



RAINBOW
CHICKEN LIMITED

ANNUAL REPORT for the year ended March 2004

CONTENTS

ORDINARY SHAREHOLDERS' ANALYSIS

DISTRIBUTION OF ORDINARY SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares held	% of shares issued
Public shareholders	6 918	99,9	95 322 230	35,4
Non-public shareholders:				
Directors of Rainbow and its subsidiaries	3	0,1	64 820	
Holding company	1		173 996 803	64,6
	6 922	100,0	269 383 853	100,0

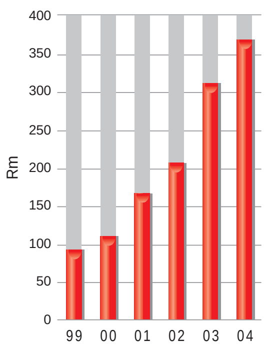
SHAREHOLDINGS OVER FIVE PERCENT	%
Industrial Partnership Investments Limited	64,6

No further shareholder held an interest of more than 5% in the company on 31 March 2004.

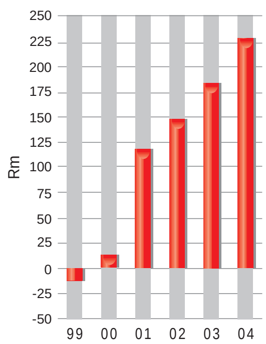
Afskrifte van die jaarverslag is ook beskikbaar in Afrikaans van die maatskappy se hoofkantoor.

	2004	2003
Revenue (Rm)	3 830,0	3 748,5
Operating profit before interest and taxation (Rm)	303,2	230,9
Profit before taxation (Rm)	340,4	244,5
Attributable profit for the year (Rm)	227,6	161,8
Headline earnings (Rm)	227,5	183,4
Headline earnings per share (cents)	85,2	70,8
Headline earnings per share – diluted (cents)	80,8	66,7
Basic earnings per share – (cents)	85,2	62,5
Basic earnings per share – diluted (cents)	80,8	59,1
Total assets (Rm)	1 831,8	1 646,0
Capital expenditure (Rm)	87,0	114,2
Net worth per share (cents)	437,9	371,0
Closing share price (cents)	545,0	325,0

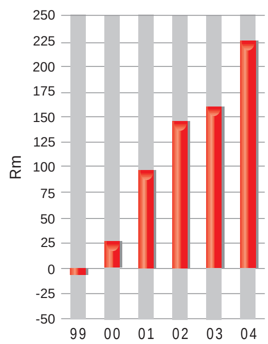
EBITDA



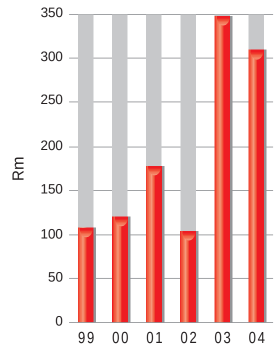
HEADLINE EARNINGS/LOSS



ATTRIBUTABLE PROFIT



CASH GENERATED BY OPERATIONS



GROUP STRUCTURE

ORDINARY SHAREHOLDING

General public and employees
35,4%

Industrial Partnership Investments Limited *
64,6%

Rainbow Chicken Limited
100%

Rainbow Farms (Pty) Ltd
Operating

Rainbow Farms Investments (Pty) Ltd
Dormant

Bonny Bird Farms (Pty) Ltd **
Dormant

East End Court (Pty) Ltd **
Dormant

Epol (Pty) Ltd **
Dormant

* A wholly-owned subsidiary of Remgro Limited
** Wholly-owned subsidiaries of Rainbow Farms (Pty) Ltd

NON-EXECUTIVE DIRECTORS

Thys Visser (50) * $
Non-executive Chairman
BComm (Hons), CA (SA)
Appointed: January 1997
Directorships: Remgro Limited, British American Tobacco plc, Distell Limited, Nampak Limited and Unilever Bestfoods Robertsons Holdings Limited LLC

Thys is a Chartered Accountant who qualified with Arthur Young & Company in Cape Town before joining Rembrandt Group Limited in 1980. He held a number of positions, including Financial Director in 1991 and Managing Director in 1992. He is currently Deputy Chairman and Chief Executive Officer of Remgro Limited.

Emil Bührmann (48) *
Non-executive Director
BComm, CA (SA)
Appointed: December 2000
Directorships: Dorbyl Limited, Gencor Limited, Medi-Clinic Limited, Remgro Limited, Trans Hex Group Limited and Transvaal Sugar Limited

Emil is a Chartered Accountant who qualified with Deloitte & Touche in Bloemfontein. After several years of audit experience, he joined the Rembrandt Group Limited as an investment manager in 1987. In 1998 he was appointed as an Executive Director, a position he still holds.

Desmond John Loch Davis (73) *
Non-executive Director (independent)
LLB (Honors), London
Appointed: December 1978
Directorships: Director of several other companies not related to the Group.

Desmond is a South African attorney and an English Solicitor. He is a past Chairman of Rainbow Chicken Limited and has held a number of directorships of public companies in the past.

Dr. Munro Griessel (65)
Non-executive Director (independent)
Phd (Animal Science)
Appointed: November 2002
Directorships: Chairman of the technology committee of the Protein Research Foundation

Munro has over forty years experience in the animal feed and livestock industries. He is also a member of the advisory committee of the Oil and Protein Seeds Development Trust and an honourary life member of the Animal Feed Manufacturers Association.

Peter Mageza (48) *
Non-executive Director (independent)
BComm, CA (SA)
Appointed: November 2002
Directorships: ABSA Bank Limited

Peter started his career within the audit environment for Coopers & Lybrand. Thereafter he held various positions within the automotive industry in both the public and private sector. In January 2000 he joined ABSA, where he held the position of Managing Executive of ABSA's Vehicle and Asset Finance division. He was appointed as Group Executive Director of ABSA Bank Limited in December 2003. Peter is also a Fellow of The Association of Chartered Certified Accountants (ACCA).

J B Magwaza (62) $
Non-executive Director (independent)
MA (UK)
Appointed: November 2002
Directorships: Tongaat-Hulett Group Limited, Anglo American Corporation of South Africa Limited, Development Bank of Southern Africa Limited, Dorbyl Limited, Ithala Development Finance Corporation Limited, Africa Vukani Resources, Nedcor Limited, Nedcor Bank Limited, Chairperson of Motseng Marriott Property Services (Pty) Limited, Chairperson of Pamodzi Holdings Limited and Chairperson of Peoples' Bank.

JB served as an industrial relations consultant to Tongaat-Hulett Sugar from 1975 to 1988. Thereafter he held various directorships within the Tongaat-Hulett Group and was appointed an Executive Director of Tongaat-Hulett Group Limited in May 1994, a position he held until he retired in August 2003.

Noel Phillips (69) * $
Non-executive Director (independent)
B.Comm, Rhodes University
PMD, Harvard Business School
Appointed: August 1996
Directorships: McCarthy Limited, Dorbyl Limited and Transvaal Sugar Limited.

Noel was previous Managing Director of Volkswagen South Africa, President and Chief Executive Officer of Volkswagen America and President and Chief Executive Officer of Autolatina (Brazil and Argentina).

* Member of the audit committee
$ Member of the remuneration committee

EXECUTIVE DIRECTORS

Miles Dally (48)
Chief Executive Officer
BComm
Appointed: February 2003
Directorships: Rainbow Chicken Limited and its subsidiary companies

Miles served as Group Managing Director of Robertsons Holdings (Pty) Limited from 1995 to 2002 and over a period of some eighteen years held a number of international directorships. After the unbundling of Robertsons Holdings he accepted the position of Chief Executive Officer at Rainbow. Miles is a Member of the Institute of Directors, SA, and has just been appointed to the Board of the Consumer Goods Council of South Africa.

Louis Jacobus Grobler (53)
Chief Financial Officer
CA (SA), CA (Canada)
Appointed: November 1996
Directorships: Rainbow Chicken Limited and its subsidiary companies

Louis is a Chartered Accountant who qualified with Deloitte & Touche, later becoming a partner with Price Waterhouse Coopers before branching into commerce and industry. His experience covers various industries, having served in both public practice and commerce and industry. He also serves on SAPA, the poultry industry's representative body.

EXECUTIVE MANAGEMENT RAINBOW FARMS (PTY) LIMITED

M DALLY
Managing Director

L J GROBLER
Financial Director

P L McLaughlin
Regional Director
North

M P W ROGOWSKI
Regional Director
Western Cape

P C SEPTEMBER
Human Resources Director

M P STANDER
Technical and Foodservice Director

P C TOZER
Sales Director

S D VAN HUYSSTEEN
Regional Director
KwaZulu-Natal

C J van NIEKERK
Feedmilling Director

C E VAUQULIN
Agricultural Director

Registered Office/Postal Address: Rainbow Chicken Limited, 1 Stanley Methven Road, P.O. Box 26, Hammarsdale 3700

Transfer Secretaries: Computershare Investor Services 2004 (Pty) Limited, P.O. Box 61051, Marshalltown 2107

Company Secretary: S B Heath

Auditors: Deloitte & Touche

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited) Corporate Finance

Bankers: ABSA Bank Limited

Company Reg No.: 1966/004972/06

JSE Share code: RBW

ISIN code: ZAE000019063

Website: www.rainbowchicken.co.za

CHANGE IN ACCOUNTING POLICY – AC 133 – FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT

As reported in our interim announcement at 30 September 2003, with effect from 1 April 2003 the Group applied "AC 133 – Financial Instruments: Recognition and Measurement".

Due to the fact that the comparative figures are not restated under the transitional provisions of AC 133, certain items are not directly comparable on a line-for-line basis with those of prior financial periods.

The Group remains concerned about reporting the financial effects of only certain financial instruments in accordance with AC 133 in that this could substantially distort the Group's financial results and create inappropriate volatility.

The impact of applying AC 133 on the Group's full year results is two-fold: firstly, an after taxation increase in opening retained income of R37,8 million (pre-taxation: R54,0 million), reflected as a transitional adjustment in the statement of changes in equity; and secondly, a current year negative earnings impact on headline earnings of R25,1 million (pre-taxation: R35,8 million). The financial review commentary that follows is based on the reported results which are net of the latter negative impact.

RESTATEMENT OF COMPARATIVE FIGURES IN RESPECT OF DEFERRED TAXATION

In reviewing the current year deferred taxation liability, it was found that the liabilities raised in the financial years ended 31 March 2002 and 31 March 2003 were incorrect. To ensure compliance with Accounting Statements dealing with Income Taxes and Presentation and Disclosure (AC 102 and AC 103), the comparative figures have been restated to recognise a deferred taxation liability in respect of non-recoupable development allowances on farming buildings, which had previously not been appropriately provided for.

The change requires restatement of the prior year opening reserves by R6,7 million in respect of the 2002 year, the deferred taxation charge by R91,8 million in respect of the 2003 year and, consequently, the deferred taxation liability of R98,4 million in 2003. On the 2003 income statement, pre tax profit is unaffected, but after tax, attributable profit and headline earnings were overstated to the extent of the deferred tax charge of R91,8 million. The restatement has no past or future impact on operating profit or cash flow.

