

RAINBOW

CHICKEN
LIMITED

Integrated Annual Report
for the year ended 30 June

2012

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RCL's CONSUMER AND BUSINESS BRANDS



THEY TASTE SO GOOD 'COS THEY EAT SO GOOD



The Chicken Experts.



*Superior Chickens
in every way*



Reporting approach

Rainbow Chicken Limited (“RCL” or “Group”) has historically reported in line with the principles of “triple bottom line”. With the introduction of the King Report on Governance for South Africa 2009 (King III), which became effective on 1 March 2011, RCL has enhanced the level of integration of financial, social and environmental aspects in its annual report. The aim of the integrated annual report is to provide stakeholders with a balanced overview of the Group’s financial and non-financial performance to enable them to obtain a better understanding of its long term prospects.

The integrated annual report is prepared on a Group basis and covers the 12 month year ended 30 June 2012. During 2011 the Group’s financial year-end changed from March to June and consequently the 2011 integrated annual report was for the 15 month period ended 30 June 2011. In the 2012 integrated report, the 2011 comparatives represent 15 months’ earnings although where appropriate unaudited 12 month comparatives are provided to give additional business insight.

In compiling this report, RCL has considered:

- International Financial Reporting Standards (IFRS) in respect of the annual financial statements
- The JSE Limited Listings Requirements
- King III
- Both the Companies Act, 1973 and the Companies Act, 2008, as amended, and
- The Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI).

RCL values feedback and therefore welcomes any questions or comments regarding this report. These can be emailed to the Company Secretary, John Maher at john.maher@rcf.co.za. Stakeholders are also directed to the Group’s websites www.rainbowchicken.co.za and www.vectorlog.co.za for this report and other relevant communications regarding the Group.



Group history

RCL is listed on the JSE Limited and is a subsidiary of Remgro Limited which holds 62,6% of the issued share capital. It is the holding company of two principal operating subsidiaries, Rainbow Farms Proprietary Limited and Vector Logistics Proprietary Limited.

Rainbow was founded by the late Stanley Methven on his father's farm at Hammarsdale, outside Durban, in 1960. He first sold from a stall in central Durban. Demand for Rainbow's chicken grew quickly, leading to the commissioning of the first processing plant at Hammarsdale in 1963. Today, Rainbow is South Africa's largest processor and marketer of chicken and operates in the local retail, wholesale and foodservice channels. Its consumer brands are Rainbow and Farmer Brown and its business/service brands are Rainbow FoodSolutions, Cobb and Epol.

Vector Logistics' origins lie within I&J (an AVI Limited company) where it was positioned as an in-house distribution arm. The growth of the distribution business was given significant impetus with the

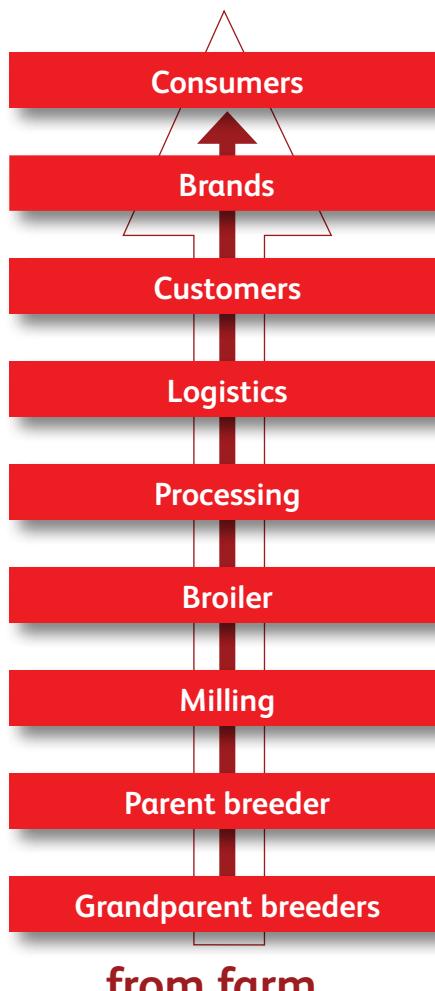
conclusion of a distribution arrangement with Rainbow Chicken in 1966, although at the time this was limited to the Natal (KZN) area. Rainbow's later expansion to sell and produce nationally had a direct and positive impact on the growth of the I&J distribution business. In July 2001, AVI Limited re-launched its distribution business as a separate company and it was subsequently renamed Vector Logistics. Rainbow acquired Vector in July 2004 with the strategic intent of controlling and optimising its outbound supply chain. Vector's key focus between 2004 and 2010 was to optimise Rainbow's outbound supply chain whilst simultaneously growing and diversifying its menu of services with its existing customer base.

In January 2011, RCL was restructured into two operating companies namely Rainbow and Vector. This was done to bring further operational focus to both businesses as well as impetus to their separate strategic growth plans.



Integrated business model

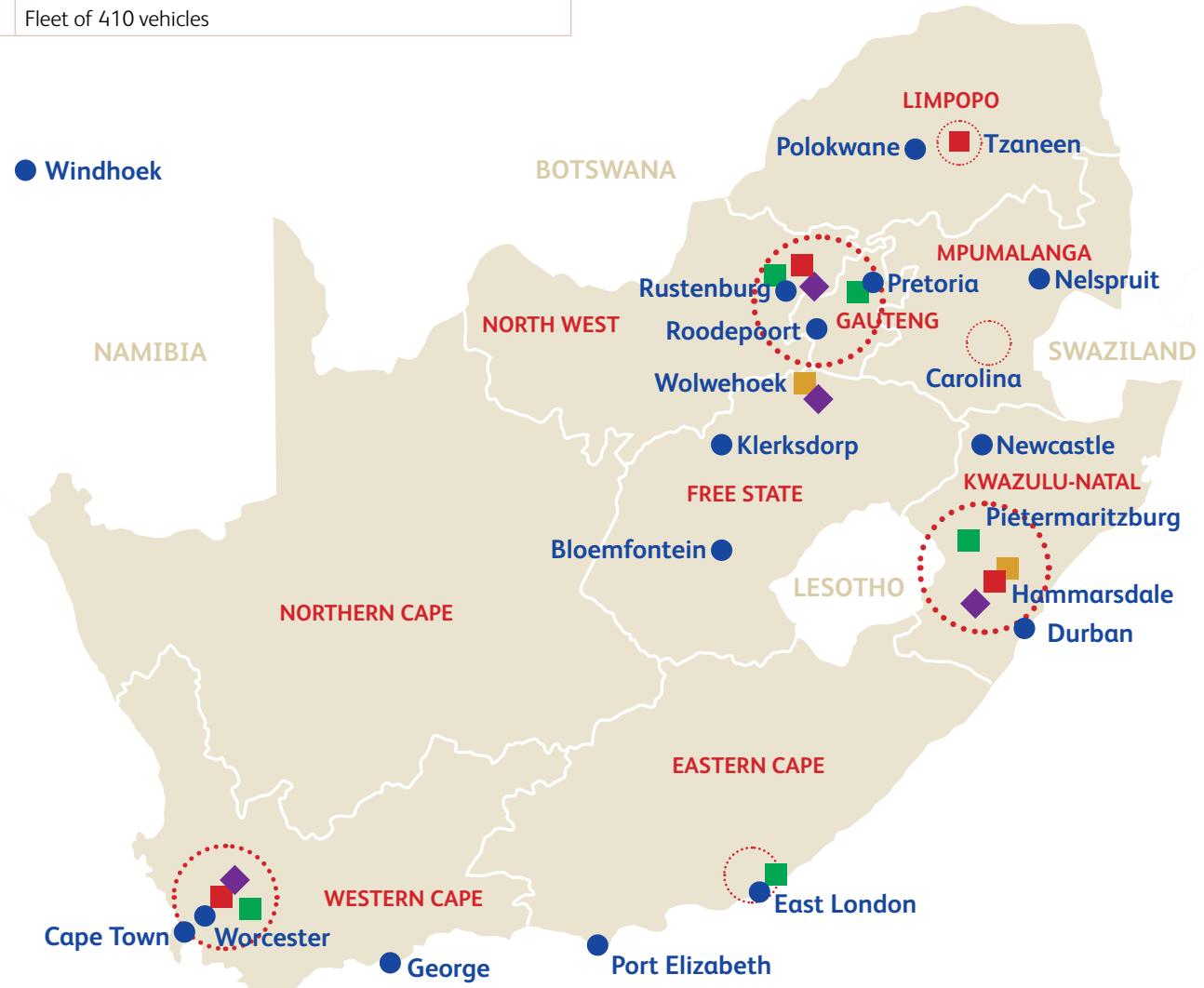
...to memorable meal occasions



from farm...

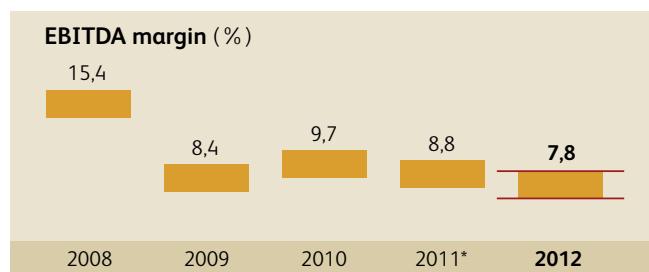
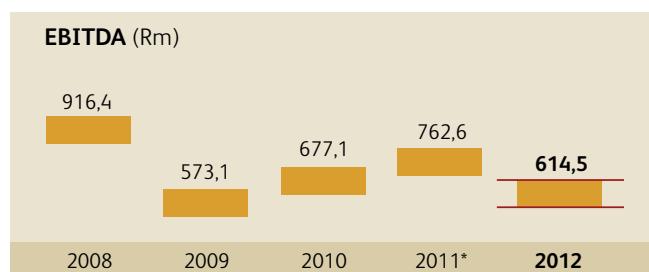
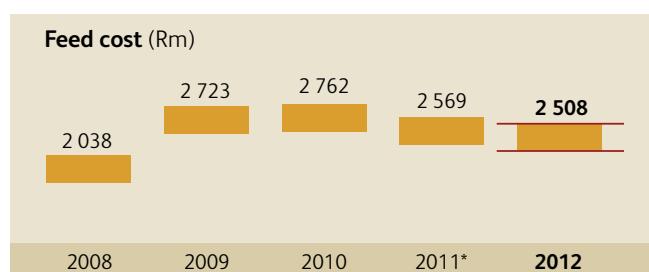
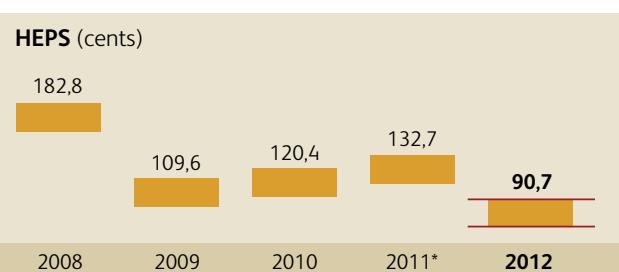
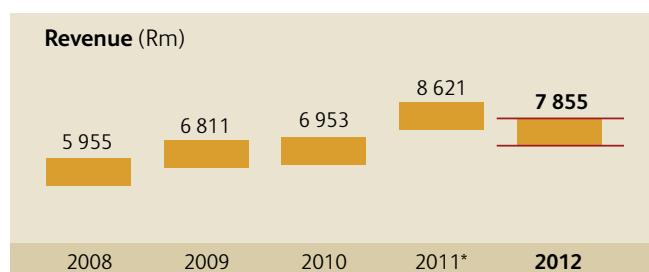
RCL national footprint

KEY TO MAP	
7 942 employees (excluding seasonal casual workers)	
RAINBOW	
○	216 rearing, laying and broiler farms and hatcheries
	34 million birds on the ground
■	Five feed mills
	20 600 tons per week (1,1 million tons per year)
■	Four primary processing plants
	4,7 million birds per week (241 million per year)
■	Two further processing plants
	520 tons per week (27 000 tons per year)
◆	Four plant based cold storage facilities
VECTOR	
●	15 distribution sites
	163 000 cases delivered daily (43 million per annum)
	Fleet of 410 vehicles



