ASTRAL FOODS LIMITED
GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 30 September 2020

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Group Company Secretary Certificate

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

Leonie Marupen
Group Company Secretary
11 November 2020

Preparation and publication of the Annual Financial Statements

The Annual Financial Statements for the year ended 30 September 2020 that were published on 11 December 2020, available on the Group's website www.astralfoods.com as well as contained in this Integrated Report, have been prepared under the supervision of the Chief Financial Officer, Daan Ferreira CA(SA).

Daan Ferreira
Chief Financial Officer
11 November 2020

Directors' responsibilities and approval

For the year ended 30 September 2020

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

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

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

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

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

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

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

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

CE Schutte	**DD Ferreira**
Chief Executive Officer	***Chief Financial Officer***

Directors' Report

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

Nature of business

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

Listing information

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

Registered address

The Company's registered address is:

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

Financial results

The results for the year are set out in the Annual Financial Statements presented on pages 73 to 88 of this Integrated Report. The Annual Financial Statements are also published on the Group's website www.astralfoods.com.

Share capital

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

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

Dividends

The following ordinary dividends were declared:

	2020 R'000	2019 R'000
Interim dividend: Nil (2019: 475 cents per share)	-	203 758
Less: Dividends received on treasury shares held by a subsidiary	-	(19 421)
Final dividend: (No 38) of 775 cents per share declared post year-end (2019: 425 cents per share)	332 647	182 419
Less: Dividends received on treasury shares held by a subsidiary	(31 686)	(17 376)
Total dividend at 775 cents per share (2019: 900 cents per share)	**300 960**	**349 380**

Property, vehicles, plant and equipment

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

Directors

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

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 Group.

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

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

Share incentive scheme

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

Repurchase of shares

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

Subsequent events

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

Litigation statement

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

Material changes

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

Annual Financial Statements

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

Going concern

Performance

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

Profit for the first half of the year at R371 million was marginally higher compared to the same period for the prior year(2019: R370 million),whereas the profit for the full year at R 561 million was down on the previous year's R R647 million. The Covid-19 related hard lockdown of the economy during the second half of the financial year had an impact on revenue, however as the lockdown moved to level 1, the revenue stream and sales volumes are in a process to recover. There was no disruption in the operating activities of the group during the lockdown period due to the group being classified as an essential service provider. No bad debts were written off and apart from R41million direct costs, no other abnormal costs related to Covid-19 were incurred.

Solvency and liquidity

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

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

Conclusion

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

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

Chris Schutte	**Daan Ferreira**
Chief Executive Officer	*Chief Financial Officer*

Audit and Risk Management Committee Report

Dear shareholders

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

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

On behalf of the Audit and Risk Management Committee

Diederik Fouche
Chairman
11 November 2020

Risk management

We are committed to the following risk management action plan:

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

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

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

Internal audit

We have established an independent, objective and effective Internal Audit Department governed by a charter approved by the Board. The internal audit function reports to the CEO and has unfettered access to the Chairman of the Board and the Chairman of the Audit and Risk Management Committee.

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

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

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

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

Information Technology (IT)

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

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

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

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

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

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

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

Integrated Report

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

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

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

Key focus areas - 2020

Duties

In execution of its compliance duties during the 2020 financial year, the committee:

- nominated the re-appointment of PwC as external auditor and E J Gerryts as the designated auditor for the 2021 financial year, after satisfying itself through enquiry that PwC are independent as defined in terms of the Companies Act. This will be E J Gerryts third year as designated auditor of the Group;
- confirmed that PwC and the designated auditor, E J Gerryts, are accredited by the JSE;
- at the end of each meeting during the year, met with the external auditor where management was not present: no matters of concern were raised;
- determined the fees to be paid to PwC as disclosed on page [...] of this Report and their terms of engagement;
- noted the non-audit services policy which determines the nature and extent of any non-audit services which the external auditor may provide to the Group;
- pre-approved any proposed contract with PwC for the provision of non-audit services to the Group;
- received no complaints relating to the accounting practices of the Group, the content or auditing of its Annual Financial Statements, the internal financial controls of the Group, or other related matters;
- reviewed the draft Audited Annual Financial Statements and Integrated Report, the preliminary profit announcement and interim statements;
- met with the external auditor to discuss the Annual Financial Statements prior to their approval by the Board;
- reviewed the valuation of goodwill before recommending any impairment to the Board for approval;
- reviewed the reports of the internal audit and the providers of the Tip-Offs Anonymous hot-line;
- approved the internal audit plan for the year;
- monitored and provided oversight of the internal audit function;
- confirmed that there had not been significant changes in the management of Astral during the external audit firm's tenure;
- made submissions to the Board on matters concerning the Group's accounting policies, financial controls, records and reporting;
- concurred that the adoption of a going concern premise in the preparation of the Annual Financial Statements was appropriate; and
- recommended to the Board the declaration of a dividend.

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

Oversight of risk management

During the year, the committee has:

- received assurances that the process and procedures followed in terms of risk management are adequate to ensure that financial risks are identified and monitored;
- satisfied itself that the following areas have been appropriately addressed:
  - financial reporting risks;

  - internal financial controls;
  - fraud risks as they relate to financial reporting; and
  - IT risks as they relate to financial reporting.
- reviewed tax and IT risks, in particular how they are managed;
- reviewed the outcome of the audit by PwC of selected IT general controls; and
- received assurances that the impact of the Covid-19 pandemic on operations have been appropriately addressed including the following:
  - health, safety and other HR considerations;
  - liquidity and going concern;
  - impairment and valuations;
  - governance implications;
  - strategic and economic implications;
  - regulatory implications;
  - impact on internal controls; and
  - technology implications.

Internal financial controls

The committee has:

- reviewed the effectiveness of the Group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- reviewed significant issues raised by the external auditor in their reports; and
- reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, the committee believes that the significant internal financial controls are effective. Where weaknesses in specific controls have been identified, management undertook to implement appropriate corrective actions to mitigate the weakness so identified.

Legal and regulatory compliance

The committee has complied with all applicable Companies Act regulations and JSE Listings Requirements.

External audit

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

	2020 R'000	2019 R'000
Audit fees	7 001	6 584
Non-audit services	271	289
General expenses	129	189
Under provision	285	386
Total	**7 686**	**7 448**

Any non-audit services to be rendered by the external auditor are normally initiated by the business units following a formal process that is approved by the CFO. A formal policy regarding the pre-approval of non-audit services are followed and non-audit services performed during the financial year included:

Division	Non-audit services	Nature
Astral Operations Ltd	2019: EVA incentive review	Tax consulting services
Astral Operations Ltd	PAYE: VDP and directive assistance	Tax consulting services
Meadow Standerton (Pty) Ltd	Assistance with responding to SARS' requests	Tax consulting services
Astral Operations Ltd	Long-Term Incentive policy review	Tax consulting services
Astral Foods Ltd	Tax consulting, planning and structuring	Tax consulting services

Based on our satisfaction with the results of the activities outlined above, we have recommended the re-appointment of PwC to the Board and the shareholders. Consideration was also given to the length of PwC's tenure when making the recommendation to the shareholders to re-appoint the firm for a further year.

PwC has been the external auditor of Astral since listing in 2001. During 2013 a tender process was followed whereby three audit firms, including PwC, were interviewed and where they presented their services to the committee. The committee was of the opinion that the services offered by PwC remained the most suitable for the Group and PwC was re-appointed as external auditor. The designated audit partner is rotated every five years.

As per the new IRBA rule on Mandatory Audit Firm Rotation for auditors of all public interest entities, as defined in section 290.25 to 290.26 of the amended IRBA Code of Professional Conduct for Registered Auditors, an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years. Although this rule is only effective for financial years commencing on or after 1 April 2023.

The committee, after discussion with management and the external audit, concurred with the key audit matter set out in the Independent Auditor's Report on the audit of the Consolidated Annual Financial Statements for the year ended 30 September 2020.

The committee confirms that it has received from the auditor all decision letters/explanations issued by the Independent Regulatory Board for Auditors (IRBA) or any other regulator and any summaries relating to monitoring procedures/deficiencies issued by the auditor.

The committee was satisfied that the Consolidated Annual Financial Statements appropriately addressed the critical judgements and key estimates pertaining to the key audit matters contained in the Independent Auditor's Report, in respect of both amounts and disclosure. The committee noted that both the consolidated and separate Annual Financial Statements were presented fairly in all material respects.

Financial function and CFO review

In accordance with King IV™ requirements, we have reviewed the expertise, resources and experience of the Group's financial function and are satisfied that these are adequate and effective for the forthcoming year. We have also reviewed the performance, appropriateness and expertise of the CFO, Mr DD Ferreira, and confirm his suitability in terms of the JSE Listings Requirements.

Financial reporting procedures

The committee is satisfied that Astral has established appropriate financial reporting procedures, and that those procedures are operating.

Integrated Report

We have evaluated the Integrated Report of Astral for the year ended 30 September 2020 and based on the information provided to the committee, consider that the Group complies in all material respects with the requirements of the Companies Act and IFRS, and we recommend the Integrated Report to the Board for approval.

A detailed Sustainability Report will be published on our website and extracts are reported elsewhere in the Integrated Report.

King IV™

The King IV™ Report became effective for companies with financial years starting on or after 1 April 2017. The practices underpinning the principles espoused in King IV™ are entrenched in many of Astral's internal controls, policies and procedures governing corporate conduct. Our outcome based approach resulted in this report evolving and Astral has applied the principles of King IV™, the details of which is set out in various sections included in the Integrated Report.

Additional items reviewed:

- commodity procurement;
- impact of new accounting standards;
- significant accounting estimates:
  - goodwill
  - biological assets
  - post-retirement medical aid
  - long-term retention plan
  - EVA and PBIT bonus

Future focus areas

The following areas are considered to be future focus areas that will receive attention in the new financial year:

- internal audit and other assurance plans;
- internal audit quality assurance review;
- integrity of internal control and effectiveness of risk management across the Group;
- oversight of the most significant risks within the Group;
- monitor the implementation of new IFRS standards; and
- privacy compliance.

Going concern

We have reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the Group and are comfortable in our recommendation to the Board regarding the Annual Financial Statements as well as the combined assurances contained in the Integrated Report, that the Group will be a going concern for the next financial period, at the end of which a similar assessment will be done.

Independent auditor's report

To the Shareholders of Astral Foods Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Astral Foods Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Astral Foods Limited's consolidated financial statements set out on pages 20 to 52 comprise:

- the consolidated balance sheet as at 30 September 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Our audit approach

Overview

Overall group materiality

- *Overall group materiality: R52,500,000, which represents 5% of the average consolidated profit before tax.*

Group audit scope

- *Full scope audits were performed over nine financially significant components in South Africa.*
- *Specified audit procedures were performed on certain account balances and transactions of a further two components.*
- *Review procedures were performed on an additional three components and analytical review procedures were performed on the remaining components.*

Key audit matters

- *Goodwill impairment assessment.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*R52,500,000.*
How we determined it	*5% of the average consolidated profit before tax.*
Rationale for the materiality benchmark applied	*We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We used a five-year average consolidated profit before tax figure as this is representative of the normal earnings cycle of this industry. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.*

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has three principal reportable operating segments that align with its organisational design namely Poultry, Feed, and Other Africa.

The Group's consolidated financial statements are a consolidation of thirty reporting components, which make up the Group's three operating segments. Of these reporting components, we selected nine for full scope audit testing due to their financial significance, limited to an appropriate allocation of the Astral Foods Limited consolidated materiality. We selected a further two components where specified audit procedures were performed on certain account balances and transactions due to these being material to the group audit. These reporting components are all located in South Africa. Review procedures were performed at three additional reporting components, and for the remaining components, we performed further analytical review procedures as considered appropriate.

