**	219
Number of recordable injuries	**77**	111	**516**	244	**53**	38	**646**	393
Injury frequency rate	**1.53**	2.04	**2.13**	2.71	**1.66**	2.44	**1.97**	2.12
Fatal Injury frequency rate	**0.00**	0.09	**0.00**	0.05	**0.00**	0	**0.00**	0.06
Total recordable injury frequency rate	**2.32**	2.93	**4.07**	2.96	**3.20**	2.72	**3.58**	2.98

Employment Equity

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

Wellness programme

Our first initiative was to focus on HIV/AIDS.

We recognise the implications of the pandemic on the family structure, the community and long-term issues of sustainability. The reality is that the prevalence of HIV/AIDS among our workforce is currently estimated to be about 72% overall. This figure was determined through a voluntary counselling and testing update.

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

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

A total of 70% of employees participated in the Wellness screening and 88% participated in voluntary counselling and testing.

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

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

During the past financial year Astral spent R6.122 million on this programme.

Training

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

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

During the past year there were 20 participants in the Middle Management Programme (MMP). Of these participants close to 55% were from the designated group.

Other training and development interventions that we focus on are:

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

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

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

Apart from the above initiatives, we spent R8.057 million on training and development of our employees.

Employee turnover and absenteeism

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

The employee turnover for this year was close to 3.10% on average for the group.

The absenteeism rate decreased from 1.20% (2013/2014) to 1.10% (2016/2017) which equates to a saving of R5.165 million per annum.

Human Rights

Human rights are central to our legitimacy and are addressed in our code of ethics, including:

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

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

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

"Tip-Offs anonymous" data	**2017**	2016
Number of calls received	**28**	48
Number of reports generated	**17**	42
Number of reports investigated	**17**	41
Number of convictions	**2**	4

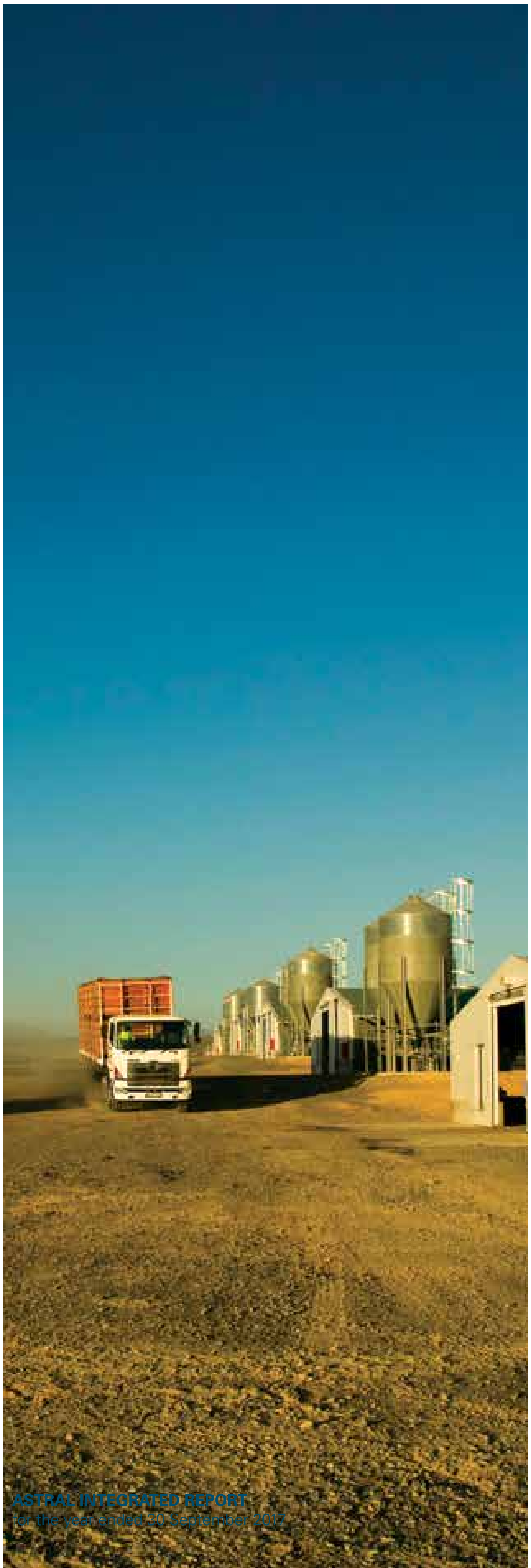
We apply a "zero tolerance" approach towards fraud and corruption and protect employees who raise concerns relating to fraud and corruption from victimisation.

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

Alleged offence	Number
Theft	1
Human resource infringements	13
Fraud	2
Unethical behaviour	1
Customer complaints	0

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

Sustainability REPORT (continued)



5. STAKEHOLDERS

Issues:

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

Stakeholder engagement

We believe that continuous, open and transparent communication with all stakeholders is essential to our legitimacy, core to our values and consistent with our sustainable value creation objective. Mutually beneficial outcomes are sought at all times.

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

STAKEHOLDERS	COMMUNICATION
Shareholders and other providers of capital	Website SENS announcements Trading updates Bi-annual results announcements Integrated annual report Investor relations Face-to-face meetings Site visits
Customers	Face-to-face meetings Regular discussions Advertising through local media
Local communities	Projects which form part of corporate social investment
Industry	South African Poultry Association Consumer Foods Council of South Africa South African Agricultural Processors Association Animal Feed Manufacturers Association
Staff and unions	Confidential hotline through "Tip-offs Anonymous" Bi-annual road shows Management and union meetings Internal newsletters and notice boards
Suppliers	Presentations to Procurement Committee Regular discussions
Government	Adhering to laws and regulations Face-to-face meetings

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

Presentations are made by the Chief Executive Officer to employees twice annually on the group's financial performance and future plans.

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

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

Product responsibility

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

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

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

Bird welfare

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

Genetics and nutrition

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

Health and product safety

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

Housing environment

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

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

Handling

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

Husbandry

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

Customers

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

Suppliers

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

Procurement Control

Service Provider Database

At Astral there are three types of service providers namely:

- local suppliers – Local service providers used at respective business units
- national suppliers – Service providers used by more than one business unit
- preferred national suppliers – National service providers appointed to supply all business units, specific products and services.

Supplier Vetting

Supplier vetting forms an integral part of our procurement function as the goal is to ensure reputable, reliable and value adding service providers are appointed to Astral's procurement database. In order to maintain independence, the supplier vetting function is outsourced to an external party.

Procurement of products and services relating to sustainability

Irresponsible procurement of products and services relating to sustainability can negatively affect the sustainability of a company. To mitigate such risk, extensive research and if possible, pilot projects are conducted to evaluate whether the project meets sustainable goals.

To promote uniformity in the procurement processes, reputable, reliable and value adding service providers, appointed to supply specific products and services, will serve as preferred national suppliers at Astral.

Preferential Procurement

The BEE scorecard is the key instrument used to direct preferential procurement activities and a BEE supplier database is maintained to ensure compliance. Existing suppliers are encouraged to improve BEE levels, and the search for value adding BEE compliant suppliers is an on-going process. The procurement strategy is in the process of being realigned to the amended BBBEE codes from preferential procurement to enterprise and supplier development.

The search for empowering suppliers with minimum 51% black ownership is a continuous process. These empowering suppliers are given opportunities to showcase their product offerings through conducting product trials at business units.

Suppliers that perform well at business unit level are given opportunities to expand within Astral. To comply with the amended BBBEE codes, empowering suppliers with 51% black ownership and 30% black female ownership will be given more preferential procurement opportunities.

Historically Disadvantaged South Africans (HDSA) Spend

1. **HDSA companies** – companies owned and controlled by HDSA – companies with 51% and more Black ownership.
2. **Discretionary procurement spend** – the sum of all spend on capital, consumables and services excluding inter-company, government, parastatals, municipalities, imported technology and material that is not available locally.

Discretionary Procurement Spend

1. **HDSA companies** – Companies owned and controlled by Historically Disadvantaged South Africans – Companies with 51% and more black ownership – See BEE certificate on www.astralfoods.com.
2. **Discretionary procurement spend** — Discretionary procurement spend is the sum of all spend on capital, consumables and services excluding inter company, government, parastatals, municipalities, imported technology and material that is not available locally.

Discretionary Procurement Spend (F2016/2017)

		Percentage of Spend with HDSA Companies	
No.	**Type of Procurement Categories**	**2017**	2016
1	Capital	**6.6%**	2.6%
2	Consumables	**6.8%**	6.7%
3	Services	**13.8%**	27.0%
	Total	**10.0%**	14.5%

Sustainability REPORT (continued)

Contract Growers

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

Contract growers are regarded as enterprise development on the BBBEE scorecard and an amount of R19 752 million has been spent in this regard.

CONTRACT GROWERS

	2017	2016
Total number of contract growers	**89**	89
Number of BBBEE contract growers	**18**	13

Packaging and ingredient suppliers

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

Research and development

Astral does not spend any funds on research and development of poultry breeding stock. We do however have a supply agreement in place with Aviagen Limited, a United Kingdom-based group for the supply of poultry breeding stock. Aviagen has the leading poultry breeding programme with an investment of over 10% of gross revenue in research and development annually. This investment is focused on gaining continuous product improvement and in delivering the genetic potential of the Ross 308 to our customers. The United States and United Kingdom facilities have introduced a number of "industry firsts" from the application of new technologies, advanced selection techniques and data analysis which have improved selection accuracy and genetic improvement. Aviagen has an established tradition of providing customers with the products and services to meet their current and future business needs. The product development programme is primarily focusing on adding performance improvements that are designed, with the support of several regional technical service teams, to maximise value to the customer. Data from the field suggests an improvement of 2 points in feed conversion and 0.2% increase in eviscerated yield is available to customers annually. To achieve this goal, Aviagen works closely with Astral's Ross Poultry Breeders division to identify the specific customer needs in the market. The constant improvement, the meticulous evaluation and the development of new products will enable Aviagen to remain at the forefront of the global poultry industry and together with Astral's Ross Poultry Breeders division, the supplier of choice for South Africa.

Membership of industry organisations

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

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

Employees

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

Presentations are made by the Chief Executive Officer to employees twice annually on the group's financial performance and future plans.

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

Regulators and compliance

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

	HACCP	FSSC 22000	RETAIL FSA	EXPORT	McDonalds	Spar Q Pro	YUM FSA	YUM QSA	NANDO'S	HALAAL
Festive	Exempted	Certified	Exempted	Approved	Approved	Exempted	Exempted	Approved	Approved	MJC
Goldi	Exempted	Certified	Exempted	Approved	Not required	Exempted	Exempted	Approved	Approved	MJC
Goldi Further Processing	Exempted	Certified	Exempted	Approved	Not required	Exempted	Not required	Not required	Approved	MJC
Mountain Valley	Exempted	Certified	Exempted	N/A	Not required	Exempted	Not required	Not required	Not required	SANHA
County Fair Hocroft	Exempted	Certified	Exempted	Approved	Approved	Exempted	Not required	Not required	Approved	MJC
County Fair Epping	Exempted	Certified	Exempted	N/A	Not required	Exempted	Not required	Not required	Not required	MJC

HACCP – Hazard Analysis and Critical Control Point Systems
FSSC – Certification Scheme for Food Safety Systems including ISO 22000; ISO/TS 22002-1: 2009 and additional FSSC 22000 requirements
FSA – Food Safety Management System
QSA – Quality Safety Management System
MJC – Muslim Judicial Council certified
SANHA – South African National Halaal Authority certified
Q Pro – Food Safety and Quality Audit certification
Exempted – If a facility is FSSC 22000 certified, they are exempted from majority of the audits as a result of this international standard being accepted by the industry

FEED DIVISION

	ISO 22000:2005	ISO 9001:2015	AFRI COMPLIANCE
Meadow			
Randfontein	✓	✓	✓
Delmas	–	✓	✓
Standerton	✓	✓	✓
Pietermaritzburg	✓	✓	✓
Paarl	✓	✓	✓
Port Elizabeth	–	✓	✓
Ladismith	–	✓	✓

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

Our combined assurance model includes management, internal and external assurance providers.

Management oversight:
Line management is accountable and responsible for the management of risk and performance. A key element of this activity is the extent of management reviews and the actions that follow such as, policies and procedures, delegation of authority, performance measurement, risk management and control self-assessment.

Risk and legal bases:
Corporate functions provide support to line management in executing assurance duties. These include functions such as human resources, procurement, compliance, risk management, quality assurance, health and safety, engineering, forensic (fraud risk management), insurance and actuaries.

Sustainability REPORT (continued)

Independent assurance
Internal audit, external audit and the independent providers compliance service providers.

Community

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

Corporate social investment

The Wellness Programme is an initiative in corporate social investment ("CSI") and benefits not only our employees but extends into the broader community.

The Rand value of CSI expenditure can be summarised as follows:

	2017 R'000	2016 R'000
Education	**5 370**	2 875
Skills development, including adult basic education	**8 057**	6 059
Health, including HIV/AIDS	**6 122**	9 776
Basic needs and social development, including nutrition and/or feeding schemes	**1 453**	873
Enterprise development	**19 752**	36 400
Infrastructure development		
Other		273
Total	**40 754**	56 255

The nature of the business demands of Astral to consider its responsibilities toward the communities that we serve in a serious light and this is clearly illustrated in the R40.754 million spent by Astral in F2017 (F2016: R56.255 million). We have endeavoured to touch as many lives as possible through our CSI initiatives in 2017 and this is illustrated through the following CSI projects:

1. Astral continues to support the Cancer.vive initiatives namely the Cancer.vive Ride and the Astral Cargill Cancer.vive Golf Classic.
2. Meadow Feeds again extended a helping hand to our farmers in F2017 through the contribution of approximately R428 542 toward drought relief, Knysna fire relief initiatives and animal feed donations. Animal feed donations to the value of R51 988 were made by Meadow Feed toward the NSPCSA in 2017. Astral is further committed to transformation and in light of this Astral has donated R155 771 in animal feed toward the KwaZulu-Natal Poultry Institute (KZNPI), which feed was further used in assisting the institute in the training of emerging farmers.
3. Meadow Feeds and its employees further supported the following organisations and charities through the donation of feed, money or other consumables:
   - Nkosi Haven
   - Sithabile Orphanage
   - CHOC
   - Grain Care Trust
   - Hkatikula
   - St Laurence Haven
   - People Living with Cancer
   - Waterval Boere Vereniging
   - Volkskool Skoolfonds
   - Thandi House
   - South African Police Services
   - Tom Ro Haven
   - Sunshine Coast Charity Trust
   - Maranatha
   - Knysna Fire Relief Initiative
   - Thandusana Baby Safe Home
   - Buhle
   - Wetnose
   - Funda Nenja

4. Meadow Feeds Eastern Cape (Pty) Ltd has been the primary sponsor of the Nanaga Mountain Bike Trail, which initiative raises funds for the Sunshine Coast Charity Trust. The funds raised in this initiative are allocated toward feeding schemes at various rural schools, funding learners, providing school uniforms and books as well as other upliftment programmes.
5. Festive has contributed both product and funds toward the following charities and sporting events: South African Police Services, Cancer.vive, CHOC, Laerskool Delmas, Laerskool Rapportryer, Santa Shoe Box Project and Pink Trees for Pauline.
6. Goldi supported a large number of charities and organisations in 2017 with contributions of food and funding. The institutions that benefited from donations and assistance given by Goldi included Early Bird School, Hildebrand Kinderhuis Volksrust and Vrystaat Versorging in Aksie.

Enterprise Development

Astral has in 2017 invested R19.752 million in enterprise development initiatives aimed at developing and empowering emerging farmers through training and development initiatives, preferred procurement and capital investment.

6. ENVIRONMENT

At the Paris climate conference (COP21) in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal. The agreement set out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2 degrees Celsius. The agreement is due to come into force in 2020. In Southern Africa, the Intergovernmental Panel on Climate Change (IPCC) is confident that the overall net impact of climate change on water resources and freshwater ecosystems will be negative due to diminished quantity and quality of available water.

South Africa calls for enhancement of mitigation ambition in accordance with the provisions and principles of the Convention with a view to achieving the below 2 degrees Celsius target. Proactive sustainability measures are required by businesses in South Africa to mitigate business risk, posed by cash strapped Eskom and the ailing electricity infrastructure, predominantly in control by municipalities. The water crisis in South Africa, particularly in Cape Town is not a temporary phenomenon as the widespread changes in weather patterns is associated with global warming.

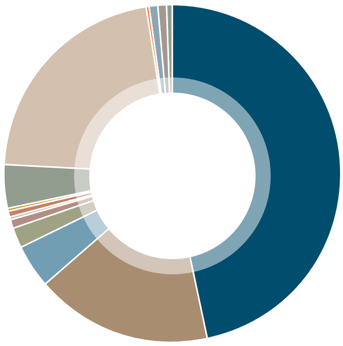
Sustainability REPORT (continued)

Astral acknowledges that its responsibility to the environment extends beyond legal and regulatory requirements and understands, ***business sustainability is about doing all that is sustainably necessary in the short-to-medium-term in return for a sustainable business in the long term***. In this regard, Astral established a sustainability committee, predominantly comprising of executive management to mitigate and adapt to the risks and opportunities associated with sustainability.

Environment Impact Assessment (EIA)

In 2011, we commissioned Global Carbon Exchange (GCX) to conduct a carbon footprint analysis of our operations.

Astral total emissions by source (Oct 09 to Sept 10):



Electricity	46.77	Paper use	0.04
Outsourced Distribution	16.88	Mobile fuels	4.27
Waste (offsite)	4.29	Sanitary fuels	21.70
Packaging Materials	1.87	Fugitive Emissions (Kyoto gases)	0.08
Water (Embedded CO_2e)	0.77	Solid Waste (onsite)	0.04
Methane missions from poultry manure (offsite)	0.53	Waste water	0.83
Contracted Employee Buses	0.47	Emissions from Poultry Manure (onsite)	0.94
Manure Removal	0.09	Fugitive Emissions (non-Kyoto gases)	0.34
Business Travel	0.10		

TOTAL 508 783.36 Tonnes CO_2e

Key findings for Scope 1 and 2 emissions:

- scope 1 emissions accounted for 141 684 tonnes CO_2e, or 28% of total measured emissions. Stationary and mobile fuels were the major contributors
- coal and LPG were identified as the major CO_2e contributors to stationary fuels
- diesel was identified as the major CO_2e contributor to mobile fuels
- scope 2 emissions accounted for 237 954 tonnes CO_2e, or 47% of total measured emissions
- electricity contributed to all of scope 2 emissions

The understanding that risks associated with sustainability can impact the long-term survival of a company is embedded at Astral. Hence, a holistic approach to risk and sustainability is adopted.

Included in the strategic action plans, sustainability matters pertaining to risk and opportunity are identified and an executive team leader is appointed to manage these issues. The executive committee meets at least twice a year and progress on strategic plans is presented by team leaders to the executive committee.

In support of meeting sustainable development goals, the following teams are in place at Astral:

The *Sustainability Investigation Team* – This team works closely with service providers and business units to find workable sustainable solutions that are aligned to our vision and sustainable goals.

The *Sustainability Committee* – Included in the sustainability committee are the members of the sustainability investigation team as well as the following senior executive team members:

- Managing Director: Commercial Division – Andy Crocker
- Managing Director: Agriculture – Gary Arnold
- Managing Director: Feed Division – Michael Schmitz
- Director: Risk Management – Evert Potgieter

The purpose of the Sustainability Committee is defined as follows:

- facilitation of sustainability project proposals
- coordination and consolidation of all sustainability projects
- review of projects
- evaluation and selection of viable projects
- presentation of viable projects to the Astral Executive Committee for approval
- provide assistance to business units regarding potential projects

Environmental sustainability vision

To drive sustainability through the implementation of innovative, sustainable and value adding proven solutions.

Environmental sustainability mission

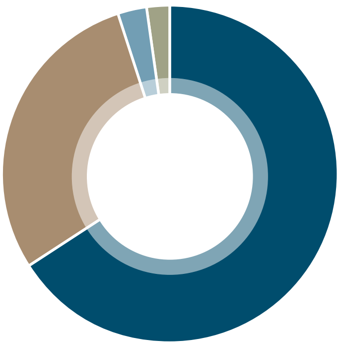
Through participative management, innovative and sustainable solutions will be investigated and value adding proven solutions will be implemented.

Significant environmental aspects

The following environmental aspects were identified as significant through the carbon footprint analysis conducted by Global Carbon Exchange (GCX) in 2011:

Scope 1 emissions – Coal
Scope 1 emissions – LPG
Scope 1 emissions – Diesel
Scope 2 emissions – Electricity

Significant environmental aspects – Carbon Emissions for F2017



	%	CO_2e
Electricity	66	303 991
Coal	29	134 120
LPG	3	14 717
Diesel	2	8 581

The significant environmental aspects carbon emissions for F2017 are at 461 410 tonnes CO_2e. Electricity accounts for 66% of the significant environmental aspects carbon emissions, followed by coal at 29%.

Objective and Targets

Objective

To reduce carbon emissions on significant environmental aspects through the implementation of innovative proven sustainable solutions in the medium- to long-term.

Sustainability REPORT (continued)

Targets

Significant environmental aspects carbon emissions reduction target for F2018:

No.	Significant Environmental Aspects	F2018 – Carbon Emissions Savings Target (tCO_2e)
1	Electricity	1 732
2	LPG	0
3	Diesel	0
4	Coal	209
	Total	1 941

The following targets are also set for F2018:

No.	Environmental Aspects	UOM	F2018 Savings Target
1	Packaging Material Recycled	Tons	567
2	Water – Conservation and Efficiency Improvements	kl	2 928
3	Water Recycled	kl	414 577

Process Outline

Each business unit is responsible to meet its environmental targets and interacts with other business units and stakeholders to search for innovative sustainable solutions.

The sustainability investigation team assists business units to find innovative sustainable solutions towards meeting targets.

To mitigate risk, business units are encouraged to implement proven sustainable solutions that have been tried and tested within the Astral group.

At year end, business units set environmental targets for the following year.

Included in the annual environmental sustainability report is a report back on environmental targets and an action plan on sustainability progress.

Responsibilities

The Chief Operating Officer is responsible for environmental sustainability at each business unit.

The Financial Manager is responsible for the reporting of sustainability data on Finnivo, an internal accounting reporting programme.