The effect of the restatement of the 2003 comparative figures in respect of deferred taxation is as follows:

	Prior year restated Rm	Prior year as previously reported Rm
Impact on income statement:		
Profit before taxation	244,5	244,5
Taxation	(82,6)	9,2
Profit after taxation	161,9	253,7
Preference dividends	(0,1)	(0,1)
Attributable profit	161,8	253,6
Impact on headline earnings:		
Profit attributable to ordinary shareholders	161,8	253,6
Loss on disposal of property, plant & equipment	3,7	3,7
Net asset impairment provision raised	17,9	17,9
Headline earnings	183,4	275,2
Impact on statistics:		
Headline earnings per share (cents)	70,8	106,2
Fully diluted headline earnings per share (cents)	66,7	99,2
Net asset value per share (cents)	371,0	408,5
Impact on balance sheet:		
Accumulated loss	115,7	17,2
Deferred taxation liability/(asset)	89,5	(8,9)

OVERVIEW AND MARKET CONDITIONS

The Group produced pleasing operating results for the year ended 31 March 2004, especially against the backdrop of the strong growth recorded in 2003.

Macro economic conditions improved gradually throughout the review period as interest rates decreased and the rand strengthened. Consumer confidence and spending were more buoyant in the second half of the year, resulting in chicken consumption growth of approximately 5,0% for the financial year.

The outbreak of high pathogenic Avian Influenza (AI) in Asia in January 2004 led to international poultry shortages and some price strengthening. The disease appears to be largely contained, but not yet eliminated. It is anticipated that it will take between twelve and eighteen months for the global industry to fully recover. Imported products, however, continued to hold a domestic market share of approximately 12,0% for most of the year.

Feed raw material prices, particularly maize, softened significantly with the year-on-year closing SAFEX price for yellow maize approximately 26,0% lower at the end of the financial year. This translated into a feed cost reduction of 10,2%. Notwithstanding other considerable cost increases, chicken price realisations fell on the back of the lower feed price, by 1,7% (2003: 16,5% increase).

FINANCIAL REVIEW

Revenue increased by 2,2% to R3,8 billion (2003: R3,7 billion), despite 5 fewer trading days in the current year (impact 2,0%). A reduction in price realisations in the feed operations, due to lower maize prices, resulted in a 5,0% decline in feed revenues. This was, however, compensated for by higher volumes from all operations.

	2004 Rm	2003 Rm	%
Chicken	3 109	2 982	4,3
Feed	1 862	1 960	(5,0)
Total gross revenue	4 971	4 942	0,6
Less inter-group revenue	(1 141)	(1 193)	(4,4)
Reported revenue	3 830	3 749	2,2

EBITDA increased by 17,9% to R367,0 million (2003: R311,1 million), benefiting from solid volume growth, stable realisations and further improvements in operating efficiencies. The EBITDA margin has increased to 9,6% (2003: 8,3%).

Improved cash generation and higher cash balances held within the Group resulted in a substantial increase in net interest received to R37,2 million (2003: R13,6 million).

Profit before taxation increased by 39,3% to R340,4 million (2003: R244,5 million) benefiting from the higher operating profit and interest earnings.

Taxation increased to R112,8 million (2003: R82,6 million) with the effective taxation rate remaining largely stable at 33,1% (2003: 33,8%). The Group has utilised all of its assessed losses in the current financial year.

Attributable profit increased by 40,6% to R227,6 million (2003: R161,8 million).

Headline earnings increased by 24,0% to R227,5 million (2003: R183,4 million) with diluted headline earnings per share improving by 21,1% to 80,8 cents per share (2003: 66,7 cents per share).

Cash generated by operations amounted to R309,8 million (2003: R347,6 million), resulting in an increase in the cash balance to R482,3 million (2003: R290,8 million). Working capital requirements increased by R57,1 million (2003: reduction of R36,0 million), largely due to the reduction in liabilities attributed to the utilisation of the onerous maize contracts in the amount of R31,7 million provided for last year.

Capital expenditure was R87,0 million (2003: R114,2 million). A further amount of R33,6 million (2003: R30,6 million) had been contracted and committed, but not spent, whilst R159,4 million (2003: R18,2 million), R150,0 million of which is referred to under Prospects below, had been approved, but not contracted. The Group remains committed to upgrading its facilities and funding normal levels of replacement capital expenditure from its own resources.

Return on equity increased to 21,1% (2003: 17,7%), benefiting from the improvement in the Group's underlying performance.

REVIEW OF OPERATIONS

The Group continued to focus on its five year strategic objectives of supply chain optimisation, product decommoditisation, route to market and market management initiatives. Extensive market and consumer research, directed at meeting customer requirements, was undertaken with a view to evaluating strategic opportunities and creating a solid brand platform from which the Group expects to benefit over the long-term.

The chicken operation, which remains the biggest volume producer in South Africa with 3,7 million birds per week, continues to trade in an oversupplied market. Nevertheless, volume growth of 6,0% (2003: 6,6%) was achieved mainly through improved production processes and further efficiency improvements. However, the 1,7% decline in realisations on the back of lower feed prices, resulted in revenues only increasing by 4,3%. Chicken margins remained flat on an annualised basis, despite an improvement in the second half of the financial year.

Product development was a key focus within foodservice, resulting in improved customer relations. The Group continued to grow its value added product range and successfully tested various new products.

Exports were pursued through strategic customers as they expanded internationally. Having been recognised on an international basis as a competitive quality producer, demand for certain products internationally is steadily on the increase, but is being hampered by the strong rand.

The performance of the Group's feed operation, Epol, was driven by cost effective procurement and capacity utilisation which, together with a better product mix, led to an improved margin contribution. Feed revenues decreased by 5,0% as a result of the 13,0% decline in the rand per ton feed price. Volumes, however, increased by 8,0% (2003: 2,3% decrease).

The Group's parent breeding operation, Cobb SA, achieved improved margins as a result of the good breed performance. Revenues increased by 19,1% (2003: 80,3%).

PROSPECTS

The Group's consolidation and market management processes are now well underway which, together with a very strong cash position, have set the foundation to pursue strategic investment opportunities in order to grow the business and improve profitability. Subsequent to the year-end, an amount of R150,0 million has been approved by the Board for a Further Processing plant, which will produce value added and convenience products. The project is scheduled for the new financial year, but will only be completed in the year thereafter. The bulk of the cash expenditure will, however, be incurred during the course of the financial year ending 31 March 2005. The investment will impact negatively on interest earned, but will generate improved earnings following commissioning. The Group is currently also evaluating other strategic investment opportunities.

Interest rates are expected to firm only during the latter half of the new financial year and consumer spending is therefore expected to remain fairly positive over this period. Should the rand remain strong against the US dollar, feed raw material input costs are likely to remain fairly stable, subject to normal seasonal trends.

The higher international poultry prices and the recently increased tariff on offal are not expected to significantly reduce the level of imports into South Africa. These factors should, however, to some extent offset import price advantages provided by the stronger rand.

The current levels of chicken realisations, stability of both the rand and maize prices, and buoyant consumer spending patterns should have a positive impact on the Group's performance during the first half of the new financial year compared to the same period in the previous year.

The directors expect that the Group will generate another solid operating performance for the upcoming financial year. However, as the Group now operates off a higher base, year-on-year earnings improvements are not expected to be at the same pace achieved in recent years.

DIVIDEND DECLARATION

Notice is hereby given that on 19 May 2004 the Board declared a final dividend (number 62) of 21,0 cents per ordinary share in respect of the financial year ended 31 March 2004 (2003: 17,0 cents). Having paid an interim ordinary dividend of 8,0 cents per ordinary share on 12 January 2004, the above declaration brings the total ordinary dividend declared in respect of the year ended 31 March 2004 to 29,0 cents per share (2003: 24,0 cents), resulting in a fully diluted headline earnings per share dividend cover of 2,8 times (2003: 2,8 times).

The last date to trade cum dividend will be Friday, 18 June 2004 and trading will commence ex dividend from Monday, 21 June 2004. The record date will be Friday, 25 June 2004 and the dividend will be paid on Monday, 28 June 2004. Share certificates may not be dematerialised or rematerialised between Monday, 21 June 2004 and Friday, 25 June 2004 (both dates inclusive).

DIRECTORATE

Messrs S M Parsons and N J L Hancock resigned from the Board with effect from 12 September 2003 and 10 March 2004 respectively. The Board wishes to express its sincere appreciation to these directors for their valuable contribution during the tenure of their appointments.

APPRECIATION

We sincerely thank the directors, our employees and all our business partners for their ongoing efforts and continued support during the year.

M H Visser
Non-executive Chairman

M Dally
Chief Executive Officer

GROUP BALANCE SHEETS

	2004 R'000	Restated 2003 R'000	Restated 2002 R'000	2001 R'000	2000 R'000	1999 R'000
Employment of capital						
Trademarks, property, plant and equipment	591 958	570 783	556 107	561 530	603 976	639 950
Net current assets	792 154	531 163	344 144	174 014	158 396	186 366
	1 384 112	1 101 946	900 251	735 544	762 372	826 316
Capital employed						
Ordinary shareholders' equity	1 181 625	974 740	850 639	712 467	614 373	588 433
Preference share capital	500	500	500	500	500	500
Interest bearing debt - long-term	1 694	3 469	4 848			
- short-term	1 496	3 573	3 052		126 039	203 787
Post retirement medical obligation	33 596	30 131	28 960	14 221	13 639	26 588
Deferred taxation	165 201	89 533	12 252	8 356	7 821	7 008
	1 384 112	1 101 946	900 251	735 544	762 372	826 316

GROUP INCOME STATEMENTS

	2004 R'000	Restated 2003 R'000	Restated 2002 R'000	2001 R'000	2000 R'000	1999 R'000
Revenue	3 830 032	3 748 520	3 035 671	2 491 392	2 294 017	2 150 333
Operating profit before depreciation and amortisation	366 967	311 121	204 265	164 990	109 735	90 861
Depreciation and amortisation	(63 742)	(59 159)	(51 997)	(52 442)	(55 313)	(54 407)
Trademark impairment		(21 064)				
Operating profit before exceptional items	303 225	230 898	152 268	112 548	54 422	36 454
Exceptional items						(172)
Operating profit	303 225	230 898	152 268	112 548	54 422	36 282
Net interest received/(paid)	37 181	13 554	993	(13 845)	(27 594)	(44 285)
Profit/(loss) before taxation	340 406	244 452	153 261	98 703	26 828	(8 003)
Taxation	(112 764)	(82 549)	(6 008)	(547)	(826)	(1 012)
Profit/(loss) after taxation	227 642	161 903	147 253	98 156	26 002	(9 015)
Preference dividends	(62)	(62)	(62)	(62)	(62)	(62)
Profit/(loss) attributable to ordinary shareholders	227 580	161 841	147 191	98 094	25 940	(9 077)

NUMBER OF EMPLOYEES OF THE COMPANY AND ITS SUBSIDIARIES AT 31 MARCH

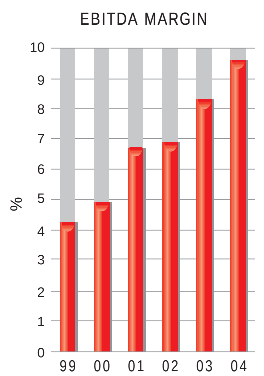
	2004	2003	2002	2001	2000	1999
KwaZulu-Natal	1 807	1 912	2 222	2 299	2 172	2 320
Cape	1 367	1 513	1 716	1 802	1 986	1 806
Northern Region	2 065	2 136	2 253	2 490	2 592	2 799
	5 239	5 561	6 191	6 591	6 750	6 925