This together with additional procedures performed at the Group level, including testing of consolidation journal entries and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network teams or firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

We met with certain of the component auditors in the Poultry and Feed operating segments and attended divisional audit committee meetings for all components as part of planning the audit, as well as part of the completion of the audit work performed.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	*How our audit addressed the key audit matter*
Goodwill impairment assessment *Refer to accounting policies note 9 (Impairment of non-financial assets) and note 15 (Goodwill) to the consolidated financial statements.* Management tested the Group's goodwill, which had a carrying amount of R136,135,000 as at 30 September 2020, for impairment. They concluded that there is no impairment as the recoverable amounts, based on value in use (VIU) calculations, exceeded the carrying amounts of the individual cash generating units (CGUs) to which goodwill has been allocated. The most significant balance of goodwill related to the Goldi/Festive CGU, which had a carrying amount of R106,020,000 as at 30 September 2020. In assessing goodwill for impairment, management applied significant judgement and assumptions in determining the VIU. These included the following: • Forecasting future volumes when determining future cash flows based on normalised operations, which is influenced by factors that are difficult to predict, namely changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and consumers' behaviour in response to the economic	Through discussion, we obtained an understanding of the process and procedures applied by management during their impairment assessment of goodwill. In respect of goodwill relating to the Goldi/Festive CGU, we performed the following procedures: • We evaluated management's future cash flow forecasts, which were based on budgets and forecasts approved by the board of directors. In this regard we agreed the amounts used in the future cash flow forecasts to the budgets and forecasts approved by the board of directors. No material differences were noted; and • We assessed the reasonableness of management's assumptions such as net realisations of poultry products, broiler feed prices, sales volumes, working capital movements and capital expenditures, by comparing the assumptions to information obtained from the South African Poultry Association, and Gross Domestic Product forecasts obtained from the Industrial Development Corporation's forecasts. Based on the results of our comparisons, we accepted the assumptions used by management. We compared the Group's 2019 and 2020 actual results to the forecasts for these years, to identify any situations where actual results

environment; • Growth rates; • Discount rates; • Broiler feed costs; and • Selling prices of poultry products. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the significant judgement and assumptions applied by management in determining the VIU of the individual CGUs.	achieved were significantly different from the forecasted results. We discussed with management the reasons for the differences identified and inspected relevant documentation. We noted no matters requiring further consideration. We tested the discount rate and growth rates applied by management in their impairment assessment of goodwill by performing the following procedures: • Utilising our valuation expertise, we recalculated a range of discount rates, considering inputs for similar entities, industry data and entity-specific data. Where differences in discount rates were noted, we included this in our sensitivity analysis to consider whether this would lead to an impairment charge being recognised. In this regard we did not identify any impairment to be recognised. Based on our procedures performed, we accepted the discount rates used by management; and • We assessed the reasonableness of the long-term growth rate used by management by comparing it to the long-term consensus on the South African Consumer Price Index. Based on the results of our comparison, we accepted the rate used by management. We tested the mathematical accuracy of management's impairment assessment and noted no material differences. We utilised our valuation expertise to assess the valuation methodology applied by management against generally accepted valuation methodology and against the requirements of International Accounting Standard (IAS 36), Impairment of Assets. We performed independent sensitivity calculations on management's impairment assessments, with respect to key assumptions, which included the discount and growth rates, sales volumes, net realisations of poultry products and broiler feed prices. We discussed these with management and considered the likelihood of such changes occurring. Based on our procedures performed, we did not identify

	any impairments to be recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Astral Foods Limited Group Annual Financial Statements for the year ended 30 September 2020 "and the document titled "Astral Foods Limited Annual Financial Statements for the year ended 30 September 2020", which includes the Directors' Report, the Audit and Risk Management Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Astral Integrated Report for the year ended 30 September 2020", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports 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.

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Astral Foods Limited for 20 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: EJ Gerryts

Registered Auditor

Johannesburg

13 November 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Revenue	1	14 104 281	13 485 475
Cost of sales	2	(11 321 550)	(10 856 468)
Gross profit		2 782 731	2 629 007
Administrative expenses	2	(706 625)	(723 290)
Distribution costs	2	(1 034 573)	(833 734)
Marketing expenditure	2	(236 234)	(201 848)
Other income	4	39 492	15 126
Other losses	5	(6 679)	(2 982)
Profit before interest and tax		838 112	882 279
Finance income	6	28 279	41 286
Finance expense	6	(84 547)	(10 914)
Profit before tax		781 844	912 651
Tax expense	7	(220 610)	(265 116)
Profit for the year		561 234	647 535
Other comprehensive income for the year, net of tax		(48 036)	(1 300)
Items that may subsequently be reclassified to profit and loss		(22 548)	878
Currency loss on investment loans to foreign subsidiaries		(2 718)	(414)
Foreign currency translation (loss)/gain		(19 830)	1 292
Items that will not be reclassified to profit or loss		(25 488)	(2 178)
Re-measurement of post employment benefit obligations (note 25)		12 219	(3 025)
Deferred tax on re-measurement of post employment benefit obligations		(3 421)	847
Changes in fair value of equity instruments		(34 286)	
Total comprehensive income for the year		513 198	646 235
Profit for the year attributable to:			
Equity holders of the company		556 267	643 653
Non-controlling interest		4 967	3 882
Profit for the year		561 234	647 535
Total comprehensive income attributable to:			
Equity holders of the company		508 231	642 353
Non-controlling interest		4 967	3 882
Total comprehensive income for the year		513 198	646 235
Earnings per share attributable to the equity holders of the company during the year:			
Earnings per share (cents)	8	1435	1659
Diluted earnings per share (cents)	8	1432	1658
Headline earnings per share			
Headline earnings per share (cents)	9	1441	1674
Diluted headline earnings per share (cents)	9	1438	1674
Dividends			
Dividends declared in respect of the current year's profits (cents)	10	775	900

CONSOLIDATED BALANCE SHEET

at 30 September 2020

	Notes	2020 R'000	2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	11	2 946 643	2 462 918
Intangible assets	12	55 421	59 183
Right-of-use assets	14	537 061	
Goodwill	15	136 135	136 135
Financial assets at fair value through other comprehensive income	16	121 020	
		3 796 280	2 658 236
Current assets			
Biological assets	17	851 252	758 721
Inventories	18	861 241	691 058
Trade and other receivables	19	1 218 097	1 512 398
Current tax asset		30 595	19 717
Cash and cash equivalents	20	573 581	598 989
		3 534 766	3 580 883
Total assets		7 331 046	6 239 119
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	21	429	429
Share premium	21	89 971	89 971
Other reserves	22	(59 596)	(40 573)
Treasury shares		(228 111)	(204 435)
Retained earnings		4 304 572	3 938 835
		4 107 265	3 784 227
Non-controlling interest		15 055	11 408
Total equity		4 122 320	3 795 635
Liabilities			
Non-current liabilities			
Deferred tax liabilities	23	639 482	539 421
Employee benefit obligations	24	140 730	166 179
Leases	14	365 956	
		1 146 168	705 600
Current liabilities			
Trade and other payables	26	1 556 294	1 411 135
Employee benefit obligations	24	263 757	254 107
Current tax liabilities		6 158	25 772
Leases	14	206 057	
Borrowings	27	27 453	44 115
Shareholders for dividend		2 839	2 755
		2 062 558	1 737 884
Total liabilities		3 208 726	2 443 484
Total equity and liabilities		7 331 046	6 239 119

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

	Attributable to ordinary shareholders of Astral Foods Limited					Non-controlling interests	Total equity
	Share capital and premium R'000	Treasury shares R'000	Other reserves (Note 22) R'000	Retained earnings R'000	Total R'000	R'000	R'000
2019							
Balance at 1 October 2018	86 751	(204 435)	(41 451)	3869 116	3 729 981	10 496	3 740 477
Profit for the year				643 653	643 653	3 882	647 535
Other comprehensive income for the year, net of tax			878	(2 178)	(1 300)		(1 300)
Shares issued - share options exercised	3 649				3 649		3 649
Dividends declared and paid				(591 756)	(591 756)	(2 970)	(594 726)
Balance at 30 September 2019	90 400	(204 435)	(40 573)	3 938 835	3 784 227	11 408	3 795 635
2020							
Balance at 1 October 2019	90 400	(204 435)	(40 573)	3 938 835	3 784 227	11 408	3 795 635
Profit for the year				556 267	556 267	4 967	561 234
Other comprehensive income for the year, net of tax			(19 023)	(25 488)	(44 511)		(44 511)
Shares acquired in terms of restricted share incentive scheme		(23 676)			(23 676)		(23 676)
Dividends declared and paid				(165 042)	(165 042)	(1 320)	(166 362)
Balance at 30 September 2020	90 400	(228 111)	(59 596)	4 304 572	4 107 265	15 055	4 122 320

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash operating profit	A	1 231 706	936 440
Changes in working capital	B	(74 117)	257 308
Cash generated from operations		1 157 589	1 193 748
Tax paid	C	(153 280)	(213 907)
Cash generated from operating activities		1 004 309	979 841
Cash used in investing activities		(580 976)	(615 982)
Purchases of property, plant and equipment	D	(453 931)	(653 444)
Costs incurred on intangibles		(2 049)	(4 141)
Proceeds on disposal of property, plant and equipment		2 031	317
Finance income		28 279	41 286
Equity instruments acquired		(155 306)	
Cash flows to financing activities		(441 736)	(595 871)
Dividends paid to the company's shareholders	E	(164 958)	(591 397)
Dividends paid to non-controlling shareholders		(1 320)	(2 970)
Proceeds from shares issued			3 649
Finance expense on borrowings		(5 855)	(5 153)
Treasury shares acquired in terms of the Forfeitable share plan		(23 676)	
Lease payments - principal element		(177 966)	
Finance cost paid on lease contracts		(67 961)	
Net inflow of cash and cash equivalents		(18 403)	(232 012)
Effects of exchange rate changes		9 657	(1 680)
Cash and cash equivalents at beginning of year		554 874	788 566
Cash and cash equivalents at end of year	20	546 128	554 874

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2020

	2020 R'000	2019 R'000
A. Cash operating profit		
Profit before interest and tax	838 112	882 279
Adjustments for:		
Depreciation and amortisation	403 465	176 230
Scrapping of property, plant and equipment	2 811	8 364
(Profit)/loss on disposal of property, plant and equipment	(7)	(74)
Change in provision for employee benefit obligations	(7 078)	(129 942)
Fair value adjustments	(5 597)	(417)
Cash operating profit	1 231 706	936 440
B. Changes in working capital		
Decrease/(increase) in inventories	(184 718)	146 428
Decrease/(increase) in biological assets	(93 866)	8 854
Decrease/(increase) in trade and other receivables	54 489	47 980
Increase in trade and other payables	149 978	54 046
Total change in working capital	(74 117)	257 308
C. Tax paid		
Balance at beginning of year	(6 055)	(10 177)
Normal tax provision	(123 970)	(207 671)
Translation differences	132	138
Provision against recoverability of tax receivable balance of a foreign subsidiary	1 050	(2 252)
Net balance at end of year	(24 437)	6 055
Total tax paid	(153 280)	(213 907)
D. Purchases of property, plant and equipment		
Purchase of property, plant and equipment to improve and/or expand operations	(584 544)	(265 331)
Purchase of property, plant and equipment to maintain operations	(103 863)	(162 671)
Total purchases	(688 407)	(428 002)
(Increase)/decrease in advance capital expenditure payments	233 319	(225 608)
Increase/(decrease) in outstanding capital expenditure payments	1 157	166
Purchases of property, plant and equipment	(453 931)	(653 444)
E. Dividends paid		
Balance at beginning of year	(2 755)	(2 396)
Per statement of changes in equity	(165 042)	(591 756)
Balance at end of year	2 839	2 755
Total dividends paid	(164 958)	(591 397)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

1. Segment information

Astral is an integrated poultry producer whose process starts with broiler genetics in its breeding operations through the selling of day-old chicks and hatching eggs, broiler production and the processing of broilers through four abattoirs, and ends with the marketing, selling and distribution of poultry products. Alongside the entire process, feed is produced in nine feed mills of which about 60% is for own internal requirements, with the balance sold to external commercial farmers. Two of the feed mills and three poultry breeding and hatchery operations are situated in African countries outside South Africa. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments. The activities have been divided into three operating segments, Poultry, Feed, and Other Africa. The business activities are grouped in these segments based on the nature of their business and in the case of Other Africa, the geographical area in which they conduct their business activities. Transactions between reportable segments are conducted on similar terms as other external transactions of this nature. All revenue between segments are at market related prices.