Key performance indicators

* 15 months



Five year review

	***2012 R'000	**2011 R'000	*2010 R'000	*2009 R'000	*2008 R'000
GROUP BALANCE SHEETS					
Assets					
Property, plant and equipment	1 824 072	1 600 008	1 464 929	1 383 196	1 243 670
Intangible assets	317 318	287 444	287 444	287 444	287 444
Deferred income tax assets				5 796	
Current assets	3 054 901	2 880 851	2 663 483	2 502 325	2 302 110
Total assets	5 196 291	4 768 303	4 415 856	4 178 761	3 833 224
Equity and liabilities					
Equity	2 906 359	2 856 333	2 660 182	2 485 910	2 337 130
Interest-bearing debt – long-term	65 642				
Deferred income tax liabilities	432 655	372 198	320 322	243 709	240 041
Retirement benefit obligations	108 587	102 162	94 670	85 655	80 862
Current liabilities	1 683 048	1 437 610	1 340 682	1 363 487	1 175 191
Total equity and liabilities	5 196 291	4 768 303	4 415 856	4 178 761	3 833 224
GROUP STATEMENTS OF COMPREHENSIVE INCOME					
Revenue	7 855 142	8 621 389	6 952 789	6 811 448	5 955 327
Operating profit before non-recurring items, depreciation and amortisation	614 510	762 617	677 111	549 268	925 808
Legal disputes provision release				23 800	
Feed claim recovery					40 000
BEE charge					(49 368)
Operating profit before depreciation and amortisation	614 510	762 617	677 111	573 068	916 440
Depreciation and amortisation	(200 286)	(210 340)	(157 425)	(149 229)	(136 426)
Operating profit	414 224	552 277	519 686	423 839	780 014
Finance costs	(11 358)	(1 808)	(900)	(5 059)	(2 566)
Finance income	7 370	21 520	14 877	22 875	34 248
Profit before tax	410 236	571 989	533 663	441 655	811 696
Income tax expense	(143 469)	(188 139)	(178 155)	(124 203)	(272 730)
Profit for the year	266 767	383 850	355 508	317 452	538 966

* 12 months to 31 March

** 15 months to 30 June

*** 12 months to 30 June

Definitions, ratios and statistics

SHAREHOLDERS' RATIOS	
Headline earnings per share	Headline earnings divided by weighted average ordinary shares in issue
Dividend cover	Headline earnings per share divided by dividends per share
Net asset value per share	Ordinary shareholders' equity divided by ordinary shares in issue at year-end
BALANCE SHEET	
Total assets	Non-current and current assets
Total liabilities	Non-current and current liabilities
Net assets	Total assets less total liabilities
RESULTS RATIOS	
Headline EBITDA margin	Earnings before interest, tax, depreciation, amortisation and headline adjustments (before tax) expressed as a percentage of revenue
EBITDA margin	Earnings before interest, tax, depreciation and amortisation (before tax) expressed as a percentage of revenue
Operating profit margin	Operating profit expressed as a percentage of revenue
Return on net assets	Profit before tax expressed as a percentage of net assets
Net asset turn	Revenue divided by net assets
Return on equity	Profit expressed as a percentage of average total equity
SHARE INFORMATION	
PE ratio	Market share price at year-end divided by headline earnings per share

		***2012	**2011	*2010	*2009	*2008
SHAREHOLDERS' RATIOS						
Headline earnings per share	cents	90,7	132,7	120,4	109,6	182,8
Dividends per share	cents	60,0	84,0	76,0	68,0	68,0
Dividend cover	times	1,5	1,6	1,6	1,6	2,7
Net asset value per share	cents	985,2	971,8	909,3	853,3	805,9
BALANCE SHEET						
Total assets	Rm	5 196	4 768	4 416	4 179	3 833
Total liabilities	Rm	2 290	1 912	1 756	1 693	1 496
Net assets	Rm	2 906	2 856	2 660	2 486	2 337
Cash generated by operations	Rm	506	643	526	595	617
Capital expenditure	Rm	481	360	251	293	316
INCOME STATEMENT						
Revenue	Rm	7 855	8 621	6 953	6 811	5 955
Operating profit	Rm	414	552	520	424	780
Headline earnings	Rm	267	389	352	319	528
RESULTS RATIOS						
Headline EBITDA margin	%	7,8	8,8	9,7	8,4	15,1
Operating profit margin	%	5,3	6,4	7,5	6,2	13,1
Return on net assets	%	14,1	20,0	20,1	17,8	34,7
Net asset turn	times	2,7	3,0	2,6	2,7	2,5
Return on equity	%	9,3	13,9	13,8	13,2	25,3
SHARE INFORMATION						
Number of ordinary shares						
– weighted average in issue	'000	294 389	293 075	291 918	290 904	288 951
– diluted weighted average in issue	'000	295 072	295 018	293 694	290 904	292 028
– at year-end	'000	294 992	293 926	292 563	291 320	290 004
Market share price						
– at year-end	cents	1 455	1 610	1 590	1 545	1 435
– highest	cents	1 799	1 875	1 690	1 680	2 000
– lowest	cents	1 400	1 495	1 390	1 150	1 401
Number of shares traded	'000	11 364	25 812	17 072	21 716	73 154
Value of shares traded	Rm	174	421	2 713	308	1 122
Total transactions	'000	2 917	3 243	3 500	3 480	7 633
Number of shares traded as a percentage of issued shares	%	3,9	8,8	5,8	7,5	25,2
PE ratio		16,0	12,2	13,3	14,1	7,9

* 12 months to 31 March

** 15 months to 30 June

*** 12 months to 30 June

Share and shareholder information

STATED CAPITAL

Authorised	575 525 772
Issued	346 168 823
Number of shareholders	4 653
Financial year-end	June
Annual general meeting	November

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000	3 379	72,6	868 089	0,3
1 001 – 10 000	992	21,3	3 536 371	1,0
10 001 – 100 000	205	4,4	6 091 992	1,8
100 001 – 1 000 000	60	1,3	19 656 176	5,7
1 000 001 and over	17	0,4	316 016 195	91,2
Total	4 653	100,0	346 168 823	100,0
DISTRIBUTION OF SHAREHOLDERS				
Holding company	3	0,1	216 606 706	62,6
Empowerment	1		51 177 217	14,8
Mutual funds	50	1,1	27 243 251	7,9
Pension funds	76	1,6	25 669 558	7,4
Individuals	4 072	87,4	8 875 812	2,6
Investment companies	6	0,1	8 446 067	2,4
Nominees and trusts	277	6,0	2 589 330	0,7
Insurance companies	10	0,2	1 925 311	0,6
Endowment funds	4	0,1	1 166 497	0,3
Private companies	61	1,3	709 222	0,2
Banks	8	0,2	706 581	0,2
Public companies	4	0,1	518 129	0,1
Medical aid schemes	4	0,1	201 280	0,1
Other corporations	35	0,8	179 118	0,1
Brokers	9	0,2	84 214	
Close corporations	32	0,7	70 073	
Own holdings	1		457	
Total	4 653	100,0	346 168 823	100,0
PUBLIC AND NON-PUBLIC SHAREHOLDERS				
Strategic holdings (more than 10 %)	3	0,1	216 606 706	62,6
Empowerment	1		51 177 217	14,8
Directors and associates of the company holdings	6	0,1	1 448 085	0,4
Own holdings	1		457	
Total non-public shareholders	11	0,2	269 232 465	77,8
Public shareholders	4 642	99,8	76 936 358	22,2
Total	4 653	100,0	346 168 823	100,0

	Number of shares	%
BENEFICIAL SHAREHOLDERS' HOLDING OF 1 % OR MORE		
Remgro Limited	216 606 706	62,6
Eagle Creek Investments 620 Proprietary Limited	51 177 217	14,8
Oasis Crescent Global Equity Fund	15 445 100	4,5
Government Employees Pension Fund	9 094 939	2,6
Investment Solutions Limited	8 171 822	2,4



Directorate



JJ (Jannie) Durand (45)

Non-executive Chairman

BAcc (Hons), MPhil (Oxon); CA(SA)

Appointed: June 2012

Directorships: Chief Executive Officer of Remgro Limited and director of a number of companies including Capevin Investments Limited, Discovery Holdings Limited, Distell Group Limited, Grindrod Limited, Mediclinic International Limited, RMI Holdings Limited and Unilever SA Holdings Proprietary Limited.

Jannie is a Chartered Accountant and was previously the Chief Investment Officer of Remgro Limited. He was also previously the Financial Director and Chief Executive Officer of VenFin Limited. Prior to his appointment as Chairman, Jannie had served as a non-executive director of RCL since March 2010.



Dr M (Munro) Griessel (74) *^

Independent non-executive director

PhD (Animal Science)

Appointed: November 2002

Membership: 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 an honorary life member of the Animal Feed Manufacturers Association and the South African Poultry Association.



NP (Peter) Mageza (57) *#

Independent non-executive director

ACCA (UK)

Appointed: September 2009

Directorships: Bidvest Group Limited, Clover Industries Limited, MTN Group Limited, Remgro Limited, Eqstra Holdings Limited and Sappi Limited.

Peter was formerly the Chief Operations Officer of the Absa Group. He is a Chartered Certified Accountant and a Fellow of The Association of Chartered Certified Accountants (ACCA) UK. He has gained extensive experience through holding various executive positions in the audit, financial services and the transport and logistics sectors.



MM (Manana) Nhlanhla (60) •

Independent non-executive director

BSc, MA (Information Science)

Appointed: May 2005

Directorships: Mion Investments, Batho Bonke Limited, Smit Amandla Marine and Manyoro Limited.

Manana is a former university lecturer in information science. Over the past ten years Manana has been involved in building Mion Holdings, an investment company based in KwaZulu-Natal. Manana's business experience stems from working for Thebe Investments, also serving as non-executive director on Thebe's various companies. In 2004 Manana was a founding member of the Batho Bonke Consortium and in 2010 a founding member of the Manyoro consortium in Foskor.

**RV (Roy) Smither (67) *^#***Independent non-executive director*

CA(SA)

Appointed: December 2008

Directorship: Nampak Limited.

Membership: First Rand Bank Limited Credit Committee.

Roy has a wealth of corporate experience, having served as a director and CEO of the ICS Group from 1987 to 1998 and as an executive director of Tiger Brands from 1998 to 2006.

**PR (Pieter) Louw (43)***Non-executive director*

CA(SA)

Appointed: December 2008

Directorships: Various wholly owned subsidiaries within the Remgro Group.

Pieter is a Chartered Accountant who qualified with PricewaterhouseCoopers Inc. in Stellenbosch before joining the Remgro Group in 2001. He is currently the Remgro Limited Group Financial Manager.

**JB (JB) Magwaza (70) #***Non-executive director*

MA (UK)

Appointed: November 2002

Directorships: Chairman of Tongaat-Hulett and Motseng Property Investment Holdings and director of Richards Bay Minerals, Imbewu Capital Partners, NPC-Cimporn and KAP International.

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

**CM (Chris) van den Heever (47)***Non-executive director*

CA(SA)

Appointed: June 2012

Directorships: Mediclinic International Limited, PG Group Proprietary Limited, TSB Sugar Holdings Proprietary Limited and Wispeco Holdings Limited.

Chris served as Investment Manager of Venfin Limited from February 2002 until November 2009, when he assumed his current position as an Investment Manager of Remgro Limited.

Directorate continued



GC (Gcina) Zondi (39) ^•

Non-executive director

BCompt (Hons), AGA (SA)

Appointed: July 2008

Directorships: Imbewu Capital Partners, Reebok South Africa, Isegen South Africa, Container Conversions, Icon Construction, Bo Hire and Sales and Autovest Limited.

Gcina is the founding Chief Executive and shareholder of Imbewu Capital Partners. He is a qualified General Accountant and is an associate of the South African Institute of Chartered Accountants. He has more than ten years experience in the private equity industry of which six years were spent with Nedbank Capital Private Equity as a Private Equity Specialist. Prior to joining Nedbank, Gcina completed his articles of clerkship at KPMG Durban and has also worked for Hulamin Limited in the finance division for two and a half years prior to joining KPMG.



M (Miles) Dally (55) ^•

Executive director

Chief Executive Officer

BCom

Appointed: February 2003

Directorships: Rainbow Chicken Limited and its subsidiary companies and SC Johnson & Son of South Africa Proprietary Limited.

Miles has 31 years experience in the consumer goods industry and served as Group Managing Director of Robertsons Holdings Proprietary Limited from 1995 to 2002. After the unbundling of Robertsons Holdings he accepted the position of Chief Executive Officer at Rainbow. He was appointed non-executive Chairman of SC Johnson in June 2008. Miles has previously served as Co-Chairman of the Consumer Goods Council of South Africa (CGCSA).