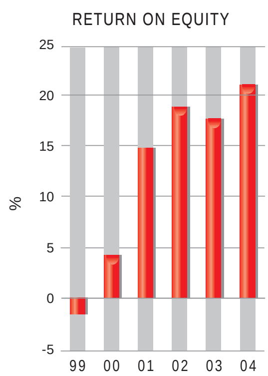
ORDINARY SHARE STATISTICS

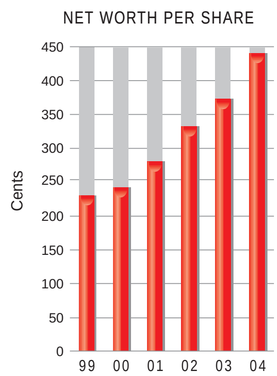
		2004	Restated 2003	Restated 2002	2001	2000	1999
Number of ordinary shares							
- weighted average in issue	(000)	266 973	259 106	256 299	256 119	256 119	256 119
- fully diluted weighted average in issue*	(000)	286 055	282 702	278 449	268 414	275 573	271 714
- at year end	(000)	269 384	262 709	256 837	256 119	256 119	256 119
Basic earnings/(loss) per share **	(cents)	85,2	62,5	57,4	38,3	10,1	(3,5)
Basic earnings/(loss) per share – diluted	(cents)	80,8	59,1	52,9	36,5	10,7	(2,1)
Headline earnings/(loss) per share**	(cents)	85,2	70,8	57,7	45,9	7,1	(2,6)
Headline earnings per share – diluted	(cents)	80,8	66,7	53,1	43,8	7,9	1,3
Dividends per share	(cents)	29,0	24,0	14,0			
Fully diluted dividend cover	(times)	2,8	2,8	3,8			
Net worth per share	(cents)	437,9	371,0	331,2	278,2	239,9	229,7
Debt/equity ratio	(%)	0,0	0,0	0,0	0,0	20,5	34,6
Closing share price	(cents)	545,0	325,0	290,0	180,0	91,0	195,0

* The dilution is attributed to share options issued to the Rainbow Share Incentive Trust. The notional benefit of the share options is R3,564 million.

** Calculated using the weighted average number of ordinary shares in issue.







The Board subscribes to the values of and accepts the inclusive approach to good Corporate Governance espoused in the King II report. The directors have long recognised that good corporate governance is essentially about leadership and that there exists the need to conduct the enterprise with integrity and in compliance with best international practices, whilst taking cognisance of the value systems of the countries in which it operates. The Board and individual directors accept their duty and responsibility to ensure that the principles set out in the code of corporate practices and conduct as defined in the King II report are observed.

COMPLIANCE

In keeping with its commitment to Corporate Governance, the Board has assessed its state of compliance and having gone through a process for the last two years has now reached full compliance with the Code of Corporate Practices and Conduct other than in the area of social responsibility reporting.

STAKEHOLDER RELATIONS

The Group's stakeholders include:

- business partners
- civil society in general
- customers
- employees
- local communities
- non-government organisations
- previously disadvantaged individuals
- shareholders
- stakeholders in the countries in which the Group operates
- sub-contractors
- suppliers
- the environment
- the investment community
- the media
- unions

The Group is committed to reporting on stakeholder issues through the most appropriate medium and in the most appropriate manner.

The Group is in the process of developing appropriate performance measurement criteria and control processes that can tangibly be applied against stakeholder performance objectives.

CODE OF ETHICS

It is a fundamental policy of the Group to conduct its business with honesty and integrity and in accordance with the highest legal and ethical standards. All employees are required to comply with the spirit as well as the letter of this policy and to maintain the highest standards of conduct in all Group professional and social dealings.

The Board has adopted a code of ethics for the Group in order to:

- clearly state what is an acceptable, and unacceptable practice
- guide policy by providing a set of ethical corporate standards
- encourage ethical behaviour of the Board, managers and employees at all levels
- guide ethical decision-making
- make ethical infringements easy to identify
- promote awareness of, and sensitivity to, ethical issues, and
- help resolve conflicts.

The Board has no reason to believe that there has been any significant non-adherence to the Group's code of ethics during the year under review.

CORPORATE CODE OF CONDUCT

The Group is committed to:

- the highest standards of integrity and behaviour in all its dealings with its stakeholders and society at large
- carrying on of business through fair commercial competitive practices
- trading with customers and suppliers who subscribe to ethical business practices
- non-discriminatory employment practices and the promotion of employees to realise their potential through training and development of their skills, and
- being proactive toward environmental, social and sustainability issues.

BOARD OF DIRECTORS

Composition of the board

The Group has a unitary Board of Directors which currently comprises seven non-executive (five of whom are independent) and two executive directors. The executive directors have responsibility for implementing strategies and operational decisions on running the Group's businesses. Non-executive directors support the skills and experience of the executive directors and bring judgement to bear, independent of management, on issues of strategy, budgets, performance, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance, contributing to the formulation of policy and decision-making through inter alia their knowledge and experience. The Board gives strategic direction to the Group, appoints the Chairman and ensures that succession is planned. The Chairman is not independent but the roles of Chairman and Chief Executive Officer are separate and a clear division of responsibility exists. Details of the directorate are provided on pages 2 and 3 of the annual report.

There are no contracts of service between any of the non-executive directors and the Group or any of its subsidiaries.

The non-executive directors take responsibility for ensuring that the Chair encourages proper deliberation of all matters requiring the Board's attention. The Board ensures that there is an appropriate balance of power and authority on the Board so that no one individual or block of individuals can dominate the Board's decision-making process.

Under the chairmanship of Mr M H Visser, the Board meets six times a year and has a formal schedule of matters reserved to it as recorded in its board charter. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies through a structured approach to reporting and accountability under the auspices of an executive committee.

The Board has a comprehensive system of controls ensuring that risks are mitigated and the Group's objectives are attained. This control environment sets the tone of the Group and covers ethical values, management's philosophy and the competence of employees.

The Board ensures that the Group complies with all relevant laws, regulations and codes of business practice and that it communicates with its shareholders and relevant internal and external stakeholders openly, promptly and with substance prevailing over form.

Through the audit committee, the Board regularly reviews processes and procedures to ensure the effectiveness of internal systems of control so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times. The Board, furthermore, identifies and monitors the non-financial aspects relevant to the business of the Group and reviews appropriate non-financial information that goes beyond assessing the financial and quantitative performance of the Group, and looks at other qualitative performance factors, which take into account broader stakeholder issues. The Board is committed to conforming with good corporate governance, without impacting on the Group's entrepreneurial flair. The process to entrench the principles of good corporate practice and governance throughout the Group commenced under the auspices of the audit committee.

The Board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and have unrestricted access to all Group information, records, documents and property. Non-executive directors have access to management and may even meet separately with management, without the attendance of executive directors. The information needs of the Board are well defined and regularly monitored. All directors have access to the advice and services of the Company Secretary and there is an agreed procedure by which directors may obtain independent professional advice at the Group's expense, should they deem this necessary. The Group has a formal policy, established by the Board and implemented by the Company Secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of its financial results or in any other period considered sensitive. All dealings by directors during "open" periods are, in any event, approved by the Chairman through the Company Secretary.

The Board defines levels of materiality, reserving specific power to itself and delegating other matters with the necessary written authority to management. These matters are monitored and evaluated on a regular basis.

Through the risk committee, the Board identifies the key risk areas and key performance indicators for the Group. These are regularly updated and particular attention is given to technology and systems.

On an ongoing basis the Board reviews the required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the Board, its committees and the contribution of each director.

Procedures for appointment to the Board are formal and transparent and are a matter for the Board. Following the appointment of new directors to the Board, visits to the Group's businesses and meetings with senior management, as appropriate, are offered to facilitate their understanding of the Group and their fiduciary responsibilities.

The Board is cognisant of the duties imposed on the Company Secretary who is accordingly empowered to properly fulfil those duties. In addition to the extensive statutory duties, the Company Secretary provides the Board and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the Group. The Company Secretary is the central source of guidance and advice to the Board, and within the Group, on matters of ethics and good governance.

The remuneration committee determines the remuneration of directors at levels sufficient to attract, retain and incentivise individuals of quality. Only non-executive directors receive fees for their services on the Board and on Board committees. Executive directors are remunerated in terms of their contracts of employment with the Group.

BOARD COMMITTEES

Specific responsibilities have been formally delegated to Board committees with defined terms of reference, duration and function, clearly agreed upon reporting procedures and written scope of authority documented in formal charters. There is transparency and full disclosure from the Board committees to the Board, except where mandated otherwise by the Board. Board committees are free to take independent outside professional advice as and when necessary and in future will be subject to regular evaluation by the Board to ascertain their performance and effectiveness. The principal Board committees are as follows:

Executive committee

The executive committee consists of the Chief Executive Officer, the Chief Financial Officer and the Operational Directors. The executive committee takes all day-to-day decisions relating to the Group and refers major decisions, which have their sanction, to the Board for approval.

Audit committee

The audit committee is chaired by Mr N Phillips and its other members are Messrs M H Visser, W E Bührmann, D J Loch Davis and N P Mageza. The Group Internal Audit Manager and external auditors are invited to attend every meeting. Other members of the management team attend, as required.

The committee meets three times a year and is responsible for reviewing the interim and final financial statements, internal financial control procedures, accounting policies, compliance and regulatory matters, recommending the appointment of external auditors and other related issues.

The audit committee has written terms of reference that deal adequately with its membership, authority and duties. The audit committee considers whether adequate and appropriate internal financial controls are in place and appropriate to meet the current and future needs; that significant business, statutory and financial risks have been identified and are being monitored and managed; and that appropriate standards of governance, reporting and compliance are in operation. The audit committee advises the Board on issues ranging from the application of accounting standards to published financial information.

The audit committee has a responsibility to recommend to the Board, for its consideration and acceptance by shareholders, the appointment of external auditors. The audit committee also sets out the principles for recommending using the accounting firm of the external auditors for non-audit services.

Risk committee

The risk committee is chaired by Mr N Phillips and its other members are Messrs M Dally, Dr M Griessel, L J Grobler and N P Mageza. The Group Internal Audit Manager and Company Secretary are invited to attend every meeting.

The committee meets twice a year and is responsible for the total process of risk management and sets the risk strategy, which is based on the need to identify, assess, manage and monitor all known forms of risk across the Group, in liaison with the executive directors and senior management.

Management is accountable to the Board for designing, implementing and monitoring the processes of risk management and integrating it into the day-to-day activities of the Group. The risk tolerance philosophy is communicated to all managers and employees in an endeavour to incorporate this philosophy into the language and culture of the Group. Risk management and internal control are practiced throughout the Group and are embedded in day-to-day activities.

The committee attests that there are adequate systems of internal control in place to mitigate the significant risks faced by the Group to an acceptable level. The systems are designed to manage, rather than eliminate, the risk of failure or to maximise opportunities to achieve business objectives.