Revenue per segment

Revenue in respect of all three segments comprises of the following:

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

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

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

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

	External customer Revenue R'000	Inter-segment Revenue R'000	Total segment Revenue R'000
2019			
Poultry	10 698 577	178 558	10 877 135
- Poultry products	10 056 987		
- Day-old broilers, hatching eggs and day-old parents	641 590		
Feed	2 307 253	4 266 485	6 573 738
Other Africa	479 645		479 645
- Feed products	309 709		
- Day-old broilers, and hatching eggs	169 936		
	13 485 475	4 445 043	17 930 518
2020			
Poultry	11 168 108	175 123	11 343 231
- Poultry products	10 440 662		
- Day-old broilers, hatching eggs and day-old parents	727 446		
Feed - Feed products	2 453 753	4 525 669	6 979 422
Other Africa	482 420		482 420
- Feed products	298 221		
- Day-old broilers, and hatching eggs	184 199		
	14 104 281	4 700 792	18 805 073

	2020 R'000	2019 R'000
The group revenue is denominated in the following currencies:		
Revenue denominated in South Africa Rand	13 621 861	13 005 830
Revenue denominated in foreign functional currencies	482 420	479 645
	14 104 281	13 485 475
Revenue from the top five customers are all from the Poultry segment.		
Customer 1	3 451 320	3 798 663
Customer 2	2 627 809	1 369 765
Customer 3	508 363	560 821
Customer 4	492 156	530 966
Customer 5	482 144	520 209
Revenue from customer 1 and 2 individually exceeds 10% of total revenue.		
Operating profit per segment		
Contribution to the group profit is as follows:		
Poultry	295 016	370 977
Feed	508 091	489 483
Other Africa	35 006	21 819
Profit before interest and tax	838 112	882 279
Finance income	78 279	41 286
Finance expense	(84 647)	(10 914)
Profit before tax	781 844	912 651
Tax expense	(220 610)	(265 116)
Profit for the year	561 234	647 535

	2020 R'000	2019 R'000	2020 R'000	2019 R'000
	Property, plant and equipment and intangibles		Right of use assets	
Depreciation, amortisation and impairment				
Poultry	162 562	148 223	67 811	
Feed	22 701	22 623	143 018	
Other Africa	5 036	5 288		
Corporate	248	96	2 089	
	190 547	176 230	212 918	
Capital expenditure	Property, plant and equipment		Right of use assets	
Poultry	667 396	372 081	155 312	
Feed	17 422	56 617		
Other Africa	5 772	3 381		
Corporate	12	64		
	690 602	432 143	155 312	
Other	Inventory		Trade receivables	
Poultry	497 235	337 220	894 512	904 469
Feed	316 771	291 179	211 436	224 107
Other Africa	47 157	62 659	19 786	23 785
	861 163	691 058	1 125 734	1 152 361

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

2. Expenses by nature

	Cost of sales R'000	Administrative expenses R'000	Distribution costs R'000	Marketing expenditure R'000	Total R'000
2019					
Cost of raw material	7 191 194				7 191 194
Inventory written down and losses	17 757				17 757
Fair value adjustment to biological assets	3 108				3 108
Lease costs	75 162	10 175	219 579	1 032	305 948
Amortisation of intangibles		6 092			6 092
Depreciation on property, plant and equipment	160 498	6 646	2 885	109	170 138
Repairs and maintenance	458 561	10 640	6 548	130	475 879
Water	117 004	86	78		117 168
Energy	604 437	4 557	8 068	2 811	619 873
Information technology related costs	47	63 202	19	15	63 283
Advertising, marketing, promotional related costs				128 615	128 615
Transport and distribution costs	27 481		440 864		468 345
Employee benefit expense (note 3)	1 350 305	337 409	59 626	48 617	1 795 957
Directors' remuneration (note 32)		62 005			62 005
Auditors' remuneration and related expenses		7 681			7 681
Other	850 914	214 797	96 067	20 519	1 182 297
	10 856 468	723 290	833 734	201 848	12 616 340
2020					
Cost of raw material	7 670 218				7 670 218
Inventory written down and losses	37 384				37 384
Fair value adjustment to biological assets	(5 390)				(5 390)
Lease costs	48 441	5 482	1 662	1 322	56 907
Amortisation of intangibles		5 586			5 586
Depreciation on property, plant and equipment	175 232	7 068	2 601	60	184 961
Amortisation Right of use assets	40 774	8 196	163 948		212 918
Repairs and maintenance	457 951	13 242	12 312	24	483 529
Water	118 428	137	61		118 626
Energy	685 380	4 327	7 642	2 251	699 600
Information technology related costs	14	65 034	19	24	65 091
Advertising, marketing, promotional related costs				161 801	161 801
Transport and distribution costs	32 482		682 474		714 956
Employee benefit expense (note 3)	1 435 860	341 591	70 563	57 428	1 905 442
Directors' remuneration (note 32)		66 257			66 257
Auditors' remuneration and related expenses		7 651			7 651
Other	624 776	192 064	93 291	13 324	923 445
	11 321 550	706 625	1 034 573	236 234	13 298 982

3. Employee benefit expense

	2020 R'000	2019 R'000
Cost of employment of permanent employees	1 532 960	1 360 621
Performance incentives	66 591	77 352
Long-term retention benefits	35 901	44 195
Termination benefits	4 793	2 476
Post-employment benefits	9 132	8 434
	1 649 377	1 493 077
Cost of contracted labour	256 065	302 880
	1 905 442	1 795 957
Number of employees at 30 September:		
- Permanent employees	9 852	9 047
- Contracted labour	3 404	2 452
	13 256	11 499

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

	2020 R'000	2019 R'000
4. Other income		
Scrap sold	966	1 008
Amounts written off recovered	1 497	888
Storage fee income	4 308	4 344
Insurance recoveries related to costs incurred	30 138	3 894
Rental received	2 583	4 953
Rebates received		39
	39 492	15 126
5. Other (losses)/gains		
Foreign exchange (losses)/gains on financial instruments and monetary items	(3 858)	1 161
Profit/(loss) on sale of property, plant and equipment	7	74
Assets scrapped	(2 811)	(8 364)
Trade receivables written off	(17)	(1 869)
Fair value adjustment to outstanding receivables - gain		1 939
Fair value adjustment to outstanding payables - gain		4 077
	(6 679)	(2 982)
6. Finance income and expense		
Interest income		
Bank balances	25 780	38 981
Other	2 499	2 305
	28 279	41 286
Interest expense		
Bank borrowings	4 539	4 398
Interest accrued on Right of use liabilities	67 961	
Interest accrued on provision for long outstanding liabilities	10 712	5 761
Other	1 335	755
	84 547	10 914
Net finance income	(56 268)	30 372
7. Tax expense		
Current tax	123 214	206 378
Deferred tax	99 493	53 960
	222 707	260 338
Current tax - prior year	315	417
Deferred tax - prior year	(2 853)	3 485
Withholding tax	441	876
	220 610	265 116
The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of South Africa:		
Profit before tax	781 844	912 651
Tax calculated at a tax rate of 28% (2019: 28%)	218 916	255 542
Effect of different tax rates in other countries	(818)	(1 368)
Training allowances received	(1 381)	(1 512)
Non-trading related expenses	1 859	1 993
Legal expenses	421	992
Donations and social investments not tax deductible	531	465
Costs incurred by foreign subsidiaries not tax deductible	1 441	1 523
Other expenses not deductible for tax purposes	140	943
Temporary differences on which no deferred tax is recognised	93	141
Adjustments to prior year's normal tax provision	315	417
Adjustments to prior year's tax base used for calculating deferred tax	(2 853)	3 485
Withholding tax paid	441	876
Tax losses not utilised/(utilised) to reduce current and/or deferred tax	469	1 619
Finance charges not tax deductible	1 036	
Tax charge per income statement	220 610	265 116

Further information about deferred tax is presented in note 23.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

8. Earnings per share

	2020 R'000	2019 R'000
Profit attributable to equity holders of the company used for calculating earnings per share and diluted earnings per share	556 267	643 653
	cents	**cents**
Basic earnings per ordinary share	1435	1659
Diluted earnings per share	1432	1658
	No of shares	**No of shares**
Weighted average number of ordinary shares in issue during the year for calculating earnings per share	38 766 135	38 806 070
Adjustments for forfeitable shares	78 523	10 846
Weighted average number of ordinary shares for calculating diluted earnings per share	38 833 658	38 816 916

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares during the year, reduced by ordinary shares purchased and held as treasury shares.

Diluted earnings per share

Diluted earnings per share for the current year is based on the number of shares, currently held as treasury shares, which will per the forfeitable share incentive scheme, either vests depending on the meeting of certain performance criteria, or will be sold back into the market in the event the performance conditions have not been met.

Diluted earnings per share for the prior year has been calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the exercise of share options. The number of shares that could have been issued at fair value (determined as the average annual market share price of the company's shares) to equal the monetary value of the subscription rights attached to the outstanding share options, are calculated. A higher number of shares that would have been issued in the event the share options were exercised, versus the number of shares that could have been issued at fair value, have a dilutive effect on the earnings per share. No adjustment is made where the issue of share options have no dilutive effect on the number of shares in issue.

9. Headline earnings

	Gross R'000	Net R'000
2019		
Net profit attributable to shareholders		643 653
Adjusted for:		
Profit on sale of property, plant and equipment	(74)	(38)
Loss on assets scrapped	8 364	6 023
Headline earnings		649 638
2020		
Net profit attributable to shareholders		556 267
Adjusted for:		
Loss on sale of property, plant and equipment	(7)	5
Loss on assets scrapped	2 811	2 015
Headline earnings		558 287

	2020 cents	2019 cents
Headline earnings per share (cents)		
Headline earnings per share (cents)	1441	1674
Diluted headline earnings per share (cents)	1438	1674

10. Dividends

	R'000	R'000
The following dividends (net of treasury shares) were declared in respect of the current year's profits:		
Interim dividend - nil (2019: 475 cents per share)		184 337
Final dividend (Dividend no 38) - declared on 11 November 2020		
775 cents per share (2019: 425 cents per share)	300 961	165 043
Total dividends declared in respect of the year ended 30 September 2020 - 775 cents per share (2019: 900 cents per share)	300 961	349 380

The current year financial statements do not include the final dividend declared in respect of the financial year ended 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

11. Property, plant and equipment

	Land and buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
2019				
Net book amount at 1 October 2018	913 626	1 258 313	40 266	2 212 205
Changes for the year:				
Reclassifications	757	(763)	6	
Exchange translation changes	881	362	172	1 415
Additions - Expansion/improvement	171 071	93 661	599	265 331
Additions - Replacement	43 433	114 850	4 388	162 671
Disposals	(61)	(18)	(123)	(202)
Assets scrapped	(2 780)	(5 578)	(6)	(8 364)
Depreciation recognised in the statement of comprehensive income	(30 769)	(132 175)	(7 194)	(170 138)
Closing net book amount	1096 158	1 328 652	38 108	2 462 918
Balance at 30 September 2019:				
Cost	1569 147	2 558 336	144 958	4 272 441
Accumulated depreciation	(472 989)	(1229 684)	(106 850)	(1609 523)
Closing net book amount	1096 158	1 328 652	38 108	2 462 918
2020				
Net book amount at 1 October 2019	1096 158	1 328 652	38 108	2 462 918
Changes for the year:				
Reclassifications	(132)	(338)	470	
Exchange translation changes	(8 114)	(6 483)	(402)	(14 999)
Additions - Expansion/improvement	69 400	512 070	3 074	584 544
Additions - Replacement	12 433	67 282	24 148	103 863
Disposals		(1 418)	(493)	(1 911)
Assets scrapped	(315)	(2 453)	(43)	(2 811)
Depreciation recognised in the statement of comprehensive income	(30 983)	(146 561)	(7 417)	(184 961)
Closing net book amount	1138 447	1 750 751	57 445	2 946 643
Balance at 30 September 2020:				
Cost	1 638 293	3 071 378	165 294	4 874 965
Accumulated depreciation	(499 846)	(1 320 627)	(107 849)	(1 928 322)
Closing net book amount	1138 447	1 750 751	57 445	2 946 643

Details of the individual properties are on record, which are open for inspection by members or their nominees at the registered office of the company.
Certain assets at a Zambian subsidiary stand as security for bank facilities - refer note 29.5.