RH (Rob) Field (41) ^•

Executive director

Chief Financial Officer

CA(SA)

Appointed: July 2004

Directorships: Rainbow Chicken Limited and its subsidiary companies and McCord Hospital.

Rob is a Chartered Accountant who qualified with Deloitte & Touche in Durban. Prior to joining Rainbow in May 2003 he spent four years as Commercial Director of Robertsons Homecare Proprietary Limited. During 2009 Rob was appointed as a non-executive director of McCord Hospital.

* Audit Committee (RV Smither – Chairman)

Remuneration and Nominations Committee (NP Mageza – Chairman)

^ Risk Committee (GC Zondi – Chairman)

• Social and Ethics Committee (GC Zondi – Chairman)

Group executive management



TJ (Trevor) Harding (50)

Group IT Director

BCom, BSc (Hons)

Appointed: August 2005

Directorships: Rainbow Farms Proprietary Limited and Vector Logistics Proprietary Limited.

Trevor has over 25 years experience in information technology and business systems process management. Prior to joining Rainbow, he held the positions of IT Director of Unilever South Africa and Robertsons. Following the Group restructure in January 2011, Trevor was also appointed to the Board of Vector Logistics Proprietary Limited.



SB (Stephen) Heath (55)

Group HR and Corporate Affairs Director

BA, LLB, Grad Dip Industrial Relations, Attorney of the High Court of South Africa

Appointed: August 2007

Directorships: Rainbow Farms Proprietary Limited and Vector Logistics Proprietary Limited.

Stephen spent 18 years with Rainbow as Group Secretary and Legal Advisor prior to his appointment to the Rainbow Farms Proprietary Limited Board. Before joining the Group he gained experience both as a public prosecutor in the Department of Justice and subsequently as an attorney in private practice. He was appointed Human Resource and Legal Director in August 2007 and subsequently Group Human Resources and Corporate Affairs Director. Following the Group restructure in January 2011, Stephen was also appointed to the Board of Vector Logistics Proprietary Limited.

Rainbow executive management



Back row from left to right: SB Heath, DS Milne, WA de Wet, JB Livesey, TJ Harding, DB Mavume and PD Cruickshank
Front row from left to right: W Molokomme, DS Pitman, M Dally and RH Field

DS (Scott) Pitman (50)

Managing Director

BBusSc

Appointed: April 2007

Scott has 19 years experience in marketing and sales where he has headed up marketing for Robertsons, Distell and Unilever and most recently as Customer Director at Unilever. Scott was appointed Managing Director of Rainbow in January 2011.

PD (Paul) Cruickshank (38)

Commercial Director

CA(SA)

Appointed: January 2011

Paul is a Chartered Accountant who qualified with Deloitte & Touche in Durban. He joined Rainbow in 2004 as Group Financial Manager and worked in this position until being appointed to the Board in January 2011.

WA (Wouter) de Wet (46)

Processing and Milling Director

BA (Industrial Psychology)

Appointed: September 2006

Wouter has 14 years management consulting experience in various industries. He served as consultant to Rainbow from 1997 to 2006, when he was appointed as National Supply Chain Manager. His project experience in Rainbow covers the entire value chain. He was appointed Processing Director in September 2006 and took on the additional responsibility for feed milling during 2009. Wouter is also responsible for the Group Sustainability function.

JB (Jason) Livesey (37)

Customer and Marketing Director

BCom

Appointed: April 2012

Jason was appointed as Customer and Marketing Director on 1 April 2012. Prior to this appointment, Jason spent 16 years at Unilever, of which 13 years were in the customer division (three of these in Australia), and the last three years in the marketing division. He has a wealth of experience in leading customer initiatives in a multinational FMCG grocery environment, and more recently in heading up the marketing of a division.

DB (Bonga) Mavume (38)

Agriculture Director

BSc Agric (Hons), MBA (USB)

Appointed: November 2007

Bonga has over 10 years farm operations and business management experience with Pioneer Foods Agric and Baking division. He joined Rainbow as Supply Chain Manager in February 2007 and was appointed Breed Director in November 2007 and Agriculture Director in April 2010. Bonga currently serves on the Board of the South African Agricultural Processors Association and the South African Poultry Association.

DS (Daryl) Milne (37)

FoodSolutions Director

Appointed: January 2011

Daryl joined Rainbow in 2004 after working for Unilever in their Foods division for eight years in various customer and brand development roles. Following several years experience in FoodSolutions marketing, Daryl was appointed as FoodSolutions Director on 1 January 2011.

W (Winston) Molokomme (37)

HR Director

BA (Public Affairs and Administration), Post-graduate diploma:

Organisational Management

Appointed: January 2011

Winston brings with him a wealth of experience gained from his previous positions at BHP Billiton, Alpha Cement, SC Johnson, ABSA and Unilever. Winston joined Rainbow in September 2010 as Group HR Manager and worked in this position until being appointed to the Board in January 2011.

Vector executive management



Back row from left to right: S Pillay, SB Heath, RH Field, PE Gibbons, TJ Harding and BM Mackenzie

Front row from left to right: I Gravett-Hultz, M Dally and CD Creed

CD (Chris) Creed (53)

Managing Director

IMM Dip (SA)

Appointed: January 2011

Prior to joining Rainbow, Chris held various trade marketing and sales roles within Bristol Myers Squibb and Adcock Ingram and then was responsible for marketing and sales of Capespan Proprietary Limited products in Europe and served as a director of London based Capespan plc. Chris was appointed Rainbow FoodSolutions Director in June 2005 and Distribution Director in March 2007. In January 2011, Chris resigned from the Rainbow Board to concentrate on his role as Managing Director of Vector.

PE (Paul) Gibbons (39)

Customer Director

BCom, MBA

Appointed: December 2011

Paul joined Vector in 1998 and spent time in financial, commercial and supply chain roles. In 2010, Paul was appointed as Supply Chain Manager and in December 2011 he was appointed as Customer Director.

I (Ilse) Gravett-Hultz (40)

Supply Chain Director

BSoc Sci (Hons), ACMA, CGMA

Appointed: January 2012

Ilse started her career with Unilever and held various supply chain and commercial positions during her 12 year tenure, including Supply Chain Planning Director and Works Director. She served as Managing Executive for Manufacturing at Famous Brands and then took up the position of Managing Director for Fairfield Dairy in 2009. She was appointed as Supply Chain Director of Vector in January 2012.

BM (Bruce) Mackenzie (51)

Financial Director

ACMA

Appointed: January 2011

Bruce has held various financial positions with the following companies: Blue Bell Wrangler, Divpac (Nampak) and the last 20 years with I&J and Vector. In 2004, Bruce was appointed as the KwaZulu-Natal Regional Operations Manager. In 2008, Bruce moved back into finance to head up Vector's finance function and in January 2011 was appointed as Financial Director of Vector.

S (Shun) Pillay (45)

IT Director

BPaed (Sc) (Education)

Appointed: January 2011

Shun has more than 20 years experience in the retail and logistics industry and served as Chief Information Officer of Vector from 2002 to 2010. Shun was appointed as IT Director of Vector in January 2011.

Chairman's report



PERFORMANCE

RCL's revenue decrease of 8,9% to R7,9 billion is a consequence of the additional April to June trading quarter included in the 15 months' comparative ended 30 June 2011. Headline earnings of R267,1 million decreased by 31,3% compared to the 15 month comparative but by a lower 11,0% compared to the 12 month comparative. This result reflects the difficult trading conditions experienced by the chicken operation. Consumer confidence and demand has remained low and specific poultry industry factors have challenged earnings within Rainbow. Vector, however, enjoyed a good year of growth and delivered a solid operating performance.

RCL remains committed to its strategic focus of adding value through its consumer and service brands. RCL comprises two operating segments, namely Rainbow and Vector, being the chicken and logistics operations respectively. Rainbow's added value chicken brands and differentiated customer offerings in foodservice as well as Vector's distribution services have all demonstrated growth over the past period. However, RCL's operating results have more recently been negatively impacted by poor retail pricing of commodity chicken lines as the industry has struggled to resolve significant overstocks, mainly attributable to the high level of imports. Record maize and soymeal costs, exacerbated by the rand's depreciation, as well as the high electricity tariff increases, have all adversely affected Rainbow's operating margin.

RCL's long-term strategic goals are clearly defined and to date, supported by a strong balance sheet, the Group has been confident to invest to service anticipated growth in key product lines and from strategic customers. The difficult market conditions will, however, demand that future investment decisions are examined carefully. Uncertainty remains concerning how long it might take until the situation meaningfully improves.

CORPORATE GOVERNANCE

RCL complies fully with the letter and spirit of good corporate governance. The skills and diversity of the Board are well matched to RCL's needs and are reflected in the allocation of responsibilities to members of the various sub-committees.

The Board and individual directors of RCL strive to ensure that the Group is managed in an efficient, accountable, responsible and moral manner and to this end, endorsed its compliance with King III.

SUSTAINABILITY

The Group remains committed to the three pillars of sustainability covering economic, social and environmental practices. The Group believes that commitment to stakeholders is fulfilled only through enduring, productive relationships with other stakeholders and by establishing a reputation as a trusted Group in touch with the evolving needs and aspirations of our society. As a consequence, time, effort and money are invested in responding to the needs of all current and prospective stakeholders. This integrated annual report reflects the progress made this year towards integrated sustainability reporting.

FINANCIAL YEAR-END CHANGE AND DIVIDEND DECLARATION

During 2011 RCL changed its financial year-end from 31 March to 30 June so as to align with that of its holding company, Remgro Limited. The results for the 2012 financial year are compared to the 15 month period ended 30 June 2011 and are therefore not directly comparable. However, unaudited comparatives of certain key financial features for the 12 months to June 2011 have been extracted from the management accounts with no adjustments made thereto, and included in the commentary sections and on page 113 of this integrated annual report.

The Board declared dividends totalling 60,0 cents per ordinary share in respect of the year ended 30 June 2012 (2011: 84,0 cents). The lower dividend was declared taking into consideration the reversion to a 12 month reporting period as well as the lower earnings in 2012. As such the total dividend for the year is 1,5 times covered by headline earnings per share (2011: 1,6 times).

PROSPECTS

The volatile state of the global and local economy means a sustainable improvement in consumer sentiment and spending is difficult to predict in the near future. Considering the local chicken supply and demand imbalance and that raw material commodity prices are at record levels, operating margins are likely to remain under pressure.

Despite these factors, growth opportunities continue to be explored to meet the Group's long-term strategic aspirations.

ACKNOWLEDGEMENTS

It has been a difficult year for the business. Firstly the tragic passing of our Chairman Thys Visser whose passion and leadership was particularly evident at RCL over many years. Thys' friendship and business insight will be sorely missed. Secondly it has been a tough trading period and I would like to commend management for their resolve and also thank the Board for their support.

A handwritten signature in black ink, appearing to read "JJ Durand".

JJ Durand

Non-executive Chairman

Chief Executive's review



OVERVIEW

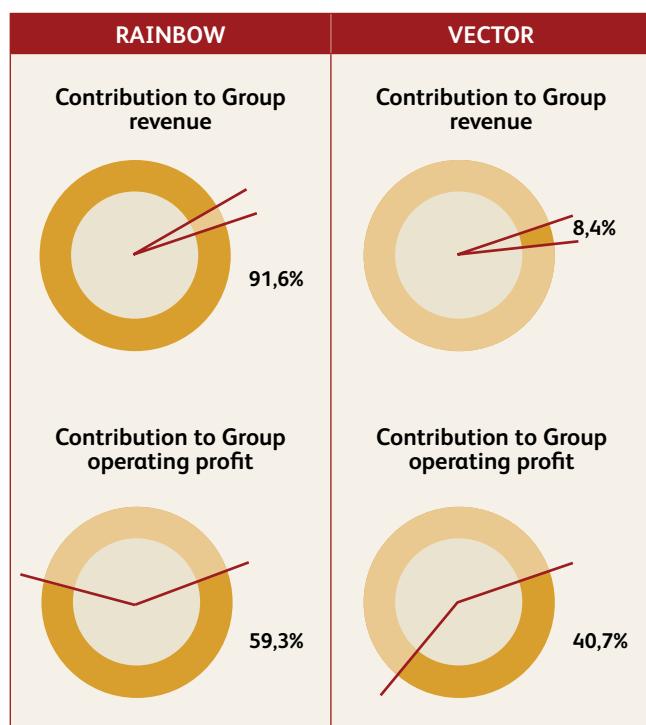
RCL's 2012 headline EBITDA of R614,9 million increased by 2,3% over the comparable 12 months in 2011, a credible result considering the current market conditions. By virtue of the investment in the business impacting depreciation and interest, as well as higher STC on the increased dividend, headline earnings actually decreased by 11,0% over the comparable 12 months.