Risk is not only viewed from a negative perspective. The review process also identifies areas of opportunity, such as where effective risk management can be turned to competitive advantage.

At operational level, senior management identify critical, major business risks, promote awareness, introduce applicable control environments and procedures and apply risk-monitoring techniques.

In addition to the Group's other compliance and enforcement activities, the committee recognises the need for a confidential reporting process ("whistle-blowing") covering fraud and other risks. This "whistle-blowing hotline" continues to function effectively.

Nomination committee

The Board as a whole comprises the nomination committee. The Board considers its composition, retirements and appointments of additional and replacement directors.

Executive directors are appointed to the Board on the basis of skill, experience and level of contribution to the Group and are responsible for the running of the business. Non-executive directors are selected on the basis of industry knowledge, professional skills and experience.

The Board is responsible for ensuring that nominees are not disqualified from being directors and prior to their appointment investigates their backgrounds along the lines of the approach required for listed companies by the JSE.

All non-executive directors are subject to election by shareholders and retire by staggered rotation and stand for re-election at least every three years in accordance with the Articles of Association. The names of directors submitted for election or re-election are accompanied by sufficient biographical information to enable shareholders to make an informed decision in respect of their election.

The Board has reviewed its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess its effectiveness, its committees and the contribution of each director.

Remuneration committee

The remuneration committee consists of three non-executive directors. The Chairman of the Group, Mr M H Visser, is the Chairman of the remuneration committee. The other members are Messrs N Phillips and J B Magwaza. The remuneration committee meets at least twice a year. The committee is responsible for the assessment and approval of board remuneration strategy for the Group, the determination of short- and long-term incentive pay structures for Group executives, the positioning of senior executive pay levels relative to local and international industry benchmarks and the assessment and authorisation of specific reward proposals for the Group's executive directors and those executives reporting directly to the Chief Executive.

The Chief Executive Officer attends meetings of the remuneration committee but is excluded from the review of his own remuneration.

A schedule setting out directors' remuneration and equity interest appears in the annual financial statements.

Attendance at meetings

The following is a list of Board meetings and committee meetings attended by each director during the year:

Director	Board		Audit committee		Risk committee		Remuneration committee	
	A	B	A	B	A	B	A	B
M H Visser	6	6	3	3			2	2
M Dally	6	6	3	3*	2	2	2	2
W E Bührmann	6	6	3	2				
M Griessel	6	6			2	2		
L J Grobler	6	6	3	3*	2	2		
N J L Hancock	6	5						
D J Loch Davis	6	6	3	1				
N P Mageza	6	4	3	0	2	1		
J B Magwaza	6	5					2	2
S M Parsons	2	2						
N Phillips	6	6	3	3	2	2	2	2

* Joined by invitation of the chairman of the committee.

Column A indicates the number of meetings held during the period the director was a member of the Board and/or committee.
Column B indicates the number of meetings attended.

REMUNERATION POLICY AND SHARE INCENTIVE SCHEME

The remuneration committee's overall strategy is to ensure that employees are rewarded for their contribution to the Group's operating and financial performance at levels which take account of industry, market and country benchmarks, as well as the requirements of collective bargaining. In order to promote an identity of interests with shareholders, share incentives are considered to be critical elements of executive incentive pay.

GOING CONCERN

The Board minutes the facts and assumptions used in the assessment of the going concern status of the Group at the financial year-end.

At the interim reporting stage, the directors consider their assessment at the previous year-end of the Group's ability to continue as a going concern and determine whether or not any of the significant factors in the assessment have changed to such an extent that the appropriateness of the going concern assumption at the interim reporting stage has been affected.

ACCOUNTABILITY AND AUDIT

Auditing and accounting

The Board is of the opinion that their auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired.

The Group aims for efficient audit processes using its external auditors in combination with the internal audit function and management encourages unrestricted consultation between external and internal auditors. The co-ordination of efforts involves periodic meetings to discuss matters of mutual interest, the exchange of working papers and management letters and reports, and a common understanding of audit techniques, methods and terminology.

Internal financial controls

The directors are responsible for ensuring internal control systems exist that provide reasonable assurance regarding the safeguarding of assets and the prevention of their unauthorised use or disposition, the maintenance of proper accounting records and the reliability of financial and operational information used in the businesses.

Internal audit function

The internal audit department is an independent appraisal function whose primary mandate is to examine and evaluate the effectiveness of the applicable operational activities, the attendant business risks, including those that arise subsequent to the year-end, and the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the audit committee, external auditors and operational management for resolution.

The internal audit is an independent, objective assurance and consulting activity to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It provides:

- assurance that the management processes are adequate to identify and monitor significant risks
- confirmation of the adequacy and effective operation of the established internal control systems, and
- credible processes for feedback on risk management and assurance.

The purpose, authority and responsibility of the internal audit activity is formally defined in an internal audit charter, which is approved by the Board, and which is consistent with the Institute of Internal Auditors' definition of internal auditing.

The activities of the internal audit function are co-ordinated by the Group Internal Audit Manager who has unrestricted access to the audit committee and its chairman. The Group Internal Audit Manager reports at all audit committee meetings.

The internal audit function co-ordinates with other internal and external auditors to ensure proper coverage and to minimise duplication of effort. The external auditors also review reports issued by internal audit.

Internal audit plans are tabled annually to take account of changing business needs. Follow-up audits are conducted in areas where weaknesses are identified.

The internal audit plan, approved by the audit committee, is based on risk assessments, which is of a continuous nature so as to identify not only existing and residual risks, but also emerging risks, as well as issues highlighted by the audit committee and senior management. This risk assessment is co-ordinated with the Board's own assessment of risk.

Relations with shareholders

It is the policy of the Group to pursue dialogue with institutional investors based on constructive engagement and the mutual understanding of objectives taking due regard of statutory, regulatory and other directives regulating the dissemination of information by companies and their directors. To achieve this dialogue there have been some presentations to and some meetings with investors and analysts to communicate the strategy and performance of the Group. The quality of this information is based on the standards of promptness, relevance and transparency.

The Group makes every effort to ensure that information is distributed via a broad range of communication channels having regard for security and integrity whilst bearing in mind the need that critical financial information reaches all shareholders simultaneously.

The Board accepts its duty to present a balanced and understandable assessment of the Group's position in reporting to stakeholders, taking into account the circumstances of the communities in which it operates and the greater demands for transparency and accountability regarding non-financial matters. The quality of the information is based on the principles of openness and substance over form. Reports address material matters of significant interest and concern to all stakeholders and present a comprehensive and objective assessment of the Group, so that all stakeholders with a legitimate interest in the Group's affairs can obtain a full, fair and honest account of its performance.

INTEGRATED SUSTAINABILITY REPORTING

The Group acknowledges the concept of sustainability defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Furthermore the Group subscribes to the concept of creative co-operation, empathetic communication and teamwork.

Sustainability is the essence of the Group's corporate citizenship and the Group is committed to the implementation of triple-bottom-line reporting as it accepts that good governance and social and environmental issues can no longer be regarded as secondary to more conventional business imperatives and that the non-financial issues may have financial implications for the Group in that they are one of the factors that drive future value creation.

HUMAN CAPITAL

The Board recognises that the development of human capital serves not only the economic interests of the Group, but also the broader requirements of the society within which the Group operates. It means ensuring not only that staff have skills to deliver on strategy, but also that statutory and social obligations in relation to issues such as racial, gender and disability demographics, are met.

SOCIAL AND TRANSFORMATION ISSUES

The empowerment and advancement of previously disadvantaged individuals is based on the premise that they are equal partners in the corporate sphere and their contribution is a valuable one.

The Group's strategy regarding affirmative action and employment equity is aimed at the development of its employees. The Board recognises the importance of diversity management and is developing mechanisms to positively reinforce the richness of diversity.

The Group has submitted its Employment Equity and Skills Development Plans to the relevant authorities and is on track to meet the required targets.

AFFIRMATIVE ACTION AND WORKER PARTICIPATION

The Group's strategy centres on creating opportunities that will enable previously disadvantaged employees to prepare themselves to occupy more skilled and responsible positions within the organisation. A key aspect of this strategy is to promote education and training opportunities for all employees within the organisation.

EMPLOYMENT EQUITY

The Group is committed to the principles embodied in the Employment Equity Act with the objectives of equalising opportunity for all employees, eradicating any form of discrimination that may exist, and actively implementing plans to ensure that the Group is competently staffed and strives towards being demographically representative of the country. Policies and procedures have been assessed for any discriminatory bias and plans as required by Section 21 of the Act were submitted timeously.

TRAINING AND SKILLS DEVELOPMENT

Training and career development are important elements of the Group's business philosophy and success. As the marketplace becomes more challenging, it takes great leadership to guide a successful business. The Group puts a high priority on developing the next generation of business leaders and continues to explore new ways to foster a progressive workplace that attracts and inspires bright and passionate people.

BLACK ECONOMIC EMPOWERMENT (BEE)

The Group is fully supportive of and committed to the concept of black economic empowerment and actively works to empower staff members and the communities in which it operates.

The Group's directors acknowledge their responsibility to manage and develop sustainable businesses for the benefit of all stakeholders.

Over and above the measures to facilitate empowerment through employment practices, the Group strives to make a significant contribution to BEE. To this end a BEE sub-committee of the Board has been formed to investigate and report back on possible BEE opportunities to the Board.

SAFETY, HEALTH AND THE ENVIRONMENT (SHE)

The Board is responsible for dealing with SHE issues and provides the necessary guidance in developing and approving the policy, strategy and structure to manage SHE issues.

There are effective and adequate systems of internal control in place to manage SHE risks, including:

- risk identification and assessment (including legally required environmental impact assessments and major hazard installation risk assessments)
- risk management strategies, such as avoidance, elimination, transfer to the extent possible and treatment (tolerance, mitigation), including training and emergency response plans
- risk financing, and
- being informed of the relevant legal SHE requirements and ensuring compliance with them.

Safety

The Board is committed to preventing workplace accidents and fatalities and ensures the Group's compliance with the Occupational Health and Safety Act (No 85 of 1993) in South Africa.

The operations within the Group are required to identify hazards and risks in the workplace, and to take steps to eliminate or mitigate the risks by implementing the necessary controls.

Health

The Board is committed to preventing occupational diseases and takes cognisance of all threats to the health of employees. In addition, the Board pays attention to the primary health issues of the communities in which it operates and part of the Group's corporate social responsibility initiatives are aimed at improving primary health care.

The HIV/AIDS pandemic is a growing threat in South Africa and the Group pays particular attention to this disease, without disregarding other diseases that could pose a significant risk. The Group encourages training and education programs, voluntary and anonymous testing and crisis planning. The Group supports the government's initiative to provide free anti-retrovirals.

The environment

The Board acknowledges its legal duties to take reasonable measures to prevent significant pollution or degradation of the environment from occurring, continuing or recurring, and to minimise and rectify pollution or degradation that has already been caused.

DISCLOSURE

The annual report deals adequately with disclosure pertaining to financial statements, auditor's responsibility, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going concern issues, codes of corporate governance and the JSE Listings Requirements.

Rainbow complies with Section 3.84 of the JSE Listings Requirements relating to corporate governance.

APPROVAL OF THE GROUP FINANCIAL STATEMENTS

for the year ended 31 March 2004

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the Group and other information included in this report which has been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The directors are also responsible for the systems of internal control.