Determination of useful life and annual depreciation

- Buildings, plant and equipment are of a specialised nature and the expected useful lives at initial recognition are based on past experience of deployment of similar assets in the group.
- Subsequent to the initial determination of useful lives, the remaining useful life is assessed annually, taking into account the physical condition of the asset item and how long it can still be operational without incurring excessive repairs and maintenance costs. When the cost of repairs and maintenance reaches such a level where it is not feasible to continue to use a particular plant item, it is replaced. Continuous technology changes could also have a bearing on the economic life of existing assets. The impact of lower operating costs of using the latest technology in processes thereby warranting investment in such assets could make the use of existing assets uneconomical and have an impact on their useful economic lives. Due to the above variable factors, predictions of future replacement dates are based on subjective assessments, and remaining life expectancies are therefore subject to variability.
- Depreciation on specialised buildings, plant and equipment is calculated on the basis that they will have no residual value when they reach the end of their estimated economical lives.
- Depreciation on vehicles is calculated on the basis that it will have residual values of between 10% and 20% of the original cost when they reach the end of their estimated economic lives.
- Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its estimated useful life. The estimated life of assets per asset category falls within the following ranges:

Buildings	50 years
Plant and equipment - poultry	8 – 25 years
Plant and equipment - feed	5 – 50 years
Vehicles	5 – 10 years
Intangible assets - software	5 - 15 years

	2020 R'000	2019 R'000
12. Intangible assets		
Software		
Opening net book amount	59 183	61 159
Changes for the year:		
Exchange translation changes	(112)	16
Capitalisation of costs incurred	2 049	4 141
Disposals	(113)	(41)
Amortisation - included in administrative expenses	(5 586)	(6 092)
Closing net book amount	55 421	59 183
Cost	98 291	96 792
Accumulated amortisation	(42 870)	(37 609)
Closing net book amount	55 421	59 183
13. Capital commitments		
Capital expenditure approved not contracted for	170 157	191 153
Capital expenditure contracted but not recognised in the financial statements	127 682	342 646
Cost on intangibles contracted but not recognised in the financial statements	69	2 906

The capital commitments will be financed from a combination of operating cash flows, surplus cash and borrowings when required. No abnormally high debt levels are foreseen resulting from future capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

14. Leases

Information regarding lease contracts in the group is provided below.

The nature of lease contracts in the group are in respect of leases of office space, movable plant items in the processing plants, general office equipment, farm vehicles and vehicles for outbound transport of finished goods to customers.

Lease contracts varies from contracts for individual items to contracts where a number of items are leased per contract, as the case is in respect of certain vehicles.

Qualifying leases are recognised as right-of -use assets with corresponding lease liabilities.

Take-on values of the right-of-use assets and lease liabilities have been based on future lease payments, discounted at the prevailing incremental borrowing rate to present values. The incremental borrowing rates used are based on the cost of borrowing from third party financiers.

Future index or rate related increases in variable lease payments are not taken into account in determining the carrying values until they take effect. When these adjustments take effect the lease liability is re-measured with a corresponding adjustment to the right-of-use assets.

In instances where there is a reasonable degree of certainty that options to extend lease periods will be exercised, the extended periods have been used in calculating the present values of lease payments.

The impact of leases on the deferred tax provision, are separately calculated and provided for the of right-of-use assets and for the lease liabilities. Refer note 23 - Deferred tax.

Refer note 37 for the impact of this change in accounting policy on the current year financial reporting.

14.1 Right-of-Use assets

	Buildings R'000	Plant, and equipment R'000	Vehicles R'000	Total R'000
2020				
Opening balance 1 October 2019	53 091	3 210	539 293	595 594
Changes for the year:				
Additions		21 005	134 307	155 312
Re-measurements			(927)	(927)
Amortisation	(8 690)	(4 324)	(199 904)	(212 918)
Closing net book amount	44 401	19 891	472 769	537 061
Balance at 30 September 2020:				
Capitalised costs	53 091	22 138	672 673	747 902
Accumulated amortisation	(8 690)	(2 247)	(199 904)	(210 841)
Closing net book amount	44 401	19 891	472 769	537 061

The take-on values of the right-of use assets were based on the present value of outstanding lease payments as at 1 October 2019.
The value of new right-of-use assets added during the year, are the initially measurement of the related lease liability.
Right-of-use assets are amortised over the shorter of its useful life or the lease term, including an extended term, where applicable.

	2020 R'000	2019 R'000
14.2 Lease liabilities		
Non-current	365 956	
Current	206 057	
Total	572 013	
Maturity profile of lease liabilities:		
Capital payments next year	206 057	
Capital payments from the second up to the fifth year	335 376	
Capital payments after five years	30 580	
	572 013	
Total lease payments relating to capitalised leases	245 927	
Interest expense on lease liability included in finance cost	67 961	

Lease payments are apportioned between a finance cost component, recognised as a finance charge, and a reduction of the outstanding principal amount of the lease liabilities.

	2020 R'000	2019 R'000
14.3 Other leases		
Lease payments included in operating profit as lease expenses :		
- Lease payments relating to low value items	8 163	
- Lease payments relating to short-term leases	7 463	
- Variable lease payments not linked to an index or rate and not recognised in right-of-use assets	41 281	
- Lease payments as per IAS 17		305 948
Future other lease commitments:	10 617	715 663
Not later than one year :		
- Short term leases: property	4 054	
- Short term leases: plant and equipment	281	
- Low value items	3 778	
- Lease payments as per IAS 17		224 296
Later than one year and not later than five years :		
- Low value items	2 044	
- Lease payments as per IAS 17		491 367
Later than five years		
- Low value items	460	
- Lease payments as per IAS 17		77 397

Short term leases are those with terms of not more than twelve months.
Low value leases are generally leases of office equipment and of personal IT equipment.
Lease payments in respect of short term leases and leases of low value items are expensed in the income statement, as and when incurred.

NOTES TO THE FINANCIAL STATEMENTS

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15. Goodwill

Goodwill is allocated to the group's cash-generating units identified according to business segment. Goodwill is assessed for impairment at each reporting date. The recoverable amount of the relevant cash generating units is determined based on value-in-use calculations. These calculations use cash flow projections as contained in the annual budget and business plan forecasts approved by the board of directors.

The discount rates used to determine values of individual cash generating units are based on the weighted average cost of capital for these business units and incorporate specific business risks related to the industry as well as the different geographical and economical areas in which business activities are conducted. The discount rate is lower than the previous year due to increased level of debt resulting from the inclusion of lease liabilities as part of the debt funding of the businesses.

The cash flow projections have been projected over five years. Abnormal trends in the forecasts, given the cyclical nature of the industry in which the businesses operate, for example the impact of abnormal weather patterns, are eliminated in the perpetuity calculations of future cash flows.

Feed costs for broilers and the selling prices for poultry products are regarded as the two most critical assumptions that impact the profitability of the relevant business units. These two key assumptions are also exposed to the most volatility compared to other assumptions used in the forecasts.

The perpetual growth rate is based on the group's assessment of the long term economic outlook and takes into account a view on market conditions and the strategic positioning of the business units within the markets in which they operate. The valuations, using a perpetuity growth rate of 4,8% accounts for the impact of inflation on future cash flow streams only, and does not take into account further expansion. It is also expected that the businesses will maintain their respective market positioning and no reduction of volumes are assumed in the calculation of the valuation of the business units.

Broiler feed costs

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

Selling prices poultry products

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

	Discount rates	Forecast period (years)	Average perpetuity growth rates	Goodwill R'000
2019				
Poultry				
Gold/Festive	13.1%	5	5.0%	106 020
Mountain Valley	13.1%	5	5.0%	15 599
National Chicks	13.1%	5	5.0%	3 749
County Fair	13.1%	5	5.0%	2 559
Feed				
Meadow - South African operations	13.1%	5	5.0%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	17,0%	5	5.0%	2 560
				136 135
2020				
Poultry				
Gold/Festive	12.9%	5	4.8%	106 020
Mountain Valley	12.9%	5	4.8%	15 599
National Chicks	12.9%	5	4.8%	3 749
County Fair	12.9%	5	4.8%	2 559
Feed				
Meadow - South African operations	12.9%	5	4.8%	5 648
Other Africa				
Africa Feeds Limited (Zambia)	17,3%	5	10%	2 560
				136 135

The pre-tax discount rates are as follows:

Gold/Festive (15.7%), Mountain Valley (15.9%), National Chicks(16.3%), County Fair(15.6%), Meadow(15.9%) and Africa Feeds Limited (Zambia)(20.7%).

2019: Gold/Festive (15.4%), Mountain Valley (15.1%), National Chicks(15.6%), County Fair 16.1%), Meadow(15.4%) and Africa Feeds Limited (Zambia) 20.3%).

Sensitivity analysis

Changes in the economic and financial environment, competitor activity, regulatory authorities' decisions and consumers' behaviour in response to the economic environment, may affect the assumptions used in the calculation of the recoverable amounts.

The percentages indicated below are regarded as reasonably possible changes to the long term assumptions used for the more critical assumptions.

In the event that any one of the critical assumptions should change without compensating changes in the other assumptions, the impact on the carrying value of goodwill could be as follows:

	2020 R'000	2019 R'000
Potential impairment if the discount rates are increased by 1%	Nil	(686)
Potential impairment if the net realisations of poultry products decrease by 1%	Nil	(15 599)
Potential impairment if the net realisations of poultry products decrease by 3%	(15 599)	(15 599)
Potential impairment if the net realisations of poultry products decrease by 5%	(15 599)	(15 599)
Potential impairment if the broiler feed price increased by 1%	Nil	(484)
Potential impairment if the broiler feed price increased by 3%	(1 932)	(15 599)
Potential impairment if the broiler feed price increased by 5%	(15 599)	(15 599)

16. Financial assets at fair value through other comprehensive income

	2020 R'000	2019 R'000
Listed shares in Quantum Foods Holdings Ltd		
The shares are not held for trading as it is regarded as an strategic investment.		
An irrevocable election has been made to recognise changes in the fair value of the shares in this category.		
At cost - 19 550 855 shares	155 306	
Fair value adjustment	(34 286)	
Fair value	121 020	

The carrying value of the investment is based on the share price on 30 September as listed on the Johannesburg Stock Exchange (JSE), and it falls in level 1 of the fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

17. Biological Assets

	Egg stock R'000	Broiler stock R'000	Breeding stock R'000	Total R'000
2019				
Fair value at 1 October 2018	91 400	307 914		399 314
Amortised cost at 1 October 2018			371 147	371 147
Increase due to establishment costs	616 785	5 251 188	605 833	6 473 806
Decrease due to harvest/sales	(619 702)	(5 255 423)	(112 846)	(5 987 971)
Decrease due to amortisation			(496 029)	(496 029)
Fair value adjustment	(190)	(1 356)		(1 546)
Closing balance	88 293	302 323	368 105	758 721
Balance at 30 September 2019:				
At fair value	88 293	302 323		390 616
At amortised cost			368 105	368 105
2020				
Fair value at 1 October 2019	88 293	302 323		390 616
Amortised cost at 1 October 2019			368 105	368 105
Increase due to establishment costs	670 560	5 548 388	666 401	6 885 349
Decrease due to harvest/sales	(642 415)	(5 541 016)	(100 064)	(6 283 495)
Decrease due to amortisation			(513 116)	(513 116)
Fair value adjustment	1 812	1 980		3 792
Closing balance	118 250	311 675	421 327	851 252
Balance at 30 September 2020:				
At fair value	118 250	311 675		429 925
At amortised cost			421 327	421 327

The quantity of egg, broiler and breeding stock is based on the number of eggs and bird placements at the beginning of each production cycle adjusted for mortalities.