The 2012 financial year can be summarised as a year of improved operational efficiencies across the Group along with extreme market conditions being experienced by the chicken operation. Record chicken imports and feed raw material costs severely impacted the mainstream chicken market. These conditions have merely served to reinforce RCL's strategic focus on brands, in the form of added value chicken in consumer and foodservice as well as Vector's differentiated distribution service.

Appropriately in these difficult trading conditions, both Rainbow and Vector have been focused on driving operational efficiencies. The improvements in key measures have been pleasing and are covered in more detail below. Of particular note, the business made significant progress on the "Creating Space for Growth" strategic thrust. This process was designed to position the business for future growth by reviewing and aligning structures and revisiting business processes. The implementation of SAP in Rainbow on 1 July 2012 is seen as a key enabler and demanded a significant restructure of the commercial and finance teams. The output of the Space for Growth initiative is leaner, more focused structures across the entire business which necessitated a R14,2 million retrenchment cost being charged against the 2012 results.

GROUP RESTRUCTURE AND SEGMENTAL REPORTING

The business restructure on 1 January 2011 resulted in the Group now having two operating segments, namely Rainbow and Vector. Key financial reporting systems for the charging of services between Rainbow and Vector were established using an activity based costing system, and were implemented with effect from July 2011. This basis of charging was not available in prior years and consequently the reflection of the segmental results will only be meaningful with effect from the 2012 financial year.



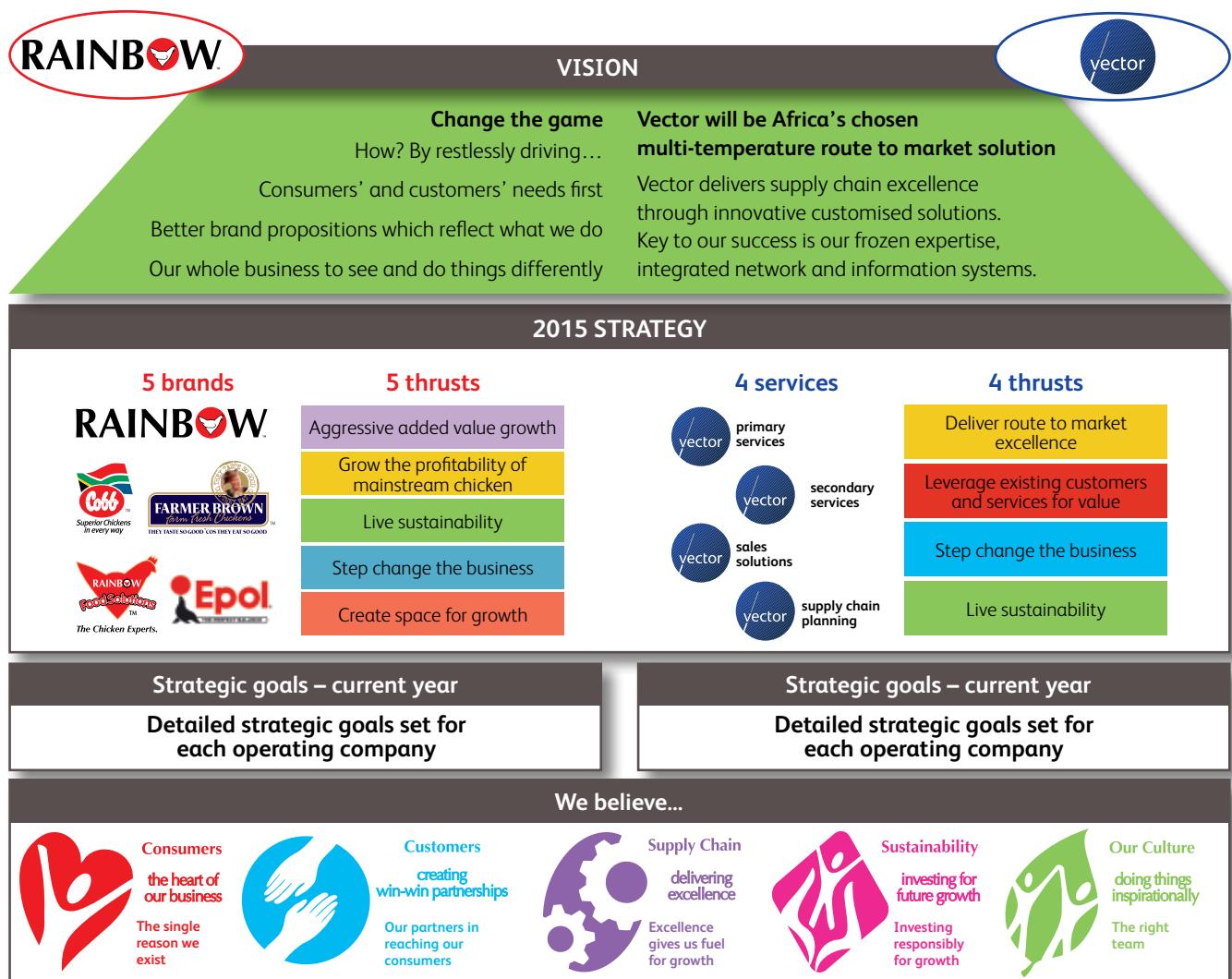
R'000	12 months 30 June 2012	15 months 30 June 2011
Revenue	7 855 142	8 621 389
Rainbow	7 196 632	7 903 823
Vector	1 339 580	1 467 941
Sales between segments: Vector to Rainbow	(681 070)	(750 375)
Operating profit: Rainbow	245 487	343 048
Vector	168 737	209 229
Operating profit	414 224	552 277
Finance costs	(11 358)	(1 808)
Finance income	7 370	21 520
Profit before tax	410 236	571 989

Chief Executive's review continued

Rainbow's operating margin of 3,4% is disappointing but explained by the poor retail pricing and high feed costs. Vector delivered a pleasing result with good volume growth as well as improved efficiencies and cost control, translating into an operating margin of 12,6%. The distribution industry's reference for operating margin is normally expressed against gross revenue as opposed to distribution revenue used above, in which case Vector's margin computes to 1,5%.

GROUP STRATEGY

The strategic framework for the Group is reflected in the "strategy house" below. This represents the output of an important process within the business where all of the Group's leadership participate in defining strategy and committing to specific actions to achieve the agreed performance targets.



The longer term strategic goals, termed "thrusts", have been agreed and define the focus areas for the Group to 2015. These thrusts are expanded on in more detail below.

The Group's strategy remains underpinned by the five strategic drivers which are expressed as belief statements. They encapsulate all the key drivers of the business being consumers, customers, supply chain, sustainability and our culture. They are powerful statements against which all strategic goals and actions are tested. They define how we approach and conduct business.

To expand on "We believe":

- We recognise consumers as being the single reason we exist
- Our customers are our partners in reaching consumers, the best example being the business model we share with the Quick Service Restaurants (QSRs)

- Our entire supply chain is focused on delivering excellence as this translates into satisfied customers and lowest cost
- Sustainability has become the language of the business and, supported by a holistic enterprise risk management process, it defines how we invest, and lastly
- Our culture, where within a clearly defined governance and ethical framework, our people are encouraged to do things “inspirationally” and are empowered to deliver on the co-created strategy.

The Rainbow and Vector leadership teams participate in a process called the “Good to Great” journey aimed at jointly defining the business’s strategy and aligning its goals and people behind the company vision.

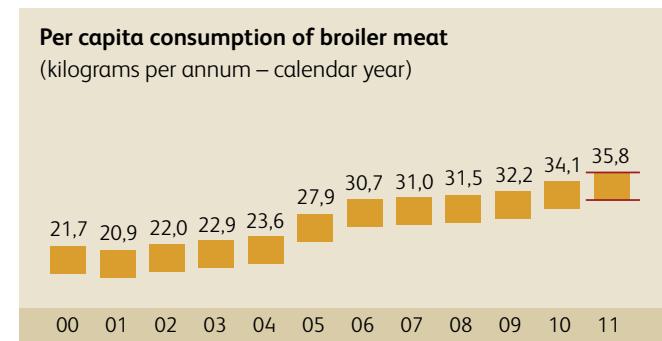
The business’s leadership has defined and agreed specific strategic thrusts for the period to 2015. These strategic thrusts have been disclosed in the strategy house but the essence for both Rainbow and Vector is a focus on growth to meet the anticipated demand in key product lines and from strategic customers. Rainbow’s consumer brands Rainbow and Farmer Brown and its business/service brands Rainbow FoodSolutions, Cobb and Epol are the vehicles for the business’s growth. Similarly Vector’s differentiated service offerings set it apart in the marketplace and enable customers’ and principals’ growth. The thrusts are longer term in nature and set the course for the Group over the next few years. Whilst we remain cautious about investing in these difficult current market conditions, strategy demands a longer term mindset and we recognise investment is an imperative to realise the Group’s growth strategy.

RAINBOW MARKET CONDITIONS AND REVIEW OF OPERATIONS

Poultry industry

From a macro-economic perspective the global economic slowdown experienced post the 2008 credit crisis continues to impact negatively on consumer spending. Globally and in South Africa poultry producers are posting profit declines. At no point in the last five years have market pressures on the poultry industry been as tough as they are at present.

The poultry industry remains a significant segment of South African agriculture, being approximately 20 % of all agricultural production, 40 % of animal products and 60 % of animal protein consumed in South Africa. The following graph depicts the history of per capita consumption of broiler meat since 2000, with a 5 % increase being recorded in the most recent calendar year.



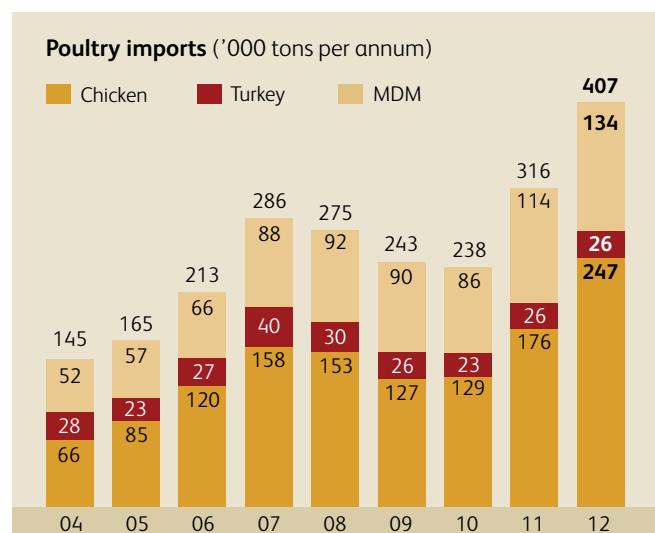
Source: DAFF

Locally there are two major issues which have compounded the crisis in the industry. These are:

- Imports reaching record levels, and
- Escalating feed raw material costs.

Imports reaching record levels

The local chicken market is estimated to have grown by 13 % to R27,8 billion over the past year, a combination of a 4 % volume growth and a 9 % realisation increase. Total chicken imports (excluding turkey and mechanically deboned meat (MDM)) increased by 41 % for the year ended 30 June 2012 versus 2011, and are now estimated to constitute 12,3 % of the local market. The graph below depicts the 12 months to June poultry imports since 2004 split between chicken, turkey and MDM.



Chief Executive's review continued

There has been much media coverage over the past few months on the state of the local poultry industry and the allegations of dumping by other countries, particularly Brazil. The South African Poultry Association (SAPA) has driven the investigations on behalf of the industry. The International Trade Administration Commission (ITAC) initiated an investigation to assess whether any Brazilian poultry products have been dumped in South Africa. The initial findings proved dumping of whole chickens and chicken breasts and additional duties were imposed on these products. SAPA continues to investigate allegations of dumping of leg quarters.

Escalating feed raw material costs

Feed prices have continued to escalate, and with the drought conditions in the USA worsening in the past few months, record pricing levels have been reached on the Chicago Board of Trade (CBOT) for both maize and soya. The extent of these cost increases is unprecedented, exacerbating the pressure on the poultry industry in South Africa.