The directors, supported by the audit committee, are of the opinion, based on the information and explanations given by management and the internal auditors and on comment by the independent auditors on the results of their statutory audit, that the Group's internal accounting controls are adequate, so that the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that the Group's assets are protected and used as intended in all material respects with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year.

In preparing the financial statements, the Group has used appropriate accounting policies, supported by reasonable and prudent judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the Group at 31 March 2004 and the results of their operations for the year then ended. The directors are also of the opinion that the Group will continue as a going concern in the year ahead.

The annual financial statements were approved by the board of directors on 19 May 2004 and are signed on their behalf by:

M H Visser
Non-executive Chairman

M Dally
Chief Executive Officer

CERTIFICATE BY COMPANY SECRETARY

I hereby certify that in respect of the year ended 31 March 2004, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268 G (d) of the Companies Act of 1973 as amended, and that all such returns are true, correct and up to date.

S B Heath
Company Secretary
Hammarsdale
19 May 2004

REPORT OF THE INDEPENDENT AUDITORS

to the members of Rainbow Chicken Limited

We have audited the annual financial statements and Group annual financial statements of Rainbow Chicken Limited set out on pages 19 to 37 for the year ended 31 March 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, these financial statements fairly present, in all material respects, the financial position of the company and the Group at 31 March 2004 and the results of its operations and cash flow information for the year then ended in conformity with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

Deloitte & Touche

DELOITTE & TOUCHE

Registered Accountants and Auditors

Chartered Accountants (SA)

Durban

19 May 2004

NATURE OF BUSINESS
Rainbow Chicken Limited is the holding company of one principal operating subsidiary which is a vertically integrated chicken producer.

STATED CAPITAL
There was no change in the authorised share capital of the company during the year under review. The issued share capital increased by 6 675 295 ordinary shares during the year due to share options being exercised.

At the balance sheet date, unexercised options had been granted to beneficiaries of the Rainbow Share Incentive Trust in respect of 19 082 059 shares (2003 : 23 596 491). These options are granted at the discretion of the directors.

DIVIDENDS
Dividends declared and paid during the year under review are as follows:

Ordinary Shares
Number 61 amounting to R21 447 000, declared on 21 November 2003 and paid on 12 January 2004.
Number 62 amounting to R56 571 000, declared on 19 May 2004 and payable on 28 June 2004.

12,5% Cumulative Preference Shares
Number 74 amounting to R31 250, declared and paid on 30 June 2003.
Number 75 amounting to R31 250, declared and paid on 31 December 2003.

SUBSIDIARIES
Details of Rainbow Chicken Limited's interest in its subsidiaries are set out in note 2 on page 27. The aggregate profit after taxation, so far as concerns the interest of the company in its subsidiaries amounts to R227 642 000 (2003 : R161 903 000).

There have been no special resolutions passed by the company or its subsidiaries, the nature of which might be significant to members in their appreciation of the state of affairs of the Group.

HOLDING COMPANY
Industrial Partnership Investments Limited, a company incorporated in the Republic of South Africa and a wholly-owned subsidiary of Remgro Limited, is the holding company of Rainbow Chicken Limited.

DIRECTORS AND SECRETARY
The names of the directors and Company Secretary at the date of this report are listed on pages 2 and 3. Messrs S M Parsons and N J L Hancock resigned from the board on 12 September 2003 and 10 March 2004 respectively.

DIRECTORS' SHAREHOLDING
At the date of this report, the directors in aggregate held direct beneficial interests in 60 000 (2003 : 60 000) ordinary shares in the company and had indirect beneficial interests in 4 820 (2003 : 671 482) ordinary shares. Details of directors shareholdings are set out in note 26 on page 37.

SUBSEQUENT EVENTS
Subsequent to the year end, an amount of R150,0 million has been approved by the Board for a Further Processing plant which will produce value added and convenience products.

BALANCE SHEETS

at 31 March 2004

	Note	Group 2004 R'000	Group Restated 2003 R'000	Company 2004 R'000	Company 2003 R'000
ASSETS					
Non-current assets					
Trademarks, property, plant and equipment	1	591 958	570 783		
Investment in subsidiaries	2			1 089 965	1 083 002
Total non-current assets		591 958	570 783	1 089 965	1 083 002
Current assets					
Loans	3	138	162		
Inventories	4	244 823	208 311		
Biological assets	5	216 672	213 527		
Trade and other receivables		295 939	361 798		
Taxation receivable			662		
Cash and cash equivalents		482 286	290 758		
Total current assets		1 239 858	1 075 218		
Total assets		1 831 816	1 646 001	1 089 965	1 083 002
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	6	1 098 714	1 090 423	1 098 714	1 090 423
Retained income/(accumulated loss)		82 911	(115 683)	(9 249)	(7 921)
Ordinary shareholders' equity		1 181 625	974 740	1 089 465	1 082 502
Preference share capital	7	500	500	500	500
Total shareholders' equity		1 182 125	975 240	1 089 965	1 083 002
Non-current liabilities					
Deferred taxation	17	165 201	89 533		
Post retirement medical obligation	8	33 596	30 131		
Interest bearing debt – long-term	9	1 694	3 469		
Total non-current liabilities		200 491	123 133		
Current liabilities					
Trade and other payables		348 510	463 382		
Provisions	10	50 843	80 673		
Interest bearing debt – short-term	11	1 496	3 573		
Derivative liabilities	12	3 970			
Taxation		44 381			
Total current liabilities		449 200	547 628		
Total equity and liabilities		1 831 816	1 646 001	1 089 965	1 083 002

for the year ended 31 March 2004

	Note	Group 2004 R'000	Group Restated 2003 R'000	Company 2004 R'000	Company 2003 R'000
Revenue	13	3 830 032	3 748 520		
Operating profit before depreciation and amortisation	14	366 967	311 121	65 511	35 952
Depreciation and amortisation	15	(63 742)	(59 159)		
Trademark impairment			(21 064)		
Operating profit		303 225	230 898	65 511	35 952
Net interest received	16	37 181	13 554		
Profit before taxation		340 406	244 452	65 511	35 952
Taxation	17	(112 764)	(82 549)		
Profit after taxation		227 642	161 903	65 511	35 952
Preference dividends		(62)	(62)	(62)	(62)
Profit attributable to ordinary shareholders		227 580	161 841	65 449	35 890
Basic earnings – cents per share		85,2	62,5		
Basic earnings – cents per share – diluted		80,8	59,1		
Headline earnings – cents per share	19	85,2	70,8		
Headline earnings – cents per share – diluted		80,8	66,7		

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2004

GROUP	Stated capital R'000	Retained income/ (accumulated loss) R'000	Total R'000
Balance at 1 April 2002 as previously reported	1 084 108	(226 808)	857 300
Deferred taxation restatement (note 21)		(6 661)	(6 661)
Balance at 1 April 2002 restated	1 084 108	(233 469)	850 639
Retained income for the year		117 786	117 786
Attributable profit for the year		161 841	161 841
Ordinary dividends paid		(44 055)	(44 055)
Issue of shares	6 315		6 315
Balance at 1 April 2003 restated	1 090 423	(115 683)	974 740
Change in accounting policy - AC 133 (note 20)		37 791	37 791
Retained income for the year		160 803	160 803
Attributable profit for the year		227 580	227 580
Ordinary dividends paid		(66 777)	(66 777)
Issue of shares	8 291		8 291
Balance at 31 March 2004	1 098 714	82 911	1 181 625

COMPANY	Stated capital R'000	Retained income/ (accumulated loss) R'000	Total R'000
Balance at 1 April 2002	1 084 108	244	1 084 352
Retained income for the year		(8 165)	(8 165)
Attributable profit for the year		35 890	35 890
Ordinary dividends paid		(44 055)	(44 055)
Issue of shares	6 315		6 315
Balance at 1 April 2003	1 090 423	(7 921)	1 082 502
Retained income for the year		(1 328)	(1 328)
Attributable profit for the year		65 449	65 449
Ordinary dividends paid		(66 777)	(66 777)
Issue of shares	8 291		8 291
Balance at 31 March 2004	1 098 714	(9 249)	1 089 465

for the year ended 31 March 2004

	Note	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
Cash flows from operating activities					
Operating profit before working capital changes	A	366 845	311 652	65 511	99 877
Working capital changes	B	(57 054)	35 981		
Cash generated by operations		309 791	347 633	65 511	99 877
Net interest received		37 181	13 554		
Dividends paid	C	(66 839)	(44 117)	(66 839)	(44 117)
Taxation paid	D	(8 249)	(6 745)		
Net cash inflow/(outflow) from operating activities		271 884	310 325	(1 328)	55 760
Cash flows from investing activities					
Replacement of property, plant and equipment		(18 506)	(10 458)		
Expansion of property, plant and equipment		(68 447)	(103 752)		
Proceeds on disposal of property, plant and equipment		2 158	18 780		
Net cash outflow from investing activities		(84 795)	(95 430)		
Cash flows from financing activities					
Issue of shares		8 291	6 315	8 291	6 315
Decrease in interest bearing debt		(3 852)	(858)		
Increase in investment in subsidiaries				(6 963)	(62 075)
Net cash inflow/(outflow) from financing activities		4 439	5 457	1 328	(55 760)
Net increase in cash and cash equivalents		191 528	220 352		
Cash and cash equivalents at the beginning of the year		290 758	70 406		
Cash and cash equivalents at the end of the year		482 286	290 758		

for the year ended 31 March 2004

	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
A. Operating profit before working capital changes:				
Operating profit	303 225	230 898	65 511	35 952
Adjusted for: depreciation and amortisation	63 742	59 159		
(profit)/loss on disposal of property, plant and equipment	(122)	3 712		
write down of investment in subsidiaries				63 925
net asset impairment provision raised		17 883		
	366 845	311 652	65 511	99 877
B. Working capital changes:				
Decrease in loans	24	272		
Increase in inventories	(36 512)	(67 929)		
Increase in biological assets	(3 145)	(40 391)		
Decrease/(increase) in trade and other receivables	65 859	(32 054)		
Increase in post retirement medical obligation	3 465	1 171		
(Decrease)/increase in trade and other payables and provisions	(86 745)	174 912		
	(57 054)	35 981		
C. Dividends paid:				
Ordinary dividends	(66 777)	(44 055)	(66 777)	(44 055)
Preference dividends	(62)	(62)	(62)	(62)
Dividends paid	(66 839)	(44 117)	(66 839)	(44 117)
D. Taxation paid:				
Paid in advance/(unpaid) at the beginning of the year	662	(815)		
Normal taxation charged to the income statement	(53 292)	(5 268)		
Unpaid/(paid in advance) at the end of the year	44 381	(662)		
	(8 249)	(6 745)		

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate accounting policies which, with the exception of accounting for financial instruments as set out below, are consistent with those of the previous financial period.

CHANGE IN ACCOUNTING POLICY

The Group adopted statement "AC 133 Financial Instruments : Recognition and Measurement" with effect from 1 April 2003 as a result of changes in South African Statements of Generally Accepted Accounting Practice.
Due to the fact that the comparative figures are not restated under the transitional provisions of AC 133, certain items are not directly comparable on a line-for-line basis with those of prior financial periods. Refer to note 20.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.
All significant inter-company transactions and balances between Group enterprises are eliminated on consolidation.