Egg stock

The carrying value of egg stock is based on fair value, and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of eggs are capitalised during their growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment of eggs is determined as the price difference between the sum total of the capitalised cost at point of sale and the price at which the hatching eggs are sold in the external market.

Broiler stock

The carrying value of broiler stock is based on fair value and falls in level 3 of the fair value measurement hierarchy.

Costs incurred related to the production of broiler stock are capitalised during its growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof.

The fair value adjustment for live broiler birds is based on the ratio at which the cumulated costs per kilogram of live broilers at point of harvest differs with the bought–in price per live kilogram paid for broiler birds delivered by outside contract growers for processing through the abattoirs. This adjustment ratio is applied to the sum of costs of the total broiler stock holding.

Biological assets include assets held at contract growers, as the Group retains ownership of these assets.

Breeder stock

The carrying value of breeder stock is based on amortised cost.

The cost of breeding stock includes the cost of the day-old chick, feeding and other related costs, which are capitalised during its rearing cycle of approximately 22 weeks. The capitalised costs are then amortised during its productive (laying) cycle of approximately 40 weeks, to a cull value at the end of its productive life cycle. There is no market for breeder birds, except for when sold as a day-old chick, and when sold at its cull value at the end of its productive cycle. In the absence of any fair value indicators for mature breeder birds, the carrying value of the breeding stock, as calculated on the basis of amortised costs, is regarded as an accurate indicator of the fair value thereof in the integrated poultry producing process.

	2020 R'000	2019 R'000
18. Inventories		
Feed raw materials	265 235	258 784
Feed finished goods	39 189	43 424
Poultry products	364 663	255 141
Consumable stores	192 154	133 709
	861 241	691 058

The cost of inventories and value of biological assets recognised as an expense in profit and loss amounts to R 7 670 million (2019: R 7 191 million)

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

19. Trade and other receivables

	2020 R'000	2019 R'000
Financial instruments		
Trade receivables	1 126 166	1 152 983
Provision for loss allowance/doubtful debts	(432)	(622)
Trade receivables - net	1 125 734	1 152 361
Other receivables	23 576	38 879
Receivable in respect of investment sold	12 215	16 000
Non financial instruments		
Prepayments	13 568	17 845
Advance capital expenditure payments	22 672	255 991
VAT recoverable	19 619	30 569
Other receivables	515	753
	1 218 097	1 512 398

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

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

	2020 R'000	2019 R'000
SA Rand	1 208 568	1 489 485
Zambian Kwacha	9 529	19 737
Mozambican Meticais		3 176
	1 218 097	1 512 398

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

Categories

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

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

	2020 R'000	2019 R'000
Poultry	894 512	904 469
Farming	13 457	23 166
Retail and wholesale	881 055	881 303
Feed	211 868	224 729
Farming	182 243	197 475
Retail and wholesale	29 625	27 254
Other Africa	19 786	23 785
Farming	18 488	22 391
Retail and wholesale	1 298	1 394
	1126 166	1152 983

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

	2020 R'000	2019 R'000
20. Cash and cash equivalents		
Cash at bank and in hand	573 581	598 989
Cash and cash equivalents include the following for purposes of the cash flow statement:		
Cash at bank and in hand	573 581	598 989
Bank overdrafts (note 27)	(27 453)	(44 115)
Cash and cash equivalents per the statement of cash flow	546 128	554 874
21. Share capital		
Authorised share capital		
75 000 000 ordinary shares of 1 cent each		
(2019: 75 000 000 ordinary shares of 1 cent each)	750	750
Issued share capital		
42 922 235 ordinary shares of 1 cent each	429	429
(2019: 42 922 235 ordinary shares of 1 cent each)		
Share premium	89 971	89 971
Total issued share capital and premium	90 400	90 400
All issued shares are fully paid.		
Number of shares effectively in issue	No of shares	No of shares
Issued shares	42 922 235	42 922 235
Treasury shares held by subsidiary and by participants in the forfeitable share scheme.	(4 203 077)	(4 088 577)
	38 719 158	38 833 658
Unissued share capital		
The number of shares available to be utilised for purposes of the share option scheme:		
	No of shares	No of shares
Number of share options available at beginning of year	4 292 400	4 255 900
Number of share options exercised		34 850
Number of share options forfeited		1 650
Number of shares under the control of directors for the purpose of the share option scheme at the end of the year	4 292 400	4 292 400

22. Other reserves

	Share based payment reserve R'000	Non-distributable legal reserve R'000	Currency translation reserve R'000	Currency gains/(losses) loans R'000	Total other reserves R'000
2019					
Balance at 1 October 2018		782	(34 533)	(7 700)	(41 451)
Currency loss on investment loans to foreign subsidiaries				(414)	(414)
Currency translation differences arising in year			1 292		1 292
Balance at 30 September 2019		782	(33 241)	(8 114)	(40 573)
2020					
Balance at 1 October 2019		782	(33 241)	(8 114)	(40 573)
Provision for equity settled payment costs	3 525				3 525
Currency loss on investment loans to foreign subsidiaries				(2 718)	(2 718)
Currency translation differences arising in year			(19 830)		(19 830)
Balance at 30 September 2019	3 525	782	(53 071)	(10 832)	(59 596)

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

23. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method, using a principal tax rate of 28% (2019: 28%)
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority.

Deferred tax liabilities

	2020 R'000	2019 R'000
Movement on the deferred tax liability account is as follows:		
At beginning of year	539 421	482 823
Charge related to items in Other Comprehensive Income	3 421	(847)
Charge to profit and loss	96 640	57 445
Originating and reversal of temporary differences	99 493	53 960
Adjustment to amounts recognised in prior year	(2 853)	3 485
At end of year	639 482	539 421

Analysis of deferred tax liabilities :	Opening balance R'000	Charge to profit and loss R'000	Charged/(release) to other comprehensive income R'000	Closing balance R'000
2019				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	467 283	30 770		498 053
Temporary difference on livestock and farming consumables	189 636	(8 092)		181 544
Temporary differences giving rise to deferred tax assets				
Provision for retirement benefit obligations	(26 032)	(737)	(847)	(27 616)
Provision for long-term retention payments	(35 811)	(2 890)		(38 701)
Provision for outstanding leave pay	(23 952)	(1 953)		(25 905)
Rental equalisation reserve	(1 231)	896		(335)
Provision for incentive bonuses	(60 056)	37 958		(22 098)
Provision for claims and trade discounts	(10 581)	2 686		(7 895)
Provision for long service awards	(5 753)	2 393		(3 360)
Other	(10 680)	(3 586)		(14 266)
	482 823	57 445	(847)	539 421
2020				
Temporary differences giving rise to deferred tax liabilities				
Accelerated tax allowances on assets	498 053	68 188		566 241
Temporary difference on livestock and farming consumables	181 544	41 351		222 895
Lease liability		160 164		160 164
Temporary differences giving rise to deferred tax assets				
Right-of-use assets		(150 377)		(150 377)
Provision for retirement benefit obligations	(27 616)	(859)	3 421	(25 054)
Provision for long term retention payments	(38 701)	1 366		(37 335)
Provision for outstanding leave pay	(25 905)	(4 472)		(30 377)
Rental equalisation reserve	(335)	335		-
Provision for incentive bonuses	(22 098)	4 408		(17 690)
Provision for claims and trade discounts	(7 895)	(21 293)		(29 188)
Provision for long service awards	(3 360)	560		(2 800)
Tax losses utilized to reduce deferred tax liability		(2 447)		(2 447)
Other	(14 266)	(284)		(14 550)
	539 421	96 640	3 421	639 482

A deferred tax liability of R 24 088 000 (2019: R18 985 000) has not been recognised in respect of withholding tax in the event of all the retained earnings of the foreign subsidiaries are distributed by future dividends declarations.

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for the year ended 30 September 2020

24. Employee benefit obligations

	Post-employment medical benefits (Note 25) R'000	Long-term retention benefits R'000	Performance incentives and long service awards R'000	Outstanding leave obligations R'000	Total R'000
2019					
Balance at 1 October 2018	92 971	136 440	226 487	85 544	541 442
Payments against provision		(70 919)	(210 021)		(280 940)
Increase/(decrease) in provision	5 657	72 697	74 455	6 975	159 784
Balance at 30 September 2019	98 628	138 218	90 921	92 519	420 286
Non-current provision	91 719	67 460	7 000		166 179
Current provision	6 909	70 758	83 921	92 519	254 107
	98 628	138 218	90 921	92 519	420 286
2020					
Balance at 1 October 2019	98 628	138 218	90 921	92 519	420 286
Payments against provision		(69 138)	(88 440)		(157 578)
Increase/(decrease) in provision	(9 151)	64 260	70 698	15 972	141 779
Balance at 30 September 2020	89 477	133 340	73 179	108 491	404 487
Non-current provision	82 024	52 706	6 000		140 730
Current provision	7 453	80 634	67 179	108 491	263 757
	89 477	133 340	73 179	108 491	404 487

The amounts provided for payment in respect of long-term retention benefits have been discounted at rates varying between 7.0% and 8.2%(2019: 7.0 - 8,2%) The long term retention benefits are based on achieving certain performance conditions over a three-year vesting period from the date of allocation of the benefit. Allocations are made every year effective 1 October. The provision is based on an assessment to the extent that performance targets will be achieved. It is estimated that not all performance targets will be achieved

The decrease in the employee benefit obligations is mainly as result of a decrease in short term incentives, following the lower profits for the year.

25. Post-employment medical benefits

The group provides post-retirement healthcare benefits to some of its current and retired employees - refer to paragraph 18 of the accounting policies for more detail regarding the post-employment medical plan. Benefits paid and the movement in the provision are charged against profits in the current period. Re-measurements are charged to other comprehensive income.

	2020 R'000	2019 R'000
Present value of funded obligations per actuarial valuation at 30 September		
Balance at beginning of year	98 628	92 971
Current service cost	566	466
Interest costs	9 411	8 752
Re-measurement	(12 219)	3 025
Benefits payments	(6 909)	(6 586)
Balance at end of year	89 477	98 628
Amounts recognised in the profit and loss:	9 977	9 218
Current service costs	566	466
Interest costs	9 411	8 752
Amounts recognised in other comprehensive income:		
Re-measurement	(12 219)	3 025
Arising from changes in financial assumptions	(14 571)	(2 000)
Arising from changes in demographic assumptions	1 554	4 532
Miscellaneous	798	493
Estimated employer benefits payable during next 12 months	7 453	6 909

The liability recognised in the financial statements was actuarially valued at 30 September 2020 (previous valuation date: 30 September 2019). The liability was valued using the Projected Unit Credit valuation method which is the same method used in the prior year.

	2020	2019
Discount rate	11.64%	9.91%
Health care cost inflation :		
In service members	8.37%	7.71%
Continuation members	8.37%	7.71%

Pre-retirement mortality rates as per SA 85-90 (Light) ultimate table

Post-retirement mortality rates as per PA (90) ultimate table rated down 2 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.	82 247	-8%
Discount rate reduces by 1% p.a.	97 946	9%
Subsidy inflation increases by 1% p.a.	96 368	8%
Subsidy inflation reduces by 1% p.a.	82 206	-8%
Mortality rate decreases by 1 year	92 325	3%

A deterministic model has been used to calculate the projected cash flows and the corresponding sensitivity results. The results are point estimations and a limitation of this model is that a limited range of results is available for the sensitivity results.