Sustainability Data

Environmental Aspects	2017 – Actual	2018 – Target	Change
Stationary Fuels			
Coal (GJ)	**1 330 966**	1 305 954	(25 012)
Coal saved due to conservation and efficiency improvements (GJ)	**41 392**	4 056	(37 336)
LPG (GJ)	**228 676**	314 053	85 377
LPG saved due to conservation and efficiency improvements (GJ)	**–**	–	–
Mobile Fuels			
Diesel (GJ)	**117 033**	142 582	25 549
Biofuel (GJ)	**–**	–	–
Diesel saved due to conservation and efficiency improvements (GJ)	**–**	–	–
Energy			
Electricity (GJ)	**1 100 974**	1 137 139	36 165
Energy saved due to conservation and efficiency improvements (GJ)	**5 828**	6 235	407
Water			
Water consumption (kl)	**5 644 400**	5 825 552	181 152
From boreholes (kl)	**988 434**	1 293 427	304 993
From municipal sources (kl)	**4 655 966**	4 532 125	(123 841)
Water saved due to conservation and efficiency improvements (kl)	**2 704**	2 928	224
Recycled Water (kl)	**82 043**	414 577	332 534
Recycled water as a percentage of total water	**1%**	7%	6%
Materials			
Packaging Material (tons)	**12 208**	12 457	249
Recycled – Packaging material recycled (tons)	**422**	567	145
Effluents and Waste			
Waste to landfill (tons)	**13 218**	14 265	1 047
Hazardous waste disposed (tons)	**72**	56	(16)
Water discharged (kl)	**3 455 526**	3 574 426	118 900
Litter (m^3)	**466 582**	474 684	8 102
Number of significant spills	**–**	–	–
Recycled- Litter (m^3)	**463 786**	471 128	7 342
Recycled waste as a percentage of total waste	**97%**	96%	(1%)
Other			
Number of environmental non-compliance prosecution and fines	**–**	–	–

Implementation Plan

Sustainability projects implemented are aligned with Astral's vision and strategic goals. Operational action plans are aligned with strategic action plans and through participative management practices, strategic goals are realised.

Business units and various stakeholders work closely together to implement projects and strategic alliances with key stakeholders. Working with the NCPC-SA for example is invaluable to the sustainability journey.

Sustainability REPORT (continued)

No.	Name of Business Unit	Astral Energy Management Team (EnMS) Implementation	Name of Energy Champions	EnMS Project Status
1	Meadow Feeds Pietermaritzburg	Industrial Energy Efficiency	Malcolm Pickard	Project completed – October 2016
2	Mountain Valley	Training Programme – BU as Host Plant	Keith Elleker	Project terminated in November 2016. Energy champion unable to cope with course and plant workload
3	Goldi	Industrial Energy Efficiency	Allen Duncan	Project was temporary placed on hold. Project to continue at Goldi in November 2017
4	Meadow Feeds Randfontein	Training Programme – BU as Host Plant	Shaveer Chathury	The energy champion wrote the energy expert examination on 30 October 2017
5	Festive	Training Programme – BU as Host Plant	Sakkie De Wet Marais	The energy champion wrote the energy expert examination on 30 October 2017
6	Meadow Feeds Paarl	Training Programme – BU as Host Plant	Cobus Buckle	The energy champion to write the energy expert examination in November/December 2017
7	County Fair	Industrial Energy Efficiency	Gerrit Visser	Project completed in March 2017

Without Energy Management Systems (EnMS), sustainable energy efficiency will not be achieved. Through participating in the following energy management projects, Astral will acquire the relevant energy management expertise required to maintain a sustainable business:

Industrial Energy Efficiency Project

The main purpose of the industrial efficiency project, hosted by the NCPC-SA aims at providing technical assistance to industries in using energy management systems techniques as tools to achieve sustained energy efficiency. The above Energy Management Systems (EnMS) progress report provides a status update on the Industrial Energy Efficiency projects at Astral.

Training Programme – Business Unit as Host Plant

The NCPC-SA offers experiential learning opportunities in sustainability, resource efficiency and cleaner production methodologies to industry through its various Expert Level Training Programmes, by partnering with particular organisations who volunteer as Host Plants for these training programmes. A suitably qualified employee of the participating company is trained by the Council of Scientific and Industrial Research (CSIR) on the end user training. The above Energy Management Systems (EnMS) progress report provides a status update on the Energy Expert training programme at Astral.

The Energy Expert training is a 12-month programme and the energy champions that pass the qualifying examination in October 2017 will be certified as energy experts.

Astral Energy Management Team

No.	Name of Business Unit	Energy Management System (EnMS) Implementation Training	Name of Energy Champions
1	Mountain Valley	✓	Keith Elleker
2	National Chicks		David Stock
3	Meadow Feeds Pietermaritzburg	✓	Malcolm Pickard
4	Goldi	✓	Allen Duncan/Goliath Muleya
5	Meadow Feds Standerton		Wolfgang Stuckler/Boysie Naidoo
6	Meadow Feeds Delmas		Phillip Henry
7	Meadow Feeds Randfontien	✓	Shaveer Chathury
8	Cal		Jacky Felix
9	Ross Poultry Breeders		Dave Kraitzick
10	Festive	✓	Albie uller/Sakkie De Wet Marais
11	Meadow Feeds PE	✓	Ernest Swanepoel
12	Meadow Feeds Paarl	✓	Tiaan Auret/Cobus Buckle
13	Meadow Feeds Ladismith		Jonny Grundling
14	County Fair		Gerrit Visser

The Astral Energy Management team works closely with various stakeholders, business units and the sustainability investigation team to implement sustainable projects at business units.

Sustainability Investigation Team

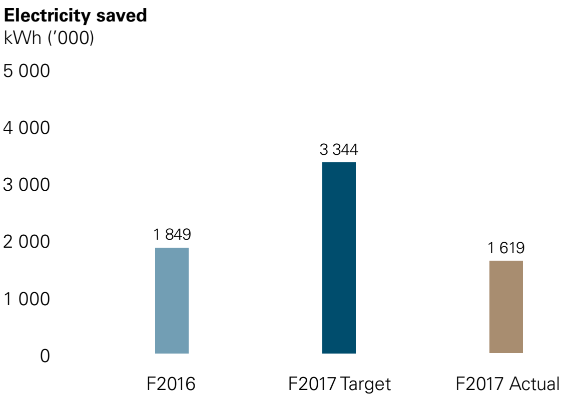
The purpose of the sustainability team is to work with business units, service providers and other stakeholders to find workable sustainable solutions to propose to the sustainability committee to evaluate before projects are presented to the Astral Executive Committee for approval. The following members of the sustainability investigation team are also members of the sustainability committee:

Anil Rambally – Purchasing and Sustainability Executive
Gerrit Visser – National Processing Executive
Andries Steyn – Manager: Integrated Poultry Planning

Sustainability REPORT (continued)

Action Plans

Electricity Savings Analysis



Electricity saved in F2017 is at 1 619 kWh'000 versus the F2017 target of 3 344 kWh'000 and prior year of 1 849 kWh'000, a decrease of 12.44% in comparison to prior year.

Energy savings were achieved through the implementation of the following projects:

- Implementation of Energy Management Systems (EnMS)
- Installation of energy efficient lighting
- Behavioural changes – Driven by energy efficiency awareness programmes at business units.

Replace Coal with Light Straight Run (LSR) at Mountain Valley

In F2016, the trial project to replace coal with Liquid Petroleum Gas (LPG) to heat water at Mountain Valley did not materialise, since Sasol repudiated the County Fair bulk supply agreement due to the shortage of LPG in South Africa. However, an agreement was reached with Sasol to replace coal with Light Straight Run (LSR), an innovative liquid fuel.

The LSR project was commissioned in May 2017.

Based on a preliminary case study, the benefits below are achieved:

- the LSR project meets environmental regulatory compliance
- the LSR project complies to the facility requirements as stated in the Meat Safety Act (Act No. 40 of 2000)
- a high margin product, namely Clean Feet was re-introduced to the production mix at Mountain Valley as a result of an efficient energy supply to the abattoir
- the energy efficient Limpsfield burner maintains the required pre-set hot water temperature to run operations at the abattoir
- LSR has a higher calorific value and is less carbon intensive than coal

The sustainability investigation team believes there is opportunity to investigate the use of LSR within the group. Coal is predominantly used as an energy source to heat water or produce steam at business units.

Trial project - Investigate replacing incandescent lights with light-emitting diode (LED) lights at County Fair

In the past a number of trial projects were conducted to find a LED lighting solution to replace incandescent lights at the farms but to no avail. In March 2017 after extensive trials, all concerned parties are satisfied with the Sunbird LED lighting solution.

Depicted in the photograph above is a 5 watt LED lighting solution on trial at County Fair, aimed at replacing 60 watt incandescent lights.

The Chief Operating Officer of National Chicks, David Stock, was instrumental in driving the above project from inception and continues to fully support the project.

In order to extend the LED lighting energy efficient investigation, our preferred national supplier was given an opportunity to work with the relevant personnel at County Fair Hocroft and Meadow Feeds Paarl to find energy efficient lighting solutions.

Resource Efficiency and Cleaner Production (RECP) project feedback

Below is the Resource Efficiency and Cleaner Production (RECP) progress report embarked with the National Cleaner Production Centre South Africa (NCPC-SA) in F2014:

ASTRAL/NPC – SUSTAINABILITY PROJECT STATUS SUMMARY

No.	Division	Name of BU	Resource – opportunity identified	Projected cost savings (R/year)	Projected annual resource savings	Date implemented	Comments
NC001	Poultry	National Chicks – Hatchery (KZN)	Waste heat recovery from compressor	R43 500	4 150 litres of paraffin		Cost ± R270 000 – Capex – Not budgeted
NC002			Solar energy for water	R9 250	7 650kWh	Done	Implemented – F2015
NC003			Power Factor Correction	R59 100	636kVa of maximum demand	Done	Implemented – F2016
NC004			VSD on air compressor	R21 000	14 400kWh		Capex – Not budgeted
NC005			Fixing compressed air leads	R18 300	15 100kWh	Done	Implemented ± F2015
MV001	Poultry	Mountain Valley	Replace geysers/water heater with heat pumps	R59 500	Cost – 109 tons, 116 000kWh	May 2017	Implemented in May 2017, Cost boiler replaced with Lipsfield Burner LSR Project
MV002			Pumps efficiency improvement	R30 950	46 400kWh		To investigate further in F2018
MV003			VSD on air compressor	R14 750	22 100kWh	November 2014	Implemented – November 2014
MV004			Electronic condensafe drain trap	R1 500	2 250KWh	October 2014	Implemented – October 2014
MV005			Variable head pressure on condenser	R128 000	192 000kWh	July 2014	Implemented – July 2014
MP 001	Feed	Meadow Feeds Pietermaritzburg	Improve boiler efficiency	R416 850	397 tons of coal		Capex budget not approved – To be reconsidered in F2019
MP002			Resizing of fans	R57 700	65 500kWh	Ongoing	Spot filters are being installed in a phased approach and Capex submitted for approval F2018
MP003			VSD on palleting fans	R206 700	1 045 tons of steam	June 2015	Implemented – June 2015 (Project complete)
MP004			Stopping compressed air leaks	R10 940	12 428kWh	August 2014	Repaired leaks in August 2014 – ongoing
MP005			Stopping steam leaks	R67 250	340 tons of steam	August 2014	Repaired leaks in August 2014 – ongoing

Alternate Energy Solutions

Beneficiation of Waste Project at Festive

The beneficiation of waste champion, Andries Steyn, is in negotiations with a supplier of a beneficiation of waste project at Festive. The supplier has plans to construct a Central Thermal Plant in Industry Road, Olifantsfontein on the premises opposite Festive.

The plan is for waste water and condemned organic waste to be transferred from Festive to the Central Thermal Plant in exchange for treated water and steam. The treated water will be reused in production and an 8 Megawatt Turbine will be used to convert steam into electricity at Festive. In addition, the waste heat from the turbine will be recycled to reduce thermal energy usage at the abattoir.

The project is in the final negotiation stages and the supply agreement will be available for review in November 2017.

Solar Water Heating and Solar Photovoltaic Systems

Solar Water Heating

In September 2017, an agreement was reached with a supplier to conduct a solar water heater trial project at Ross Poultry Breeders in KwaZulu-Natal. This supplier manufactures solar water heaters in South Africa and has been in operation in Africa since 1978.

The 500 litre solar water heater trial project will be implemented at Ross Poultry Breeders in KwaZulu-Natal in November 2017.

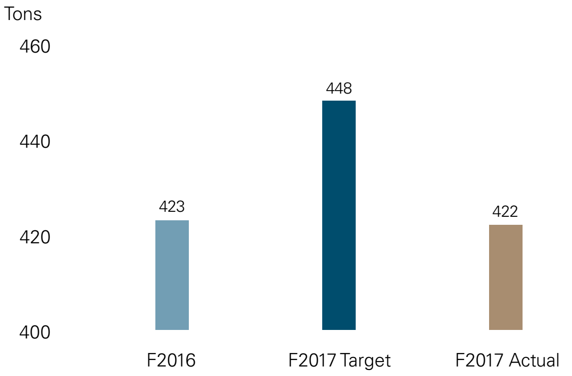
Sustainability REPORT (continued)

Solar Photovoltaic Systems

The Sustainability Committee took a decision in August 2017 to find a solar photovoltaic energy solution for the administration offices at Festive in Olifantsfontein, Gauteng.

An analysis of the solar proposals was performed and will be discussed at the next Sustainability Committee meeting.

Recycling of Waste



Packaging material recycled in F2017 is at 422 tons versus the F2017 target of 448 tons and prior year of 423 tons, a decrease of 0.24% in comparison to prior year. The waste plastic recycling project at Festive was delayed due to contamination but implementation is expected in October 2017.

Waste Recycling Project

The Festive team set a zero to landfill goal, ensuring compliance to environmental legislative requirements. Effective 1 October 2016, Festive partnered with Oricol Environmental Services, a company with a triple multi-site certification. The overall strategy of Oricol Environmental Services is SHEQ excellence and turning waste into a resource.

In F2017 various recycling projects were conducted, resulting in 7 554 tonnes of waste diverted from landfill sites. Through the use of seal domed skips, 3 777 tonnes of organic waste was diverted to Bio2watt, a waste to energy plant in Bronkhorstspruit, Gauteng.

Approximately 40 to 50 tonnes of contaminated waste plastic per month is dumped at landfill sites. In October 2017, Festive embarked on a waste recycling trial project to wash and bale the contaminated waste plastic onsite, for delivery to waste recyclers.

Water Management

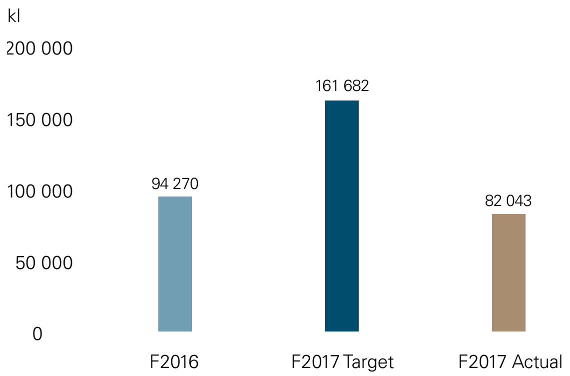
Water Security

Due to the impact of climate change, Cape Town has recently adopted a water security strategy called the New Normal where reliability of water supplies will not be solely dependent on rainfall filling dams. In the New Normal, Cape Town has changed its relationship with water as a scarce resource and augments water supplies with alternative non-surface sources.

In F2017 County Fair, aligned with the vision above, partnered with Proxa and designed a 2.8 million litre per day tertiary water treatment plant for the second largest poultry processing facility at Astral, County Fair Hocroft. The water treatment plant utilises Proxa's Aquamobile ultrafiltration and reverse osmosis technologies to provide County Fair with potable water for re-use in production.

The key sustainability achievement of this project, according to Gerrit Visser, our water security team leader, is the addition of two million litres of potable water to the municipal grid. The project has been implemented at a time when Cape Town faces the worst drought in 100 years.

The reverse osmosis water treatment plant was commissioned in October 2017.



Water recycled in F2017 is at 82 043 kl versus the F2017 target of 161 682 kl and prior year of 94 270 kl, a decrease of 12.97% in comparison with the prior year.

Procedures

The procurement of sustainable solutions is governed by the financial and procurement policies and procedures in place at each business unit.

Sustainable projects of a capital nature are governed by our financial policy. The approvals framework is adhered to, before projects are submitted to the board for authorisation.

Each business unit is responsible to report sustainability data on Finnivo, an internal accounting reporting programme.

At year end, the Purchasing and Sustainability Executive consolidates the sustainability data and compiles the annual environmental sustainability report. Thereafter, the report is submitted to the Company Secretary and Chief Financial Officer.

The Astral environmental sustainability report is included in the Integrated Report. The Astral Integrated Report is available online for public viewing at www.astralfoods.com.

SECURING WATER FOR FUTURE PRODUCTION IN THE WESTERN CAPE

PROJECT DESCRIPTION

A tertiary water treatment system, which recovers factory effluent for re-use.

INTRODUCTION

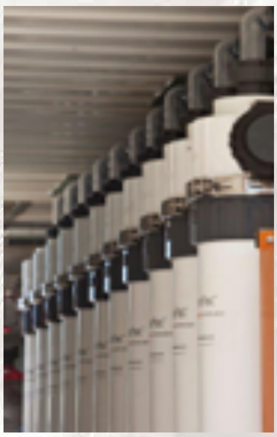
County Fair Hocroft, is the second largest poultry processing facility in the group. With the current critical water situation in the Western Cape, County Fair was looking into sustainable innovative methods to secure water for future production and dramatically reduce overall water consumption and dependability on municipal water supplies. County Fair engaged with PROXA, a water treatment company whose services cover the entire water cycle, from consulting to design, research and development, engineering and construction.

BACKGROUND

The primary processing facility near Fisantekraal in the Western Cape commissioned a wetland (reed bed) system in 2010. This system treats all the factory effluent, i.e. 3 mega litres of water per day, to irrigation standards. It is this water which is now being utilised as the in-feed water to the "PROXA system" where it is cleaned to potable water standards for re-use.

THE SOLUTION

Within 15 weeks – from design to operation – PROXA produced a tertiary water treatment system with a capacity of 2.8 million litres of water per day. It is a modular system which can be easily expanded. The solution utilises ultra-filtration and reverse osmosis technologies to provide potable water for re-use within production. The treated water quality comfortably adheres to the South African potable water standards (SANS 241-1:2015).



Ultra Filtration System

Reverse Osmosis System

Sustainability REPORT (continued)

PROJECT CHALLENGE

The challenge facing desalination processes is the production of a concentrated reject salt stream, commonly known as brine. Without a viable sink for this saline water stream, disposal costs can render this technology unattractive from both an economic and environmental perspective. The challenge therefore was to find an innovative solution to brine disposal.

PROXA therefore proposed disinfecting and controlling the brine salt concentration to such a level that it could be used in alternative applications with zero effluent generated.

TRIAL PERIOD

The project was approved on a six month trial period. During this period the Primary processing facility aims at reducing municipal intake by one million litres per day and verifying that the disinfected brine stream is fit for broiler consumption.

INNOVATION

This secondary water treatment system is the first process of its kind to produce re-useable quality water in conjunction with a disinfected concentrated salt stream fit for animal consumption. This project was executed amidst the worst drought in 100 years in the Cape region.

AND THE WINNERS ARE...

Last year during our HIV campaign "Know Your Status" employees who had their HIV tests done were entered into a draw for a cellphone and we are proud to announce the lucky winners...

CALL US!
WE CAN HELP YOU...

Call 0860 77 3333
Send an SMS to 40641
Send a 'please call me' to 083 775 9308
Email healthlink@kaelo.co.za
www.kaelo.co.za
Standard SMS and call rates apply

ASTRAL HEALTH LINK
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CHOC COWS

Meadow Feeds has continued to support the Choc Cows in the fund raising for Choc. The Cows support the Choc Houses that are homes away from home for the children receiving cancer treatment who need to have daily treatment but aren't hospitalised. One of Cows major fund raising efforts was the 94.7 cycle race in 2016. Meadow Feeds sponsored an ice cream bike and had Meadow Feeds cyclists dressed in cow cycling kit pulling the 60kg bike. Louis Vermaas from the Poultry Division agreed to cycle the route TWICE to raise funds. Meadow Feeds and Festive had a joint water point at the top of a killer hill for those pulling the 60 kg ice cream bike. More than R100 000 was raised for Choc by donations for the ice-cream bike and riders and the double lap that Louis cycled. Meadow Feeds also donates chicken monthly to the Choc houses in Diepkloof, Saxonwold, Pretoria and Pietermaritzburg.

DROUGHT

The ongoing drought has been a disaster for many farmers and Meadow Feeds Paarl was happy to respond to the call for help from the Plettenberg Bay Farmers Association. Meadow Feeds, with the assistance of Barloworld, delivered 750 bags of feed which was distributed to both established and emerging farmers.

Meadow Feeds Paarl responded to the request from Danie Jacobs of Agri Namakwaland to assist the drought stricken farmers in the Northern Cape. A total of 35 tons of Droogtekorrels and Herbivore Sweetfeed was delivered to Springbok. Farmers from the Boesmanland, Sandveld, Kamieskroon and Gamoep regions came to Springbok to collect the feed which was distributed by James Berry, Chief Operating Officer of Meadow Feeds Cape Region and his staff. The farmers received a quota dependent on the number of animals on their farms.

TORNADO

Meadow Feeds Delmas responded to the need in their community when hit by the tornado on 2 October 2017. Feed and groceries were donated to the responders to assist the people living in the area.

Upliftment

Meadow Feeds continues to sponsor feed to the KwaZulu-Natal Poultry Institute (KZNPI) which runs training programmes for commercial farmers and their staff. They also train emerging poultry farmers on the correct way to farm chickens.

Meadow Feeds Delmas sponsored the poultry feed to Buhle Farmers Academy, a Section 21 company. Buhle runs poultry courses for emerging farmers on best farming practices. Delmas also sponsors one ton of feed monthly to the Wetnose Project. Wetnose is an animal rehabilitation centre in the Delmas area.

Meadow Feeds Port Elizabeth sponsored R75 000 in feed to the Sunshine Coast MTB race. The farmers purchased the feed from the Sunshine Charity Trust which uses the funds raised to run the Sunshine Coast community school.