TRADEMARKS, PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant, machinery, vehicles and furniture are stated at historical cost less accumulated depreciation.
Depreciation is provided on trademarks, buildings, plant, machinery, vehicles and furniture at rates that reduce the cost thereof to an estimated net realisable value over the expected useful life of the asset. Where assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value.

Leased assets are capitalised and are depreciated over the shorter of the period of the lease or the period over which the particular category of asset is otherwise depreciated.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale) are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs capitalised.

INVENTORIES

Processed chicken is valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. Costs include all direct production costs and an appropriate portion of overheads.

Raw materials and consumables are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value.

BIOLOGICAL ASSETS

Breeding stock is capitalised at cost at the beginning of its productive cycle and is amortised on a straight line method, over the anticipated productive cycle, to its estimated net realisable value.

Live broiler chickens and hatching eggs are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. Costs include all direct production costs and an appropriate portion of overheads.

These biological assets are assessed against fair values less estimated closure point-of-sale costs at appropriate reporting dates. Gains and losses arising from changes in the fair values are recorded in net profit or loss for the period in which they arise. The determination of fair value is based on active markets, where appropriate, or management's assessment of fair value based on available data.

DEFERRED TAXATION

Deferred taxation is calculated using taxation rates applicable at the balance sheet date. Deferred taxation is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred taxation assets are raised only to the extent that their recoverability is probable in the foreseeable future.

REVENUE

Revenue includes the invoiced price of goods sold, after the deduction of incentive rebates, but before volume discounts and discounts allowed in terms of distribution agreements. Value Added Taxation and inter-company transactions are not included in the determination of revenue.

FOREIGN CURRENCY

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Foreign currency monetary items at year end are translated to South African Rand at the rates of exchange ruling at that date.

PROVISIONS

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. Provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to balance sheet date.

EMPLOYEE BENEFITS

Retirement funds

The Group contributes to pension and provident funds which are governed by the Pension Fund Act, 1956. Current service costs are charged against income as incurred. Further details of the Group's retirement funds are set out in note 22 to the financial statements on page 34.

Post retirement medical benefits

The projected unit credit method of valuation is used to calculate the liability for post retirement medical benefits. Full provision is created for the actuarially determined liability for future medical benefits of existing and retired employees. These benefits are actuarially valued every year. The last valuation was performed on 31 December 2003.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include derivative instruments, investments, trade and other receivables, cash and cash equivalents, trade and other payables and interest bearing debt. Financial instruments are initially measured at cost, which includes transaction costs, when the Group is party to a contractual arrangement. Subsequent measurement of financial instruments is set out below.

Derivative instruments

The Group's use of derivative instruments which have a cash flow impact comprise forward exchange contracts and SAFEX options and futures contracts. Derivatives are subsequently measured at fair value. Any gain or loss as a result of fair value adjustments is recognised in income.

Investments

Investments in subsidiaries are recorded at cost, less provisions and amounts written off. Dividends are recognised when the right to receive payment has been established.

Trade and other receivables

Short duration receivables with no stated interest rate are measured at original invoice amount, less accumulated impairment losses. Other receivables are stated at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Financial liabilities are measured at amortised cost, except for held-for-trading financial liabilities and derivatives, which are held at fair value.

Offset

Financial assets and financial liabilities are offset if there is a legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously. On this basis, Group banking facilities have been offset between bank balances and cash, short-term borrowings and overdrafts.

BASIC EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated on the attributable profit, divided by the weighted average number of ordinary shares in issue.

Basic earnings per share - diluted

Diluted basic earnings per share is calculated on the attributable profit, divided by the weighted average number of ordinary shares in issue increased by the options granted to employees in terms of the Rainbow Share Incentive Trust.

HEADLINE EARNINGS PER SHARE

Headline earnings per share

Headline earnings per share is calculated on headline earnings, divided by the weighted average number of ordinary shares in issue.

Headline earnings per share - diluted

Diluted headline earnings per share is calculated on headline earnings, divided by the weighted average number of ordinary shares in issue increased by the options granted to employees in terms of the Rainbow Share Incentive Trust.

1. Trademarks, property, plant and equipment

Group	2004 Cost R'000	2004 Accumulated depreciation R'000	2004 Carrying value R'000	2003 Cost R'000	2003 Accumulated depreciation R'000	2003 Carrying value R'000
Trademarks	50 500	48 495	2 005	50 500	47 693	2 807
Land and buildings	484 521	120 457	364 064	484 053	115 541	368 512
Plant, machinery and furniture	667 869	447 983	219 886	609 479	414 986	194 493
Vehicles	13 640	10 229	3 411	11 355	10 797	558
Capitalised leased assets – plant	301	169	132	580	347	233
Capitalised leased assets – vehicles	4 748	2 288	2 460	6 777	2 597	4 180
Totals	1 221 579	629 621	591 958	1 162 744	591 961	570 783

	Trademarks R'000	Land and buildings R'000	Plant, machinery, furniture R'000	Vehicles R'000	Total R'000
Cost:					
At the beginning of the year	50 500	484 053	610 059	18 132	1 162 744
Additions		10 903	73 270	2 780	86 953
Disposals		(10 435)	(15 159)	(2 524)	(28 118)
At the end of the year	50 500	484 521	668 170	18 388	1 221 579
Accumulated depreciation:					
At the beginning of the year	47 693	115 541	415 333	13 394	591 961
Disposals and asset impairment release		(8 321)	(15 532)	(2 229)	(26 082)
Depreciation	802	13 237	48 351	1 352	63 742
At the end of the year	48 495	120 457	448 152	12 517	629 621
Carrying value at 31 March 2004	2 005	364 064	220 018	5 871	591 958

Capitalised leased assets are encumbered as security for the secured finance lease obligations. Refer to note 9.
A register of land and buildings is available for inspection at the registered office of the company.

Depreciation rates per annum:

Trademarks	6,67%
Buildings	3,33%
Plant and machinery	10,0% / 20,0%
Vehicles	20,0%
Furniture	10,0% / 16,67%

2. Investment in subsidiaries

	Issued Share Capital R	Effective Holding 2004 %	Effective Holding 2003 %	Book value – Shares 2004 R'000	Book value – Shares 2003 R'000	Book value – Indebtedness 2004 R'000	Book value – Indebtedness 2003 R'000
Directly owned:							
Rainbow Farms Investments (Pty) Limited	99 900	100	100	100	100		
Rainbow Farms (Pty) Limited	40 000	100	100	1 142	1 142	1 088 645	1 081 682
Indirectly owned:							
East End Court (Pty) Limited	1	100	100				
Bonny Bird Farms (Pty) Limited	312	100	100				
Epol (Pty) Limited	78 000	100	100	78	78		
				1 320	1 320	1 088 645	1 081 682

The above loan is unsecured, interest free and repayable at an unspecified date.

	Group 2004 R'000	Group 2003 R'000
2. Investment in subsidiaries (continued)		
Attributable profits/(losses) of subsidiary companies		
Rainbow Farms (Pty) Limited	227 580	165 587
Epol (Pty) Limited		(3 746)
	227 580	161 841
3. Loans		
Loans	138	162
Directors' valuation of loans	138	162

These financial assets are defined as originating loans and are stated at amortised cost of which an amount of R68 000 (2003 : R33 000) is secured against employees' pension/provident funds. Interest is charged at prime overdraft rate plus 0,5% and there are various repayment terms.

	Group 2004 R'000	Group 2003 R'000
4. Inventories		
Processed chicken	30 851	29 865
Raw materials and consumables	213 972	178 446
	244 823	208 311

The cost of inventory included above which has been written down to net realisable value amounts to R2 904 000 (2003 : R9 925 000).

	Group 2004 R'000	Group 2003 R'000
5. Biological assets		
Breeding stock		
Carrying value at the beginning of the year	125 433	100 746
Increase due to chick purchases	15 483	18 920
Gain arising from cost inputs	352 410	364 673
Decrease due to harvest	(364 954)	(356 358)
Fair value adjustment	10 610	(2 548)
Carrying value at the end of the year	138 982	125 433
Broiler stock		
Carrying value at the beginning of the year	88 094	72 390
Increase due to chick purchases	314 717	307 216
Gain arising from cost inputs	1 613 826	1 688 568
Decrease due to harvest	(1 935 160)	(1 975 150)
Fair value adjustment	(3 787)	(4 930)
Carrying value at the end of the year	77 690	88 094
Total carrying value at the end of year	216 672	213 527

	Number of shares	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
6. Stated capital					
Authorised					
575 525 772 (2003 : 575 525 772) ordinary shares of no par value					
Issued ordinary shares of no par value					
Balance at the beginning of the year	262 708 558	1 090 423	1 084 108	1 090 423	1 084 108
Shares issued during the year	6 675 295	8 291	6 315	8 291	6 315
Balance at the end of the year	269 383 853	1 098 714	1 090 423	1 098 714	1 090 423

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting and 19 082 059 (2003: 23 596 491) unexercised options have been granted to employees in terms of the Rainbow Share Incentive Trust. Refer to note 25.

	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
7. Preference share capital				
Authorised				
500 000 cumulative 12,5% preference shares of no par value				
Issued				
500 000 cumulative 12,5% preference shares of no par value	500	500	500	500

	Group 2004 R'000	Group 2003 R'000
8. Post retirement medical obligation		
Actuarial valuation at the beginning of the year	30 131	28 960
Recognised as an expense in the current year	3 465	1 171
Interest costs	3 872	3 840
Current service costs	2 486	2 633
Benefits paid	(959)	(906)
Net actuarial loss	(1 934)	(4 396)
Actuarial valuation at the end of the year	33 596	30 131
The principal actuarial assumptions are:		
Discount rate	8,0%	13,0%
Expected rates of return of planned assets	8,0%	13,0%
Expected rates of salary increases	0,0%	10,0%
Health care cost inflation	6,0%	11,0%

The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment for employees engaged after 1 October 2003. A number of pensioners and current employees, however, remain entitled to this benefit. 84,6% of current employees are entitled to this benefit, but the entitlement to the benefit is dependent upon the employee remaining in service until retirement age. The unfunded liability for post retirement medical aid benefits is determined actuarially each year.

		Group 2004 R'000	Group 2003 R'000
9. Interest bearing debt - long-term			
Finance leases with varying interest rates and repayment terms. Includes finance leases of R167 000 (2003 : R302 000) which are secured over plant and equipment with a book value of R132 000 (2003 : R234 000) and finance leases of R3 023 000 (2003 : R4 953 000) which are secured over vehicles with a book value of R2 460 000 (2003 : R4 180 000).			
Amounts repayable in the financial years ending:	2004		1 786
	2005	1 496	1 667
	2006	1 042	1 151
	2007	652	651
Total borrowings		3 190	5 255
Less amount payable within one year disclosed as short-term debt		(1 496)	(1 786)
		1 694	3 469

10. Provisions

	Legal disputes R'000	Leave pay R'000	Maize contracts R'000	2004 Total R'000	2003 Total R'000
Balance at the beginning of the year	30 000	18 938	31 735	80 673	49 495
Provisions raised		1 905		1 905	31 735
Provisions utilised			(31 735)	(31 735)	(557)
Balance at the end of the year	30 000	20 843	–	50 843	80 673

11. Interest bearing debt – short-term	2004 R'000	2003 R'000
Short-term borrowings		1 787
Current portion of long-term debt	1 496	1 786
	1 496	3 573

The short-term borrowings attracted interest at rates varying between 7,77% and 13,33% per annum.