The present values of the defined benefit obligation and the experience adjustment were as follows:	R'000	Experience adjustment
30 September 2020	89 477	-13.7%
30 September 2019	98 629	12.4%
30 September 2018	92 971	+3.9%
30 September 2017	93 636	+5.4%

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for the year ended 30 September 2020

	2020 R'000	2019 R'000
26. Trade and other payables		
Financial instruments		
Trade payables	1 273 939	1 133 002
Outstanding payment in respect of capital expenditure incurred	3 941	2 784
Accruals and other payables	189 461	213 253
Non financial instruments		
VAT payable	24 484	19 066
Provision for contribution to local government water supply infra-structure repairs	10 000	
Operating lease equalisation		1 197
Other	54 449	41 833
	1 556 294	1 411 135
Payment terms for trade payables are usually 30 days from date of statement.		
The carrying amounts of the group's trade and other payables are denominated in the following currencies:		
SA Rand	1 526 947	1 450 376
Zambian Kwacha	15 015	19 023
Mozambican Meticals	3 591	4 113
US Dollar	11 041	11 068
	1 556 294	1 484 580
27. Net borrowings/surplus cash		
27.1 Current borrowings		
Bank overdrafts	27 453	44 115
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	8 917	9 236
Zambian Kwacha	18 536	34 879
	27 453	44 115
27.1 Net debt/surplus cash reconciliation		
Bank surplus funds	573 581	598 989
Bank overdrafts	(27 453)	(44 115)
Cash and cash equivalents per statement of cash flows	546 128	554 874
Lease liabilities	(572 013)	
Net (debt)/surplus funds	(25 885)	554 874

Financing activities	Leases R'000	Cash and cash equivalents R'000	Total R'000
Balance at 30 September 2018		788 566	788 566
Cash flows		(232 012)	(232 012)
Effect of exchange rate changes		(1 680)	(1 680)
Balance at 30 September 2019		554 874	554 874
Lease liabilities take-on balance - change in accounting policy	(595 594)		(595 594)
Cash flows	177 966	(18 403)	159 563
Effect of exchange rate changes		9 657	9 657
New leases	(155 312)		(155 312)
Re-measurements	927		927
Balance at 30 September 2020	(572 013)	546 128	(25 885)

28. Financial instruments	Amortised cost R'000	Financial liabilities at amortised costs R'000	Total on Balance sheet R'000
2019			
Current receivables			
Trade receivables	1 207 240		1 207 240
Cash and cash equivalents			
Cash and bank	598 989		598 989
Current borrowings			
Bank overdrafts		44 115	44 115
Shareholders for dividend		2 755	2 755
Current financial liabilities			
Trade payables		1 133 002	1 133 002
Accruals		216 037	216 037
2020			
Current receivables			
Trade receivables	1 161 525		1 161 525
Cash and cash equivalents			
Cash and bank	573 581		573 581
Current borrowings			
Bank overdrafts		27 453	27 453
Shareholders for dividend		2 839	2 839
Current financial liabilities			
Trade payables		1 273 939	1 273 939
Accruals		193 422	193 422

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

29. Financial Risk Management

The responsibility of the overall financial risk of the group vests with the board of directors which has an overall responsibility to ensure the group operates within acceptable risk parameters.

In exercising this responsiblity, the board assesses amongst others, the appropriate levels of capital investment on expansion projects, the quantum of dividend payments, and strategy on procurement of raw materials against the outlook of near and longer term trading conditions.

The board is assisted in this function by the Audit and Risk Management Committee which also assesses the business risks, as identified by management from time to time, and the appropriate compensating controls to manage and mitigate the impact of the risks.

The group is exposed to the following major financial risks:

29.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Trade receivables and deposits with banks are subject to credit risk and are managed by the Group Credit Executive and Chief Financial Officer.

Trade receivables:

The group's main credit risk is concentrated in the aggregate balance of trade receivables.

Trade receivables are categorised according to the different business segments as the profile of customers differs between the operating segments.

The credit risks of each individual customer within these categories are reviewed annually.

- Trade receivables from the Poultry segment consist mainly of retail and wholesale customers with the balance consisting of poultry farmers.
- Trade receivables in the Feed segment consist mainly of farming customers with limited exposure to retail customers.
- Trade receivables in the Other Africa segment consist of both farmers and retail customers.

The group assesses credit risk on initiation and continuously monitors exposure.

Initially: The granting of credit in relation to trade receivables is controlled by the application of a number of credit controlling procedures, namely;

- Credit risk insurance cover.
- Customers' credit risks are individually assessed and, where necessary, additional security is requested from the customer.
- Credit limits are set for customers and control procedures are in place to ensure adherence to those limits.
- Requirement that customers should provide updated statements of assets and liabilities.
- No credit terms to customers regarded as high risk as per the internal credit risk assessment.
- New credit terms are approved and signed off by the Chief Executive Officer.

Subsequently: The subsequent credit control procedures include:

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

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

	2020 R'000	2019 R'000
Accounts receivable	1 126 166	1 152 983
Less: Loss allowance	(36)	(622)
Less: Provision for doubtful debts	(396)	
Net accounts receivable	1 125 734	1 152 361
Other receivables	35 791	54 879
	1 161 525	1 207 240

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

	2020 R'000	2019 R'000
Fully performing - due by up to 30 days	1 123 990	1 139 988
Outstanding longer than 30 days	2 176	12 995
Past due by 31 to 60 days	321	7 477
Past due by more than 60 days	1 855	5 518
	1 126 166	1 152 983

The receivables outstanding longer than 30 days per category:	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2019				
Past due by 31 to 60 days	7 205	52	220	7 477
Past due by more than 60 days	5 507	11		5 518
	12 712	63	220	12 995
2020				
Past due by 31 to 60 days	317	4		321
Past due by more than 60 days	1 269	586		1 855
	1 586	590		2 176

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for the year ended 30 September 2020

	2020 R'000	2019 R'000

Loss allowance

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

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

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

The following expected loss rates ranges were calculated by different business units:

2020

Ageing profile of the relevant trade receivables	Current	30 days	60 days +
Value range of applicable trade receivable groupings - R '000	R36 411	R11 489	R 400
Expected credit loss rate range - %	0,05	0,16	nil
Loss allowance - R'000	R 17	R 19	nil

2019

Ageing profile of the relevant trade receivables	Current	30 days	60 days +
Value range of applicable trade receivable groupings - R '000	R16 030 to R61 377	R4 124 to R 9 444	R 376
Expected credit loss rate range - %	0 06 to 0,10	4,19 to 4,26	nil
Loss allowance - R'000	R 49	R 573	nil

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

	2020 R'000	2019 R'000
Balance at the beginning of the year	(622)	(4 150)
Net movement for the year	190	3 528
Release as result of change in the calculation of the loss allowance		4 150
Reversal of prior year loss allowance	622	
Current year loss allowance	(36)	(622)
Provision against specific trade receivables	(396)	
Balance at end of year	(432)	(622)

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

The Loss allowance is categorised as follows:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2019				
Farming		622		622
Retail and wholesale				-
	-	622	-	622
2020				
Farming		432		432
Retail and wholesale				
		432		432

The group holds the following security over trade receivables in the form of bank guarantees, covering bonds over property and credit guarantee insurance cover:

	Poultry R'000	Feed R'000	Other Africa R'000	Total R'000
2019				
Bank guarantees	9 500			9 500
Notarial bonds over moveable assets	24 200			24 200
Covering bonds over property		2 000		2 000
Credit Guarantee Insurance Cover	316 815			316 815
	350 515	2 000		352 515
2020				
Bank guarantees	7 500		1 650	9 150
Notarial bonds over moveable assets	22 000			22 000
Covering bonds over property		2 000		2 000
Credit Guarantee Insurance Cover	312 343			312 343
	341 843	2 000	1 650	345 493

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

	Poultry R'000	Feed R'000	Other Africa R'000	2020 Total R'000	2019 R'000
Low risk	663 486			663 486	645 799
General risk	29 777	211 282	19 786	260 845	501 666
High risk	1 249	586		1 835	5 518
	694 512	211 868	19 786	1 126 166	1 152 983

Trade receivables are categorised into the following risk profiles:

- Low risk: National customers with a low risk profile
- General risk: All other customers not classified as low or high risk
- High risk: Customers with solvency and liquidity concerns, and existing customers in arrears as a result of financial difficulties.

The largest single credit risk at 30 September amounts to R414 million (2019: R231 million) in the Poultry segment which has a low credit risk profile.

Cash and cash equivalents:

Dealings with counterparties arising from derivative instruments are limited to well-established financial institutions of high credit standing.

Cash at bank represent surplus funds on current bank and overnight call accounts. These funds are held by financial institutions of good standing with Standard & Poor's ratings for short term local currency of B.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

29.2 Market risk – interest rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The group's interest rate risk is limited to surplus funds on cash deposits, loan liabilities and funds borrowed on bank overdrafts.
Interest is at variable rates which are linked to money market related rates and the bank prime lending rates.
Interest rate risk is managed by the Chief Financial Officer considering the group's net borrowings and surplus funds, as well as considering forward levels of interest rates from time to time.

Based on the financial instruments as at 30 September 2020, the after tax effect of a 1% movement in the interest rates on the statement of comprehensive income would be R 3 932 000 (2019: R3 995 000).
The group's main income and operating cash flows are substantially independent of changes in the market interest rates.

29.3 Market risk – foreign exchange rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
The group enters into transactions from time to time in currencies which are different from the functional currencies in which it conducts its business activities, which result in exposure to foreign exchange rate fluctuations.
Exposure to exchange rate fluctuations is managed by utilising forward exchange contracts and currency option contracts in consultation with the Chief Financial Officer when management regards it prudent. Forward exchange contracts entered into are related to specific statement of financial position items.
There are no open contracts at year-end.(2019: nil)

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

	US Dollar R'000
2019	
Financial assets - cash and cash equivalents	2 087
Financial liabilities - Trade and other payables	(7 160)
	(5 073)
2020	
Financial assets - cash and cash equivalents	1 349
Financial liabilities - Trade and other payables	(8 755)
	(7 406)

A 10% movement in the exchange rate against the US Dollar, will result in a R 481 000 after tax effect in the profits of the group (2019: R 365 000)
There were no open foreign exchange contracts at 30 September 2020 (2019: nil)

29.4 Market risk – price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Commodity price risk

The prices of commodities used by the group fluctuate widely and in a competitive market it is not always possible to recover material commodity price increases from broiler customers. This impacts on the group's profitability. Commodity price fluctuations are normally caused by factors such as supply conditions, weather, exchange rate fluctuations and other economic conditions which are outside the control of Astral.
These risks are managed through an established process whereby the various conditions which influence commodity prices are monitored on a daily basis. Decisions on the procurement of raw materials as well as the utilisation of derivative instruments to hedge against these risks are taken by executive management within board approved mandates. Detailed statements of raw material contracts and hedging positions are prepared and submitted on a monthly basis to the Chief Executive Officer.

Poultry products price risk.

Poultry producers have limited influence over prices of broiler products in the retail market. These prices are highly sensitive to the supply and demand balance for broiler products. Imbalances in supply and demand are caused by a combination of a number factors; the uncontrolled import and dumping of chicken products on to the South African market, production levels and supply from local producers, and the financial strength of the local consumer are the more important factors.
The management of this risk is done by the poultry management team through appropriate production planning, cost control, improvement in efficiencies and reduction of costs through continuous upgrading of processes, equipment and facilities.

Investments

The value of the interest in Quantum Foods Holding Ltd is exposed to changes in the value of its shares which are listed on the Johannesburg Stock Exchange.
In the event the value of the shares change with 1%, it will have a R1 210 000 impact on other comprehensive income.

29.5 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The group has borrowings and other financial liabilities.
The group has good cash flow generation capabilities. During periods of normalised profit margins, i.e. when there are no prolonged adverse movements in the cost of commodities and/or prices of poultry products, surplus cash is generated and accumulated in the business. During periods of lower profit margins, both working capital requirements as well as capital expenditures on property, plant and equipment, are financed from cash generated from business activities and available short term bank facilities.
The following table compares the contractual cash flows of debt owed at 30 September 2020, with the carrying amount in the consolidated balance sheet, in 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
2019				
Trade and other payables	1 349 039			1 349 039
Shareholders for dividend	2 755			2 755
Bank overdraft	44 115			44 115
	1 395 909			1 395 909
2020				
Lease payments	256 302	409 807	36 208	702 317
Trade and other payables	1 467 361			1 467 361
Shareholders for dividend	2 839			2 839
Bank overdraft	27 453			27 453
	1 753 955	409 807	36 208	2 199 970

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for the year ended 30 September 2020

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

	Repayment date	Fixed / Variable Interest	Interest rate	Security or other relevant terms
Trade payables	current	n.a.	n.a.	none
Accruals	current	n.a.	n.a.	none
Bank overdrafts - ZAR denominated	current	variable	7% (2019: 10%)	none
Bank overdrafts - Kwacha denominated	current	variable	16,5 - 19% (2019: 16,5-19%)	Mortgage bond over property and floating charge over inventory and trade receivables

The liquidity risks are managed by the Chief Financial Officer on a group level through a combination of the following;
- monitoring of trading stock levels,
- monitoring of outstanding trade receivables,
- monitoring of daily bank balances,
- calculating an eight-week rolling forecast of bank balances on a weekly basis,
- conducting long term cash flow forecasts at regular intervals, and
- the arrangement of access to short and long term borrowing facilities from financial institutions.
- Financing of major capital expenditure items are done from a combination of borrowed funds as well as from surplus cash when accumulated over a period of time.