MEADOW 75 SINCE 1942

More than just feed

SANTA SHOE BOX DECEMBER 2017

The staff from Meadow Feeds Clearwater, Delmas, Randfontein, Central Analytical Laboratories and Festive made up 130 Santa shoe boxes for Nkosi's Haven and Sithabile Children's home. Meadow Feeds arranged a Christmas party for the children and donated a trampoline to Sithabile. Central Analytical Laboratories and Meadow Feeds donated balls, sports items and sweets for the party and chicken for Christmas Day. Meadow Feeds Standerton provided Santa shoes boxes for the Goldi School. Thandi House were happy to receive the Santa shoeboxes made for them by the staff at Meadow Feeds Pietermaritzburg.

KNYSNA FIRE DISASTER

The fires that swept through Knysna and the surrounding areas destroyed homes and grazing in the community. Meadow Feeds Clearwater responded to the request for help and donated over 100 shirts to those who had lost all their belongings. Meadow Feeds Randfontein and Port Elizabeth donated 240 bags of feed to the NSPCA. Grain Carriers kindly agreed to transport the feed from Port Elizabeth to the Knysna area where it was distributed by the NSPCA.

Meadow Feeds Randfontein and Pietermaritzburg continued to assist the NSPCA with over 60-plus bags of Herbivore Sweetfeed for their donkey upliftment project which they are running in Pietermaritzburg and Gauteng.

Sustainability REPORT (continued)

KAELO WELLNESS PROGRAMME

ASTRAL HEALTH LINK EMPLOYEE WELLNESS PROGRAMME

Over eight years ago, Astral Foods identified several health concerns across the workforce relating to employees whose illnesses were impacting their quality of life as well as absenteeism, staff morale and productivity. In an effort to provide professional and confidential health services to employees, Astral employed the services of **KaeloXelus**, a leading health and wellness group.

Initially, the focus was on assisting employees sporadically with health problems such as HIV/AIDS and chronic illnesses relating to high blood pressure, high cholesterol, high blood sugar, weight problems and obesity.

As the benefits and the positive impact of the corporate wellness programme became evident, the programme was expanded and on-site services were introduced. Since its inception in 2009, the **Astral Health Link** programme now has an extensive and far-reaching scope.

Patient Management programmes include on-site clinics, on-site nursing teams and targeted wellness days aimed at providing education, testing and healthcare. Free and unlimited telephone counselling and regular contact with Patient Managers to assist employees with treatment plans are also provided, along with monthly newsletters, health education information and posters.

The programme enables Astral to assess and identify the current health status of its employees and we continue to introduce workplace strategies that address key risks and treat prevalent diseases.

Health improvement, disease management and treatment adherence to diseases such as HIV/AIDS has meant that Astral now benefits from a healthier workforce. Our "*doing well by doing good*" motto has evolved to reflect a business culture that now values and promotes healthier and happier employees, healthier and happier families and healthier and happier communities.

Employee participation in the **Astral Health Link** programme remains good and uptake has been excellent. Astral is proud to say that the company now has one of the most comprehensive and successful health screening and wellness programmes in the industry.

Regular assessment, rapid response, targeted interventions, regular follow-ups and monthly reporting enable Astral management to keep their fingers on the pulse of the workforce's health status. From a personal perspective, the programme enables employees, especially breadwinners, to manage their health proactively and to remain healthy and productive. Staff are assisted with on-site services including medical testing, counselling and the provision of medication such as antiretroviral treatment and multi-vitamins.

From a business perspective, the Astral Health Link wellness programme enables Astral to mitigate risks of workforce absenteeism and poor productivity and to ensure a positive return on investment.

The extended value of proactive disease management and support for employees and their dependants also has a positive socio-economic impact on the communities in which we work and serve.

Key Services:

On-site clinics: Teams of nursing professionals provide emergency medical care, chronic disease treatment, medication, primary healthcare services and occupational health and safety medicals.

Compliance: On-site services, checks and audits ensure compliance with regulations such as *The Occupational Health and Safety Act, the National Health Act, the Meat Safety Act* and relevant food handling and poultry guidelines. Given the accessibility and professional management of on-site health facilities, Astral has a very high compliance rate with medical examination targets, record keeping and storage and dispensing regimens for medication.

Health Overview

- Since inception and up until the end of September 2017, 52 641 full wellness screenings have taken place
- Over 70% of all permanent employees have had wellness screenings, and, in 2016, 7 999 employees (permanent, contractors and casuals) underwent wellness screenings
- Since inception and up until the end of September 2017, 41 847 HIV Counselling and Testing (HCT) screenings have been done
- In 2016, over 5 802 employees were screened for HCT; 88% of employees doing a wellness screening opt to have HCT screening too
- At Astral, we have an HIV prevalence of 72%
- Employees who are HIV positive are enrolled on the HIV management programme and offered counselling, support and education from Patient Managers
- Employees at risk of other chronic illnesses are enrolled on a Patient Management programme whereby they are supported and assisted to set goals to manage Tuberculosis risks, diet, weight, blood sugar, blood pressure, cholesterol, stress, smoking, alcohol consumption and sexual risks
- In the year, disability claims declined, with significant follow-on savings in terms of disability savings, estimated replacement savings and Group Life savings in excess of R17 million
- In the year, the direct cost of absenteeism fell due to a low rate of absenteeism (stable at just over 1%): Absenteeism is managed by the Astral Health Link programme, with regular reporting and analysis completed
- As at 30 September 2017, the total value of treatment provided by the Astral Health Link Programme was R9.3 million; Direct Savings from the programme were R30,5 million with an estimated return on investment to Astral in excess of R39,9 million.

ASTRAL CARGILL'S CANCER.VIVE GOLF CLASSIC

A FUN DAY FOR A GOOD CAUSE

The third Cancer.vive Golf Classic, hosted by Astral Foods Limited (Astral), a leading southern African integrated poultry producer, in partnership with Cargill, one of the world's largest, privately-owned businesses, providing food, agricultural, risk management, financial, and industrial products and services around the globe, raised over R150 000 for cancer-related causes.

The aim of the Cancer.vive Golf Classic is to raise awareness of the importance of early detection of cancer and to educate as many people as possible on the signs and symptoms of cancers.

The golf day was held on 4 May 2017 at the Els Club Copperleaf. Astral and Cargill raised R100 000 for Cancer.vive and received pledges of R55 700 from companies and individuals. The players raised another R3 300 in the player shoot-out, aiming at the life-size cut-outs of Chris Schutte, CEO of Astral, and Brendon de Boer, head of Cargill's agricultural supply chain business in Sub Saharan Africa.

The winners of the tournament, in first place, Tradevantage Grain (Pty) Ltd, the runners-up, Willis Towers Watson and in third place, RMG Forensic Services, donated their prize money to their respective cancer charity of choice.

Chris Schutte commented: "This tournament is becoming so popular; we might have to list it on the Sunshine Tour schedule. We are very pleased with the success of this tournament and for the generous donations to this worthy cause by all involved. We look forward to continuing our support for cancer-related issues."

Brendan De Boer added that Cargill will continue to co-sponsor the Cancer.vive Golf Classic. "Cargill is committed to supporting the communities where we live and work. This sponsorship gives us the opportunity to show our commitment in helping cancer survivors in a tangible way."

This year we had 132 players on the course (33-four ball teams) compared to last year's 120 players.

Janie du Plessis, CEO of Cancer.vive, concluded: "I would like to thank Astral and Cargill for their continued support by hosting the Cancer.vive Golf Classic. This event helps to raise the much needed funds to support our cause. We believe wholeheartedly that cancer is not a death sentence and that with early detection, the disease can be prevented."

AWARDS

ASTRAL SNATCHES FAMOUS BRANDS SUPPLIER AWARD

On 18 May 2017, Astral was awarded the 'Supplier of the Year' for the raw materials category to the Famous Brands Group. Astral is extremely proud of this recognition and association with Famous Brands in this valued partnership that goes back many years. We will strive to continue in servicing and providing top quality chicken products to Famous Brands so that their customer offering is unsurpassed in the Quick Service Restaurant and Dining environments.

Astral is proud to be affiliated with one of the biggest food groups (Quick Service Restaurant and Dining) in the country, and is looking forward to a long lasting relationship with Famous Brands. Colin Smith, the Marketing Executive, received the Award on behalf of the Astral team.

On 11 November 2017, Mlu Dlamini (Astral Foods) was nominated for the National Shoprite Checkers Supplier of the Year Award. The nomination was for perishable goods suppliers into the Shoprite Group. Nominees for this category and the prestigious award included the top three perishable suppliers.

The nominees were evaluated on grounds of the biggest sustainable value creation within Shoprite for all stakeholders during 2017. Astral Foods managed to grow turnover by 182% year on year for Shoprite Checkers in the KwaZulu-Natal area.

Mlu Dlamini was announced the winner and management at Astral Foods are extremely proud as this is only the second time that Astral won this national award.

Mlu started his career at Astral Foods as a representative in May 2000. Through his positive contributions he was promoted and currently works as a Key Account Manager in the KwaZulu-Natal region.

IRAS SDTI

"Integrated Reporting & Assurance Services (IRAS) confirms that Astral Foods has been independently assessed according to 96 environmental, social & governance (ESG) quantitative comparable data indicators within the Sustainability Data Transparency Indes (SDTI), and consistently achieves a data transparency score within the Top 10% of the roughly 300 JSE-listed companies reviewed (1st in the 'Food & Beverages' Sector). Created by IRAS, the SDTI measures listed companies' commitment to ESG data transparency, allowing stakeholders the opportunity to contrast and compare ESG performance between peer companies, against prior year performance, or against stated commitments and/or targets. For more information, contact sdti@iras.co.za".

Meadow Feeds Western Cape was awarded the 2017 ***Animal Feed Supplier of the Year*** at the annual Kaap Agri Supplier Awards function. The award is made to the feed company that embraces KaapAgri's motto of "Ons is die Mens Mense". Criteria for the award involve service levels not only to the depot staff and their client but also to those in administrative roles, visibility in the field, staff development and training and amongst others, an overall brand rating of each supplier throughout the region.

110

FINANCIAL STATEMENTS


"Astral is a leading Southern African **integrated poultry producer**"

Approval of the annual FINANCIAL STATEMENTS

The group annual financial statements of Astral Foods Limited for the year ended 30 September 2017 set out on pages 124 to 168, were approved by the board of directors on 15 November 2017 and signed on its behalf by:

CE Schutte
Chief Executive Officer

DD Ferreira
Chief Financial Officer

Pretoria
15 November 2017

Certificate by COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, in respect of the year ended 30 September 2017, and that all such returns are true, correct and up to date.

MA Eloff
Group Company Secretary

15 November 2017

Statement of DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the consolidated financial statements of Astral Foods Limited. The financial statements presented on pages 124 to 168 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies Act of South Africa and include amounts based on judgements and estimates made by management.

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

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

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

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

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

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

Preparation and publication of ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 30 September 2017 were published on 13 December 2017.

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

Directors' REPORT

The directors' report forms part of the group audited financial statements for the year ended 30 September 2017.

1. NATURE OF BUSINESS

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

2. LISTING INFORMATION

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

3. REGISTERED ADDRESS

The holding company's registered address is:

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

4. SHARE CAPITAL

Detail of share capital is reflected under Note 21 of the consolidated financial statements.

In terms of the group's share incentive scheme, 64 900 (2016: 14 600) options were exercised during the year. Refer to Note 29.

5. DIVIDENDS

The following ordinary dividends were declared:

	2017 R'000	2016 R'000
Interim dividend (No. 32) of 180 cents per share (2016: 390 cents per share)	**77 094**	166 826
Less: Dividends received on treasury shares held by a subsidiary	**(7 359)**	(15 945)
Final dividend (No. 33) of 875 cents per share declared post year-end (2016: 100 cents per share)	**374 857**	42 776
Less: Dividends receivable on treasury shares held by a subsidiary	**(35 775)**	(4 089)
Total dividend at 1 055 cents per share (2016: 490 cents per share)	**408 817**	189 568

6. PROPERTY, VEHICLES, PLANT AND EQUIPMENT

Refer to Note 12 of the financial statements for details.

7. DIRECTORS

The names of the directors who currently hold office are set out on pages 52 and 55 of this report. The directors beneficially and non-beneficially hold 194 200 (2016: 193 700) ordinary shares in the company – see Note 31 for details.

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

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

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

There was no change in the beneficial and non-beneficial shareholding of directors since 30 September 2017 and the date of approval of the financial statements on 15 November 2017.

8. SHARE INCENTIVE SCHEME

As at 30 September 2017 options in respect of 83 100 shares remained outstanding, being 0.2% of the issued share capital.

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

9. SHAREHOLDERS

Details of shareholders are set out on page 169 of the annual financial statements.

10. REPURCHASE OF SHARES

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

11. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

A final dividend of 875 cents per share has been declared on 15 November 2017. The payment of the dividend will be on 22 January 2018. No other events took place between year-end and the date of this report that would have a material effect on the financial statements as disclosed.

12. LITIGATION

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

13. DATE FOR AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue by the board of directors on 15 November 2017. No authority was given to anyone to amend the financial statements after the date of issue.

14. FINANCIAL STATEMENTS OF HOLDING COMPANY

The separate financial statements of the holding company for the year ended 30 September 2017 are available for inspection at Astral's registered address.

15. LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the requirements of section 30(2)a of the Companies Act No. 71 of 2008.

Audit and risk management COMMITTEE REPORT

Our Audit and Risk Management Committee is a formally constituted sub-committee of the board and in addition to having specific statutory responsibilities to the shareholders in terms of section 94 of the Companies Act of 2008, as amended, it assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance.

TERMS OF REFERENCE

The committee has adopted formal terms of reference that have been approved by the board which are regularly reviewed and updated where necessary. The committee has executed its duties during the past financial year in accordance with these terms of reference.

COMPOSITION

The committee comprises of three Independent Non-executive Directors, namely DJ Fouché (Chairman), MT Lategan and TM Shabangu. The members of the committee are appointed annually at the annual general meeting.

The Chief Executive Officer and the Chief Financial Officer, the head of internal audit and the external auditors and the Chairman of the board attend committee meetings by invitation.

MEETINGS

The committee met three times during the year. Attendance of these meetings is shown in the table set out on page 62 of this report.

DUTIES

In execution of its compliance duties during the 2017 financial year, the committee:

- nominated the re-appointment of PricewaterhouseCoopers Inc. as external auditors and DB von Hoesslin as the designated auditor, after satisfying itself through enquiry that PricewaterhouseCoopers Inc. are independent as defined in terms of the Act. This will be DB von Hoesslin's fifth and final year as designated auditor of the company;
- confirmed that PricewaterhouseCoopers Inc. and the designated auditor, DB von Hoesslin, are accredited by the JSE;
- at the end of each meeting during the year, met with the external auditors where management was not present: no matters of concern were raised;
- determined the fees to be paid to PricewaterhouseCoopers Inc. as disclosed on page 117 of this report and their terms of engagement;
- approved a non-audit services policy which determines the nature and extent of any non-audit services which the external auditors may provide to the company;
- pre-approved any proposed contract with PricewaterhouseCoopers Inc. for the provision of non-audit services to the company;
- received no complaints relating to the accounting practices of the group, the content or auditing of its financial statements, the internal financial controls of the group, or other related matters;
- reviewed the draft audited financial statements and Integrated Report, the preliminary profit announcement and interim statements;
- met with the external auditors to discuss the annual financial statements prior to their approval by the board;
- reviewed the valuation of goodwill before recommending any impairment to the board for approval;
- reviewed the reports of the internal audit and the providers of the Tip-Offs Anonymous hot-line;
- approved the internal audit plan for the year;
- monitored and provided oversight of the internal audit function;
- made submissions to the board on matters concerning the group's accounting policies, financial controls, records and reporting;
- concurred that the adoption of a going concern premise in the preparation of the annual financial statements is appropriate; and
- recommended to the board the declaration of a dividend.

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

OVERSIGHT OF RISK MANAGEMENT

The committee has:

- received assurance that the processes and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored;
- satisfied itself that the following areas have been appropriately addressed:
  - financial reporting risks;
  - internal financial controls;
  - fraud risks as they relate to financial reporting; and
  - information technology risks as they relate to financial reporting
- reviewed tax and information technology risks, in particular how they are managed.

INTERNAL FINANCIAL CONTROLS

The committee has:

- reviewed the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the external auditors in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective. Where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weakness so identified.

LEGAL AND REGULATORY COMPLIANCE

The committee has complied with all applicable Companies Act and JSE Limited responsibilities.

EXTERNAL AUDIT

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

	2017 R'000	2016 R'000
Audit fees	**6 098**	5 410
Management consulting	**494**	307
Other services	**156**	154
Under provision – previous year	**529**	418
Total	**7 277**	6 289

Any non-audit services to be rendered by the external auditors are normally initiated by the business units following a formal process that is approved by the Chief Financial Officer. Non-audit services performed during the financial year included:

Division	**Non-Audit Service**	**Nature**
Astral Foods Limited	Standerton property transfer	Agreed upon procedures
Meadow Feeds Standerton (Pty) Ltd	Meadow Standerton DTI grant AUP	Agreed upon procedures
Astral Foods Limited	Section 12L Phase I feasibility study	Tax services
Astral Foods Limited	Assistance with reviewing the voluntary disclosure process of the residential accommodation fringe benefit provided to certain employees	Tax services
Astral Foods Limited	Lead Non-executive benchmarking	Tax services
Astral Foods Limited	2017: Executive Retention strategies	Tax services
Meadow Mozambique Limitada	Compilation of September 2016 financial statements	Financial statement compilation
Mozpintos Limitada	Compilation of September 2016 financial statements	Financial statement compilation

Based on our satisfaction with the results of the activities outlined above, we have recommended the re-appointment of PricewaterhouseCoopers Inc. to the board and the shareholders.

PricewaterhouseCoopers Inc. have been the external auditors of Astral Foods since listing in 2001. During 2013 a tender process was followed whereby three audit firms, including PricewaterhouseCoopers Inc., were interviewed and where they presented their services to the committee. The committee was of the opinion that the services offered by PricewaterhouseCoopers Inc. remained the most suitable for the group and PricewaterhouseCoopers Inc. were re-appointed as external auditors. The designated audit partner is rotated every five years.

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

The committee, after discussion with management and external audit, concurred with the key audit matter set out in the external auditors' report on pages 119 to 123 on the audit of the consolidated annual financial statements for the year ended 30 September 2017.

The committee was satisfied that the consolidated annual financial statements appropriately address the critical judgements and key estimates pertaining to the key audit matter contained in the external auditors' audit report, in respect of both amounts and disclosure. The committee noted that both the consolidated and separate financial statements are presented fairly in all material respects.

Significant audit, accounting and financial reporting matters are contained in the Independent Auditors' Report on pages 119 to 123.

Audit and risk management COMMITTEE REPORT (continued)

INTERNAL AUDIT

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

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

A combined assurance programme has been developed to provide a co-ordinated approach to assurances received from the different assurance providers. The effectiveness of the Enterprise Wide Risk Management Programme is reviewed at each meeting of the committee as well as that of the independent service providers.

In accordance with King IV requirements, we have concluded that Mr E Potgieter, the current head of internal audit, possesses the appropriate expertise and experience to meet the responsibilities of this position and that arrangements of the internal audit are adequately resourced with technically competent individuals, and that it is effective.

FINANCIAL FUNCTION AND CHIEF FINANCIAL OFFICER REVIEW

In accordance with King IV requirements, we have reviewed the expertise, resources and experience of the company's financial function and are satisfied that these are adequate and effective for the forthcoming year. We have also reviewed the performance, appropriateness and expertise of the Chief Financial Officer, Mr DD Ferreira, and confirm his suitability in terms of the JSE Listings Requirements.

FINANCIAL REPORTING PROCEDURES

The committee is satisfied that Astral has established appropriate financial reporting procedures, and that those procedures are operating.

INTEGRATED REPORT

We have evaluated the Integrated Report of Astral Foods Limited and the group for the year ended 30 September 2017 and based on the information provided to the committee, consider that the group complies in all material respects with the requirements of the Companies Act and International Financial Reporting Standards, and we recommend the Integrated Report to the board for approval.

KING IV REPORT ON CORPORATE GOVERNANCE FOR SOUTH AFRICA 2016

The King IV report on Corporate Governance for South Africa 2016 became effective for companies with financial years starting on or after 1 April 2017. The practises underpinning the principles so espoused in King IV are entrenched in many of Astral's internal controls, policies and procedures governing corporate conduct and this outcome based approach resulted in this report evolving and Astral has applied the principles of King IV, the details of which is set out in the Corporate Governance section included in the Integrated Report.

GOING CONCERN

We have reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and are comfortable in our recommendation to the board regarding the annual financial statements as well as the combined assurances contained in the Integrated Report, and that the company will be a going concern for the next financial period at which time a similar assessment will be done.

The committee is satisfied that it has fulfilled its responsibilities as detailed in its Mandate and Terms of Reference for the 2017 financial year.

On behalf of the Audit and Risk Management Committee

Diederik Fouché
Audit and Risk Management Committee Chairman

Pretoria

15 November 2017

Independent AUDITOR'S REPORT

To the Shareholders of Astral Foods Limited

Report on the audit of the consolidated financial statements for the year ended 30 September 2017

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astral Foods Limited and its subsidiaries (together the Group) as at 30 September 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Astral Foods Limited's consolidated financial statements set out on pages 124 to 168 comprise:

- the consolidated balance sheet as at 30 September 2017;
- 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 International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview

Overall group materiality

- R34 800 000 which represents 5% of five-year average profit before tax.

Group audit scope

- The Group consists of 27 reporting components. Full scope audits were performed on the 15 most significant components operating across South Africa, Mozambique and Zambia. Specified audit procedures were performed over a further four components with analytic procedures being performed on the remaining components.

Key audit matters

- Goodwill impairment test.

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.

Independent AUDITOR'S REPORT (continued)

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R34 800 000
How we determined it	5% of five-year average profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We used a five-year average profit before tax figure as this period is representative of the normal cycle within this industry. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has three principal reportable operating segments that align with its organisational design namely Poultry, Feed, and Other Africa.

The Group's financial statements are a consolidation of 27 reporting components, comprising of the Group's principal operating segments. Of these reporting components, we selected 15 for full scope audit testing due to their financial significance, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. Specific audit procedures on certain balances and transactions were performed at four additional reporting components and for the remaining components we performed analytical review procedures.