12. Derivative liabilities

Forward exchange contracts to buy foreign currency	Average rate R	Foreign contract value '000	Forward value R'000	Fair value R'000
US Dollar	7,26	53	385	44
GBP	12,23	622	7 608	326
Euro	8,52	175	1 491	120
				490
SAFEX options and futures contracts				3 480
				3 970

The Group utilises derivative instruments to hedge its exposure to commodity price risks. These instruments comprise commodity options and futures contracts and are utilised to normally procure an additional 20% to 30% of the Group's maize requirement for the forthcoming year. The delivery period is planned from May 2004 to December 2004. The fair value adjustments have been recognised in the balance sheet and income statement.

	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
13. Revenue				
Sale of goods	3 830 032	3 748 520		
14. Operating profit before depreciation and amortisation includes:				
Dividends received from subsidiaries			(66 839)	(44 117)
Operating lease charges	4 278	3 366		
Land and buildings	914	794		
Plant and machinery	281	436		
Other	3 083	2 136		
Technical consultants' fees	4 259	2 098		
Foreign exchange profits – realised	(460)	(288)		
Foreign exchange profits – unrealised	(703)			
Foreign exchange losses – realised	4 990	1 539		
Foreign exchange losses – unrealised	1 390			
Cost of sales	3 150 353	3 145 308		
Staff costs	454 707	421 501		
Administration fee paid to group company	3 000	2 700		
(Profit)/loss on disposal of property, plant and equipment	(122)	3 712		
Write down of investment in subsidiaries				63 925
Net asset impairment provision raised		17 883		
Auditors' remuneration	2 236	2 167		
Fees for the audit	1 852	1 768		
Fees for other services	384	399		
15. Depreciation and amortisation				
Trademarks	802	4 311		
Buildings	13 237	12 931		
Plant, machinery and furniture	48 250	40 375		
Vehicles	493	262		
Capitalised leased assets	960	1 280		
	63 742	59 159		
16 . Net interest received				
Call funds with Group company	8 402	6 775		
Call funds with financial institutions	29 437	8 364		
Call borrowings from group company		(678)		
Overdraft	(658)	(907)		
	37 181	13 554		

	Group 2004 R'000	Group 2003 R'000	Company 2004 R'000	Company 2003 R'000
17. Taxation				
Taxation charge				
South African normal taxation				
Current taxation – current year	(42 359)	(8)		
– prior year	(2 578)	255		
Secondary taxation on companies	(8 355)	(5 515)		
Deferred taxation	(59 472)	(77 281)		
	(112 764)	(82 549)		
Reconciliation of taxation rate	%	%	%	%
Normal rate of taxation	30,0	30,0	30,0	30,0
Adjusted for:				
Secondary taxation on companies	2,5	2,3		
Tax losses of prior periods utilised		(3,0)		
Capital gains taxation	0,1			
Prior year underprovision	0,7			
Disallowable (income)/expenses	(0,2)	4,5	(30,0)	(30,0)
Effective rate of taxation	33,1	33,8	0,0	0,0
Taxation losses				
Estimated taxation losses of subsidiaries available for set-off against future taxable income	Nil	199 697		
Deferred taxation liability movement				
Balance at the beginning of the year	89 533	5,591		
Deferred taxation restatement (note 21)		6 661		
	89 533	12 252		
AC 133 transitional adjustment (note 20)	16 196			
Charge for the year	59 472	77 281		
Balance at the end of the year	165 201	89 533		

Deferred taxation liability	Beginning of the year	Transitional adjustment	Charged/ (credited) to the income statement	End of the year
Trademarks, property, plant and equipment	117 341		6 019	123 360
Inventories and biological assets	69 641		807	70 448
Taxation losses utilised	(59 909)		59 909	
Provisions	(38 509)		11 776	(26 733)
Derivative liability		16 196	(17 240)	(1 044)
Other	969		(1 799)	(830)
	89 533	16 196	59 472	165 201

	Group 2004 R'000	Group 2003 R'000
18. Commitments		
Capital expenditure		
Contracted and committed	33 570	30 568
Approved but not contracted*	159 413	18 162
	192 983	48 730
To be spent within one year	142 983	48 730
The capital expenditure will be financed from available resources.		
Operating leases		
1 year	5 202	4 646
2 - 5 years	4 330	6 125
	9 532	10 771

*This includes an amount of R150,0 million which was approved subsequent to the year end.

Commodities

Rainbow Farms (Pty) Limited has entered into forward purchase agreements with various counterparties to procure approximately 22% of the company's maize requirement for the forthcoming financial year. The delivery period is planned from May 2004 to December 2004, which correlates with the company's normal procurement requirements. These commitments are of a recurring nature in the normal course of operations.

The company further utilises derivative instruments to protect its exposure to commodity price risks. These instruments comprise commodity options and futures contracts and are utilised to normally procure an additional 20% to 30% of the company's maize requirement for the forthcoming year. The delivery period is planned from May 2004 to December 2004.
Rainbow Farms (Pty) Limited has entered into contract grower agreements with various counterparties to procure broiler chickens for the forthcoming financial year. These contracts are not material to the overall production requirements.

	2004	2003
19. Headline earnings per share		
Attributable profit for the year	227 580	161 841
Net asset impairment provision raised		17 883
(Profit)/loss on disposal of property, plant and equipment	(122)	3 712
Headline earnings	227 458	183 436
Headline earnings per share (cents)	85,2	70,8

20. Change in accounting policy

The impact of applying AC 133 on the Group's full year results, arising from the recognition of fair value adjustments to SAFEX options and futures contracts, is two-fold: firstly, an after taxation increase in opening retained income of R37,8 million (pre taxation: R54,0 million), reflected as a transitional adjustment in the statement of changes in equity; and secondly, a current year negative earnings impact on headline earnings of R25,1 million (pre taxation : R35,8 million). Comparative amounts have not been restated in accordance with AC 133.

21. Restatement of comparative figures - deferred taxation

To ensure compliance with the accounting statement AC 102 - Income Taxes, the comparative figures have been restated to recognise a deferred taxation liability in respect of non-recoupable taxation development allowances on farm buildings, which had previously not been appropriately provided for.

The effect of the change is a reduction of the 2003 opening reserves by R6,661 million, an increased 2003 deferred taxation charge of R91,779 million and an increased 2003 deferred taxation liability of R98,440 million.

These amounts have been adjusted by restating the comparative information.

22. Retirement benefit plans

The Group contributes towards retirement benefits for all permanent employees, which are governed by the South African Pensions Fund Act 1956.

Defined benefit (DB)

Defined contribution (DC)

	RAINBOW		EPOL	
	Pension Fund	Provident Fund	Pension Fund	Provident Fund
Arrangement / Fund				
(a) Type of fund	Hybrid	Defined contribution	Defined contribution	Defined contribution
(b) Number of employees	DB - 23, DC - 317	4 550	112	237
(c) Employers' contribution rate	DB - 18,49%, DC - 10,5%	10,5%	9,5%	10,5%
(d) Employees' contribution rate	DB 7,0%, DC 7,5%	6,5%	6,5%	6,5%
Financing vehicle	Funded: privately administered	Funded: self administered	Funded: insurance company	Funded: privately administered
Actuarial valuation information		Financial review	Financial review	Financial review
(a) Last valuation date	31 March 2003	31 December 2003	31 October 2003	31 March 2003
(b) Normal interval between valuations	3 years	Annually	Annually	Annually
(c) Method of valuation used	Projected unit credit			
(d) Assumptions used:				
investment return	15,0%			
future salary increases	13,5%			
future pension increases	10,0%			
discount factor	15,0%			
(e) Fair value of the plans assets	R4 819 000			
(f) Actuarial present value of accrued liabilities/defined retirement benefits	R4 588 000			
Amount recognised as an expense in the current year	R5 377 000	R18 437 000	R1 436 000	R1 626 000

The Group has not recognised any of the Rainbow Pension Fund surplus pending the finalisation of the surplus apportionment plan in terms of the Pension Fund Second Amendment Act 2001.

23. Financial risk management

The Group's financial instruments consist primarily of cash resources with financial institutions, derivatives, accounts receivable and payable and interest bearing debt. Derivatives are carried at fair value. All other financial instruments are carried at amortised cost. In the normal course of business, the Group is, *inter alia*, exposed to credit, interest, foreign currency, liquidity and commodity price risk.

Credit risk

Credit risk primarily consists of trade receivables and cash investments. The Group only deposits cash surpluses with financial institutions of high quality credit standing. Trade receivables comprise a limited customer base. The granting of credit is controlled by well established criteria which are reviewed on an annual basis. At 31 March 2004, the Group did not consider there to be any significant concentration of credit risk which had not been adequately provided for.

23. Financial risk management *(continued)*

Interest rate risk

The Group is exposed to interest rate risk on its cash deposits and loan liabilities, which can impact on the cash flows of these instruments. The exposure to interest rate risk is managed through the Group's cash management system which enables the Group to maximise returns whilst minimising risk.

Foreign currency risk

In the normal course of business the Group enters into transactions denominated in foreign currencies. As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates. The Group utilises forward exchange contracts to minimise foreign currency exchange rate risk in terms of its risk management policy. All forward exchange contracts are supported by underlying transactions.

The Group's forward exchange contracts do not constitute designated hedges of currency risk at year end are disclosed in note 12.

Liquidity risk

The Group has no risk of illiquidity as evidenced by its unutilised borrowing capacity.

	2004 R'000	2003 R'000
Total banking and loan facilities	253 000	243 000
Actual borrowings	-	-
Unutilised portion	253 000	243 000

Rainbow Chicken Limited binds itself in favour of the following banking institutions as surety in solidum for the co-principal debtor jointly and severally with Rainbow Farms (Pty) Limited for facilities granted by:

ABSA Bank Limited

Standard Bank Limited

FirstRand Bank Limited

Commodity price risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings from fluctuations in the prices of commodities. To stabilise prices for the Group's substantial commodity requirements, commodity options and futures contracts are used, including forward purchase contracts. Refer to notes 12 and 18.

	Group	
	2004 R'000	2003 R'000
24. Contingent liabilities		
Guarantees and claims	46 048	18 027

25. Share options

Details of share options issued in terms of the Rainbow Share Incentive Trust are as follows:

Option price Rand	Date options granted	Number of options at 31 March 2003 '000	Options granted in 2004 '000	Options exercised in 2004 '000	Options forfeited in 2004 '000	Number of options at 31 March 2004 '000
1,75	22 July 1998	52 705			(52 705)	
1,70	19 May 1999	46 465		(46 465)		
1,70	1 June 1999	50 567		(46 667)	(3 900)	
0,99	16 September 1999	336 400		(336 363)	(37)	
0,94	22 May 2000	12 421 009		(4 857 394)	(306 500)	7 257 115
1,50	7 December 2000	363 848		(208 832)	(71 200)	83 816
1,91	15 February 2001	289 476		(96 569)	(96 336)	96 571
2,10	16 May 2001	1 597 831		(430 797)	(242 871)	924 163
2,38	1 August 2001	176 471		(58 823)		117 648
2,85	27 February 2002	4 257 855		(593 385)	(410 821)	3 253 649
3,45	28 January 2003	380 676			(45 839)	334 837
3,45	1 February 2003	3 623 188				3 623 188
3,55	19 May 2003		3 934 510		(543 438)	3 391 072
		23 596 491	3 934 510	(6 675 295)	(1 773 647)	19 082 059

Options are excercisable in three equal tranches, on the second, third and fourth anniversaries of the dates granted.