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

	2020 R'000	2019 R'000
Borrowing facilities		
The borrowing facilities, which are reviewed on an annual basis, are held at four different banks and R517 000 000 is immediately accessible, and may be drawn at any time. The balance of the facilities can be utilised on short notice, subject to a review.		
The group has the following general borrowing facilities at floating interest rates:		
- Denominated in SA Rand		
Total facilities	1 091 000	1091 000
Unutilised facilities at year end	1 091 000	1091 000
- Denominated in Zambian Kwacha		
Total facilities	26 446	36 488
Unutilised facilities at year end	7 910	1 610
The facilities at the Zambian subsidiaries are covered by securities over assets with the following carrying values:		
Land and buildings	1 468	2 085
Inventory	42 626	56 844
Trade debtors	11 754	12 169

29.6 Capital risk

The group manages its capital in order not to have exposure to abnormal high debt position and to provide adequate return on capital employed.
The board of directors mandates the long term capital structure of the group with debt to equity not to exceed a target of 43%.
The group continuously monitors its net debt to equity ratio.
Debt incurred from time to time by the group consists mainly of the following;
- bank overdrafts
- long term loans for the financing of specific major expansion projects when required

Surplus cash situations occur from time to time as result of cyclicality in profits.
Equity comprises all components of equity as disclosed in the statement of financial position.
The group is in a net surplus cash position with the net surplus cash relative to equity as at 30 September as follows:

	2020 R'000	2019 R'000
Cash and cash equivalents - refer note 20	573 581	598 989
Total debt - refer note 27	(27 453)	(44 115)
Net surplus cash	546 128	554 874
Total capital		
Equity	4 122 320	3 796 835

NOTES TO THE FINANCIAL STATEMENTS

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30. Share based payments

Forfeitable share plan

The forfeitable share plan which is equity settled, allows the allocation of Astral Foods Ltd shares to participants in the scheme. The allocated shares are subject to a three year vesting period during which the shares are disclosed as treasury shares.

The shares are registered in the name of the participants and they are entitled to receive dividends on the shares. Dividends paid, and received by the participants, are disclosed as cash settled remuneration and is expensed in the income statement.

Detail of restricted shares acquired during the year are as follows:

The shares were acquired by Astral Operations Limited at a cost of R 23 674 000.

114 500 shares were acquired which were allocated to executive directors and prescribed officers. Refer to note 32 for detail.

The service cost recognised in the income statement by the group in the current year in respect of the restricted shares granted, amounts to R 3 625 000 (2019: nil).

31. Related party transactions

Directors' remuneration

Details of directors' remuneration is given in note 32. Executive directors are eligible for an annual performance related bonus payment linked to appropriate group targets. The structure and payment of bonuses are decided by the Human Resources, Remuneration and Nominations Committee.

Details of participation in the forfeitable share plan are given note 32.

Key management

Employees fulfilling the role of key management are the executive directors and the prescribed officers as listed in note 32.

Principal subsidiary undertakings

Details of subsidiaries in the group are set out in notes 35 to the financial statements.

Cross Guarantees

A cross guarantee incorporating a pledge and cession of loan funds between the bank and group companies has been given by Astral Foods Limited, Astral Operations Limited, Meadow Feeds Eastern Cape (Pty) Limited, and Meadow Feeds Standerton (Pty) Limited in respect of borrowing facilities.

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32. Directors and prescribed officers remuneration

	Directors' fee / basic salary R'000	Travelling allowance and other payments R'000	Short-term incentives R'000	Long-term incentives R'000	Total 2020 R'000	Total 2019 R'000
Non-executive Directors' fees						
For services as Directors (excluding VAT)	3 701				3 701	3 457
T Eloff	1 038				1 038	993
DJ Fouche	947				947	906
TM Shabangu	675				675	646
S Mayet	489				489	87 @
WF Potgieter	344				344	82 @
T Maumela	208				208 #	579
MT Lategan						164 #
Executive Directors' remuneration						
For managerial services	21 502	86	6 107	24 861	52 556	58 548
CE Schutte	8 308	21	2 532	10 575	21 436	23 658
GD Arnold	3 997	28	1 083	4 328	9 436	11 394 $
AB Crocker	3 997	28	1 083	4 328	9 436	10 289
DD Ferreira	5 200	9	1 409	5 630	12 248	13 227
Total Directors' fees and remuneration	25 203	86	6 107	24 861	56 257	62 005
Prescribed officers' remuneration						
For managerial services	10 232	136	2 322	5 819	18 509	16 745
E Potgieter	2 641	46	596	2 372	5 655	5 816
MJ Schmitz	3 386	29	944	3 447	7 806	6 503
G Jordaan	2 625	24	592		3 241	641 @
L Marupen	826	29	190		1 045	
MA Eloff	754	8			762 #	2 722
FM Snyman						1 063 #
Total directors and prescribed officers remuneration	35 435	222	8 429	30 680	74 766	78 750

Prescribed officers of the group consist of the Company Secretary and employees who fulfil key roles in the management of the group.
(#) Fee/salary paid to date of resignation as director/prescribed officer
(@) Fee/salary paid from date of appointment as director/prescribed officer
($) Includes a merit award for successfully managing the risks posed by the first break-out of bird flu in the South African poultry industry which is a major risk to the industry.

Indicative Long-term Incentives (LTI) payable

Effective dates of allocation	1 October 2017	1 October 2018	1 October 2019		
Vesting dates of performance conditions	30 September 2020	30 September 2021	30 September 2022		
Payment dates	25 January 2021	25 January 2022	25 January 2023		
	R'000	R'000	R'000		
Executive Directors :					
CE Schutte	10 575	7 157		17 732	27,882
GD Arnold	4 328	3 061	1 607	8 996	11 224
AB Crocker	4 328	3 061	1 607	8 996	11 224
DD Ferreira	5 630	3 982	2 090	11 702	14 783
Expected payments on condition performance targets are achieved	24 861	17 261	5 304	47 426	65 113
Liability included in Employee benefit obligations (note 23)	(24 861)	(10 557)	(1 488)	(36 906)	(43 013)
Contingent liability - included in Contingencies (note 34)	-	6 704	3 816	10 520	22 100
Prescribed officers :					
E Potgieter	2 372	1 685	885	4 942	5 995
MJ Schmitz	3 447	2 437	1 280	7 164	7 423
G Jordaan			879	879	-
Expected payments on condition performance targets are achieved	5 819	4 122	3 044	12 985	13 418
Liability included in Employee benefit obligations (note 24)	(5 819)	(2 521)	(854)	(9 194)	(8 186)
Contingent liability - included in Contingencies (note 34)	-	1 601	2 190	3 791	5 232

Securities issued

Shares in Astral Foods Ltd were issued in terms of the forfeitable share plan. The shares are restricted and vesting is after three years from date of allocation, subject to certain performance conditions are met.

Date of allocation	1 February 2020		
Vesting date of performance conditions	30 September 2022		
Date for vesting as unrestricted shares	31 January 2023		
	Costs of shares allocated R'000	Shares allocated No of shares	Shares expected to vest No of shares
Shares allocated			
Executive directors			
CE Schutte	11 216	54 242	36 342
GD Arnold	2 398	11 599	7 771
AB Crocker	2 398	11 599	7 771
DD Ferreira	3 120	15 089	10 110
	19 132	92 529	61 994
Prescribed officers			
MJ Schmitz	1 910	9 237	6 189
E Potgieter	1 320	6 387	4 279
G Jordaan	1 312	6 347	4 252
	4 542	21 971	14 720
	23 674	114 500	76 714

Note: Allocations made on 1 October 2019 consists of a combination of Long-term incentives as well as securities issued.

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2020

Note 1. - Long-term Incentives (LTI)

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

Details of the allocations made, are as follow:

- 1 October 2017 with vesting date 30 September 2020

All allocations are in terms of the LRP.

Performance conditions relate to above-threshold production performance (PEF) and headline earnings per share (HEPS) growth, measured over the three year vesting period. Payment of 25% of the allocated amounts are not subject to performance conditions.

The performance conditions in respect of the HEPS growth was not met in full, and as result the allocated amounts have not vested in full.

- 1 October 2018 with vesting date 30 September 2021

All allocations are in terms of the LRP.

Performance conditions relate to above-threshold production performance (PEF), headline earnings per share (HEPS) growth and return on net assets (RONA) which must be achieved over the three-year vesting period. Elation report for more detail on the scheme.

It is expected that not all of the performance conditions will be achieved, and lower payments are forecasted.

- 1 October 2019 with vesting date 30 September 2022

Allocations are apportioned between the LRP and the FSP.

Performance conditions for both schemes relate to above-threshold production performance (PEF), headline earnings per share (HEPS) growth and return on net assets (RONA) which must be achieved over the three-year vesting period. Elation report for more detail on the scheme.

It is expected that not all of the performance conditions will be achieved, and both lower payments and vesting of lower number of shares, are forecasted.

Note 2. - Short-term Incentives (STI)

The Executive Directors and prescribed officers participate in an annual performance based bonus scheme.

The bonus is calculated based on a pro-rata share of 20% of the economic value added (EVA tm) during the past year. The net operating profit after tax (NOPAT) must be in excess of a predetermined threshold before bonuses will be paid. Refer to the remuneration report for more detail on the scheme.

33. Directors' shareholding

	2020 No of shares	2019 No of shares
Directly held number of shares		
Beneficial interests		
Non-Executive Directors		
T Eloff	1 150	
DJ Fouche	9 571	5 650
S Mayet	1 000	
WF Potgieter	1 400	
Executive Directors		
CE Schutte	32 000	26 450
DD Ferreira	158 000	158 000
AB Crocker	4 907	3 726
GD Arnold	6 000	3 000
	214 088	196 826

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

34. Contingencies and commitments

	2020 R'000	2019 R'000
Commitments		
Raw material contracted amounts not recognised in the statement of financial position	1 129 870	1376 532
The group has contracted its raw material requirements from various suppliers in terms of future supply agreements.		
Orders placed for capital equipment included under capital commitments (note 14), payable in the following currencies;		
Euro		49 248
British pound		4 074
Contingencies		
Long term retention incentives not recognised in the statement of financial position.	61 936	76 220
The payment of the future contingency is on condition of achieving performance targets.		

35. Interest in subsidiary companies

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

		Issued ordinary capital 2020 R'000	Issued ordinary capital 2019 R'000	Effective percentage holding 2020 %	Effective percentage holding 2019 %
Unlisted Investments					
Astral Operations Limited	a	12	12	100	100
National Chicks Limited	b	23 720	23 720	100	100
Meadow Feeds Eastern Cape (Pty) Ltd	c			100	100
Meadow Feeds Standerton (Pty) Ltd	c			100	100
Africa Feeds Limited (Zambia) ^	c	24	24	100	100
Meadow Moçambique Limitada *	c	4 393	4 393	80	80
Progressive Poultry Limited ^	d	10	10	100	100
Mozpintos Limitada *	d	100	100	100	100
National Chicks Swaziland (Pty) Limited #	d	1	1	67	67

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

Nature of business

a - Animal feed and pre-mix production, broiler genetics and broiler breeding production, broiler operations, production and sale of day-old broilers and hatching eggs and analytical services.

b - Investment holding

c - Animal feed production

d - Production and sale of day-old broilers and hatching eggs.