This together with additional procedures performed at the Group level, including testing of consolidation journal entries and intercompany eliminations, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We met with certain of the component auditors in the Poultry and Feed reporting segments and attended divisional audit committee meetings for the components as part of the planning and completion phases of the audit work performed.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment test Refer to accounting policies, page 27 (Goodwill and Impairment of non-financial assets) and note 15 (Goodwill) on page 11. As required by IAS 36 *Impairment of Assets*, the directors tested goodwill for impairment in respect of the Goldi/Festive and Mountain Valley cash-generating units (CGUs), and concluded that there is no impairment as the recoverable amounts based on "value in use" calculations exceed the carrying amounts of the CGUs. In testing goodwill for impairment, the directors apply judgement and assumptions in determining the "value in use". For example, forecasting future volumes when determining future cash flows based on normalised operations, which is significantly influenced by factors that are difficult to predict. The "value in use" assessments are highly sensitive to changes in future cash flows, growth rates and discount rates applied. We considered the goodwill impairment tests to be a matter of most significance to the current year audit due to the significant judgement and assumptions applied by the directors in determining the "value in use" and the magnitude of the goodwill balances allocated to the abovementioned CGU's, namely R106 020 000 and R15 599 000.	An understanding was obtained over the process and procedures applied by management during their testing of goodwill for impairment. Management's future cash flow forecasts for the Goldi/Festive and Mountain Valley cash-generating units (CGUs) were evaluated. This included assessing management's assumptions such as net realisations of poultry products, broiler feed price, sales volumes, working capital movements and capital expenditures for reasonability by inspecting information obtained from the South African Poultry Association, Nedbank's forecast of key economic variables for 2018, Gross Domestic Product forecasts obtained from the Industrial Development Corporations forecasts and comparison to industry benchmarks obtained from competitors' published results. Management's future cash flow forecasts were based on budgets and forecasts approved by the board of directors. The Group's 2017 actual results were compared to the forecasts for that year, to identify any situations where actual results achieved were significantly different from forecasted budgeted results. We discussed with management the rationale for the differences identified and they have provided as with corroborating evidence, indicating that the differences were reasonable and are unlikely to recur in future periods. The discount and growth rates included in the impairment tests were assessed as follows: • As a reasonability test, we utilised our own valuation experts to independently calculate the discount rates applied, taking independently obtained market data into account. The discount rates applied by management were accepted as being within a reasonable range. • Long-term growth rates of 5.5% and 8% were independently assessed by us through comparison to information published by Statistics South Africa and similar bodies in other African countries. The growth rates applied were accepted as reasonable. We tested the mathematical accuracy of management's impairment tests and utilised our valuation experts to assess whether generally accepted valuation methodology was applied. No exceptions were noted in testing the mathematical accuracy and we concluded that the methodology applied was reasonable. In addition, we performed our own independent sensitivity calculations on the impairment tests, with respect to the key assumptions (for example discount rates, net realisations of poultry products and broiler feed prices). We discussed these with management and considered the likelihood of such changes occurring, and accepted management's conclusion that the key assumptions applied in the models were reasonable.

Independent AUDITOR’S REPORT (continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Separate Financial Statements, Consolidated Financial Statements and the Integrated Report which includes the Directors’ Report, the Audit and Risk Management Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’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.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Astral Foods Limited for 17 years.

PricewaterhouseCoopers Inc.

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

Menlyn
17 November 2017

Consolidated statement of COMPREHENSIVE INCOME

for the year ended 30 September 2017

	Notes	2017 R'000	2016 R'000
Revenue	1	**12 351 125**	11 953 870
Cost of sales	2	**(9 780 667)**	(10 085 108)
Gross profit		**2 570 458**	1 868 762
Administrative expenses	2	**(714 222)**	(509 706)
Distribution costs	2	**(673 805)**	(651 405)
Marketing expenditure	2	**(168 944)**	(174 663)
Other income	5	**61 788**	23 079
Other gains/(losses)	6	**3 186**	(7 217)
Profit before interest and tax		**1 078 461**	548 850
Finance income	7	**5 088**	5 219
Finance expense	7	**(19 927)**	(27 214)
Share of loss from associate			(642)
Profit before tax		**1 063 622**	526 213
Tax expense	8	**(308 709)**	(154 046)
Profit for the year		**754 913**	372 167
Other comprehensive income for the year, net of tax		**6 409**	54
Items that will not be reclassified to profit or loss		**3 742**	651
Remeasurement of post-employment benefit obligations (note 24)		**5 197**	904
Deferred tax on remeasurement of post-employment benefit obligations		**(1 455)**	(253)
Items that may be subsequently reclassified to profit and loss		**2 667**	(597)
Currency gain/(loss) on investment loans to foreign subsidiaries		**5 747**	(9 688)
Foreign currency translation adjustments		**(3 080)**	9 091
Total comprehensive income for the year		**761 322**	372 221
Profit for the year attributable to:			
Equity holders of the company		**754 405**	372 972
Non-controlling interest		**508**	(805)
Profit for the year		**754 913**	372 167
Total comprehensive income attributable to:			
Equity holders of the company		**760 792**	373 257
Non-controlling interest		**530**	(1 036)
Total comprehensive income for the year		**761 322**	372 221
Earnings per share attributable to the equity holders of the company during the year:		**cents**	cents
– basic	9	**1 948**	964
– diluted	9	**1 947**	964

Consolidated BALANCE SHEET

at 30 September 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**2 036 033**	2 052 284
Intangible assets	13	**55 884**	38 613
Goodwill	15	**136 135**	136 135
Investments			2 744
		2 228 052	2 229 776
Current assets			
Biological assets	17	**658 047**	734 958
Inventories	18	**551 278**	716 851
Trade and other receivables	19	**1 221 039**	1 103 569
Current tax asset		**30 579**	32 754
Cash and cash equivalents	20	**667 267**	136 401
		3 128 210	2 724 533
Assets held for sale			24 826
Total assets		**5 356 262**	4 979 135
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	21	**429**	428
Share premium	21	**81 034**	73 529
Other reserves	22	**(28 017)**	(30 004)
Treasury shares		**(204 435)**	(204 435)
Retained earnings		**3 173 455**	2 523 024
		3 022 466	2 362 542
Non-controlling interest		**10 522**	9 992
Total equity		**3 032 988**	2 372 534
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	23	**433 469**	473 572
Employee benefit obligations	24	**176 230**	171 959
		609 699	645 531
Current liabilities			
Trade and other payables	25	**1 248 050**	1 439 526
Employee benefit obligations	24	**306 511**	138 652
Current tax liabilities		**42 390**	4 541
Borrowings	26	**114 692**	376 431
Shareholders for dividend		**1 932**	1 920
		1 713 575	1 961 070
Total liabilities		**2 323 274**	2 606 601
Total equity and liabilities		**5 356 262**	4 979 135

Consolidated statement of CHANGES IN EQUITY

for the year ended 30 September 2017

	Attributable to ordinary shareholders of Astral Foods Limited						
	Share capital and premium R'000	Treasury shares R'000	Other reserves (note 22) R'000	Retained earnings R'000	Total R'000	Non-controlling interests R'000	Total equity R'000
2016							
Balance at 1 October 2015	72 357	(204 435)	(10 455)	2 503 399	2 360 866	10 714	2 371 580
Profit for the year				372 972	372 972	(805)	372 167
Other comprehensive income for the year, net of tax			(597)	651	54		54
Non-controlling interest in translation differences			231		231	(231)	
Option value of share options granted			135		135		135
Transfer to legal reserve – foreign subsidiary			(313)	313			
Transfer from equity compensation reserve			(19 005)	19 005			
Shares issued – share options exercised	1 600				1 600		1 600
Other						314	314
Dividends declared				(373 316)	(373 316)		(373 316)
Balance at 30 September 2016	73 957	(204 435)	(30 004)	2 523 024	2 362 542	9 992	2 372 534
2017							
Balance at 1 October 2016	**73 957**	**(204 435)**	**(30 004)**	**2 523 024**	**2 362 542**	**9 992**	**2 372 534**
Profit for the year				**754 405**	**754 405**	**508**	**754 913**
Other comprehensive income for the year, net of tax			**2 667**	**3 742**	**6 409**		**6 409**
Non-controlling interest in translation differences			**(22)**		**(22)**	**22**	
Option value of share options granted			**67**		**67**		**67**
Transfer from other reserves			**(725)**	**725**			
Shares issued – share options exercised	**7 506**				**7 506**		**7 506**
Dividends declared				**(108 441)**	**(108 441)**		**(108 441)**
Balance at 30 September 2017	**81 463**	**(204 435)**	**(28 017)**	**3 173 455**	**3 022 466**	**10 522**	**3 032 988**

Consolidated statement of CASH FLOWS

for the year ended 30 September 2017

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash operating profit	A	**1 428 219**	546 544
Changes in working capital	B	**(63 512)**	(46 103)
Cash generated from operations		**1 364 707**	500 441
Tax paid	C	**(310 259)**	(122 251)
Cash generated from operating activities		**1 054 448**	378 190
Cash used in investing activities		**(145 256)**	(160 748)
Purchases of property, plant and equipment	D	**(157 606)**	(145 410)
Costs incurred on intangibles		**(22 492)**	(28 585)
Proceeds on disposal of property, plant and equipment		**1 510**	8 028
Costs incurred with disposal of investment		**(624)**	
Government grant received		**28 868**	
Finance income		**5 088**	5 219
Cash flows to financing activities		**(152 349)**	(447 008)
Dividends paid to the company's shareholders	E	**(108 429)**	(373 143)
Proceeds from shares issued		**7 506**	1 600
Finance expense		**(16 140)**	(26 449)
Repayment of borrowings	F	**(35 286)**	(49 016)
Net inflow/(outflow) of cash and cash equivalents		**756 843**	(229 566)
Effects of exchange rate changes		**476**	(1 763)
Cash and cash equivalents at beginning of year		**(204 744)**	26 585
Cash and cash equivalents at end of year	20	**552 575**	(204 744)

Notes to the consolidated statement of CASH FLOWS

for the year ended 30 September 2017

		2017 R'000	2016 R'000
A.	**Cash operating profit**		
	Profit before interest and tax	**1 078 461**	548 850
	Adjustments for:		
	Depreciation and amortisation	**148 733**	143 687
	Scrapping of property, plant and equipment	**3 572**	2 505
	Profit on disposal of property, plant and equipment	**(753)**	(2 034)
	Change in provision for employee benefit obligations	**172 733**	(146 599)
	Cost of equity compensation reserve	**67**	135
	Fair value adjustments	**2 444**	
	Breeding and egg stock written off	**53 512**	
	Profit on sale of investment	**(30 550)**	
	Cash operating profit	**1 428 219**	546 544
B.	**Changes in working capital**		
	Decrease/(increase) in inventories	**163 565**	(13 628)
	Decrease/(increase) in biological assets	**26 865**	(65 583)
	Increase in trade and other receivables	**(69 712)**	(223 478)
	(Decrease)/increase in trade and other payables	**(184 230)**	256 586
	Total change in working capital	**(63 512)**	(46 103)
C.	**Tax paid**		
	Balance at beginning of year	**28 213**	6 762
	Normal tax provision	**(350 267)**	(100 919)
	Translation differences	**(16)**	119
	Net balance at end of year	**11 811**	(28 213)
	Total tax paid	**(310 259)**	(122 251)
D.	**Purchases of property, plant and equipment**		
	Purchase of property, plant and equipment to improve and/or expand operations	**(61 943)**	(85 718)
	Purchase of property, plant and equipment to maintain operations	**(65 873)**	(55 076)
	Total purchases	**(127 816)**	(140 794)
	Interest capitalised	**807**	2 898
	Increase in advance capital expenditure payments	**(27 082)**	(634)
	Decrease in outstanding capital expenditure payments	**(3 515)**	(6 880)
	Purchases of property, plant and equipment	**(157 606)**	(145 410)
E.	**Dividends paid**		
	Balance at beginning of year	**(1 920)**	(1 747)
	Per statement of changes in equity	**(108 441)**	(373 316)
	Balance at end of year	**1 932**	1 920
	Total dividends paid	**(108 429)**	(373 143)
F.	**Repayment of borrowings**		
	Balance at beginning of year	**(35 286)**	(83 419)
	Exchange translation changes		(883)
	Balance at end of year		35 286
	Repayment of borrowings	**(35 286)**	(49 016)

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017

1. SEGMENT INFORMATION

Astral is an integrated poultry producer which process starts with broiler genetics in its breeding operations, selling of day-old chicks and hatching eggs, broiler production and the processing of broilers through four abattoirs, and ends with the marketing, selling and distribution of poultry products. Alongside the entire process, feed is produced in nine feed mills of which about 60% is for own internal requirements, whilst the balance of the feed production is sold to external commercial farmers. Two of the feed mills and three poultry breeding and hatchery operations are situated in African countries outside South Africa.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The activities have been divided into three operating segments, Poultry, Feed, and Other Africa. The business activities are largely grouped in these segments based on the nature of their business and in the case of Other Africa, the geographical area in which they conduct their business activities. Transactions between reportable segments are conducted on similar terms as other external transactions of this nature.

Revenue per segment

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

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

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.

Inter-segment sales consist mainly of feed to the Poultry segment

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

All revenue between segments are at market related prices.

	External customer revenue R'000	Inter-segment revenue R'000	Total segment revenue R'000
2016			
Poultry	8 949 225	179 420	9 128 645
Feed	2 489 299	4 700 315	7 189 614
Other Africa	515 346		515 346
	11 953 870	4 879 735	16 833 605
2017			
Poultry	**9 672 254**	**178 094**	**9 850 348**
Feed	**2 252 341**	**4 330 843**	**6 583 184**
Other Africa	**426 530**		**426 530**
	12 351 125	**4 508 937**	**16 860 062**

1. SEGMENT INFORMATION (continued)

	2017 R'000	2016 R'000
The group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	**11 924 595**	11 438 524
Revenue denominated in foreign functional currencies	**426 530**	515 346
	12 351 125	11 953 870
Revenue from the top five customers are all from the Poultry segment.		
Customer 1	**3 850 822**	3 017 329
Customer 2	**1 202 906**	1 089 137
Customer 3	**601 385**	595 461
Customer 4	**528 662**	555 937
Customer 5	**483 506**	408 523
Revenue from customer 1 exceeds 10% of total revenue.		
Operating profit per segment		
Contribution to the group profit is as follows:		
Poultry	**629 760**	58 900
Feed	**391 376**	484 967
Other Africa	**26 775**	4 983
Profit on sale of investment	**30 550**	
Profit before interest and tax	**1 078 461**	548 850
Finance income	**5 088**	5 219
Finance expense	**(19 927)**	(27 214)
Share of profit from associates		(642)
Profit before tax	**1 063 622**	526 213
Tax expense	**(308 709)**	(154 046)
Profit for the year	**754 913**	372 167

	2017 R'000	2016 R'000	2017 R'000	2016 R'000
	Depreciation, amortisation and impairment		**Capital expenditure**	
Poultry	**120 483**	112 852	**132 481**	139 092
Feed	**22 325**	23 918	**15 860**	27 018
Other Africa	**5 702**	6 630	**1 949**	2 837
Corporate	**223**	287	**18**	432
	148 733	143 687	**150 308**	169 379
	Inventory		**Trade receivables**	
Poultry	**316 125**	313 825	**827 723**	751 652
Feed	**185 498**	361 612	**202 850**	225 258
Other Africa	**49 655**	41 414	**18 954**	21 159
	551 278	716 851	**1 049 527**	998 069

2. EXPENSES BY NATURE

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2016					
Cost of raw material	6 941 983#				6 941 983#
Inventory written down and losses	27 177				27 177
Fair value adjustment to biological assets	7 190				7 190
Operating lease costs	97 030	8 010	172 113	817	277 970
Amortisation of intangibles		4 401			4 401
Depreciation on property, plant and equipment	127 046	7 540	4 578	122	139 286
Repairs and maintenance	323 009	11 757	7 290	71	342 127
Water	55 951	155	16		56 122
Energy	451 828	3 385	2 868	2 110	460 191
Information technology related costs	1	36 342	18	9	36 370
Advertising, marketing, promotional related costs				99 864	99 864
Transport and distribution costs	20 638		372 725		393 363
Employee benefit expense (note 4)	957 133	252 469	48 176	56 074	1 313 852
Directors' remuneration (note 31)		36 478			36 478
Auditor's remuneration and related expenses		6 289			6 289
Other	1 076 122#	142 880	43 621	15 596	1 278 219#
	10 085 108	509 706	651 405	174 663	11 420 882
2017					
Cost of raw material	**6 594 522**				**6 594 522**
Inventory written down and losses	**16 150**				**16 150**
Fair value adjustment to biological assets	**(2 856)**				**(2 856)**
Operating lease costs	**95 353**	**9 409**	**193 256**	**1 319**	**299 337**
Amortisation of intangibles		**5 243**			**5 243**
Depreciation on property, plant and equipment	**133 998**	**5 873**	**3 480**	**139**	**143 490**
Repairs and maintenance	**376 933**	**11 174**	**13 423**	**287**	**401 817**
Water	**82 624**	**77**	**26**		**82 727**
Energy	**473 404**	**2 840**	**1 985**	**2 078**	**480 307**
Information technology related costs		**49 554**	**18**		**49 572**
Advertising, marketing, promotional related costs				**97 946**	**97 946**
Transport and distribution costs	**18 590**		**365 644**		**384 234**
Employee benefit expense (note 4)	**1 004 357**	**411 625**	**67 086**	**53 440**	**1 536 508**
Directors' remuneration (note 31)		**61 256**			**61 256**
Auditor's remuneration and related expenses		**7 277**			**7 277**
Other	**987 592**	**149 894**	**28 887**	**13 735**	**1 180 108**
	9 780 667	**714 222**	**673 805**	**168 944**	**11 337 638**

Reallocation of amounts previously disclosed under Other, of R361 593 000, which has the effect of reducing cost of raw material. There is no net effect on the total cost of sales.

	2017 R'000	2016 R'000
3. FUTURE OPERATING LEASE COMMITMENTS		
The group leases various properties, plant and equipment and vehicles under non-cancellable operating leases. Future lease payments are as follows:		
Not later than one year	**330 618**	312 411
Later than one year and not later than five years	**812 016**	935 559
Later than five years	**362 516**	194 365
	1 505 150	1 442 335

Leases are contracted for periods ranging up to 10 years with no renewal options. Rental escalations vary from nil to prime interest rate linked escalations.

The group entered into agreements whereby some of its transport requirements have been outsourced to a third party. The fixed cost portion of these arrangements have been disclosed as operating leases. The arrangements are for initial periods of ten years with options to renew the agreements. Lease escalations are linked to inflation. Expiry date of initial lease periods is 1 October 2021.

	2017 R'000	2016 R'000
4. EMPLOYEE BENEFIT EXPENSE		
Wages and salaries of permanent employees	**990 628**	926 034
Performance incentives	**162 842**	17 007
Long-term retention benefits	**40 176**	51 410
Retirement fund contributions	**90 499**	84 123
Termination benefits	**1 906**	3 953
Post-retirement benefits	**6 723**	4 719
	1 292 774	1 087 246
Cost of contracted labour	**243 734**	226 606
	1 536 508	1 313 852
Number of employees at 30 September:		
– Permanent employees	**7 458**	7 697
– Contracted labour	**5 402**	4 860
	12 860	12 557
5. OTHER INCOME		
Scrap sold	**702**	773
Bad debts recovered	**879**	
Storage fee income	**4 875**	4 555
Insurance recoveries	**13 476**	9 152
Rental received	**6 084**	6 771
Rebates received	**1 603**	1 828
Profit on sale of investment	**30 550**	
Other	**3 619**	
	61 788	23 079
6. OTHER GAINS/(LOSSES)		
Foreign exchange gains/(losses) on financial instruments	**3 681**	(6 746)
Profit on sale of property, plant and equipment	**753**	2 034
Assets scrapped	**(3 572)**	(2 505)
Fair value adjustment to outstanding payables – gain	**2 324**	
	3 186	(7 217)

	2017 R'000	2016 R'000
7. FINANCE INCOME AND EXPENSE		
Interest income		
Bank surplus balances	**3 848**	4 743
Other	**1 240**	476
	5 088	5 219
Interest expense		
Bank borrowings	**12 868**	19 297
Loans	**1 594**	6 184
Interest accrued on outstanding long service awards	**4 594**	3 663
Other	**1 678**	968
	20 734	30 112
Less: Interest capitalised	**(807)**	(2 898)
	19 927	27 214
Net finance expense	**(14 839)**	(21 995)

Interest was capitalised at 10.25% (2016: 10.5%) in respect of expenditure on assets which took a substantial period of time to get ready for their intended use.

8. TAX EXPENSE

	2017 R'000	2016 R'000
Current tax	**350 535**	101 588
Deferred tax	**(40 954)**	56 186
	309 581	157 774
Current tax – prior year	**(268)**	(669)
Deferred tax – prior year	**(604)**	(3 059)
	308 709	154 046

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:

	2017 R'000	2016 R'000
Profit before tax	**1 063 622**	526 213
Tax calculated at a tax rate of 28% (2016: 28%)	**297 814**	147 340
Effect of different tax rates in other countries	**4 451**	962
Training allowances received	**(334)**	(846)
Non-trading related expenses	**1 366**	2 194
Legal expenses	**2 199**	1 926
Other expenses not deductible for tax purposes	**499**	1 569
Temporary differences on which no deferred tax is recognised	**1 910**	4 449
Adjustments to prior year's normal tax provision	**(268)**	(669)
Adjustments to prior year's tax base used for calculating deferred tax	**(604)**	(3 059)
Share of loss/(profit) from associates		180
Profit on sale of investment not subject to income tax	**(8 554)**	
Capital gains tax on profit on investment sold	**10 230**	
Tax charge per income statement	**308 709**	154 046

Further information about deferred tax is presented in note 23.

	2017 R'000	2016 R'000

9. EARNINGS PER SHARE

	2017 R'000	2016 R'000
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	**754 405**	372 972

	cents	cents
Basic earnings per ordinary share	**1 948**	964
Diluted earnings per share	**1 947**	964

	No of shares	No of shares
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	**38 724 902**	38 683 748
Adjustments for share options	**28 381**	21 342
Weighted average number of ordinary shares for calculating diluted earnings per share	**38 753 283**	38 705 090

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares during the year, reduced by ordinary shares purchased and held as treasury shares.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the exercise of share options.