Feed raw material cost is the most significant cost differentiator to other countries like Brazil. South American maize and soya crop yields are higher than in South Africa and their agriculture sector enjoys government support. Consequently their raw material costs are significantly lower, which makes it difficult for the poultry industry in South Africa to compete with these countries.

Local maize prices have demonstrated significant volatility over the past financial year. The year commenced with a market price of R1 670/ton, increasing to R3 000/ton and closing on 30 June 2012 at R2 128/ton. The average market price for maize over the 2012 financial year was R2 241/ton compared to the average market price of R1 412/ton over the previous 15 month period, an increase of 59%.

Local raw material prices were further impacted by the weaker rand. The R/US\$ exchange rate deteriorated by 23% from R6,79 at the end of June 2011 to R8,38 at the end of June 2012, thereby increasing the landed cost of both imported and local protein sources. The international (CBOT) price of soymeal increased by 29% from \$332/ton at the end of June 2011 to \$427/ton at the end of June 2012.

Rainbow's total cost of feed for the 2012 financial year was R2,5 billion, a 20,4% increase over the comparable 12 months in 2011, and double the cost in 2007 prior to the global financial crisis.

For Rainbow, the improved trading conditions in the quarter to December 2011 were followed by two quarters of low demand. Chicken prices have remained under significant pressure due to a fragile consumer in tandem with the higher level of imports. The consequence of the glut of chicken in the market has meant that the pricing of chicken in retail bears no reference to its cost of production, and together with input cost pressures has resulted in a significant reduction in chicken margins. Although operational efficiencies were in line with expectation, the above factors meant Rainbow's operating margin for the 12 months to 30 June 2012 was 3,4%, down from the 6,2% reported in the interim results.

Injection cap proposed by government

The much publicised topic of poultry meat injection and government's proposal to introduce a cap is another issue facing the local poultry industry. Rainbow welcomes the principle of an injection cap and supported by consumer research seeks an appropriate level to be defined and regulated in line with international best practice. Rainbow acknowledges that there have been a number of legitimate customer and consumer concerns around the issue of injection, however, when done responsibly the practice of injection adds value for the consumer by restoring moisture lost during defrosting and creating a more succulent product.

Rainbow is playing an active role in working with government and the industry in order to adopt a responsible approach to the injection of poultry meat.

Chicken brands

Rainbow's range of products is classified into either "added value" or "mainstream" chicken. Demand for and consequently profitability of added value categories is more consistent. These categories include the foodservice channel and key product ranges within the retail sector. The foodservice channel is characterised by a strong focus on investment in innovation technologies and customised products, which ensures a sustainable partnership between Rainbow and its customers. The Rainbow FoodSolutions brand which services the foodservice channel (restaurant and catering) focuses on specialist product categories that fulfil the above criteria. Key added value product ranges within retail include chilled processed meats (CPM), fully cooked, freezer to fryer (FTF) and speciality raw chicken packs. All products which are not classified as added value fall into mainstream chicken and include fresh and frozen primary, secondary and tertiary categories.

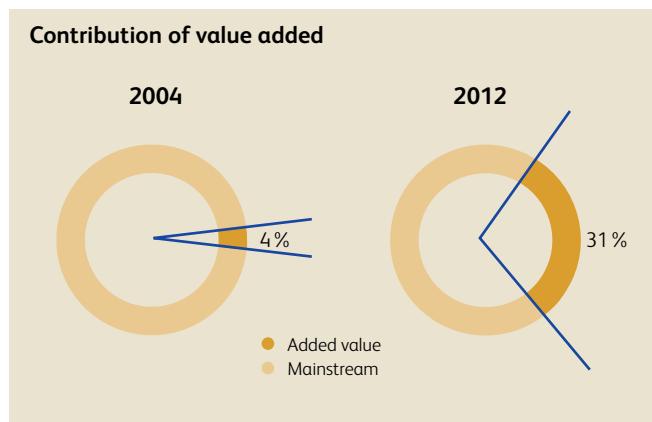
Rainbow's mainstream chicken pricing, similar to the balance of the market, has been negatively impacted by the imbalance in supply and demand in the South African chicken market. Significantly higher feed costs over the past few years have not been recovered in chicken realisations, and consequently margins of mainstream chicken products remain under pressure.

Rainbow's branded added value strategy enables an acceptable profit to be delivered in challenging economic times. This focus on added value has seen Rainbow's added value contribution to total chicken revenue increasing from 48% in 2011 to 53% in 2012 (30% in 2004).

The foodservice sector has returned modest but positive growth over the period. It is anticipated that this sector will continue to grow as Quick Service Restaurants (QSRs) open new stores. Declining same store growth at certain QSRs and slower new store openings has led to a slowdown in overall channel growth. Rainbow has managed to maintain its overall share of the QSR market and continues to drive growth through innovation and strong customer relationships. General foodservice volumes have understandably come under pressure from the recession, however, product mix improvements have meant this sector's overall profitability has been maintained.

In the added value sector Rainbow's categories have performed well, with growth continuing at double digit numbers. Rainbow's existing retail added value footprint, represented mainly in the CPM and FTF categories, experienced good volume growth. Successful new launches included Rainbow IQF Russians, Rainbow French Polony and Red Viennas. The growth in CPM has been facilitated by the acquisition of the Wolwehoek processing facility which still has significant additional capacity for growth over the next few years.

Rainbow's added value component of its chicken revenue in the retail sector has increased from 4% in 2004 to 31% in 2012.



Supply chain

The financial year has been characterised by above inflation cost increases in electricity, gas, coal and diesel. The supply chain, through improved efficiencies and capital investment, has made significant progress in limiting its overall c/kg cost increase (excluding feed) to only 8,9%.

Except for the Western Cape, agriculture performance has remained consistently good. The challenges in the Cape region, being mainly higher mortalities and lower average daily gain, all continue to receive significant management focus with winter performance historically being difficult. Overall the key performance indicators of mortality, average daily gain and feed conversion ratio have been maintained at the improved levels achieved in the prior year.

Work conducted by local and international teams aimed at realising the full potential of the Cobb bird is delivering benefits in terms of improved breeder performance. Cobb is gaining market share locally and internationally. Rainbow has experienced a meaningful improvement in chick quality which will translate into improved broiler performance.

The processing plants and feed mills continue to achieve efficiency improvements and enhanced production mix flexibility. The impact of the nation-wide strike and specific Rustenburg plant water and electricity supply issues reported over the previous year-end were offset in this financial year by efficiency and cost containment initiatives. Overall processing yields have also improved marginally.

Rainbow remains committed to its long-term strategic growth plan despite the current crisis in the industry. As such the Worcester,

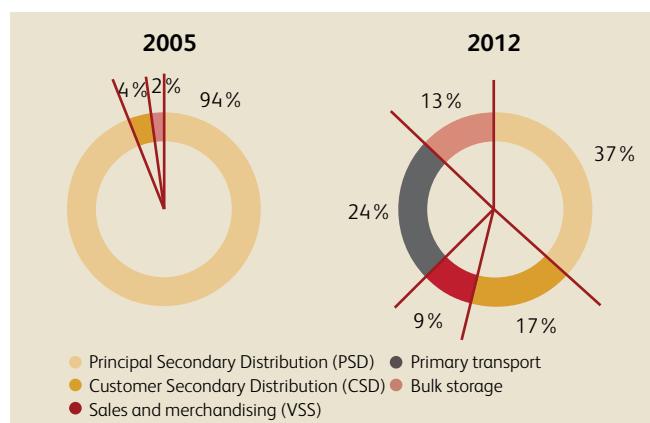
Hammarsdale and Rustenburg processing plants are all in the process of expanding capacities which will enable higher bird volumes and enhanced production flexibility. During September 2011, Rainbow concluded an agreement to acquire the poultry processing operations of Bushvalley Chickens, located near Tzaneen in the Limpopo province, for a purchase consideration of R92,5 million. Following Competition Commission approval and the fulfilment of all suspensive conditions Rainbow took ownership on 12 March 2012. Capacity expansion of this operation is currently under way.

VECTOR MARKET CONDITIONS AND REVIEW OF OPERATIONS

Vector background

Vector has a national footprint of 19 distribution centres located in most of the major cities in South Africa. Since Rainbow's acquisition of Vector in July 2004, Vector has expanded its services and now offers a fully integrated outbound frozen supply chain, from manufacturer to customer. Vector's expanded network consists of in excess of 98 000 pallet spaces nationally and a fleet of 306 secondary vehicles with 104 primary (long-haul) vehicles servicing 9 500 customers. The entire fleet is fitted with tracking and temperature control technology, including multi-temperature capabilities, and all warehouses carry ISO 22000 accreditation. In addition, Vector offers a sales and merchandising service which employs 730 field staff to support sales into the retail and wholesale channels.

Vector operates a number of business models and service offerings to match market needs and its clients' specific requirements. In summary, these services include: primary services (bulk storage and primary transport), sales and merchandising solutions, principal secondary distribution, customer secondary distribution and supply chain planning. Through the integration of these services, customers and principals are able to leverage supply chain efficiencies and value from their partnership with Vector. Since its acquisition by Rainbow, Vector's revenue contribution has changed significantly from a business almost entirely modelled around principal secondary distribution, to a business which in 2012 has a far more balanced and diversified service offering.



Chief Executive's review continued

Although Vector has expanded its basket of services, its core business remains in the area of secondary distribution, which has been split between two business models, namely:

- Principal Secondary Distribution (PSD), where Vector is contracted by the principal to deliver to all retailers, wholesalers and general trade. Vector's major principals include the following manufacturers:



- Customer Secondary Distribution (CSD), where Vector is contracted by the customer to deliver their full basket of products directly to the customer outlets covering all temperature categories of frozen, chilled and ambient. The following are Vector's major customers being serviced out of this model:



Market conditions

The logistics sector continues to be challenged by increasing operating costs driven by high oil and electricity prices. In addition to this, the depressed economic climate has impeded growth in the retail and foodservice markets which has added further pressure to those businesses servicing these sectors. The retail sector is currently in a state of flux where major retailers have indicated their strategic intent to further centralize their distribution. Vector is well positioned to take advantage of possible partnerships with selected retailers in terms of offering a fully integrated solution in the frozen and chilled categories.

Review of operations and results

Vector continued to leverage its fully integrated outbound supply chain platform during the period under review. Despite the depressed economic conditions, Vector's performance was pleasing, achieving an operating profit of R168,7 million or 12,6% of distribution revenue. Major factors influencing this result were good growth in the external business, which now accounts for 52% of Vector's revenue and continued focus on cost management. Growth in external business came largely from a 19% increase in bulk storage revenue and a 17% increase in secondary distribution revenue driven largely by the take-on of Pick n Pay's inland frozen distribution business, previously distributed from their Longmeadow distribution centre.

Costs were well managed during the year under review through a number of initiatives to improve efficiencies, sustainability awareness, stock loss reduction and general cost containment.

Another area of focus has been the improvement of service levels, particularly to those customers in the foodservice and QSR channel who require service levels in excess of 98%. This can be particularly challenging over peak trading periods when supplier performance and customer demand can be difficult to predict. It is pleasing to note that service levels averaged in excess of 99% throughout the year for this group of customers.

The sales and merchandising business made good progress during the year and was rated the second best merchandising service (frozen and chilled category) in the country by an independent body. This improvement was partially facilitated by the introduction of new handheld technology which provides greater in-store merchandising control as well as improved market intelligence and reporting capabilities.

Infrastructure

At the beginning of the 2012 financial year, Vector increased its storage capacity by approximately 25% through the lease of a new frozen bulk warehouse located in Midrand. This allowed the take-on of new business from one of Vector's existing principals and enabled significant transportation and handling efficiencies through the consolidation of stock at one location. Further to this, Vector has recently concluded a deal with the same landlord to lease a new warehouse of a similar size on the same site from July 2012. This will add further capacity to the inland region for future growth and allow Vector to consolidate its existing inland Pick n Pay business into one site. In addition to the above, during May 2012, Vector took over the management of a new 5 200 pallets plant based cold store built by Rainbow at their processing plant located in Rustenburg. This new facility not only adds further capacity to accommodate Rainbow's future growth but will deliver significant transportation efficiencies through a reduction in double handling of inventory.

During the 2011 financial period Vector completed the expansion and upgrade of its Roodepoort facility. This has delivered a substantial improvement in operating efficiencies and service levels. This operation also made great strides in the reduction in stock pilferage through a number of security initiatives which have resulted in the normalisation of shrinkage to industry benchmarks.