36. Events subsequent to balance sheet date

A final dividend of 775 cents per share has been declared on 11 November 2020. The payment of the dividend will be on 21 January 2021.

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

NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

for the year ended 30 September 2020

37. Change in accounting policies

The group adopted IFRS 16 - Leases at the beginning of the 2020 financial year:

The group followed the modified retrospective approach with the implementation of IFRS 16 on 1 October 2019, without restating comparatives in the financial statements. Existing contracts were not re-assessed to determine whether they are leases in terms of IFRS 16, and exemption was applied to existing lease contracts with remaining terms less than twelve months on implementation date.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

	R'000
The impact on the financial statements for 2020 is as follows:	
Recognition of additional amortisation charges on right-of-use assets	(212 918)
De-recognition of lease payments as operating expenses in the operating profit	245 927
Net increase in operating profit	33 009
Additional finance charges	(67 961)
Net decrease in profit before tax	(34 952)
Decrease in tax charge	9 787
Net decrease in earnings	(25 165)
Increase in Total assets at end of year	537 061
Increase in interest bearing liabilities at end of year	(572 013)
Decrease in deferred tax provision	9 787
	(25 165)
Reconciliation of lease commitments on 30 September 2019 with lease liabilities on 1 October 2019	
Total outstanding lease commitments on 30 September 2019	793 060
Less lease commitments in respect of:	
- Low value items	(3 281)
- short term leases	(10 238)
Lease commitments on 1 October 2019 disclosed as right-of-use assets	779 541
Discounting of commitments at the incremental borrowing rate	(183 947)
Lease liabilities recognised on 1 October 2019	595 594

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

	Assessment	Impact
Revenue	The group, being both a food and an animal feed producer, was classified as providing essential goods during the Covid 19 lockdown period, and business activities continued uninterrupted. Sales to the Quick Service Restaurants("QSR") was negatively impacted as result of their forced close down during the initial stages of the lockdown period. The products normally sold to the QSR outlets were processed into IQF products, which were sold via the normal wholesale and retail channels. Pricing of products were however adversely impacted resulting from surplus stock in the IQF market - refer to the inventory impact below.	**Limited** With the subsequent opening up of the economy, sales are in the process of returning to normality.
Financial assets (expected credit losses)	The group calculates expected credit losses("ECL") based on the past experience of default rates of its own customer base, with any forward looking adjustments taken into account where necessary. The impact of the lockdown on customers has been, and are still closely monitored in order to establish if an adjustment to the default rate from the impact of Covid, is warranted. To date , no necessary adjustment has been identified. Outstanding balances from major customers are also covered by credit insurance - also refer to note 29.1 Other financial assets have not been impacted by the the economic lockdown.	**Low** Payments from some customers were delayed during the early stages of the lockdown period, however all overdue amounts have been settled within a relative short period of time, prior to the financial year end. No credit losses were experienced to date relating to the impact of Covid. The strict application of its credit control processes proved its value during this period.
Inventories	As standard practice the carrying value of inventories (finished goods stock) are disclosed at the lower of cost or net realisable value. The net realisable value of poultry products in the market have been influenced by the general surplus of stock in the market. This was a result of the lock down of the QSR outlets and lower buying power of consumers following portion of the population not earning income at levels before the lock down.	**Low** The group experienced more normalised stock levels towards the end of its financial year, and the carrying value as at the end of the year will be recovered through normal trading activities.
Non-Financial assets (Property, plant and equipment- "PPE", intangibles and goodwill)	The group was classified as an essential service provider and as result production and trading and processing activities continued uninterrupted during the lock down period. Negative impact to trading profits were experienced during the second half of the year as result of the temporary closure of QSR outlets and consumer spending behaviour during the hard lockdown period. These were not regarded as impairment indicators as sales have largely recovered as the lockdown move to level 1 towards the end of the financial year.	**Low** Long term forecasts indicates that the carrying value of assets will be recovered from future cash generation.
Going concern	The impact to sales volumes and pricing had an adverse result on profitability, however the group still operated at a profit during the lockdown period. The group conducts annually, as standard practice, detail four year forecasts of profitability, capital expenditure, working capital requirements and cash flows. This year a more conservative outlook was assumed as result of the uncertainties following the outbreak of COVID 19. However there are no indications that the group will not be a going concern at any point in time in the future, nor are there any indication of future liquidity issues. Any potential future volatility in profitability, which is typical of the business environment in which the Group operates, is regarded as normal business risks, and does not pose a going concern risk for the Group.	**Low** The group has a strong balance sheet and good cash flow generation capabilities. This is supported by a strong improvement in cash flows during the last quarter of the financial year.
Liquidity	Negative cash flows were experienced for a limited period of time during which finished good stock holding increased and payments from customers, which were impacted by the lockdown, were in arrears. Stockholding of critical input raw materials were increased in order to secure uninterrupted supply. All stock levels and the aging of trade receivables returned to normality towards the end of the year. In spite of the adverse conditions as result of the lockdown, the group remained in a surplus cash position throughout the period.- refer to the statement of cash flows.	**Low** Apart from being in a net surplus cash position, the group is in good standing with the banks and have access to sufficient facilities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2020

39. ACCOUNTING POLICIES

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

1. BASIS OF PREPARATION

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

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

The basis of preparation is consistent with the prior year, except for the mandatory adoption of IFRS16 (Leases).

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

2. INTEREST IN GROUP ENTITIES

Subsidiaries

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

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

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

Transactions with non-controlling interests

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

3. FOREIGN CURRENCIES

Functional and presentation currency

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

Transactions and balances

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

Foreign Operations

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

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

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

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

Land is not depreciated and its carrying value is stated at historical cost.
Plant and equipment consists mainly of equipment used in the production of feed, feeding of birds in poultry houses, hatchery equipment the slaughtering of poultry in abattoirs and the processing and packaging of poultry meat products.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other costs are charged to profit or loss during the financial period in which they are incurred.

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

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, taking into account technology developments and maintenance programs.

5. INTANGIBLE ASSETS

Computer software

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

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

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

6. LEASES

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

7. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises all purchase costs of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) incurred in bringing the inventories to their present location and condition. Borrowing cost is excluded.

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

8. BIOLOGICAL ASSETS

The value of live broiler birds and hatching eggs are assessed based on fair values less estimated point-of-sale costs at appropriate reporting dates. Gains and losses arising from changes in the fair values are recorded in cost of sales for the period in which they arise.

Breeding stock includes grandparent breeding and parent rearing and laying stock which are carried at amortised costs.

All the expenses incurred in establishing and maintaining the assets are recognised in cost of sales. All costs incurred in acquiring biological assets are capitalised to the cost of the biological assets.

Assessment of control over contract growers

The Group utilizes contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets. The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis the Group concluded that it does not control the activities of any contract grower, as it does not have any decision-making powers and that these businesses are managed independently. Furthermore, these businesses retain the residual risk associated with production.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Separately recognised goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

10. FINANCIAL ASSETS

Financial assets are recognised when the group becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash, a contractual right to receive cash or another financial asset. Financial assets carried at reporting date include cash and bank balances, investments in equity instruments, and receivables.

The group's receivables are held to collect the contractual cash flows and are classified in the following category:

- Amortised costs

Investments in equity instruments are classified in the following category:

- Fair value through other comprehensive income

Impairment

A loss allowance is calculated based on the lifetime expected credit losses of financial assets.

11. FINANCIAL LIABILITIES

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial assets or to exchange financial instruments with another on potentially unfavourable terms.

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

12. TRADE RECEIVABLES

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

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

14. TRADE PAYABLES

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

15. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

16. SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly incremental costs, is deducted from equity attributable to the company's equity holders until the shares are re-issued or disposed of.

17. CURRENT AND DEFERRED TAX

The charge for current tax is based on results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference will not reverse in the foreseeable future.

Upon the initial recognition of an asset or a liability in a transaction which is not a business combination, and the recognition does not affect accounting profit or taxable profit at the time of the transaction, the group has made the policy choice to treat the asset and the liability separately for deferred tax purposes..

18. DERIVATIVE FINANCIAL INSTRUMENTS

The group uses derivative financial instruments to manage its exposure to foreign exchange and commodity price risks arising from operational activities.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. It is the group's policy not to apply hedge accounting.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately under other income/expenses in the statement of comprehensive income.

Over-the-counter (OTC) contracts

The group enters into over-the-counter (OTC) forward purchases for the purchase of commodities for own use. These contracts are settled by taking physical delivery in the normal course of business and are therefore not regarded as financial instruments.

Fair value estimation

The nominal value less estimated credit adjustments of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

19. EMPLOYEE BENEFITS

Pension obligations

The group operates defined contribution retirement schemes.

A defined contribution scheme is a pension plan under which the group pays fixed contributions into a separate entity. The group recognises the expense in the statement of comprehensive income as an employee benefit expense.

The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Post-employment medical benefits

The group provides post-retirement healthcare benefits to some of its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to other comprehensive income. These obligations are valued every year, and the assumptions are reviewed annually, by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Profit-sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders. These profit sharing and bonus plans are approved annually by the board.

The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term retention bonus scheme

The group has a long-term retention bonus scheme for certain employees. In terms of the scheme, 25% of the allocated amount is guaranteed, and for certain employees, 75% is subject to specified performance conditions measured over a three-year period being met. Allocations from 1 October 2018 onwards are 100% subject to performances conditions for all employees.

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

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

Share-based plans

The **share option scheme** which is equity settled, provides the right to purchase shares in the company at the exercise price. The contractual life of options granted is seven years. The options vest one third after each of the third, fourth and fifth year of date of granting the option. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market conditions. Non-market conditions are included in assumptions about the number of options that are expected to vest. The group recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The grant by the group of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts

The fair value calculations are done by external consultants.

The **forfeitable share plan** which is equity settled, afford employees the opportunity to own shares in Astral through awarding of forfeitable shares. Participants receives the shares, with voting and dividend rights, on the date of the award subject to performance conditions and the risk of forfeiture during a three year vesting period.

The shares acquired and subsequently awarded are disclosed as treasury shares.
The fair value of the employee service received in exchange for the awarding of the shares is based on the market value of the shares on grant date. The amount to be expensed over the three year vesting period is determined by reference to the fair value of the shares awarded, adjusted the impact of non market conditions on the assumptions of the number of shares that is expected to vest.
Dividends received by participants during the vesting period is regarded as a cash settled portion of the scheme and is recognised as an employee benefit expense as and when dividends are paid.

20. REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Refer to note 1 of the financial statements for a description of the revenue streams of the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below:

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

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

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

In the prior year, the Group made use of an intermediary company which purchased finished goods from the group, and sold these to the retail market. Significant judgements were made by management when concluding whether the intermediary was transacting as an agent or as a principal. The assessment required an analysis of key indicators, specifically whether the intermediary:

- carried any inventory risk;
- had the primary responsibility for providing the goods or services to the retail market;
- had the latitude to influence pricing; and
- exercised control over the finished goods.

These indicators were used to determine whether significant risks and rewards associated with the sale of goods have passed to the intermediary company. Where significant risks and rewards have not transferred to the intermediary company, revenue is recognised when the goods are sold to the retail market.

Where the group delivers finished goods to another party for sale to end customers, the group evaluates whether the other party has obtained control of the finished goods at that point in time. Finished goods that have been delivered to another party are held in a consignment arrangement when the other party has not obtained control of the product. The group does not recognize revenue where finished goods are delivered to another party if the finished goods are held on consignment.
This assessment required analysis of key indicators, specifically:

- The group retains control over the finished goods until a specified event occurs, which is the sale of the finished goods to a customer;
- The group is able to require the return of the finished goods or can transfer the finished goods to a third party;
- The other party does not have the unconditional obligation to pay for the product.

21. INTEREST INCOME

Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and is recognised in profit or loss as part of other income.

22. NEW STANDARDS AND INTERPRETATIONS

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards.
There are no new standards and interpretations that is expected to impact the financial statements and reporting of the group.