The number of shares that could have been issued at fair value (determined as the average annual market share price of the company's shares) to equal the monetary value of the subscription rights attached to the outstanding share options, are calculated. A higher number of shares that would have been issued in the event the share options were exercised, versus the number of shares that could have been issued at fair value, have a dilutive effect on the earnings per share. No adjustment is made where the issue of share options have no dilutive effect on the number of shares in issue.

OVERVIEW

GOVERNANCE

FINANCIAL STATEMENTS

	Gross R'000	Net R'000
10. HEADLINE EARNINGS		
2017		
Net profit attributable to shareholders		**754 405**
Adjusted for:		
Profit on sale of property, plant and equipment	**(753)**	**(549)**
Loss on assets scrapped	**3 572**	**2 575**
Profit on sale of investment	**(30 550)**	**(20 627)**
Insurance payments received in respect of assets lost and written off	**(590)**	**(481)**
Headline earnings		**735 323**
2016		
Net profit attributable to shareholders		372 972
Adjusted for:		
Profit on sale of property, plant and equipment	**(2 034)**	(1 475)
Loss on assets scrapped	**2 505**	1 808
Headline earnings		373 305

	2017 cents	2016 cents
Headline earnings per share (cents)		
Headline earnings per share (cents)	**1 899**	965
Diluted headline earnings per share (cents)	**1 897**	964

	R'000	R'000
11. DIVIDENDS		
The following dividends (net of treasury shares) were declared in respect of the current year's profits:		
Interim dividend (Dividend no 32)		
180 cents per share (2016: 390 cents per share)	**69 735**	150 881
Final dividend (Dividend no 33)		
875 cents per share (2016: 100 cents per share)	**339 082**	38 687
Declared on 15 November 2017 in respect of the year ended 30 September 2017		
	408 817	189 568

The current financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2017.

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017 **(continued)**

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
2016				
Net book amount at 1 October 2015	867 417	1133 543	53 717	2 054 677
Changes for the year:				
Exchange translation changes	551	3 578	469	4 598
Additions – Expansion/improvement	5 351	78 684	1 683	85 718
Additions – Replacement	7 567	40 572	6 937	55 076
Disposals		(900)	(5 094)	(5 994)
Assets scrapped	(1 345)	(628)	(532)	(2 505)
Reclassification	84	(84)		
Depreciation charge	(24 945)	(104 154)	(10 187)	(139 286)
Closing net book amount	854 680	1150 611	46 993	2 052 284
Balance at 30 September 2016				
Cost	1 251 283	2 172 644	141 842	3 565 769
Accumulated depreciation	(396 603)	(1 022 033)	(94 849)	(1 513 485)
Closing net book amount	854 680	1 150 611	46 993	2 052 284
2017				
Net book amount at 1 October 2016	**854 680**	**1 150 611**	**46 993**	**2 052 284**
Changes for the year:				
Exchange translation changes	**2 281**	**1 387**	**84**	**3 752**
Additions – Expansion/improvement	**25 531**	**35 757**	**655**	**61 943**
Additions – Replacement	**15 899**	**48 294**	**1 680**	**65 873**
Disposals		**(18)**	**(739)**	**(757)**
Assets scrapped	**(279)**	**(1 459)**	**(1 834)**	**(3 572)**
Reclassification	**(462)**	**461**	**1**	
Depreciation charge	**(25 577)**	**(109 560)**	**(8 353)**	**(143 490)**
Closing net book amount	**872 073**	**1125 473**	**38 487**	**2 036 033**
Balance at 30 September 2017				
Cost	**1 293 528**	**2 232 366**	**138 047**	**3 663 941**
Accumulated depreciation	**(421 455)**	**(1 106 893)**	**(99 560)**	**(1 627 908)**
Closing net book amount	**872 073**	**1 125 473**	**38 487**	**2 036 033**

Details of the individual properties are on record, which are open for inspection by members or their nominees at the registered office of the company.

Expansion additions includes capitalised borrowing costs of R807 000 (2016: R2 898 000).

Interest was capitalised at 10.25% in respect of expenditure on assets which took a substantial period of time to get ready for their intended use.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Determination of useful life and annual depreciation

- Buildings, plant and machinery and equipment are of a specialised nature and the expected useful lives at initial recognition are based on past experience of deployment of similar assets in the group.
- Subsequent to the initial determination of useful lives, the remaining useful life is assessed annually, taking into account the physical condition of the asset item and how long it can still be operational without incurring excessive repairs and maintenance costs. When the cost of repairs and maintenance reaches such a level where it is not feasible to continue to use a particular plant item, it is replaced. Continuous technology changes could also have a bearing on the economic life of existing assets. The impact of lower operating costs of using latest technology in processes and thereby warrant investment in these assets could make the use of existing assets uneconomical and thereby have an impact on its useful economic life. 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, machinery and equipment is calculated on the basis that it will have no residual value when it reaches the end of its estimated economical life.
- 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 life.
- 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 machinery and equipment – poultry	8 – 25 years
• Plant and machinery and equipment – feed	5 – 50 years
• Vehicles	5 – 10 years

	2017 R'000	2016 R'000
13. INTANGIBLE ASSETS		
Software		
Opening net book amount	**38 613**	14 389
Changes for the year:		
Exchange translation changes	**22**	40
Capitalisation of costs incurred	**22 492**	28 585
Amortisation – included in administrative expenses	**(5 243)**	(4 401)
Closing net book amount	**55 884**	38 613
Cost	**87 392**	72 307
Accumulated amortisation	**(31 508)**	(33 694)
Closing net book amount	**55 884**	38 613
14. CAPITAL COMMITMENTS		
Capital expenditure approved not contracted for	**30 101**	37 967
Capital expenditure contracted but not recognised in the financial statements	**117 764**	36 317
Cost on Intangibles contracted but not recognised in the financial statements	**426**	30 496

The capital commitments will be financed from a combination of operating cash flows, surplus cash and borrowings from the group's available general borrowing facilities. Total debt is expected to remain well within the accepted gearing profile of the group.

15. GOODWILL

Goodwill is allocated to the group's cash-generating units identified according to business segment.

Goodwill is assessed for impairment at each reporting date. The recoverable amount of the relevant cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections as contained in the annual budget and business plan forecasts approved by the board of Directors.

The discount rates used to determine values of individual cash generating units are based on the weighted average cost of capital for these business units and incorporate specific business risks related to the industry as well as the different geographical and economical areas in which business activities are conducted. The reduction in the discount rates compared to the previous year assumes lower specific market risks based on the group's now established resilience against volatility in the industry.

The cash flow projections have been projected over five years. Abnormal trends in the forecasts, given the cyclical nature of the industry in which the businesses operate, for example the impact of abnormal weather patterns, are eliminated in the perpetuity calculations of future cash flows.

Feed costs for broilers and the selling prices for poultry products are regarded as the two most critical assumptions that impact the profitability of the relevant business units. These two key assumptions are also exposed to the most volatility compared to other assumptions used in the forecasts.

Broiler feed costs

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

Selling prices poultry products

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

The perpetual growth rate is based on the group's assessment of the long-term economic outlook and takes into account a view on market conditions and the strategic positioning of the business units within the markets in which they operate. The valuations, using a perpetuity growth rate of 5,5% accounts for the impact of inflation on future cash flow streams only, and does not take into account further expansion. It is also expected that the businesses will maintain their respective market positioning and no reduction of volumes are assumed in the calculation of the valuation of the business units.

15. GOODWILL (continued)

	Discount rates	Period (years)	Average perpetuity growth rates	Goodwill R'000
2016				
Poultry				
Goldi/Festive	14.0%	5	6%	106 020
Mountain Valley	14.0%	5	6%	15 599
National Chicks	14.0%	5	6%	3 749
County Fair	14.0%	5	6%	2 559
Feed				
Meadow – South African operations	14.0%	5	6%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	18.2%	5	9%	2 560
				136 135
2017				
Poultry				
Goldi/Festive	**13.0%**	**5**	**5.5%**	**106 020**
Mountain Valley	**13.0%**	**5**	**5.5%**	**15 599**
National Chicks	**13.0%**	**5**	**5.5%**	**3 749**
County Fair	**13.0%**	**5**	**5.5%**	**2 559**
Feed				
Meadow – South African operations	**13.0%**	**5**	**5.5%**	**5 648**
Other Africa				
Africa Feeds Limited (Zambia)	**17.0%**	**5**	**8%**	**2 560**
				136 135

The pre-tax discount rates are as follow:
Goldi/Festive (15.9%), Mountain Valley (15.4%), National Chicks (16.4%), County Fair (15.9%), Meadow (15.9%) and Africa Feeds Limited (Zambia) (17.1%).

Sensitivity analysis	**2017 R'000**	2016 R'000
Changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and in 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%	**15 599**	nil
Potential impairment if the net realisations of poultry products decrease by 1%	**15 599**	nil
Potential impairment if the net realisations of poultry products decrease by 3%	**15 599**	nil
Potential impairment if the net realisations of poultry products decrease by 5%	**15 599**	nil
Potential impairment if the broiler feed price increased by 1%	**15 599**	nil
Potential impairment if the broiler feed price increased by 3%	**15 599**	nil
Potential impairment if the broiler feed price increased by 5%	**15 599**	nil

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017 (continued)

16. ASSETS HELD FOR SALE

The assets classified as held for sale has been sold for R56 000 000 during the year.

The carrying value of the assets sold was R24 826 000, and a profit on sale of R30 550 000 was recorded being disclosed under other income (note 5).

The settlement of the selling price was still outstanding at year end.

17. BIOLOGICAL ASSETS

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2016				
Fair value at 1 October 2015	88 300	270 154		358 454
Amortised cost at 1 October 2015			309 086	309 086
Increase due to establishment costs	518 127	4888 234	568 875	5 975 236
Decrease due to harvest/sales	(509 813)	(4 865 930)	(136 567)	(5 512 310)
Decrease due to amortisation			(390 666)	(390 666)
Fair value adjustment	(2 528)	(2 314)		(4 842)
Closing balance	94 086	290 144	350 728	734 958
Balance at 30 September 2016				
At fair value	94 086	290 144		384 230
At amortised cost			350 728	350 728
2017				
Fair value at 1 October 2016	**94 086**	**290 144**		**384 230**
Amortised cost at 1 October 2016			**350 728**	**350 728**
Increase due to establishment costs	**502 430**	**4934 238**	**493 470**	**5 930 138**
Stock written off	**(4 126)**		**(49 386)**	**(53 512)**
Decrease due to harvest/sales	**(511 113)**	**(4 969 063)**	**(79 425)**	**(5 559 601)**
Decrease due to amortisation			**(397 736)**	**(397 736)**
Fair value adjustment	**2 184**	**1 616**		**3 800**
Closing balance	**83 461**	**256 935**	**317 651**	**658 047**
Balance at 30 September 2017				
At fair value	**83 461**	**256 935**		**340 396**
At amortised cost			**317 651**	**317 651**

The quantity of egg, broiler and breeding stock is based on the number of eggs and bird placements at the beginning of each production cycle adjusted for mortalities.

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

Egg stock
The carrying value of egg stock is based on fair value, and falls in level 3 of the fair value measurement hierarchy.

Costs incurred relating to the production of eggs are capitalised during its 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.

17. BIOLOGICAL ASSETS (continued)

Broiler stock

The carrying value of broiler stock is based on fair value, and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of broiler stock are capitalised during its growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment for live broiler birds is based on the ratio at which the cumulated costs per kilogram of live broilers at point of harvest differs with the bought-in price per live kilogram paid for broiler birds delivered by outside contract growers for processing through the abattoirs. This adjustment ratio is applied to the sum of costs of the total broiler stock holding.

Breeder stock

The carrying value of breeder stock is based on amortised cost.

The cost of breeding stock includes the cost of the day old chick, feeding and other related costs, which are capitalised during its rearing cycle of approximately 22 weeks. The capitalised costs are then amortised during its productive (laying) cycle of approximately 40 weeks, to a cull value at the end of its productive life cycle. There is no market for breeder birds, except for when sold as a day old chick, and when sold at its cull value at the end of its productive cycle. In the absence of any fair value indicators for mature breeder birds, the carrying value of the breeding stock, as calculated on the basis of amortised costs, is regarded as an accurate indicator of the fair value thereof in the integrated poultry producing process.

	2017 R'000	2016 R'000
18. INVENTORIES		
Feed raw materials	**157 632**	320 626
Feed finished goods	**37 337**	49 348
Poultry products	**245 934**	253 496
Consumable stores	**110 375**	93 381
	551 278	716 851

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R6 605 million (2016: R7 304 million)

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

	2017 R'000	2016 R'000

19. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Financial instruments		
Trade receivables	**1 051 067**	999 289
Provision for impairment	**(1 540)**	(1 220)
Trade receivables – net	**1 049 527**	998 069
Other receivables	**19 763**	22 426
Receivable in respect of investment sold	**56 000**	
Government grant receivable		28 868
Non-financial instruments		
Prepayments	**41 127**	13 817
VAT recoverable	**51 073**	39 896
Other receivables	**3 549**	493
	1 221 039	1 103 569

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:

	2017 R'000	2016 R'000
SA Rand	**1 206 299**	1 075 406
Zambian Kwacha	**11 368**	22 977
Mozambican Meticais	**3 372**	5 186
	1 221 039	1 103 569

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

Categories

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

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

	2017 R'000	2016 R'000
Poultry	**828 955**	752 015
Farming	**21 360**	22 900
Retail and wholesale	**807 595**	729 115
Feed	**202 858**	225 976
Farming	**195 038**	201 575
Retail and wholesale	**7 820**	24 401
Other Africa	**19 254**	21 298
Farming	**7 414**	9 691
Retail and wholesale	**11 840**	11 607
	1 051 067	999 289

	2017 R'000	2016 R'000
20. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**667 267**	136 401
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	**667 267**	136 401
Bank overdrafts (note 26)	**(114 692)**	(341 145)
Cash and cash equivalents per the statement of cash flow	**552 575**	(204 744)
21. SHARE CAPITAL		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each (2016: 75 000 000 ordinary shares of 1 cent each)	**750**	750
Issued share capital		
42 840 785 ordinary shares of 1 cent each (2016: 42 775 885 ordinary shares of 1 cent each)	**429**	428
Share premium	**81 034**	73 529
Total issued share capital and premium	**81 463**	73 957

All issued shares are fully paid.

Number of shares effectively in issue	**No of shares**	No of shares
Issued shares	**42 840 785**	42 775 885
Treasury shares held by subsidiary	**(4 088 577)**	(4 088 577)
	38 752 208	38 687 308

Unissued share capital

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

	No of shares	No of shares
Number of share options available at beginning of year	**4 132 950**	4 106 050
Number of share options exercised	**64 900**	14 600
Number of share options forfeited	**11 450**	12 300
Number of share options available at end of year	**4 209 300**	4 132 950
The number of share options outstanding at end of year	**83 100**	159 450
Number of shares under the control of Directors for the purpose of the share option scheme at the end of the year	**4 292 400**	4 292 400

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

22. OTHER RESERVES

	Equity compensation reserve R'000	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/(losses) on investment loans R'000	Available-for-sale investments R'000	Total other reserves R'000
2016						
Balance at 1 October 2015	18 870	1 095	(27 314)	(3 764)	658	(10 455)
Currency loss on investment loans to foreign subsidiaries				(9 688)		(9 688)
Currency translation differences arising in year			9 091			9 091
Non-controlling interest in translation differences			231			231
Option value of share options granted	135					135
Transfer to retained earnings	(19 005)	(313)				(19 318)
Balance at 30 September 2016		782	(17 992)	(13 452)	658	(30 004)
2017						
Balance at 1 October 2016		782	(17 992)	(13 452)	658	(30 004)
Currency loss on investment loans to foreign subsidiaries				5 747		5 747
Currency translation differences arising in year			(3 080)			(3 080)
Non-controlling interest in translation differences			(22)			(22)
Option value of share options granted	67					67
Transfer to retained earnings	(67)				(658)	(725)
Balance at 30 September 2017		782	(21 094)	(7 705)		(28 017)

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

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

23. DEFERRED TAX

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2016: 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

	2017 R'000	2016 R'000
Movement on the deferred tax liability account is as follows:		
At beginning of year	**473 572**	420 192
Charge related to items in Other Comprehensive Income	**1 455**	253
Charge to profit and loss	**(41 558)**	53 127
Originating and reversal of temporary differences	**(40 954)**	56 186
Adjustment to amounts recognised in prior year	**(604)**	(3 059)
At end of year	**433 469**	473 572

Analysis of deferred tax liabilities:

	Opening balance R'000	Charge to profit and loss R'000	Charged to other comprehensive income R'000	Closing balance R'000
2016				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	397 960	6 659		404 619
Temporary difference on livestock and farming consumables	154 728	2 065		156 793
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 056)	(943)	253	(26 746)
Provision for long-term retention payments	(28 367)	(508)		(28 875)
Provision for outstanding leave pay	(18 637)	(832)		(19 469)
Rental equalisation reserve	(3 923)	623		(3 300)
Provision for incentive bonuses	(48 306)	42 935		(5 371)
Other	(7 207)	3 128		(4 079)
	420 192	53 127	253	473 572
2017				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	**404 619**	**30 948**		**435 567**
Temporary difference on livestock and farming consumables	**156 793**	**(351)**		**156 442**
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	**(26 746)**	**(927)**	**1 455**	**(26 218)**
Provision for long-term retention payments	**(28 875)**	**(3 818)**		**(32 693)**
Provision for outstanding leave pay	**(19 469)**	**(1 937)**		**(21 406)**
Rental equalisation reserve	**(3 300)**	**922**		**(2 378)**
Provision for incentive bonuses	**(5 371)**	**(43 693)**		**(49 064)**
Provision for claims and trade discounts	**(9 319)**	**(1 597)**		**(10 916)**
Provision for long service awards	**(6 510)**	**723**		**(5 787)**
Other	**11 750**	**(21 828)**		**(10 078)**
	473 572	**(41 558)**	**1 455**	**433 469**

A deferred tax liability of R17 390 000 (2016: R15 111 000) has not been recognised in respect of withholding tax in the event of future dividend distributions by the foreign subsidiaries.

	Post-employment medical benefits R'000	Long-term retention benefits R'000	Performance incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
24. EMPLOYEE BENEFIT OBLIGATIONS					
2016					
Balance at 1 October 2015	93 056	101 312	193 522	66 561	454 451
Payments against provision		(47 348)	(170 346)		(217 694)
Increase in provision	2 466	51 410	17 007	2 971	73 854
Balance at 30 September 2016	95 522	105 374	40 183	69 532	310 611
Non-current provision	95 522	59 654	16 783		171 959
Current provision		45 720	23 400	69 532	138 652
	95 522	105 374	40 183	69 532	310 611
2017					
Balance at 1 October 2016	**95 522**	**105 374**	**40 183**	**69 532**	**310 611**
Payments against provision		**(47 174)**	**(25 021)**		**(72 195)**
Increase in provision	**(1 886)**	**63 448**	**175 846**	**6 917**	**244 325**
Balance at 30 September 2017	**93 636**	**121 648**	**191 008**	**76 449**	**482 741**
Non-current provision	**93 636**	**66 815**	**15 779**		**176 230**
Current provision		**54 833**	**175 229**	**76 449**	**306 511**
	93 636	**121 648**	**191 008**	**76 449**	**482 741**

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

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

	2017 R'000	2016 R'000
Post-employment medical benefits		
The group provides post-retirement healthcare benefits to some of its current and retired employees – refer to paragraph 18 of the accounting policies for more detail regarding the post-employment medical plan. Benefits paid and the movement in the provision are charged against profits in the current period. Remeasurements are charged to other comprehensive income.		
Present value of funded obligations per actuarial valuation at 30 September		
Balance at beginning of year	**95 522**	93 056
Current service cost	**639**	663
Interest costs	**8 272**	8 010
Remeasurement	**(5 197)**	(904)
Benefits payments	**(5 600)**	(5 303)
Balance at end of year	**93 636**	95 522

24. EMPLOYEE BENEFIT OBLIGATIONS (continued)

	2017 R'000	2016 R'000
Amounts recognised in the profit and loss:	**8 911**	8 673
Current service costs	**639**	663
Interest costs	**8 272**	8 010
Amounts recognised in other comprehensive income:		
Remeasurement	**(5 197)**	(904)
Arising from changes in financial assumptions	**(7 031)**	712
Arising from changes in demographic assumptions	**1 654**	(1 616)
Miscellaneous	**180**	
Estimated employer benefits payable during next 12 months	**6 335**	5 600

The liability recognised in the financial statements was actuarially valued at 30 September 2017 (previous valuation date: 30 September 2016). The liability was valued using the Projected Unit Credit valuation method which is the same method used in the prior year.

	2017	2016
Discount rate	**9.7%**	8.9%
Health care cost inflation :		
In service members	**8.5%**	7.8%
Continuation members	**8.5%**	7.8%

Pre-retirement mortality rates as per SA 85-90 (Light) ultimate table

Post-retirement mortality rates as per PA(90) ultimate table rated down two years plus an improvement of 0.75% per annum from a base year of 2006.

Sensitivity analysis	**Accrued liability**	% change
Discount rate increases by 1% p.a.	**84 880**	(9%)
Discount rate reduces by 1% p.a.	**104 080**	11%
Subsidy inflation increases by 1% p.a	**101 819**	9%
Subsidy inflation reduces by 1% p.a	**85 149**	(9%)
Mortality rate decreases by 1 year	**96 978**	4%

A deterministic model has been used to calculate the projected cash flows and the corresponding sensitivity results. The results are point estimations and a limitation of this model is that a limited range of results is available for the sensitivity results.