Options granted to employees have no time constraint, but are forfeited if not exercised before termination of employment, subject to the discretion of the trustees.

26. Directors' emoluments and interests

Directors' emoluments

The directors' emoluments for the current year are as follows:

Executives	Services as director R'000	Basic salary R'000	Bonuses R'000	Pension contribution R'000	Other benefits R'000	Total 2004 R'000	Total 2003 R'000
Current							
M Dally		2 254	150	203	46	2 653	417
L J Grobler		995	300	72	33	1 400	1 348
S M Parsons *		369	350	28	151	898	1 268
		3 618	800	303	230	4 951	3 033
Past							
Y A Lakhnati							7 038
J Johnston							1 558
							8 596
Sub total		3 618	800	303	230	4 951	11 629
Non-executives							
Current							
M H Visser	82					82	70
W E Bührmann	40					40	30
Dr M Griessel	26					26	
D J Loch Davis	40					40	30
N P Mageza	38					38	
J B Magwaza	35					35	
N Phillips	60					60	50
	321					321	180
Past							
N J L Hancock	27					27	20
P J Waud							17
	27					27	37
Sub total	348					348	217
Total	348	3 618	800	303	230	5 299	11 846

* Mr S M Parsons resigned from the Board on 12 September 2003 and disclosure therefore only reflects emoluments up to this date.

Directors' interests

The interest of the directors and past directors in share options of the company are:

	Current directors		Past directors		
	M Dally	L J Grobler	Y A Lakhnati	S M Parsons	Total
Options at the beginning of the year					
Number	3 623 188	1 220 791	4 476 200	1 178 374	10 498 553
Average option price - Rand	3,45	1,60	0,94	1,54	1,95
Options granted during the year					
Number		231 983		303 318	535 301
Option price - Rand		3,55		3,55	3,55
Options exercised during the year					
Number		(100 000)	(2 238 100)	(409 974)	(2 748 074)
Average option price - Rand		0,94	0,94	2,65	1,20
Options forfeited as not vested during the year					
Number				(303 318)	(303 318)
Option price - Rand				3,55	3,55
Options at the end of the year					
Number	3 623 188	1 352 774	2 238 100	768 400	7 982 462
Average option price - Rand	3,45	1,99	0,94	0,94	2,26
Average market price per share at date of exercise - Rand		4,31	3,47	5,08	3,74
Pre-tax gain at date of exercise - Rand value		337 260	5 662 330	997 281	6 996 871
- Rand per share		3,37	2,53	2,43	2,54

26. Directors' emoluments and interests *(continued)*

Interest of directors of the company in stated capital

The aggregate beneficial holdings as at 31 March 2004 of those directors of the company holding issued ordinary shares of the company are detailed below:

	2004		2003	
	Direct shares '000	Indirect shares '000	Direct shares '000	Indirect shares '000
Executive directors				
M Dally	60		60	
Non-executive directors				
N J L Hancock				667
Dr M Griessel		5		5
	60	5	60	672

There has been no change in the interest of the directors in the stated capital of the company since the end of the financial year to the date of this report.

27. Segmental reporting

As the company operates as a vertically integrated chicken producer, segmental reporting is considered meaningless and therefore the Board considers it inappropriate.

28. Related party transactions

Related party relationships exist between the company, fellow subsidiaries and the holding company. All purchasing and selling transactions are concluded at arm's length. As detailed in note 2, the company has concluded certain lending transactions with these related parties. In addition, the holding company provides strategic, management and administrative support to the Group in return for an administration fee which is based on costs incurred. This is disclosed in note 14.

Included in accounts receivable is an amount owing by the holding company of R862 585 (2003 : R370 851)

SHAREHOLDERS' DIARY

Financial year end	March
Announcement of results for the year	May
Annual financial statements posted	June
Annual general meeting	July
Interim report for the half year to September	November

FUTURE DIVIDENDS	**DECLARATION**	**PAYMENT**
Ordinary shares		
Interim dividend	November	January
Final dividend	May	June
12,5% Cumulative Preference Shares		
Interim dividend	December	December
Final dividend	June	June

Notice is hereby given that the 38th annual general meeting of shareholders of Rainbow Chicken Limited will be held at Head Office, 1 Stanley Methven Road, Hammarsdale, KwaZulu-Natal on Wednesday, 28th July 2004 at 09h00 for the following business:

1. To receive and consider the annual financial statements and Group annual financial statements for the year ended 31 March 2004.
2. To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:

   "Resolved that the unissued ordinary shares in the capital of the company remain under the control of the directors who shall be authorised to issue these shares at such times and on such terms as they may determine, subject to section 221 of the Companies Act, 1973 (as amended), and the regulations of The JSE Securities Exchange South Africa ('JSE')."
3. To confirm the re-appointment of the auditors until the next annual general meeting and to authorise the directors to approve the amount of their remuneration for the forthcoming year.
4. To re-elect a director in place of Mr M H Visser who retires by rotation at the annual general meeting, but being eligible, offers himself for re-election.

   M H (THYS) VISSER (50), Non-executive Director, BComm (Hons), CA (SA)
   Directorships:- British American Tobacco PLC, Distell Limited, Nampak Limited, Rainbow Chicken Limited, Remgro Limited, Unilever Bestfoods Robertsons Holdings Limited LLC

   Thys is a Chartered Accountant who qualified with Arthur Young & Company in Cape Town before joining Rembrandt Group Limited in 1980. He held a number of positions, including Financial Director in 1991 and Managing Director in 1992. He is currently Deputy Chairman and Chief Executive Officer of Remgro Limited.
5. To re-elect a director in place of Mr W E Bührmann who retires by rotation at the annual general meeting, but being eligible, offers himself for re-election.

   W E (EMIL) BüHRMANN (48), Non-executive Director, BComm, CA (SA)
   Directorships:- Dorbyl Limited, Gencor Limited, Medi-Clinic Limited, Rainbow Chicken Limited, Remgro Limited, Trans Hex Group Limited, Transvaal Sugar Limited

   Emil is a Chartered Accountant who qualified with Deloitte & Touche in Bloemfontein. After several years of audit experience, he joined Rembrandt Group Limited as an investment manager in 1987. In 1998 he was appointed as an Executive Director, a position he still holds.
6. To re-elect a director in place of Mr N Phillips who retires by rotation at the annual general meeting, but being eligible, offers himself for re-election.

   N (NOEL) PHILLIPS (69), Independent Non-executive Director, BComm, Rhodes University, PMD, Harvard Business School
   Directorships:- McCarthy Limited, Dorbyl Limited, Rainbow Chicken Limited, Transvaal Sugar Limited

   Noel was previous managing director of Volkswagen South Africa, President and Chief Executive Officer of Volkswagen America and President and Chief Executive Officer of Autolatina (Brazil and Argentina).
7. To transact such other business as may be transacted at an annual general meeting.

Ordinary shareholders who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares with own name registration are entitled to attend and to vote at the meeting. Any such shareholder may appoint a proxy/proxies to attend and speak and vote (on a poll) at the meeting.

A proxy need not be a member of the company. Forms of proxy, together with a notarially certified copy of the power of attorney (if applicable) or other instrument (if any), appointing the proxy and the authority under which it is signed (if any), must be deposited at the registered office of the company or posted to the Company Secretary, P O Box 26, Hammarsdale, KwaZulu-Natal, 3700, or the transfer secretary, Computershare Investor Services 2004 (Pty) Limited, P O Box 61051, Marshalltown 2107, so as to arrive not less than 48 hours before the time fixed for the meeting.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Ordinary shareholders who have dematerialised their ordinary shares, other than in own name registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions, and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

In terms of the company's articles of association, the holders of preference shares are entitled to receive notice of this meeting but shall not be entitled to attend or vote thereat.

By order of the Board

S B Heath
Company Secretary

Registered Office
1 Stanley Methven Road
Hammarsdale, 3700

RAINBOW CHICKEN LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1966/004972/06)
(Share code: RBW ISIN ZAE000019063)

FORM OF PROXY

Only for use by shareholders who have not dematerialised their ordinary shares or who have dematerialised their ordinary shares and registered them in their own name.

Rainbow Chicken Limited

I/We ....
(Name in block letters)

of address ....

being a member/members of Rainbow Chicken Limited (registration number 1966/004972/06) and the registered

holder/s of..ordinary shares

in the company.

hereby appoint .... of ....

or failing him/her .... of ....

or failing him/her .... of ....

or failing him/her the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at Rainbow Chicken Limited Head Office, 1 Stanley Methven Road, Hammarsdale, KwaZulu-Natal on Wednesday 28 July 2004 at 09h00 and at any adjournment thereof as follows:

	In favour of	Against	Abstain
Resolution 1 Consideration and receipt of annual financial statements			
Resolution 2 Control of authorised but unissued shares			
Resolution 3 Re-appointment of auditors			
Resolution 4 Re-election of director M H Visser			
Resolution 5 Re-election of director W E Bührmann			
Resolution 6 Re-election of director N Phillips			
Resolution 7 Other business			

(Indicate instructions to proxy by way of a cross in the space provided.)

Unless otherwise instructed, my/our proxy may vote as he thinks fit.

Signed this .... day of ....

Signature: ....

A member entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy to attend, speak and vote (on a poll) in his/her stead. The proxy need not be a member of the company. Forms of proxy, together with a notarially certified copy of the power of attorney (if applicable) or other instrument (if any), appointing the proxy and the authority under which it is signed (if any), must be deposited at the registered office of the company or posted to the Company Secretary, PO Box 26, Hammarsdale, KwaZulu-Natal 3700, or the transfer secretary, Computershare Investor Services 2004 (Pty) Limited, PO Box 61051, Marshalltown 2107, so as to arrive not less than 48 hours before the time fixed for the meeting.

(Please read the notes overleaf)

Notes:

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered member of the Company.
2. Every member present in person or by proxy and entitled to vote at the annual general meeting of the Company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds. In the event of a poll, every member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by such member bears to the aggregate amount of the nominal value of all the shares issued by the Company.
3. Members registered in their own name are members who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their uncertificated shares are to be registered in the electronic subregister of members in their own names.

Instructions on signing and lodging the form of proxy:

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting 'the chairman of the annual general meeting', but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's voting instructions to the proxy must be indicated by the insertion of an 'X', or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy must be deposited at the registered office of the company or posted to the Company Secretary, PO Box 26, Hammarsdale. KwaZulu-Natal, 3700 or lodged with the transfer secretaries of the Company, Computershare Investor Services 2004 (Pty) Limited at 70 Marshall Street, Johannesburg, 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, to be received by them not later than Friday, 23 July 2004 at 15h30 (South African time).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of annual general meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a member wishes to vote.