Projects

Vector initiated a number of projects during the course of the year with the most notable being the “Creating Space for Growth” project, which was previously one of the business’s four key strategic thrusts. This was a Group initiated project which included key work streams covering a full review of Vector’s organisation design, network and route optimisation, evaluation of its customer service centres and an assessment of various procurement and sustainability opportunities. Whilst this project has moved into the execution phase, the project will deliver efficiencies and cost savings as well as position Vector for future growth through the investment in capacity, people and systems.

Another significant project that was undertaken during the past year was the implementation of the first phase of the Adexa demand and supply planning tool. Through the collaboration with customers and suppliers, this tool will help improve service levels and reduce inventory holdings. The second phase of the project is at an advanced stage and focuses on the inventory and distribution planning module which is expected to be completed during the 2013 financial year.

INFORMATION TECHNOLOGY (IT)

During this reporting period Rainbow initiated step-change investments in the replacement of its remaining legacy Enterprise Resource Planning (ERP) systems with SAP software. Rainbow went live with SAP on 1 July 2012. This investment also includes further integration between the Feed, Agriculture and Processing areas through the use of specialised global poultry based applications. Extended focus has also been placed on the optimisation of the outbound supply chain through the Vector system solutions. The implementation of global best practice processes and shared services will enable the delivery of significant business benefits into the future. The leveraging of the Group’s IT systems and optimised business processes remains a key enabler within the business.

SUSTAINABILITY

The Group recognises that there is a need to conduct business in a responsible and ethical way that contributes to the long-term sustainability of the communities and environment in which the business operates. The Group places high priority on sustainability practices ensuring that they are incorporated into the business’s culture, leadership, governance and strategy.

The Group further recognises that true sustainability cannot succeed in isolation and as such the sustainability strategy has been integrated in the overall business strategy and forms one of the five strategic drivers of the business. In line with the

company’s “Strategy into Action” (SIA) process, the sustainability strategy has been converted into a number of strategic goals, each with measurable key performance indicators and targets. This integrated management approach is fundamental to the sustainability focus and ensures strong alignment between the sustainability strategy and the day-to-day business activities. The Risk Committee’s oversight of the sustainability initiatives provides the business with the ideal platform to identify both risks and opportunities on an integrated basis.

PASSING OF THE CHAIRMAN

It was with deep sadness that the RCL Board announced the death of its Chairman, Mr Thys Visser. Thys passed away following a car accident on 26 April 2012.

Thys was a very special person, a devoted family man, an inspirational leader and a highly astute businessman who led with humility and fairness, a man of integrity in every sense of the word.

Thys joined the RCL Board in 1989, and became Chairman in 1998. He was a constant source of support to both management and the Board but more particularly during the difficult times the business has been through, when his wisdom and guidance were much appreciated.

The Board and employees of RCL wish to honour Thys for his leadership and contribution to the Group, and to extend their heartfelt condolences to his wife and children.

DIRECTORATE

Following his appointment as Chief Executive Officer of Remgro, Mr Jannie Durand was appointed as the Chairman of the Board of RCL with effect from 12 June 2012. Jannie has had a long association with Rainbow, and was already a director of RCL prior to this appointment.

Mr Chris van den Heever was also appointed as a non-executive director of the Board with effect from 12 June 2012. Chris is an Investment Manager at Remgro and is also a director of Mediclinic International Limited, TSB Sugar Holdings and Wispeco Holdings.

CONCLUSION

We can continue to meet the challenges and embrace the opportunities of the future by virtue of the solid foundations that have been laid across the entire organisation.

I would like to express my appreciation to our loyal employees for their valued commitment to the business, especially considering the difficult market conditions experienced this past year. My appreciation also extends to fellow Board members, the leadership, valued customers and shareholders for their ongoing support.



M Dally

Chief Executive Officer

Financial review

FINANCIAL HIGHLIGHTS		2012	*2011	%
STATUTORY				
Revenue	Rm	7 855,1	8 621,4	(8,9)
Headline EBITDA	Rm	614,9	769,5	(20,1)
Headline EBITDA margin	%	7,8	8,9	(1,1)
Headline EBIT	Rm	414,7	559,1	(25,8)
Headline EBIT margin	%	5,3	6,5	(1,2)
Net finance (cost)/income	Rm	(4,0)	19,7	(120,3)
Effective tax rate	%	35,0	32,9	(2,1)
Headline earnings	Rm	267,1	388,8	(31,3)
Headline earnings per share	cents	90,7	132,7	(31,7)
Fully diluted headline earnings per share	cents	90,5	131,8	(31,3)
Capital expenditure	Rm	480,9	360,0	33,6
Return on equity	%	9,3	13,9	(4,6)
Cash generated by operations	Rm	506,4	643,3	(21,3)
Dividends per share	cents	60,0	84,0	(28,6)
OPERATIONAL (PRE-IAS 39)				
Headline EBITDA	Rm	601,7	709,9	(15,2)
Headline EBITDA margin	%	7,7	8,2	(0,5)
Headline EBIT	Rm	401,4	499,6	(19,7)
Headline EBIT margin	%	5,1	5,8	(0,7)
Headline earnings	Rm	257,5	345,9	(25,6)
Headline earnings per share	cents	87,4	118,0	(25,9)

*15 month period

OVERVIEW AND MARKET CONDITIONS

The year under review has not demonstrated any meaningful signs of recovery from the global recession. Volatility, especially in the grains and oil markets, has increased significantly during this year. Oil is one of the major risk factors plaguing the global recovery, with the price of oil having risen on the back of supply concerns following the geopolitical disruptions in the Middle East and North Africa.

South Africa's GDP grew modestly by 3,2% in calendar 2011, decreasing to 2,7% in the first quarter of 2012. However, 2012's second quarter growth is likely to be negatively impacted by the widespread industrial action across the mining sector of the economy. Interest rates are at a 50 year low in an attempt to encourage growth and employment. The slowdown in international demand for hard commodities such as platinum, a key contributor to South Africa's GDP, has resulted in significant lay-offs in the mining sector further exacerbating the high unemployment levels. Although the latest employment statistics reflect that employment in the government sector has increased marginally, the resultant contribution to economic growth is unlikely to be meaningful in the short-term. The relief from lower interest rates to debt laden consumers is largely negated by higher fuel and electricity tariff increases, and the impact of higher unemployment in the formal sector remains significant. At present market demand is typically

impacted by a fragile consumer with household consumption growth unlikely to materialise in the short- to medium-term.

FEED RAW MATERIAL PROCUREMENT

During the period all commodities suffered from significant volatility and generally increasing price levels. Over the past decade the pressure on global grain stocks has risen as a consequence of the switch to biofuels in the US and rising demand for food from the growing middle class in developing countries.

The impact of the drought in Latin America followed by the worst USA drought in 50 years has caused grain and oilseed prices to rise sharply. Higher food prices are part of a structural change in the global economy. In the medium-term the expectation is that there will be some rebalancing as farmers plant more maize crops to take advantage of higher prices. The obvious concern remains the ability to in future recover these feed cost increases in chicken realisations. The earnings enhancing impact on the Group's statutory results of the valuation of financial instruments used in feed raw material procurement is reflective of the better than market positions held in this rising commodity market.

Maize

Maize exports started at a brisk pace early in the reporting period. Higher than normal quantities of white maize were exported, mainly to Mexico. Yellow maize was also exported to international destinations. These exports reduced available stock for local consumption to the extent that imports were required later in the year. Local maize prices adjusted accordingly from export parity to import parity and moved upwards from around R1 700 per ton in July 2011 to the intra day peak of R3 000 per ton in January 2012. After the peak, prices subsided back to R2 128 per ton. The average market price for maize over the reporting period was R2 241 per ton, which compares with the average market price of R1 412 for the previous 15 month period, an average increase of 59%.

The graph below depicts the nearby SAFEX yellow maize price over Rainbow's past four financial years, with the percentage movements reflecting the average period-on-period changes.

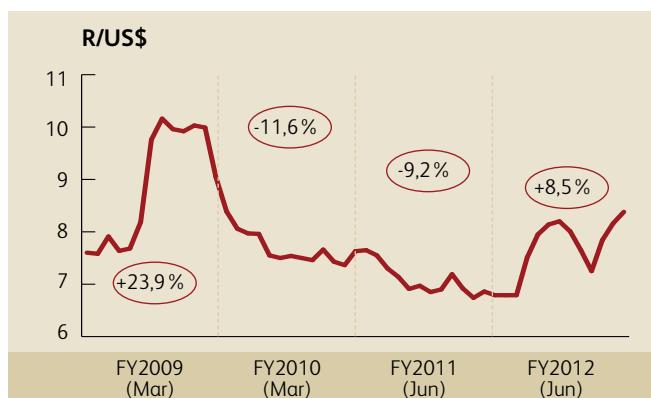
The graph below depicts the CBOT soybean US\$ price over Rainbow's four prior financial years, with the percentage movements reflecting the average period-on-period changes.



Rand/US\$ exchange rate

The exchange rate volatility has continued during the current year. The R/US\$ exchange rate increased from R6,79 at the beginning of the current financial year to R8,38 at the end of June 2012, a 23% increase. The average year-on-year increase was 8,5%. The rand has remained relatively robust despite debt problems in the Eurozone and ongoing concerns over the global economy. As Rainbow's entire soya requirements are imported, the foreign exchange exposure is significant.

The graph below depicts the R/US\$ exchange rate over Rainbow's past four financial years, with the percentage movements reflecting the average period-on-period changes.



Soya

The price of soybean meal as traded on the Chicago Board of Trade (CBOT) entered the financial year at \$332/ton, peaked in August 2011 at \$380/ton as the USA entered its harvest period and then traded down to lows of around \$280/ton in December 2011. As the drought took hold in Argentina (Argentina, together with the USA and Brazil account for 80% of world soybean production) the price of soybean meal rose steadily throughout the rest of the financial year to end at a historically high level of \$430/ton, representing a 29% increase over the period. This resulted in a 7,1% year-on-year increase in the average price. The poor Argentinean crop resulted in increased export of soybeans from the USA despite the low carry-out stock in the USA. Planned soybean planting in the USA did not expand sufficiently to replenish stocks due to prices favouring maize planting at the time the USA farmers made their crop decision.

STATEMENT OF COMPREHENSIVE INCOME

In comparison to the 12 months ended 30 June 2011, revenue and headline EBITDA increased by 12,8% and 2,3% respectively, while headline earnings decreased by 11,0%.

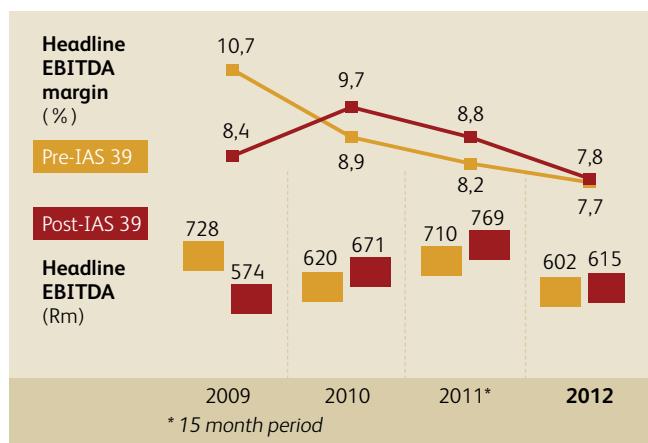
Financial review continued

		12 months 30 June 2012	12 months 30 June 2011	% var
Revenue	(Rm)	7 855,1	6 962,8	12,8
Headline EBITDA	(Rm)	614,9	601,1	2,3
Headline EBITDA	(%)	7,8	8,6	(0,8)
Headline earnings	(Rm)	267,1	300,2	(11,0)
HEPS	(cents)	90,7	102,4	(11,4)

Chicken operating margins for the 2012 financial year have been adversely impacted by the continued gap between realisations and cost growth. The graph below depicts the relationship between Rainbow's retail realisations and feed cost over the past four financial years and clearly demonstrates the widening gap.



The graph below depicts headline EBITDA from both a statutory perspective and adjusted for unrealised gains or losses on financial instruments used in the feed raw material procurement strategy. Reporting in terms of IAS 39 the financial effects of certain financial instruments used in the feed raw material procurement strategy introduces volatility to the Group's financial results. For the period under review, the pre-taxation impact on the Group's results of these unrealised positions is a positive impact of R13,2 million (2011: R59,6 million positive impact).