The present values of the defined benefit obligation and the experience adjustment were as follows:

	R'000	Experience adjustment
30 September 2017	**93 636**	5.4%
30 September 2016	**95 522**	0.9%
30 September 2015	**93 056**	1.2%
30 September 2014	**90 904**	6.5%

	2017 R'000	2016 R'000
25. TRADE AND OTHER PAYABLES		
Financial instruments		
Trade payables	**920 887**	1 192 585
Outstanding payment in respect of capital expenditure incurred	**7 103**	10 618
Accruals and other payables	**222 634**	186 741
Non-financial instruments		
Vat payable	**52 702**	13 606
Operating lease equalisation	**8 493**	11 787
Other	**36 231**	24 189
	1 248 050	1 439 526
The carrying amounts of the group's trade and other payables are denominated in the following currencies:		
SA Rand	**1 215 099**	1 393 559
Zambian Kwacha	**27 721**	36 514
Mozambican Meticais	**1 448**	5 399
US Dollar	**3 782**	4 054
	1 248 050	1 439 526
26. BORROWINGS		
Non-current		
Unsecured loan		35 286
Less: Portion payable within one year included in current liabilities		(35 286)
Current		
Bank overdrafts	**114 692**	341 145
Portion of non-current borrowings payable within one year		35 286
	114 692	376 431
Total borrowings	**114 692**	376 431
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**96 340**	342 673
Zambian Kwacha	**18 352**	33 758
	114 692	376 431
Unsecured loans		
An unsecured loan obtained by a subsidiary disclosed in the Feed segment.		35 286
Interest is linked to market related rates.		
Interest rate at 30 September		9,0%
Contractual maturity of payments of non-current borrowings:		
Not later than one year		37 250
Less: Finance charges		(1 964)
		35 286

27. FINANCIAL INSTRUMENTS

	Loans and receivables R'000	Available for sale R'000	Financial liabilities at amortised costs R'000	Total on Balance sheet R'000
2016				
Non-current financial instruments				
Unlisted investments		2 744		2 744
Current receivables				
Trade receivables	1 049 363			1 049 363
Cash and cash equivalents				
Cash and bank	136 401			136 401
Non-current borrowings				
Secured and unsecured loans			35 286	35 286
Current borrowings				
Bank overdrafts			341 145	341 145
Shareholders for dividend			1 920	1 920
Current financial liabilities				
Trade payables			1 192 585	1 192 585
Accruals			197 359	197 359
2017				
Current receivables				
Trade receivables	**1 069 290**			**1 069 290**
Cash and cash equivalents				
Cash and bank	**667 267**			**667 267**
Current borrowings				
Bank overdrafts			**114 692**	**114 692**
Shareholders for dividend			**1 932**	**1 932**
Current financial liabilities				
Trade payables			**920 887**	**920 887**
Accruals			**229 737**	**229 737**

The fair value of the financial instruments approximates cost.

28. FINANCIAL RISK MANAGEMENT

The responsibility of the overall financial risk of the group vests with the board of Directors which has an overall responsibility to ensure the group operates within acceptable risk parameters.

In exercising this responsibility, the board assesses as amongst others, the appropriate levels of capital investment on expansion projects, the quantum of dividend payments, and strategy on procurement of raw materials against the outlook of near and longer term trading conditions.

The Board is assisted in this function by the Audit and Risk Management Committee which also assesses the business risks, as identified by management from time to time, and the appropriate compensating controls to manage and mitigate the impact of the risks.

The group is exposed to the following major financial risks:

28.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Trade receivables and deposits with banks are subject to credit risk and are managed by the Group Credit Executive and Chief Financial Officer.

Trade receivables:
The group's main credit risk is concentrated in the aggregate balance of trade receivables.

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

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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

	2017 R'000	2016 R'000
Accounts receivable	**1 051 067**	999 289
Less provision for doubtful debts	**(1 540)**	(1 220)
Net accounts receivable	**1 049 527**	998 069
Other receivables	**75 763**	51 294
	1 125 290	1 049 363
The table below sets out fully performing, past due but not impaired as well as the impaired receivables and the provision against such receivables:		
Fully performing – due by up to 30 days	**1 039 465**	997 216
Outstanding longer than 30 days	**11 602**	2 073
Past due by 31 to 60 days	**7 162**	810
Past due by more than 60 days	**4 440**	1 263
	1 051 067	999 289

The receivables outstanding longer than 30 days per category:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2016				
Past due by 31 to 60 days	590	220		810
Past due by more than 60 days	632	492	139	1 263
	1 222	712	139	2 073
2017				
Past due by 31 to 60 days	**7 161**	**1**		**7 162**
Past due by more than 60 days	**4 140**		**300**	**4 440**
	11 301	**1**	**300**	**11 602**

The past due balances relates to outstanding account queries and were recovered by the end of October 2017.

	2017 R'000	2016 R'000
Provision for doubtful debts		
Balance at the beginning of the year	**(1 220)**	(523)
Charge for the year	**(320)**	(697)
Balance at end of year	**(1 540)**	(1 220)
Provision for doubtful debts ageing profile:		
30 days and longer	**(1 540)**	(1 220)

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

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

The provision for doubtful debts is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2016				
Farming		718	139	857
Retail and wholesale	363			363
	363	718	139	1 220
2017				
Farming		**8**	**300**	**308**
Retail and wholesale	**1 232**			**1 232**
	1 232	**8**	**300**	**1 540**

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
2016				
Bank guarantees	17 600	2 000		19 600
Covering bonds over property	6 200	2 500		8 700
Credit Guarantee Insurance Cover	616 145			616 145
	639 945	4 500		644 445
2017				
Bank guarantees	**17 600**			**17 600**
Covering bonds over property	**3 200**	**2 500**		**5 700**
Credit Guarantee Insurance Cover	**761 484**			**761 484**
	782 284	**2 500**		**784 784**

Trade receivables are categorised into the following risk profiles:

- Low risk: National customers with a low risk profile
- General risk: All other customers not classified as low or high risk
- High risk: Customers with solvency and liquidity concerns, and existing customers in arrears as a result of financial difficulties.

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

	2017 R'000	2016 R'000
Low risk	**688 447**	603 137
General risk	**358 180**	394 899
High risk	**4 440**	1 263
	1051 067	999 299

The largest single credit risk amounts to R332 million (2016: R280 million) in the Poultry segment which has a low credit risk profile.

28. FINANCIAL RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

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 and A-1.

28.2 Market risk – interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group's interest rate risk is limited to surplus funds on cash deposits, loan liabilities and funds borrowed on bank overdrafts.

Interest is at variable rates which are linked to market related rates such as 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 reviewing forward levels of interest rates from time to time.

Based on the financial instruments as at 30 September 2017, the after tax effect of a 1% movement in the interest rates on the statement of comprehensive income will be R3 979 000 (2016: R2 400 000).

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

28.3 Market risk – foreign exchange rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group enters into transactions from time to time in currencies which are different from the functional currencies in which it conducts its business activities, which result in exposure to foreign exchange rate fluctuations.

Exposure to exchange rate fluctuations is managed by utilising forward exchange contracts and currency option contracts in consultation with the Chief Financial Officer when management regards it prudent. Forward exchange contracts entered into are related to specific statement of financial position items.

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

	British Pound R'000	US Dollar R'000	Total R'000
2016			
Financial assets		6 599	6 599
Financial liabilities	(622)	(4 054)	(4 676)
	(622)	2 545	1 923
2017			
Financial assets – cash and cash equivalents		**4 116**	**4 116**
Financial liabilities – Trade and other payables		**(3 782)**	**(3 782)**
		334	**334**

A 10% movement in the ZAR against the US Dollar, which causes most of the movement, will result in a R24 000 after tax effect in the profits of the group (2016: R183 000)

There were no open foreign exchange contracts at 30 September 2017 (2016: nil)

28. FINANCIAL RISK MANAGEMENT (continued)

28.4 Market risk – price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Commodity price risk

The prices of commodities used by the group fluctuate widely and in a competitive market it is not always possible to recover material commodity price increases from broiler customers. This impacts on the group's profitability. Commodity price fluctuations are normally caused by factors such as supply conditions, weather, exchange rate fluctuations and other economic conditions which are outside the control of Astral.

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

Poultry products price risk.

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

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

28.5 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The group has borrowings and other financial liabilities.

The group has good cash flow generation capabilities. During periods of normalised profit margins, i.e. when there are no prolonged adverse movements in the cost of commodities and/or prices of poultry products, surplus cash is generated and cumulated in the business. During periods of lower profit margins, both working capital requirements as well as capital expenditures on property, plant and equipment, are financed from cash generated from business activities and available short-term bank facilities.

28. FINANCIAL RISK MANAGEMENT (continued)

28.5 Liquidity risk (continued)

The following table compares the contractual cash flows of debt owed at 30 September 2017, 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
2016				
Borrowings	37 250			37 250
Trade and other payables	1 389 944			1 389 944
Shareholders for dividend	1 920			1 920
Bank	341 145			341 145
Corporate guarantee to associate	21 250			21 250
	1 791 509			1 791 509
2017				
Trade and other payables	**1 150 624**			**1 150 624**
Shareholders for dividend	**1 932**			**1 932**
Bank	**114 692**			**114 692**
	1 267 248			**1 267 248**

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

	Repayment date	Fixed/variable interest	Interest rate	Security or other relevant terms
Trade payables	current	n.a.	n.a.	none
Accruals	current	n.a.	n.a.	none
Bank overdrafts – ZAR denominated	current	variable	10.25%	none
Bank overdrafts – Kwacha denominated	current	variable	26-29%	Mortgage bond over property and floating charge over inventory and trade receivables

The liquidity risks are managed by the Chief Financial Officer on a group level through a combination of the following;

- monitoring of trading stock levels,
- monitoring of outstanding trade receivables,
- monitoring of daily borrowing levels,
- conducting of short- and long-term cash flow forecasts at regular intervals, and
- the arrangement of short- and long-term borrowing facilities from financial institutions.

28. FINANCIAL RISK MANAGEMENT (continued)

28.5 Liquidity risk (continued)

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

Borrowing facilities

	2017 R'000	2016 R'000
The borrowing facilities are reviewed on an annual basis.		
The group has the following general borrowing facilities at floating interest rates:		
– denominated in SA Rand		
Total facilities	**620 000**	755 000
Unutilised facilities at year end	**620 000**	486 023
– denominated in Zambian Kwacha		
Total facilities	**48 530**	44 880
Unutilised facilities at year end	**18 352**	18 891
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying values:		
Land and buildings	**19 808**	36 320
Inventory	**45 652**	33 137
Trade debtors	**7 097**	10 375
– denominated in Mozambican Meticais		
Total facilities		10 000
Unutilised facilities at year end		10 000

28.6 Capital risk

The group manages its capital to maintain a sound net 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 net debt to equity ratio as at 30 September was as follows:

	2017 R'000	2016 R'000
Total debt – refer note 26	**114 692**	376 431
Less cash and cash equivalents – refer note 20	**(667 267)**	(136 401)
Net (surplus cash)/debt	**(552 575)**	240 030
Equity	**3 032 988**	2 372 534
Total capital	**2 480 413**	2 612 564
Net (surplus cash)/debt to equity ratio	**(18.2%)**	10.1%

29. SHARE BASED PAYMENTS

Share option scheme

The share option scheme which is equity settled, provides the right to purchase shares in Astral Foods Limited at the set exercise price. The exercise price of the granted options is equal to the market price of the shares on date of the grant.

The contractual life of options granted is seven years. The options vest one third after each of the third, fourth and fifth year date of granting the option.

The fair value of share options on grant date is recognised as an expense in profit and loss over the vesting period. The fair value calculations are performed by external consultants and are not re-measured at subsequent dates.

Movement during the year in the number of options is as follows:

Date	Exercise price	No of options outstanding at beginning of year	No of options exercised during the year	No of options forfeited during the year	No of options outstanding at end of the year	No of options exercisable at end of year
30 September 2011	R118.00	94 400	(53 500)	(10 200)	30 700	10 233
28 September 2012	R104.71	65 050	(11 400)	(1 250)	52 400	52 400
		159 450	(64 900)	(11 450)	83 100	62 633

Value of share options outstanding at the end of the year at the exercise price amounts to R9 109 404 (2016: R17 950 586).

No share options were granted during the year (2016: none).

The service cost recognised by the group in the current year in return for the cumulative share options granted to date to employees and directors for the group amounts to R67 000 (2016: R135 000).

30. RELATED PARTY TRANSACTIONS

	2017 R'000	2016 R'000
Purchases of goods	**232 563**	262 770
Receivables outstanding	**3 346**	2 932
Trade payables outstanding	**26 250**	27 431

Directors' remuneration

Details of Directors' remuneration is given in note 31. Executive Directors are eligible for an annual performance related bonus payment linked to appropriate group targets. The structure and payment of bonuses are decided by the Human Resources, Remuneration and Nominations Committee.

Details of share options granted to Directors are given note 31.

Key management

Employees fulfilling the role of key management are the Executive Directors and the prescribed officers as listed in note 31.

Principal subsidiary undertakings

Details of subsidiaries in the group are set out in notes 33 to the financial statements.

Cross Guarantees

A cross guarantee incorporating a pledge and cession of loan funds between the bank and group companies has been given by Astral Foods Limited, Astral Operations Limited, Meadow Feeds Eastern Cape (Pty) Limited, and Meadow Feeds Standerton (Pty) Limited in respect of borrowings.

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017 **(continued)**

31. DIRECTORS' REMUNERATION

	Directors fee/salary R'000	Retirement fund contributions R'000	Travelling allowance and other payments R'000	Long-term retention incentives R'000	Annual Incentive bonus R'000	Long service awards R'000	**Total 2017 R'000**	Total 2016 R'000
Non-executive Directors' fees								
For services as Directors	3 184						**3 184**	3 046
T Eloff	1 100						**1 100**	950
DJ Fouche	600						**600**	359 [$]
MT Lategan	405						**405**	
T Maumela	410						**410**	373
TM Shabangu	512						**512**	376
N Tsengwa	157						**157** [#@]	431 [#]
M Macdonald								137 [@]
IS Fourie								420 [@]
Executive Directors' remuneration								
For managerial services	17 965	2 779	149	16 040	20 721	418	**58 072**	33 432
CE Schutte	6 420	993	20	6 180	7 747	245	**21 605**	10 513
GD Arnold	2 956	457	36	2 190	3 567	173	**9 379**	4 225
AB Crocker	2 956	457	59	3 770	3 567		**10 809**	4 660 [$]
DD Ferreira	3 845	595	18	3 900	4 640		**12 998**	6 929
T Delport	1 788	277	16		1 200		**3 281** [@]	6 382 [@]
OM Lukhele								723
Total directors' fees and remuneration	21 149	2 779	149	16 040	20 721	418	**61 256**	36 478
Prescribed officers' remuneration								
For managerial services	6 371	914	111	3 620	7 608	45	**18 669**	8 700
MA Eloff	1 325	205	10	500	1 332		**3 372**	1 853
E Potgieter	1 934	229	40	1 260	2 334	45	**5 842**	2 683
FM Snyman	1 935	299	41	480	1 945		**4 700**	
MJ Schmitz	1 177	181	20	1 380	1 997		**4 755** [^]	
AB Crocker								1 340 [*]
R Steenkamp								1 639 [&]
LW Hansen								1 185 [&]
Total directors and prescribed officers remuneration	27 520	3 693	260	19 660	28 329	463	**79 925**	45 178
				(Note 1)	(Note 2)	(Note 3)		

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

[$] *Director's fee paid from date of appointment as a Director*
[#] *Director's fee paid to Exxaro Resources Limited*
[@] *Director's fee paid to date of resignation as Director*
[^] *Remuneration from date of becoming a prescribed officer*
[*] *Remuneration to date of appointment as an Executive Director*
[&] *Remuneration to date of resignation*

31. DIRECTORS' REMUNERATION (continued)

Note 1. Long-term retention incentives

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

In terms of the scheme, above-threshold production performance conditions (PEF) and earnings per share (EPS) growth must be achieved over a three-year period, however 25% of the allocated amount is guaranteed. Allocated amounts vest at the end of the third year from the date of allocation.

The amounts listed are in respect of allocations made in October 2014 and which have vested on 30 September 2017. The performance conditions were measured over three years ending 30 September 2017. Both performance conditions were achieved during the vesting period. Payment of the amounts will be made during January 2018.

The following are the long-term incentive allocations in respect of the Executive Directors and prescribed officers:

Effective dates of allocation Performance conditions vesting dates Payment dates	1-Oct-14 30-Sep-17 25-Jan-18 R'000	1-Oct-15 30-Sep-18 25-Jan-19 R'000	1-Oct-16 30-Sep-19 25-Jan-20 R'000	**Total 2017 R'000**	Total 2016 R'000
Executive Directors					
CE Schutte	6 180	6 580	10 043	**22 803**	17 724
GD Arnold	2 190	2 330	3 792	**8 312**	6 085
AB Crocker	3 770	3 630	3 792	**11 192**	10 717
DD Ferreira	3 900	4 150	5 114	**13 164**	11 065
T Delport					10 075
Expected payments on condition performance targets are achieved	16 040	16 690	22 741	**55 471**	55 666
Liability included in Employee benefit obligations (note 24)	(16 040)	(10 255)	(6 439)	**(32 734)**	(33 592)
Contingent liability – included in Contingencies (note 32)		6 435	16 302	**22 737**	22 074
Prescribed officers					
MA Eloff	500			**500**	902
E Potgieter	1 260	1 340	1 914	**4 514**	3 562
FM Snyman	480	1 180	1 914	**3 574**	
MJ Schmitz	1 380	1 470	1 504	**4 354**	
Expected payments on condition performance targets are achieved	3 620	3 990	5 332	**12 942**	4 464
Liability included in Employee benefit obligations (note 24)	(3 620)	(2 452)	(1 510)	**(7 582)**	(2 671)
Contingent liability – included in Contingencies (note 32)		1 538	3 822	**5 360**	1 793

Note 2. Annual Incentive bonus

The Executive Directors and prescribed officers participate in an annual performance based bonus scheme.

The bonus is calculated based on a sharing percentage of economic value added (EVA tm) during the past year. The EVA must be in excess of an annual predetermined threshold before participants qualify for a bonus.

No incentive bonus amounts were payable in respect of the 2016 financial year.

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017 **(continued)**

31. DIRECTORS' REMUNERATION (continued)

Note 3. Long service awards

Employees of the group are entitled to an award in recognition for each completed period of five years service. The amount is calculated as a percentage of the employee's salary, based on a sliding scale whereby the percentages increase the longer the period of uninterupted service.

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

The following are expected payments to be made in respect of the Executive Directors and prescribed officers;
AB Crocker – R173 000 (2018)
MJ Schmitz – R275 000 (2018)

Other benefits paid

Outstanding leave paid on resignation:
T Delport – R826 461

Directly held number of shares	2017	2016
Directly held number of shares		
Beneficial interests		
Non-executive Directors		
T Eloff	**1 500**	1 000
DJ Fouché	**5 650**	5 650
Executive Directors		
CE Schutte	**24 000**	24 000
DD Ferreira	**158 000**	158 000
AB Crocker	**2 550**	2 550
GD Arnold	**2 500**	2 500
	194 200	193 700

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

	2017 R'000	2016 R'000
32. CONTINGENCIES AND COMMITMENTS		
Raw material contracted amounts not recognised in the statement of financial position	**1 254 312**	1 804 973
The group has contracted its raw material requirements from various suppliers in terms of future supply agreements.		
Long-term retention incentives not recognised in the statement of financial position.	**77 253**	67 367
The payment of future commitments is on condition of achieving performance targets.		
Commitment to provide funding to an associate in the event it is not able to meet payment commitments in respect of a loan provided by its parent company.		21 250

33. INTEREST IN SUBSIDIARY COMPANIES

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

		Issued ordinary capital		Effective percentage holding	
		2017 R'000	2016 R'000	**2017 %**	2016 %
Unlisted investments					
Astral Operations Limited	a	**12**	12	**100**	100
National Chicks Limited	b	**23 720**	23 720	**100**	100
Africa Feeds Limited (Zambia)^	c	**24**	24	**100**	100
Meadow Feeds Eastern Cape (Pty) Ltd	c			**100**	100
Meadow Feeds Standerton (Pty) Ltd	c			**100**	100
Meadow Moçambique Limitada*	c	**4 393**	4 393	**80**	80
National Chicks Swaziland (Pty) Limited#	d	**1**	1	**67**	67
Mozpintos Limitada*	d	**100**	100	**100**	100
Progressive Poultry Limited^	d	**10**	10	**100**	100

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

Nature of business

a Animal feed and pre-mix production, broiler genetics and broiler breeding production, broiler operations, production and sale of day-old broilers and hatching eggs, retailer of animal health products and analytical services.
b Investment holding
c Animal feed production
d Production and sale of day-old broilers and hatching eggs.

34. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

A final dividend of 875 cents per share has been declared on the 15 November 2017. The payment of the dividend will be on 22 January 2018.

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

35. ACCOUNTING POLICIES

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

1. Basis of preparation

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

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

The basis of preparation is consistent with the prior year, unless otherwise stated.

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

2. Interest in group entities

Subsidiaries

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

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

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

Transactions with non-controlling interests

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

35. ACCOUNTING POLICIES (continued)

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.

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 amount. 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.

35. ACCOUNTING POLICIES (continued)

5. Intangible assets

Computer software

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

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

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

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

6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises all purchase costs of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) incurred in bringing the inventories to its present location and condition. Borrowing cost is excluded.

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

7. Biological assets

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 and which are carried at amortised costs.

All the expenses incurred in establishing and maintaining the assets are recognised in cost of sales. All costs incurred in acquiring biological assets are capitalised.

8. Impairment of non-financial assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

9. Financial assets

Financial assets are recognised when the group becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset. Financial assets carried at reporting date include cash and bank balances, investments, loans, derivatives and receivables.

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

- Loans and receivables
- Available-for-sale

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

Loans and receivables

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

35. ACCOUNTING POLICIES (continued)

9. Financial assets (continued)

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

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

Available-for-sale financial assets

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

Available-for-sale financial assets are initially recognised at fair value and are subsequently also measured at fair value through other comprehensive income.

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

Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered an indicator that the assets are impaired.

10. Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial assets or to exchange financial instruments with another on potentially unfavourable terms.

All the financial liabilities have been classified as: "Other", and are measured at amortised costs.

11. Trade receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables and thereby represent a risk of non-payment. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired.

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

12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

13. Trade payables

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

35. ACCOUNTING POLICIES (continued)

14. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

15. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly incremental costs, is deducted from equity attributable to the company's equity holders until the shares are re-issued or disposed of.

16. Current and deferred tax

The charge for current tax is based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

17. Derivative financial instruments

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational activities.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately under other income/expenses in the statement of comprehensive income.

Over-the-counter (OTC) contracts
The group enters into over-the-counter (OTC) forward purchases for the purchase of commodities for own use. These contracts are settled by taking physical delivery in the normal course of business and are therefore not regarded as financial instruments.

Fair value estimation
The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

35. ACCOUNTING POLICIES (continued)

18. Employee benefits

Pension obligations

The group operates defined contribution retirement schemes.

A defined contribution scheme is a pension plan under which the group pays fixed contributions into a separate entity. The group recognises the expense in the statement of comprehensive income as an employee benefit expense.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Post-employment medical benefits

The group provides post-retirement healthcare benefits to some of its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income. These obligations are valued every year, and the assumptions are reviewed annually, by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders. These profit sharing and bonus plans are approved annually by the Board.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term retention bonus scheme

The group has a long-term retention bonus scheme for certain employees. In terms of the scheme, 25% of the allocated amount is guaranteed, and for certain employees, 75% is subject to specified performance conditions measured over a three-year period being met.

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

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

Share-based plans

The share option scheme which is equity settled, provides the right to purchase shares in the company at the exercise price. The contractual life of options granted is 7 years. The options vest one third after each of the third, fourth and fifth year of date of granting the option. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market conditions. Non-market conditions are included in assumptions about the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The grant by the group of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts

The fair value calculations are done by external consultants.

35. ACCOUNTING POLICIES (continued)

18. Employee benefits (continued)

Long service rewards
Employees receives a reward when a five-year uninterrupted period of employment is completed. A liability is recognised in respect of partial completed five-year periods.

19. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Refer to note 1 of the financial statements for a description of the revenue streams of the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below;

Poultry – sales of poultry products is recognised when the products is delivered at the premises of the customer;

Feed – sales of feed is recognised when the feed is delivered at the farm as agreed with the customer.

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

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

20. Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

21. Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

22. New standards and interpretations

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards.

The following amendments will or may have an impact on the financial statements:

International Financial Reporting Standards and amendments issued but not effective for the 30 September 2017 year-end
IFRS 9 – Financial Instruments
This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Effective date: 1 January 2018

The group expects to comply with the standard for the first time in the 2019 annual financial statements however it is not expected to have a material impact.

IFRS 15 – Revenue from contracts with customers.
The Financial Advisory Standards Board (FASB) and IASB issued their long-awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

Effective date: 1 January 2018

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

Management is still in the process of making an assessment of the impact on the group annual financial statements, however it is not expected to have a material impact.

Notes to the consolidated FINANCIAL STATEMENTS

for the year ended 30 September 2017 **(continued)**

35. ACCOUNTING POLICIES (continued)

22. New standards and interpretations (continued)

IFRS 16 – Leases

The IASB and FASB decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

A lessee will be required to measure lease liabilities at the present value of future lease payments. The lessee will then also be required to measure lease assets, initially at the same amount as lease liabilities, and also include costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

Effective date: 1 January 2019

The group expects to comply with the standard for the first time in the 2020 annual financial statements.

Management is still in the process of making an assessment of the impact on the group annual financial statements, and it is expected that additional assets and liabilities will be recognised on the balance sheet.

International Financial Reporting Standards and amendments early adopted.
Amendment to IAS 7 – Cash flow statements

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

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

Effective date: 1 January 2018

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

Analysis of ORDINARY SHAREHOLDERS

Shareholder spread

	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 251	70.83	692 234	1.62
1 001 – 10 000 shares	611	19.23	2 098 260	4.90
10 001 – 100 000 shares	248	7.80	8 304 280	19.38
100 001 – 1 000 000 shares	64	2.01	19 473 512	45.46
1 000 001 shares and above	4	0.13	12 272 499	28.65
Total	3 178	100.00	42 840 785	100.00

Distribution of shareholders

	Total shareholding	% of issued capital
Unit trusts/mutual funds	17 796 714	41.54
Pension funds	11 450 397	26.73
Corporate holding	4 088 577	9.54
Trading position	2 678 056	6.25
Other managed funds	2 375 742	5.55
Private investors	2 085 628	4.87
Insurance companies	866 327	2.02
Hedge fund	799 099	1.87
Custodians	307 345	0.72
Exchange-traded fund	151 439	0.35
University	77 571	0.18
Medical aid schemes	71 936	0.17
Foreign government	53 592	0.13
Investment trust	38 362	0.09
Total	42 840 785	100.00

Public and non-public shareholders

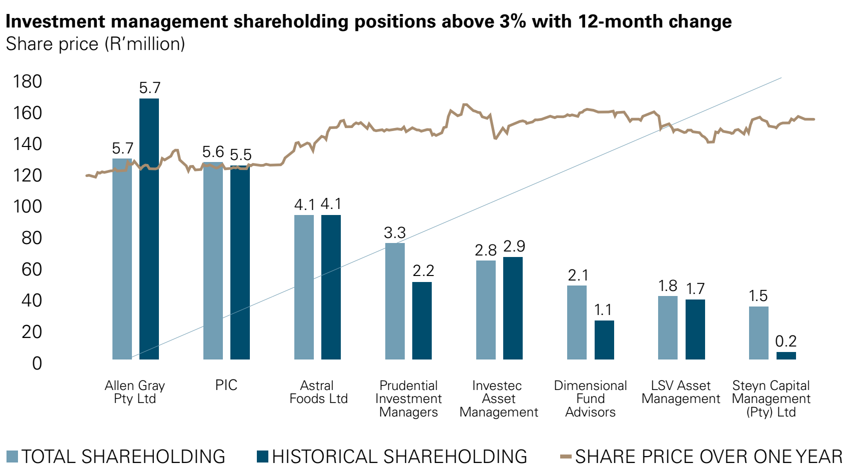
	Number of holders	% of total shareholders	Number of shares	% of issued capital
	7	0.22	4 282 777	10.00
Directors and associates	6	0.19	194 200	0.45
Astral Operations	1	0.03	4 088 577	9.55
Public shareholders	3 171	99.78	38 558 008	90.00
Total	3 178	100.00	42 840 785	100.00

Analysis of ORDINARY SHAREHOLDERS (continued)

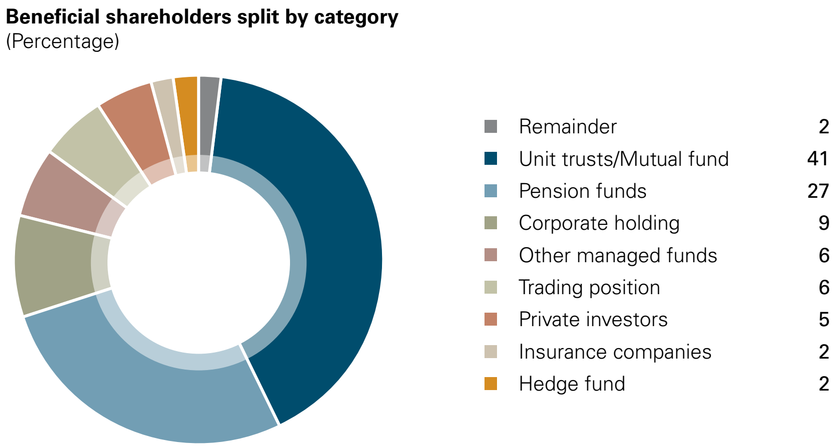
Beneficial interest above 3%

	Total shareholding	%
Government Employees Pension Fund	5 580 902	13.03
Astral Operations Limited	4 088 577	9.54
Allan Gray Balanced Fund	2 592 139	6.05
Total	12 261 618	28.62

Investment management shareholding positions above 3% with 12-month change



Beneficial shareholders split by category



Notice of ANNUAL GENERAL MEETING

SEVENTEENTH ANNUAL GENERAL MEETING

This document is important and requires your immediate attention

If you are in any doubt as to what action to take, please consult your stockbroker, Central Securities Depository Participant (CSDP), banker, attorney, accountant or other professional advisor immediately.

If you have disposed of all your shares in the company please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Notice is hereby given that the seventeenth annual general meeting of members of Astral Foods Limited will be held in the boardroom, 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 8 February 2018 at 08:00, to transact the following business: (Salient dates for the meeting are listed on page 182 of this report.)

ORDINARY BUSINESS:

Consideration of annual financial statements

Ordinary resolution number 1
Resolved to receive and consider the annual financial statements for the group for the year ended 30 September 2017, together with the Directors' and auditors' reports.

Re-election of directors

Ordinary resolution number 2
Resolved that in terms of article 34.4.1 of the company's memorandum of incorporation, Mrs TM Shabangu and Mrs TP Maumela retire by rotation at the annual general meeting but, being eligible, have offered themselves for re-election.

It is proposed that any vacancies that occur as a result of the above directors not being available for re-election, will not be filled at the meeting and the normal nomination and selection processes as laid down by the company's Human Resources, Remuneration and Nominations Committee will be followed for the appointment of new Directors.

Brief particulars of the qualifications and experience of the above are available on pages 52 and 55 of this notice.

Re-appointment of members of the audit and risk management committee

Ordinary resolution number 3
Resolved to appoint by way of individual separate resolution, the following Independent Non-executive Directors as members of the Audit and Risk Management Committee:

Mr DJ Fouché	(Independent Non-executive Director)
Dr MT Lategan	(Independent Non-executive Director)
Mrs TM Shabangu	(Independent Non-executive Director)

The above members will hold office until the next annual general meeting and will perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and the King IV report and will perform such other duties and responsibilities as may from time to time be delegated by the board of Directors of the company and all subsidiary companies.

Brief particulars of the qualifications and experience of the above are available on pages 52 and 55 of this notice.

Re-appointment of members of the social and ethics committee

Ordinary resolution number 4
Resolved to appoint by way of individual separate resolution, the following directors/employees as members of the Social and Ethics Committee:

Mr GD Arnold	(Executive Director)
Dr T Eloff	(Independent Non-executive Director)
Mr LW Hansen	Consultant
Mrs TP Maumela	(Independent Non-executive Director)

The above members will hold office until the next annual general meeting and will perform the duties and responsibilities stipulated in regulation 43(5) of the Companies Regulations and will perform such other duties and responsibilities as may from time to time be delegated by the board of Directors for the company and all subsidiary companies.

Brief particulars of the qualifications and experience of the above are available on pages 52 and 55 of this notice.

Notice of ANNUAL GENERAL MEETING (continued)

Appointment of auditors

Ordinary resolution number 5

Resolved to appoint PricewaterhouseCoopers Incorporated, on the recommendation of the current Audit and Risk Management Committee, as independent registered auditor of the company (with Mr DB von Hoesslin as the individual designated auditor) for the 2018 financial year.

Authority for determination of auditors' remuneration

Ordinary resolution number 6

That the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors be confirmed.

Approval of the Remuneration Policy

Ordinary resolution number 7

Resolved to consider and approve the Remuneration Policy for the year ended 30 September 2017.

The company's Remuneration Policy is set out on pages 69 to 73 of this Integrated Report which contains a summary of the company's remuneration policy.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

Implementation of the Remuneration Implementation Report

Ordinary resolution number 8

Resolved to consider and approve the Remuneration Implementation Report for the year ended 30 September 2017, details of which are set out on pages 74 and 75 of this Integrated Report.

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Astral undertakes to engage with shareholders as to the reasons therefore.

Signature of documentation

Ordinary resolution number 9

Resolved to authorise and empower any one Director or the Company Secretary, to do all such things and sign all such documents and take all such actions as they consider necessary to implement the resolutions set out in the notice convening the seventeenth annual general meeting of the company.

Adoption of the new forfeitable share plan

Ordinary resolution number 10

Resolved that the company adopt and approve the Astral Foods Limited Forfeitable Share Plan, in accordance with the salient features set out in the notice of annual general meeting of the company, details of which are incorporated in separate plan rules which have been available for inspection at the company's registered office for 14 (fourteen) days prior to the annual general meeting. Further, the Directors of the company are authorised to do all such things as are necessary to implement operation of the Astral Foods Forfeitable Share Plan.

Percentage of voting rights required for ordinary resolution number 10 to be adopted: at least 75 percent of the voting rights exercised on the resolution in terms of the Listings Requirements of the JSE Limited.

SPECIAL BUSINESS:

To consider and, if deemed fit, to pass, with or without modification, the following resolutions in the manner required by the Companies Act 71 of 2008, ("the Act") and subject to the Listings Requirements of the JSE Limited.

Remuneration payable to non-executive directors

Special resolution number 1

Resolved to approve that in terms of article 41.1 of the company's memorandum of incorporation, with effect from 1 October 2017 and until the date of the next annual general meeting, the remuneration of the Chairman who holds office from time to time be as follows:

	2018 R'000	2017 R'000	Increase %
Chairman of the board	**1 171.5**	1 100	6.50

Special resolution number 1 is proposed in order to comply with the requirements of the Act and the company's memorandum of incorporation. An additional amount equal to the Value Added Tax amount (currently 14%), will be payable to the Chairman.
The proposed remuneration is considered to be fair and reasonable and in the best interests of the company. This is a composite fee. The Chairman does not earn any other fees despite being the Chairman of the Nominations Section of the Human Resources, Remuneration and Nominations Committee and a member of the Social and Ethics Committee.

Percentage of voting rights required for special resolution number 1 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 1

The reason and effect of special resolution number 1 is to grant the company the authority to pay remuneration to its chairman for his services as Chairman.

Special resolution number 2

Resolved to approve that in terms of article 41.1 of the company's memorandum of incorporation, with effect from 1 October 2017 and until the date of the next annual general meeting, the remuneration of the Directors who hold office from time to time (other than those in the employ of the company) be determined as follows:

	2018 R'000	2017 R'000	Increase %
Member of the board	**315**	290	8.62
Lead Independent Director	**200**		
Chairman of the Audit and Risk Management Committee	**256**	220	16.36
Member of the Audit and Risk Management Committee	**133**	115.5	15.10
Chairman of the Human Resources, Remuneration and Nominations Committee	**170**	160	6.67
Member of the Human Resources, Remuneration and Nominations Committee	**96**	90	6.50
Chairman of the Social and Ethics Committee	**150**	120	25.00
Member of the Social and Ethics Committee	**90**	80	12.50

Special resolution number 2 is proposed in order to comply with the requirements of the Act and the company's memorandum of incorporation. An additional amount equal to the Value Added Tax amount (currently 14%), will be payable to directors earning non-executive directors fees in excess of R1 million per annum.

The proposed remuneration is considered to be fair and reasonable and in the best interests of the company.

Percentage of voting rights required for special resolution number 2 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 2

The reason and effect of special resolution number 2 is to grant the company the authority to pay remuneration to its Directors for their services as directors.

Notice of ANNUAL GENERAL MEETING (continued)

Payment of fees to lead independent non-executive director

Special resolution number 3
Resolved that an amount of R33 333.33 plus Value Added Tax be paid to the Lead Independent Director for services rendered from 1 August 2017 to 30 September 2017.

Percentage voting rights required for special resolution number 3 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 3
The reason and effect of special resolution number 3 is to compensate the Lead Independent Director for services rendered in this capacity since his appointment date. He was appointed subsequent to the shareholders approving the 2017 fees. He was appointed to this position in line with the requirement contained in King IV namely that the board should appoint a Lead Independent Director with certain functions which are detailed in the Corporate Governance Report on pages 59 to 68.

Reimbursement of value added tax levied against certain directors

Special resolution number 4
Resolved that three Non-executive Directors affected by the Ruling by the South African Revenue Service to pay Value Added Tax on their Directors' fees be compensated as follows for paying Value Added Tax for the period 1 June 2017 to 30 September 2017:

	Value Added Tax Payable 2017 R
Dr T Eloff	**45 029.24**
Mr DJ Fouché	**24 561.40**
Dr T Lategan	**16 619.92**

Reasons for an effect of special resolution number 4
The reason for special resolution number 4 is that the South African Revenue Service ruled that with effect from 1 June 2017 Non-executive Directors earning in excess of R1 million in any 12-month period must register for Value Added Tax, and must charge Value Added Tax on the fees. As this Ruling only came into effect subsequent to shareholders approving the 2017 fees in February 2017, Directors' fees could not be increased by the Value Added Tax amount and therefore Directors were out of pocket for the period 1 June 2017 to 30 September 2017.

The effect of special resolution number 3 is to reimburse directors with the Value Added Tax amount payable to them from 1 June 2017 to 30 September 2017.

Percentage of voting rights required for special resolution number 4 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Authority to provide financial assistance to related and inter-related companies

Special resolution number 5
Resolved that in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, the board of the company may from time to time authorise the company to provide any direct or indirect financial assistance, as defined in section 45(1) of the Companies Act, to any related or inter-related company or corporation as contemplated in section 45(2) of the Companies Act, for such amounts and on such terms and conditions as the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company.

Percentage voting rights required for special resolution number 5 to be adopted: at least 75 percent of the voting rights exercised on this resolution.

Reasons for and effect of special resolution number 5
The reason for special resolution number 5 is that the company is a listed holding company with a number of subsidiary companies which together comprise the Astral group of companies. Astral is not an operating company and all operations in the Astral group are conducted by subsidiary companies of Astral.

Astral is from time to time, as an essential part of conducting its business, required to provide financial assistance to its subsidiary companies including related and inter-related companies in the form of operational loan funding, credit guarantees and general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to subsidiaries and Astral seeks approval for the board of the company until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Companies Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries. The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its memorandum of incorporation and the provisions of the Companies Act.

The effect of special resolution number 5 is that the directors of the company will be granted the authority until the next annual general meeting to authorise the provision by the company of financial assistance to any related or inter-related company as contemplated in section 45(2) of the Companies Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debts of its subsidiaries.

Compliance with section 45(3)(b) of the Companies Act
The Directors of Astral will, in accordance with section 45(3)(b) of the Companies Act, ensure that financial assistance is only provided if the requirements of that section are satisfied, *inter alia*, that immediately after providing the financial assistance, the company satisfies the solvency and liquidity test set out in section 4(1) of the Companies Act.

Notice in terms of section 45(5) is hereby given that any financial assistance contemplated in special resolution number 4 will in all likelihood exceed one-tenth of one percent of the company's net worth at the date of adopting such a resolution. This notice is also relevant for any trade union representing any employees of the company.

To allow financial assistance for employee participation in the forfeitable share plan

Special resolution number 6
Resolved that, in terms of section 44 of the Companies Act, the shareholders of the company hereby approve of the company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, direct or indirect financial assistance to any of its present or future employees who are participating in the company's Forfeitable Share Plan (FSP) (including its Chief Executive Officer, other executives, key full-time employees, or to any other person who is elected by the Human Resources, Remuneration and Nominations Committee to participate in the FSP.

Percentage of voting rights required for special resolution number 6 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 6
The reason for special resolution number 6 is to provide financial assistance to present or future employees for the purpose of participating in the FSP and the effect of special resolution number 5 will be that the company is authorised to do so. A summary of the salient features of the FSP appears below.

To allow financial assistance for executive Directors and prescribed officers to participate in the forfeitable share plan

Special resolution number 7
Resolved that, in terms of section 45 of the Companies Act, the shareholders of the company hereby approve of the company providing, at any time and from time to time during the period of 2 (two) years commencing on the date of this special resolution, direct financial assistance as contemplated in section 45 of the Companies Act to executive Directors and prescribed officers solely for the purpose of such persons participating in the FSP provided that:

a) The recipient or recipients of such financial assistance, and the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the rules of the FSP as approved by the board of directors of the company from time to time; and

b) The board may not authorise the company to provide any financial assistance pursuant to this special resolution unless the board meets all those requirements of section 45 of the Companies Act which it is required to meet in order to authorise the company to provide such financial assistance.

Percentage of voting rights required for special resolution number 7 to be adopted: at least 75 percent of the voting rights exercised on the resolution.

Reason for and effect of special resolution number 7
The reason for special resolution number 7 is to provide financial assistance to executive Directors and prescribed officers for the purpose of participating in the FSP and the effect of special resolution number 7 will be that the company is authorised to do so. A summary of the salient features of the FSP appears below.

Notice of ANNUAL GENERAL MEETING (continued)

Voting and proxies

All ordinary resolutions will, in terms of the Companies Act, require the support of more than 50 percent of the voting rights of members exercised thereon at the annual general meeting to be approved, except for ordinary resolution number 10 which requires the support of more than 75 percent of the voting rights of members exercised thereon at the annual general meeting in terms of the Listing Requirements of the JSE Limited. All special resolutions will require the support of at least 75 percent of the total voting rights exercised thereon at the annual general meeting to be approved.

On a show of hands a member of the company present in person or by proxy shall have only 1 (one) vote irrespective of the number of shares he holds or represents, provided that a proxy shall irrespective of the number of members he represents have only 1 (one) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the company.

A member entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in place of that member. A proxy need not be a member of the company.

Registered holders of certificated Astral shares and holders of dematerialised Astral shares in their own name and who are unable to attend the annual general meeting and who wish to be represented at the meeting, must complete and return the attached form of proxy in accordance with the instructions contained in the form of proxy, so as to be received by the share registrars, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) by 08:00 on Thursday, 8 February 2018.

Holders of Astral shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, Central Securities Depository Participant (CSDP) or broker to enable them to attend and vote at the annual general meeting or to enable their votes in respect of their Astral shares to be cast at the annual general meeting by that nominee or a proxy or a representative. The completion of the form will not preclude the member from subsequently attending the annual general meeting.

Electronic communication and participation

Shareholders or their proxies may participate in the Annual General Meeting by way of a teleconference call and, if they wish to do so:

- Must contact the Company Secretary: maryna.eloff@astralfoods.com or 012 667 5468 during business hours (08:00 to 16:30) on week days;
- Will be required to provide reasonably satisfactory identification; and
- Will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

By order of the board

Maryna Eloff
Company secretary

Pretoria
15 November 2017

Annual general meeting EXPLANATORY NOTES

1. ANNUAL FINANCIAL STATEMENTS

At the annual general meeting, the directors must present the annual financial statements for the year ended 30 September 2017 to shareholders, together with the reports of the directors and the auditors. They are contained within the integrated annual report.

2. RE-ELECTION OF DIRECTORS

Mrs TM Shabangu and Mrs TP Maumela retire from the board in accordance with article 34.4.1 of the company's memorandum of incorporation and offer themselves for re-election.

Brief particulars of the qualifications and experience of the above are available on page 53 of this report.

The board of directors of the company has reviewed the composition of the board against corporate governance and transformation requirements and has recommended the re-election of the directors listed above. It is the view of the board that the re-election of the candidates referred to above would enable the company to:

- Responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- Comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent non-executive directors on the board.