Finance cost

The increase in net finance cost of R23,7 million is mainly a consequence of the difficult trading conditions experienced and continued investment in the business.

Effective tax rate

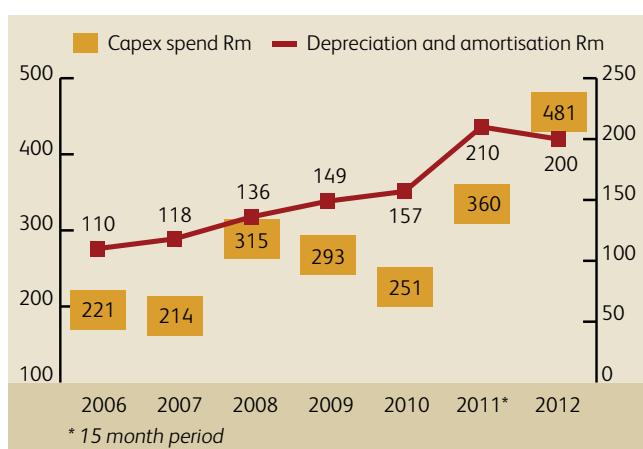
The effective tax rate has increased from 32,9% to 35,0%. Excluding the impact of Secondary Tax on Companies, the effective taxation rate remains unchanged.

BALANCE SHEET

Non-current assets

Property, plant and equipment of R1 824,0 million (2011: R1 600,0 million) and goodwill of R287,4 million (2011: R287,4 million) represent the majority of the Group's non-current assets. The investment in intangible assets of R29,9 million represents Rainbow's investment in the SAP ERP system which went live on 1 July 2012.

Capital expenditure for the 12 month period was R481 million (2011: R360 million). In addition to the Bushvalley Chickens acquisition, other significant individual capex initiatives included the new plant based cold storage at Rustenburg (R65,0 million) and investment in additional freezing and chilling capacity in Rustenburg and Worcester (R66,5 million). An amount of R186,8 million (2011: R79,7 million) has been contracted and committed, but not spent, whilst a further R73,7 million (2011: R116,9 million) has been approved, but not contracted. The capital contracted and committed includes the completion of the Rustenburg processing facility expansion and upgrade with the remaining commitments relating to capex replacement projects.



Current assets

The valuation of inventories and biological assets of R1 349,5 million (2011: R1 110,0 million) have increased mainly due to the impact of the higher raw material and feed prices. Finished goods inventory levels are also higher, primarily Individually Quick Frozen (IQF) stocks as a consequence of lower consumer demand and industry overstocks.

Trade and other receivables are 7,0% higher than last year. Vector performs the credit management function for the Group. This critical part of the business has continued to be well managed, especially considering the difficult economic conditions. The feed component of the debtors book is not material, and as such difficulties experienced with certain feed accounts has not adversely impacted overall debtors days.

Non-current liabilities

The deferred tax of R432,7 million (2011: R372,2 million) arises from numerous temporary differences across the Group.

The post-retirement medical obligation of R108,6 million (2011: R102,1 million) arises from the actuarial valuation of the Group's potential liability arising from post-retirement medical aid contributions in respect of current and future retirees. This liability is unfunded. The obligation of the Group to pay medical aid benefits after retirement is no longer part of the conditions of employment for Rainbow employees engaged after 1 October 2003 and for Vector employees engaged after 1 January 1997. The Group has an unrecognised actuarial loss and unrecognised past service costs of R14,2 million (2011: R3,5 million loss) which arises mainly due to differences in the actuarial assumptions applied from year to year. This actuarial loss will be recognised to the extent that it is in excess of 10% of the obligation over the remaining working lives of the participating employees.

Current liabilities

Trade and other payables increased by 15% to R1 648,2 million (2011: R1 433,2 million).

Cash flow and working capital

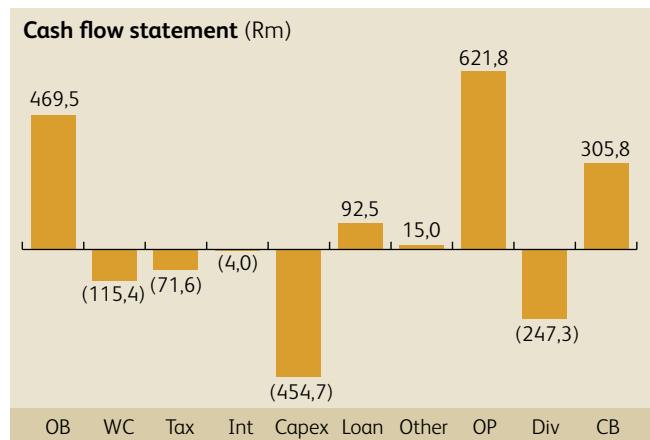
Cash generated by operations decreased by 21,3% or R137,0 million over the previous 15 month period ended 30 June 2011. The reduction in cash generation is partly explained by the extended 15 month trading period included in the prior reporting period.

The decrease in working capital funding requirements of R32,4 million (2011: R9,4 million increase) is largely a function of management's continued efforts to improve working capital levels. Receivables have been consistently well managed with debtor days of 30 reflecting an improvement on the 35 days recorded in June 2011. The R239,4 million increase in inventories and biological assets was mainly impacted by Vector's take-on of the new CSD customer. The higher feed commodity prices also impacted the valuation of feed raw materials and biological assets. Offsetting the inventory increase, trade and other payables were R214,9 million higher than the comparative period.

The lower net tax outflow of R98,8 million is a function of the lower 2012 taxable profit base in relation to the extended 2011 (15 month) taxable base.

The R102,4 million increase in cash outflows from investing activities is mainly attributable to the R92,5 million Bushvalley Chickens acquisition. This acquisition was funded externally and hence the increase in cash inflows from financing activities.

The cash movement for the period is summarised as follows:



OB *opening balance*

WC *working capital*

Int *net interest*

Div *dividends*

CB *closing balance*

OP *operating profit before working capital changes*

Return on equity

Return on equity decreased to 9,3% (2011: 13,9%) being impacted by Rainbow's low operating margin.

ACCOUNTING POLICIES

The Group's accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from the International Financial Reporting Interpretations Committee (IFRIC) and circulars.

The Group maintains the view that the standards set the minimum requirements for financial reporting. The financial statements in this integrated annual report have been prepared with the aim of exposing the reader to a detailed view of the results, using a simplified approach, in the hope of facilitating a deeper and more informed understanding of the Group's performance.

Corporate governance report

RCL is committed to the highest level of corporate governance and has implemented effective structures, policies and practices that improve corporate governance and create sustainable value for shareholders and other stakeholders.

The directors recognise 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. RCL's corporate governance policy is therefore aligned to ensure that the three pillars of sustainability, being economic, social and environmental sustainability practices, are addressed in a structured manner. The Board in turn directs strategy and operations with due consideration of the long- and short-term impacts on the economy, society and the environment. RCL's sustainability report further elaborates on the integration of these elements.

COMPLIANCE

For the 2012 financial year, apart from the exceptions outlined in the King III index on page 56, the Board is of the opinion that the Group complied with the JSE Listings Requirements and King III.

During the year under review, the Group continued to enhance its governance, assurance and risk management practices in relation to the requirements of King III and the Companies Act of South Africa. As a consequence certain roles, structures and committee mandates were enhanced to strengthen governance within the Group. RCL has adopted the "apply" rather than "comply" approach in relation to the principles of King III and the future focus will be on enhancing our sustainability management practices in line with the principle that governance, strategy and sustainability are inseparable.

BOARD OF DIRECTORS

Board structure and composition

The Board is the highest governing authority within the Group and has ultimate responsibility for governance. The Group has a unitary Board that comprises nine non-executive (four of whom are independent) and two executive directors.

The Chairman is not independent but the roles of Chairman and Chief Executive Officer are separate and a clear division of responsibility exists. The non-executive directors take responsibility for ensuring that the Chairman encourages proper deliberation of all matters requiring the Board's attention and the Board ensures that there is an appropriate balance of power and authority so that no one individual or block of individuals can dominate the Board's decision-making process. To ensure good governance and as recommended by King III, RCL appointed Mr RV Smither as lead independent director from 30 August 2011.

The executive directors have overall responsibility for implementing the Group's strategy. Non-executive directors complement the skills and experience of the executive directors and bring judgement to bear, independent of management, on the Board's deliberations and decisions through, *inter alia*, their knowledge and experience.

Details of the directorate are provided on pages 10, 11, and 12 of the integrated annual report.

Board responsibilities

The Board gives strategic direction to the Group under the chairmanship of Mr JJ Durand. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies.

The roles and responsibilities of the Board and its committees are set out in formal charters which are reviewed annually to ensure that they remain relevant. The Board and its committees are supplied with complete and timely information which enables them to discharge their responsibilities efficiently and effectively. Directors have unrestricted access to all Group information, records, documents and property. Non-executive directors have access to management and may 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 directors may obtain independent professional advice at the Group's expense, should they deem this necessary. In terms of the Board Charter, the Board has responsibility for:

- Acting as a focal point for, and custodian of, corporate governance
- Providing strategic leadership, integrity and judgement and directing RCL so as to achieve its goals and objectives
- Ensuring that RCL is seen as a responsible corporate citizen by having due regard for financial and non-financial aspects of its business
- Ensuring that RCL's ethics are effectively managed
- Ensuring that RCL has an effective and independent Audit Committee
- Ensuring the effective governance of risk
- Ensuring the effective governance of Information Technology
- Ensuring that RCL complies with applicable laws, regulations and codes of business practice
- Ensuring that there is an effective risk based Internal Audit function
- Ensuring the integrity of RCL's integrated report
- Ensuring that individual directors act in the best interest of RCL
- Defining levels of authority, reserving specific powers to itself and delegating other matters to management
- Establishing the Board committees' terms of reference
- Ensuring that the evaluation of the Board, its committees and individual directors is performed on an annual basis.

For the period under review, the Board has satisfied its responsibilities in compliance with the charter.

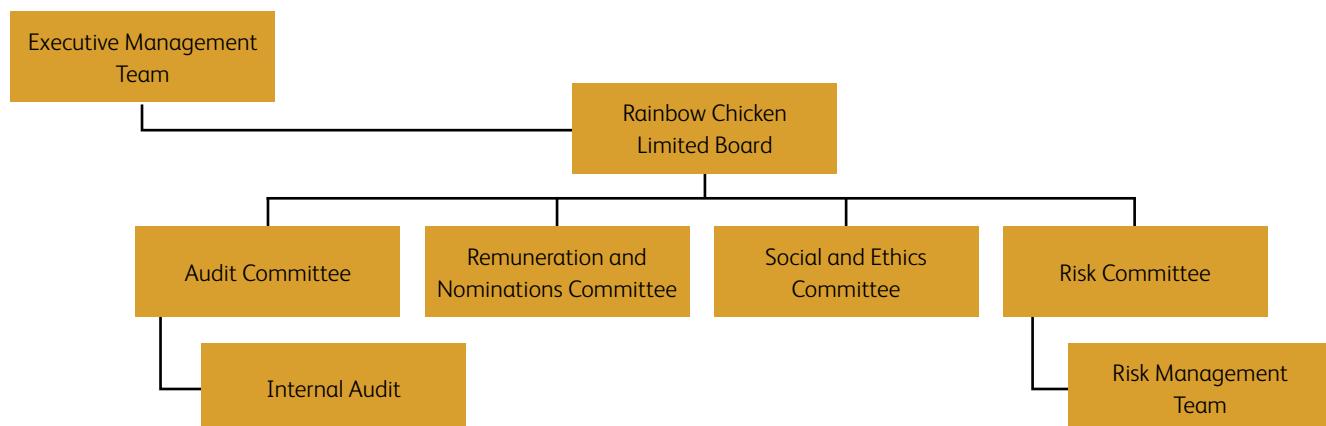
To enable the Board to properly discharge its responsibilities and duties, certain responsibilities of the Board have been delegated to Board committees.

Board committees and attendance

The Board has established four principal Board committees to assist in discharging its responsibilities. The creation of Board committees does not reduce the directors' overall responsibilities and therefore all committees must report and make recommendations to the Board. The Board committees are as follows:

Governance structure: RCL Board committees

Specific responsibilities have been formally delegated to the Audit Committee, the Risk Committee, the Remuneration and Nominations Committee and the Social and Ethics Committee. Formal documented charters define terms of reference, duration and functions, clearly agreed upon reporting procedures and scope of authority for each committee. There is transparency and full disclosure from the committees to the Board, except where mandated otherwise by the Board. Committees are free to obtain independent external professional advice as and when necessary and are subject to evaluation by the Board to ascertain their performance and effectiveness.