Accordingly, the board recommends to shareholders the re-election of each of the retiring directors referred to in ordinary resolution number 2 and 3.

3. ELECTION OF AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

At a recent meeting of the Human Resources, Remuneration and Nominations Committee the committee satisfied itself that, among others, the independent non-executive directors offering themselves for election as members of the Astral Audit and Risk Management Committee are independent non-executive directors as contemplated in King IV and the Listings Requirements of the JSE Limited, and:

- are suitably qualified and experienced for Audit Committee membership;
- have an understanding of integrated annual reporting (including financial reporting), internal financial controls, external and internal audit processes, risk management, sustainability issues and the governance processes (including information technology governance) within the company;
- collectively possess skills which are appropriate to the company's size and circumstances, as well as its industry;
- have an understanding of International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice and other financial and sustainability reporting standards, regulations and guidelines applicable to the company; and
- adequately keep up to date with key developments affecting their required skills set.

For further details regarding the performance of the Audit and Risk Management Committee, please refer to the report of the Audit and Risk Management Committee which appears on pages 116 to 118.

4. REAPPOINTMENT OF INDEPENDENT AUDITOR

PricewaterhouseCoopers Incorporated has communicated its willingness to continue in office and resolution 5 proposes the reappointment of that firm as the company's external auditor until the next annual general meeting.

The Audit and Risk Management Committee has satisfied itself that PricewaterhouseCoopers Incorporated is independent as contemplated by the South African Independence laws and the applicable rules of the International Federation of Accountants (IFAC) and has, in terms of the JSE Listings Requirements, considered and satisfied itself that PricewaterhouseCoopers Incorporated are accredited to appear on the JSE List of Accredited Auditors.

5. DETERMINATION OF AUDITORS' REMUNERATION

In terms of the Audit and Risk Management Committee's Mandate and Terms of Reference the committee is responsible for the approval of the terms of engagement and remuneration for the external audit engagement.

Annual general meeting EXPLANATORY NOTES
(continued)

6. VOTE ON REMUNERATION POLICY/IMPLEMENTATION REPORT

Astral's Remuneration Policy as well as the Remuneration Implementation Report are contained on pages 69 to 75 of this Integrated Report.

Section 3.84(k) of the JSE Listings Requirements dealing with the Remuneration Policy and the Remuneration Implementation Report, calls for separate non-binding advisory votes at the annual general meeting on the approval of the Remuneration Policy and the Remuneration Implementation Report.

Ordinary resolutions number 7 and 8 are of an advisory nature only and failure to pass these resolutions will therefore not have any legal consequences relating to existing arrangements. However the board will take the outcome of the vote into consideration when considering the company's Remuneration Policy and Remuneration Implementation Report. In the event that 25% or more votes cast vote against these resolutions, Astral will engage with shareholders as to the reasons therefore. Astral will address legitimate and reasonable objections and will publish details of such engagement in the following year's Integrated Report.

7. NEW FORFEITABLE SHARE PLAN

The proposed minimum performance conditions (threshold) for the first year are the following:

- average annual percentage increase in HEPS over the three year vesting period = CPI
- average RONA over three year vesting period = 18 percent
- average performance efficiency factor (PEF) over the three year vesting period = 306

8. SIGNATURE OF DOCUMENTATION

Authority for any one Director or the company secretary to sign documentation to give effect to all ordinary and special resolutions passed at the annual general meeting.

9. REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS

Special resolution number 1 is required to obtain the approval of the company in general meeting of the fees payable to the Non-executive Chairman. Fee increases are only implemented after formal approval by shareholders.

The Human Resources, Remuneration and Nominations Committee agreed to implement a composite fee to be paid to the Chairman of the board as he is required to attend all the meetings of the board and sub-committees. Previously he was paid a fee as Chairman of the board and for membership of certain sub-committees. As at 30 September 2017, the Chairman of the board was also a member of the Human Resources, Remuneration and Nominations Committee, Chairman of the Nominations section of that committee and a member of the Social and Ethics Committee.

Special resolution number 2 is required to obtain the approval of the company in general meeting of the fees payable to the Non-executive Directors. Fee increases are only implemented after formal approval by shareholders.

These resolutions are recommended by the company's board of Directors. Full particulars of all fees for the past year as well as the process followed by the Human Resources, Remuneration and Nominations Committee on recommending board fees are contained on pages 72 to 73 of this Integrated Report.

Astral's Human Resources, Remuneration and Nominations Committee is satisfied that having investigated the payment of Non-executive Directors' fees, these are relative to the median fees paid to Non-executive Directors of other similar sized public listed companies in South Africa. The board has also consulted with external independent advisors on market information and remuneration trends. As a result certain increases were higher than 10%.

10. REIMBURSEMENT OF VALUE ADDED TAX LEVIED AGAINST CERTAIN DIRECTORS

The South African Revenue Service issued a Ruling that Non-executive Directors earning fees in excess of R1 million in any 12-month period had to register for Value Added Tax and had to charge Value Added Tax with effect from 1 June 2017. Due to the fact that shareholders approved the fees payable to directors for the period 1 October 2016 to 30 September 2017, it was not possible to charge the Value Added Tax to the company. Special resolution number 3 is therefore required to authorise the company to pay an additional fee equal to the Value Added Tax in order to reimburse the affected Directors who paid the Value Added Tax directly and could not charge the company without the approval of shareholders.

11. PRESENTATION OF THE SOCIAL AND ETHICS COMMITTEE REPORT

The Chairman of the Social and Ethics Committee will present the Social and Ethics Committee report for the year ended 30 September 2017.

Astral Foods Limited FORFEITABLE SHARE PLAN

INTRODUCTION

In line with local and global best practice, Astral Foods Limited ("Astral" or "the company") intends to adopt a new long-term retention plan, namely the Astral Limited Forfeitable Share Plan ("FSP") to incentivise, motivate and retain the right calibre of executives and senior management. The current long-term retention scheme will be replaced by the FSP for participants in this plan.

The FSP provides the participants with the opportunity of receiving Forfeitable Shares in the Company, and will provide participants with the opportunity to share in the success of the Company, providing direct alignment between participants and shareholders. Participants will have all shareholder rights (including dividends) from the settlement date, shortly after the award date. Further, through the delivery of real shares under the FSP, participants will become shareholders in the company.

The salient features of the FSP are set out below.

PURPOSE

The FSP will be primarily used as an incentive to participants to deliver the group's business strategy over the long-term. The intent of the FSP is to incentivise, motivate and retain executives and senior management through the award of Forfeitable Shares as follows:

- Bonus shares: the value of bonus shares will be determined with reference to the annual bonus, based on performance in the previous financial year ("Bonus Shares"). Bonus Shares are further subject to continued employment until the vesting date. Therefore if there is no Bonus in a particular year, the employee will not be eligible to receive an Award of Bonus Shares;
- Performance shares, subject to the satisfaction of performance conditions and the employment condition ("Performance Shares");
- The award of retention shares, subject to the satisfaction of the employment condition ("Retention Shares"), for specific ad-hoc instances where the Remuneration and Nomination Committee ("the Committee") identifies a specific retention need.

The employment condition and the performance condition(s) are described more fully under the heading "Performance conditions and vesting".

PARTICIPANTS

Eligible employees will include executive directors and senior management of any Employer Company within the company. Participation in the FSP is not a condition of employment and the Committee has absolute discretion to make an Award to an employee in terms of the FSP.

RIGHTS OF PARTICIPANTS

Under the FSP, participants will become owners of the Forfeitable Shares from the settlement date, shortly after the award date, and will immediately benefit from dividends and have shareholder voting rights in respect of the Forfeitable Shares over the vesting period. The Forfeitable Shares cannot be disposed of by the participant prior to the vesting date and will be subject to forfeiture and disposal restrictions until the vesting date.

BASIS OF ANNUAL AWARDS AND AWARD LEVELS

In line with the requirements of King IV and best practice, regular, annual awards will be made on a consistent basis to ensure long-term shareholder value creation.

The number of Performance Shares and/or Retention Shares awarded to a participant will primarily be based on the participant's annual salary, grade, performance, retention and attraction requirements and market benchmarks. The number of Bonus Shares awarded to a participant will be determined by taking into consideration the quantum of the annual bonus earned by the participant for the financial year, and best market practice. In order to earn a short term incentive (and subsequently qualify for Bonus Shares), certain performance hurdles must be met.

Notwithstanding the above, overall affordability to the company will be considered each time an award is made.

PERFORMANCE CONDITIONS AND VESTING

Retention Shares will not be subject to performance conditions, due to their inherent nature as retention instruments.

Bonus Shares will be dependent on the quantum of annual bonus earned during the previous financial year, and will be linked to performance in this manner. Bonus Shares will be subject to the fulfilment of the employment condition, which will be three years from the date of award.

Performance Shares will be subject to the fulfilment of both the predetermined performance conditions and continued employment until the vesting date, which will be the date on which the performance conditions are measured and three years from the date of award.

Astral Foods Limited FORFEITABLE SHARE PLAN
(continued)

The Committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards. These will be agreed with the participant in terms of the award letter.

No vesting will take place below threshold performance, and in line with good governance principles, interpolation is applied for performance between threshold, target and stretch performance levels. In line with corporate governance principles, performance conditions will not be retested if they are not met at the end of the performance period, and to the extent that they are not satisfied, awards will lapse at this time.

MANNER OF SETTLEMENT

Following the making of an award of Forfeitable Shares, settlement shall take place within 30 (thirty) days of the award date. The rules of the FSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of treasury shares;
- issue of shares.

The exact method of settlement will be determined by the Committee, although the preference will be a market purchase of shares which will cause no dilution to shareholders.

In order to effect any forfeiture of awards, the Forfeitable Shares will be kept in escrow until vesting.

LIMITS AND ADJUSTMENTS

The maximum number of shares which may be settled under the FSP shall not exceed 2 142 039 (two million one hundred forty-two thousand and thirty nine) shares, which represents approximately 5% of the number of issued shares as at the date of approval of the FSP by shareholders.

Shares issued by the company or shares held in treasury which are used to settle the FSP, will be included in the company limit. Forfeitable Shares which are forfeited will be excluded in calculating the company limit. Similarly, any shares purchased in the market in settlement of the FSP will be excluded. The Committee must, where required, adjust the company limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the company

The maximum number of shares which may be settled to an individual may not exceed 428 408 (four hundred and twenty-eight thousand four hundred and eight) shares, which represents approximately 1% of the number of issued shares as at date of approval of the FSP by shareholders. The Committee may, where required, adjust the individual limit to take account of a capitalisation issue, a special dividend, a rights issue or reduction in capital of the company.

The auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the FSP and must be reported on in the company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the company limit and the individual limit.

CONSIDERATION

The participant will give no consideration for the award or settlement or vesting of the Forfeitable Shares.

TERMINATION OF EMPLOYMENT

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as fault termination and will forfeit all unvested awards of Forfeitable Shares.

Participants terminating employment due to death, ill-health, disability, injury, retrenchment, retirement and early retirement if so determined by the Committee (except to the extent that it constitutes a fault termination as set out above), or the sale of a subsidiary company will be classified as a "no fault" termination and their awards will vest as follows:. In respect of Retention Shares, a portion of the unvested award shall vest on the date of termination of employment. The portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period.

In respect of Bonus Shares, the Award will not Vest on the date of termination of employment and the participant will continue to participate as if his employment did not terminate.

In respect of Performance Shares, a portion of the unvested awards shall vest on date of termination of employment based on the extent to which the performance conditions have been satisfied and the number of complete months served since the award date to the date of termination of employment, over the total number of months in the employment period.

The remainder of the award of Performance and Retention Shares will lapse.

CHANGE OF CONTROL

In the event of a change of control of the company occurring before the vesting date of any award, a portion of the award will vest. In respect of Bonus Shares and/ or Retention Shares, the portion of the award which shall vest will reflect the number of complete months served since the award date to the change of control date, over the total number of months in the employment period. In respect of Performance Shares and the portion of the award which shall vest, the Committee will calculate whether and the extent to which the performance conditions have been satisfied by reference to the immediately preceding financial year and the number of complete months served since the award date to the change of control date, over the total number of months in the employment period.

The portion of the award which does not vest as a result of the change of control will, except on the termination of the FSP, continue to be subject to the terms of the award letter, unless the Committee determines otherwise.

Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the FSP. In this case the Committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more other companies, provided the participants are no worse off.

VARIATION OF SHARE CAPITAL

In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares etc., participants shall continue to participate in the FSP. The Committee may make such adjustment to the award or take such other action to place Participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

In the event of a rights issue, a participant will be entitled to normal shareholder rights and will participate in any rights issue in respect of their Forfeitable Shares.

The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards.

LIQUIDATION

If the company is placed into liquidation, other than for purposes of reorganisation, an award of Forfeitable Shares shall *ipso facto* lapse as from the Liquidation Date.

AMENDMENT

The Committee may alter or vary the rules of the FSP as it sees fit, however in the following instances the FSP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the FSP;
- the number of shares which may be utilised for the purpose of the FSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

GENERAL

The Rules of the FSP are available for inspection from Wednesday 13 December 2017 to Thursday 8 February 2018 at the company's registered office, Astral Foods, 92 Koranna Avenue, Doringkloof, Centurion, South Africa.

In terms of the JSE Listings Requirements, the passing of Ordinary Resolution number 10 requires the approval of a 75 percent majority of the voting rights exercised on the resolution.

Shareholders' DIARY

Annual general meeting	Thursday 8 February 2018

Reports and accounts

Interim report for the six months ending 31 March 2017	May 2018
Announcement of annual results for the year ending 30 September 2018	November 2018
Integrated Report	December 2018

Dividends

Ordinary dividend No. 33 of 875 cents per share	
Last date to trade cum dividend	Tuesday 16 January 2018
Shares commence trading ex-dividend	Wednesday 17 January 2018
Record date	Friday 19 January 2018
Payment of dividend	Monday 22 January 2018
Interim dividend – March 2018	
Declaration	May 2018
Payment	June 2018
Final dividend – September 2018	
Declaration	November 2018
Payment	January 2019

Important dates and times (notes 1 & 2)

Record date for determining which shareholders are entitled to receive the annual general meeting notice:	
"Notice Record Date"	Friday 1 December 2017
Notice posted to shareholders on (Note 3)	Wednesday 13 December 2017
Record date for attending and voting at annual general meeting "Meeting Record Date"	Friday 2 February 2018
Last day to trade in order to be eligible to participate and vote at the annual general meeting	Tuesday 30 January 2018
Last day for shareholders to lodge forms of proxy for the annual general meeting by 08:00	Thursday 8 February 2018
Annual general meeting to be held at 08:00	Thursday 8 February 2018
Results of annual general meeting to be released on SENS	Friday 9 February 2018

Notes:

1. *All times referred to in this notice are local times in South Africa.*
2. *Any material variation to the above dates and times will be announced on SENS and published in the press.*
3. *The board of directors of Astral has determined that the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the seventeenth annual general meeting is Friday 1 December 2017 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is Tuesday 30 January 2018. Accordingly, only shareholders who are recorded in the register maintained by the transfer secretaries of Astral on Friday 2 February 2018 will be entitled to participate in and vote at the annual general meeting.*

SHAREHOLDERS WHO FIND THE COST OF SELLING THEIR SHARES EXCEEDS THE MARKET VALUE OF THEIR SHARES MAY WISH TO CONSIDER DONATING THEM TO CHARITY. AN INDEPENDENT NON-PROFIT ORGANISATION CALLED STRATE CHARITY SHARES HAS BEEN ESTABLISHED TO ADMINISTER THIS PROCESS. THE SOUTH AFRICAN REVENUE SERVICE HAS ADVISED THAT THE VALUE OF ANY SHARES DONATED MAY BE DEDUCTED FROM TAXABLE INCOME, AS THE SCHEME IS REGISTERED UNDER SECTION 18A OF THE INCOME TAX ACT. FOR FURTHER DETAILS, QUERIES AND/OR DONATIONS CONTACT THE STRATE SHARE CARE TOLL FREE HELP LINE ON 0800 202 363 OR +27 11 373 0038 IF YOU ARE PHONING FROM OUTSIDE SOUTH AFRICA, OR EMAIL CHARITYSHARES@COMPUTERSHARE.CO.ZA

Form of PROXY

ASTRAL FOODS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1978/003194/06)
(Share code: ARL)
(ISIN code: ZAE000029757)

Form of proxy for the use of shareholders, registered as such and who have not dematerialised their shares or hold own name dematerialised shares, at the seventeenth annual general meeting of the company to be held at 92 Koranna Avenue, Doringkloof, Centurion on Thursday, 8 February 2018.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. Such shareholders must not return this form of proxy to the transfer secretaries.

I/We ______________________________

of (address) ______________________________

being the registered holder(s) of [   ] shares in the company and unable to attend the annual general meeting of the company to be held on 8 February 2018, do hereby appoint (see note below)

______________________________ or failing him/her

______________________________ or failing him/her

the chairman of the meeting with the mandate to speak on my behalf, and to exercise my votes as instructed below, on the proposed resolutions and any amendments thereto that are within the scope of the notice convening the meeting.

Signature ______________________________

Signed this ____________ day of ____________ 20____

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

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit or abstain from voting.

		*In favour	*Against	*Abstain
	ORDINARY BUSINESS			
1.	To adopt the annual financial statements for the year ended 30 September 2017			
2.1	To re-elect Mrs TM Shabangu as Director			
2.2	To re-elect Mrs TP Maumela as Director			
3.1	To re-elect Mr DJ Fouché as member of the Audit and Risk Management Committee			
3.2	To re-elect Dr MT Lategan as member of the Audit and Risk Management Committee			
3.3	To re-elect Mrs TM Shabangu as member of the Audit and Risk Management Committee			
4.1	To re-elect Mr GD Arnold as member of the Social and Ethics Committee			
4.2	To re-elect Dr T Eloff as member of the Social and Ethics Committee			
4.3	To re-elect Mr LW Hansen as member of the Social and Ethics Committee			
4.4	To re-elect Mrs TP Maumela as member of the Social and Ethics Committee			
5.	To re-appoint PricewaterhouseCoopers Inc. as auditors for the 2018 financial year			
6.	To confirm the authority of the Audit and Risk Management Committee to determine the remuneration of the auditors			
7.	To endorse the company's Remuneration Policy			
8.	To endorse the company's Remuneration Implementation Report			
9.	To authorise any Director or the Company Secretary to sign documentation necessary to implement the ordinary and special resolutions passed at the annual general meeting			
10.	To adopt the new Forfeitable Share Plan			
	SPECIAL BUSINESS			
11.	Special resolution number 1 To approve the remuneration payable to the Non-executive Chairman			
12.	Special resolution number 2 To approve the remuneration payable to Non-executive Directors			
13.	Special resolution number 3 To compensate the newly appointed Lead Independent Non-executive Director for services rendered			
14.	Special resolution number 4 To reimburse Value Added Tax levied against certain Directors			
15.	Special resolution number 5 To authorise the Directors to approve actions related to transactions amounting to financial assistance to related and inter-related companies			
16.	Special resolution number 6 To allow financial assistance for employee participation in the forfeitable share plan (Section 44 of Companies Act)			
17.	Special resolution number 7 To allow financial assistance for executive directors and prescribed officers to participate in the forfeitable share plan (Section 45 of Companies Act)			

Notes to form of PROXY

A shareholder may insert the name or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow. Any such proxy, who need not be a shareholder of the company, is entitled to attend, speak and vote on behalf of the shareholder.

A proxy is entitled to one vote on a show of hands and, on a poll, one vote for each share held. A shareholder's instructions to the proxy must be indicated in the appropriate spaces.

If a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against any resolution or to abstain from voting or gives contradictory instructions, or should any further resolution/s or any amendment/s which may be properly put before the annual general meeting be proposed, the proxy shall be entitled to vote as he thinks fit.

This form of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, (PO Box 61051, Marshalltown, 2107) by no later than 08:00 on Wednesday, 8 February 2017.

Documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached hereto unless previously recorded by the company's transfer secretaries.

The completion and lodging of this form of proxy will not preclude a shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms of this proxy form.

Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

The chairman of the meeting may accept or reject any form of proxy, which is completed and/or received other than in accordance with these notes.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary authorisation to attend the annual general meeting or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person but wish to be represented thereat. This must be done by the cut-off time as requested by the CSDP or broker.

ADMINISTRATION

Astral foods limited

(a limited liability company incorporated in the Republic of South Africa)
Registration number 1978/003194/06
Share code: ARL
ISIN code ZAE000029757

Registered office

92 Koranna Avenue
Doringkloof
Centurion
0157

Postal address

Postnet Suite 278
Private Bag X1028
Doringkloof, 0140
Telephone (012) 667 5468
Telefax (012) 667 6665
Email: contactus@astralfoods.com

Website address

www.astralfoods.com

Auditors

PricewaterhouseCoopers Inc.

Principal banker

Nedbank Limited

Sponsor

Nedbank CIB
135 Rivonia Road, Sandown, 2196
PO Box 1144, Johannesburg, 2000
Telephone (011) 295 8525

Transfer secretaries

Computershare Investor Services (Pty) Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107
Telephone (011) 370 5000

Company secretary

MA Eloff

Major subsidiaries

Astral Operations Limited
Registration number 1947/027453/06
Directors: DD Ferreira
OM Lukhele
N Moodley
E Potgieter
CE Schutte

Africa Feeds Limited (Zambia)
Registration number 36327
Directors: GD Arnold
TD Banda *
AB Crocker
NR Mwanyungwi *
H Nienaber
GNH Robinson *
** Zambian*

Meadow Feeds Eastern Cape (Pty) Limited
Registration number 2003/021458/07
Directors: GD Arnold
DD Ferreira
CE Schutte
CL Sexton

Meadow Feeds Standerton (Pty) Limited
Registration number 2003/021462/07
Directors: GD Arnold
DD Ferreira
CE Schutte

Meadow Moçambique Limitada
Registration number 5710/MP/G/2001
Directors: GD Arnold
AB Crocker
JR Tinga*
** Mozambican*

Mozpintos Limitada
Registration number 100228777
Directors: GD Arnold
AB Crocker

National Chicks Swaziland
Registration number 94/63894/07
Directors: GD Arnold
A Geldard
D Stock

Progressive Poultry Limited
Registration number 70163
Directors: GD Arnold
TD Banda*
H Nienaber
** Zambian*

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