BOARD AND COMMITTEE ATTENDANCE

Board members	Status	Board	Committees			
			Audit	Risk	Remuneration and Nominations	Social and Ethics
Dr M Griessel	Independent non-executive	5/5	3/3	2/2		
NP Mageza	Independent non-executive	5/5	3/3		3/3 °	
MM Nhlanhla	Independent non-executive	3/5				1/2
RV Smither	Independent non-executive	5/5	3/3 °	2/2		
JJ Durand ⁽¹⁾	Non-executive	5/5 °				
PR Louw	Non-executive	5/5				
JB Magwaza	Non-executive	5/5			3/3	
CM van den Heever ⁽²⁾	Non-executive	1/1				
MH Visser	Non-executive	4/5			3/3	
GC Zondi	Non-executive	5/5		2/2 °		2/2 °
M Dally	Executive	5/5		2/2		2/2
RH Field	Executive	5/5		2/2		2/2

© Chairman

(1) Mr JJ Durand was appointed Chairman of the Board on 12 June 2012, succeeding the late Mr MH Visser.

(2) Appointed on 12 June 2012.

Corporate governance report continued

BOARD COMMITTEES			
Committee	Composition	Scheduled meetings	Main responsibility
Audit Committee	Dr M Griessel NP Mageza RV Smither	Three times per annum	Review of the Group's financial position and make recommendations to the Board on all financial matters, business risks, internal controls and compliance
Risk Committee	M Dally RH Field Dr M Griessel RV Smither GC Zondi	Twice per annum	Oversight of the Group risk and sustainability strategies
Remuneration and Nominations Committee	NP Mageza JB Magwaza RV Smither	Twice per annum	Assessment and approval of the remuneration strategy for the Group, and the determination of short- and long-term pay structures for Group executives Assessment, recruitment and nomination of non-executive directors Approval of the appointment of executive directors
Social and Ethics Committee	M Dally RH Field MM Nhlanhla GC Zondi	Twice per annum	Monitor Group's activities with regard to matters relating to: <ul style="list-style-type: none">• Social and economic development• Good corporate citizenship• Consumers• The environment, health and public safety• Labour and employment equity

EXECUTIVE MANAGEMENT TEAM		
Composition	Scheduled meetings	Main responsibility
Refer pages 13 to 15	Once per month	Deliberate and take day-to-day decisions on all matters affecting Group strategy and operations, and make recommendations, which have their sanction, to the Board for approval

Directors' independence

All independent non-executive directors are subject to an independence evaluation by the Board. The Board considers whether the director is independent in character and judgement and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, the director's independence. Having considered the responses, the Board is of the opinion that Messrs NP Mageza, RV Smither, Mrs MM Nhlanhla and Dr M Griessel are independent. All other non-executive directors are not considered independent due to their capacities as directors of either Remgro Limited or the BEE consortium, who are major shareholders in RCL.

All directors are required to declare, on an annual basis, any interest in a proposed transaction or arrangement with the Group. In addition, all other material interests are disclosed by directors, as and when they arise.

Company Secretary

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 statutory duties, the Company Secretary fulfils the following functions in line with the Board Charter:

- Induction of directors
- Provides the Board and directors individually with guidance as to how their responsibilities should be properly discharged in the best interests of the Group
- Provides guidance to the Board on the duties of the directors, matters of ethics and good governance
- Acts as the primary point of contact between shareholders and the Group.

Dealing in securities

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. The Chairman, through the Company Secretary, approves all dealings by directors during "open" periods.

Appointments to the Board

Procedures for appointment to the Board are formal and transparent and a matter for the Remuneration and Nominations Committee. The Remuneration and Nominations Committee consists of three non-executive directors and meets at least twice a year. Mr NP Mageza is the Chairman of the Remuneration and Nominations Committee. The other members during the year were Messrs JB Magwaza and MH Visser. Mr RV Smither was appointed to the Committee on 12 June 2012. The Chief Executive Officer also attends meetings of the Remuneration and Nominations Committee.

The committee considers the Board's 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. On appointment to the Board, new directors visit the Group's businesses and meet with senior management, as appropriate, to facilitate their understanding of the Group and their fiduciary responsibilities. The Board has reviewed its required mix of skills and experience and other qualities such as demographics and diversity in order to assess its effectiveness and that of its committees and the contribution of each director.

In accordance with the Articles of Association, one-third of directors are subject to retirement and re-election by shareholders on an annual basis. As a result of this requirement, at the 20 November 2012 annual general meeting, the following directors will retire by rotation but all offer themselves for re-election: Mr M Dally, Mr RH Field, Dr M Griessel and Mr JB Magwaza.

Remuneration

Annualised fees payable to Board and committee members are as follows:

BOARD AND COMMITTEE REMUNERATION		2013 (proposed)		2012	
		Chairman R	Member R	Chairman R	Member R
RCL Board		193 600	193 600	176 000	176 000
Audit Committee		154 000	77 000	140 000	70 000
Remuneration and Nominations Committee		72 600	43 560	66 000	39 600
Risk Committee		72 600	43 560	66 000	39 600
Social and Ethics Committee		72 600	43 560		

Corporate governance report continued

The Remuneration and Nominations 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. Except for executive directors' employment contracts, there are no other contracts of service between any of the directors and any subsidiaries within the Group.

Board effectiveness

For the year ended 30 June 2012, the Company Secretary facilitated a performance evaluation of the Board and its committees. Each director was requested to complete a questionnaire which assessed the effectiveness of the following categories:

- Board composition and meetings
- Board committees
- Board information
- Board orientation and development
- Board functioning and processes
- Chairman
- Personal evaluation.

The results of the individual assessments are consolidated by the Company Secretary and the Chairman of the Board is responsible for determining any actions required to enhance the effectiveness of the Board.

AUDIT COMMITTEE

The role of the Audit Committee is to review the Group's financial position and make recommendations to the Board on all financial matters, business risks, internal controls and compliance. This includes assessing the integrity and effectiveness of related control systems to ensure that the Group's business is conducted in a proper and economically sound manner.

The responsibilities of the Audit Committee are incorporated into the committee's charter which is reviewed annually and approved by the Board. The committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

Audit Committee membership and resources

The Audit Committee consists of three independent non-executive directors. Mr RV Smither chairs the committee and its other members are Dr M Griessel and Mr NP Mageza. All members of the committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations.

The committee meets at least twice a year as per the Audit Committee charter. The Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Group Audit and Risk Manager (GARM) and representatives from the external auditors attend meetings by invitation. Other members of the Board and management team attend as required. The committee meets separately with the external auditors and internal auditors at least once a year without management present, to ensure that all relevant matters have been identified and discussed without undue influence.

Roles and responsibilities

The Audit Committee's roles and responsibilities include its statutory duties per the Companies Act of South Africa and the responsibilities assigned to it by the Board. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls and fraud risk and Information Technology (IT) risks as it relates to financial reporting.

The Audit Committee has discharged its key responsibilities as follows:

- Reviewed the interim results, year-end financial statements, sustainability disclosure and integrated report, culminating in a recommendation to the Board. In the course of its review the committee:
 - took appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and
 - considered and, when appropriate, made recommendations on financial statements, accounting practices and internal financial controls
- Confirmed the Internal Audit charter and audit plan
- Evaluated the effectiveness of risk management, controls and governance processes and satisfied itself about the adequacy and effectiveness of the Group's system of internal financial controls
- Reviewed the appropriateness of the combined assurance model in addressing all significant risks facing the Group
- Considered and recommended to the Board the appointment and retention of external auditors
- Evaluated the independence and effectiveness of the external auditors
- Approved the audit fees and engagement terms of the external auditors
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditors.

Expertise and experience of CFO and finance function

As required by the JSE Listings Requirements, the Audit Committee is satisfied that the CFO and his management team have appropriate expertise and experience for the Group.

External audit

PricewaterhouseCoopers (PWC) are the incumbent auditors for all the Group companies. The committee continually monitors the independence and objectivity of the external auditors.

During the period, PWC provided certain non-audit services, including tax services and a review of Rainbow's feed procurement process. Total fees incurred during the 2012 financial year to PWC were R6,3 million of which R0,9 million related to non-audit services. During the course of the year under review, the Audit Committee reviewed a report by the external auditors of relationships they consider may have a bearing on their independence and objectivity. The Audit Committee concluded that there were no areas of conflict.

The Audit Committee has nominated, for election at the annual general meeting, PWC as the external audit firm and Harish Ramsumar as the designated auditor responsible for performing the functions of auditor for the 2013 financial year. The Audit Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors.

Risk management

The Board has assigned oversight of the Group's risk management function to the Risk Committee. The Chairman of the Audit Committee is also a member of the Risk Committee, thereby ensuring that information relevant to these committees is transferred regularly.

Internal Audit function

Internal Audit is an independent, objective function that provides assurance on the Group's activities geared towards creating value and improving business processes. Internal Audit is responsible for:

- Monitoring the adequacy and effectiveness of the Group's risk management process
- Evaluating the Group's governance processes
- Evaluating internal controls continuously to determine whether they are adequately designed, operating efficiently and effectively and recommending improvements
- Providing a source of information, as appropriate, for instances of fraud, corruption, unethical behaviour and irregularities.

Internal controls reviewed consist of strategic, operating, financial reporting and compliance controls and include controls relating to:

- The information management environment
- The reliability and integrity of financial and operating information
- The safeguarding of assets

- The effective and efficient use of company resources
- Compliance with relevant policies, procedures, laws and regulations.

The purpose, authority and responsibility of the Internal Audit activity is defined and governed by an Internal Audit Charter approved by the Audit Committee and Board. The activities of the Internal Audit function are co-ordinated by the GARM. To ensure independence, the GARM reports functionally to the Audit Committee and, only from an administrative perspective, to the CEO. The GARM holds a senior position in the organisation and his appointment or dismissal is subject to ratification by the Audit Committee. Internal Audit has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of Internal Audit's work, at the discretion of the GARM. Confidentiality of information is maintained and information is not disclosed without proper authority.

The annual Internal Audit plan is based on an assessment of risk areas identified by management, as well as focused areas highlighted by the Audit Committee and executive directors which ensures that a risk based audit approach is applied. The annual plan is also updated as appropriate to ensure that it is responsive to changes in the business. A comprehensive report of Internal Audit findings is presented to the Executive Management regularly and the Audit Committee when it meets.

Follow-up audits are performed in areas where control weaknesses are found. In addition to the Internal Audit findings, the report to the Audit Committee includes an update on the progress made against the audit plan, and statistics on follow-up audits conducted. Internal Audit is also involved in IT throughout the Group to ensure satisfactory IT governance and assurance. All new major IT projects are subject to pre- and/or post-implementation reviews.

Internal Audit co-ordinates its scope and efforts with External Audit in order to provide efficient and effective assurance to the Audit Committee.

Internal Audit comprises a dedicated team of appropriately qualified and technically experienced personnel. Where necessary certain audits are outsourced to consultants with appropriate skills and technical expertise, for example specialised IT reviews.

The Audit Committee, External Audit and the GARM completed an assessment of the Internal Audit function for the year. This assessment was supplemented by the results of the Audit Satisfaction Questionnaires (ASQ) that were completed by management during the year. The Chairman of the Audit Committee and the GARM are responsible for determining any actions required to enhance the effectiveness of the Internal Audit function.

Corporate governance report continued

During the year, Internal Audit focused on embedding Internal Audit methodologies and standards introduced in the prior years to ensure the Group optimises the value of the Internal Audit function. The Audit Committee will commission an independent quality assurance review at an appropriate future date.

Internal controls

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

Having considered:

- The results of the formal documented review of the Group's system of internal control and risk management, including the design, implementation and effectiveness of the Group's system of internal financial controls conducted by the Internal Audit function during the year
- Information and explanations given by management
- Discussions with the External Auditors on the results of their audit
- The report from the Audit Committee,

nothing has come to the attention of the Board that causes it to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a basis for the preparation of reliable financial statements.

Going concern

The Audit Committee reviewed a documented assessment by management of the going concern premise of the Group before concluding to the Board that the company will be a going concern in the foreseeable future.

RISK COMMITTEE AND MANAGEMENT

The Board considers risk management to be a key business discipline designed to balance risk and reward and to protect the Group against uncertainties that could threaten the achievement of business objectives.

The Risk Committee is responsible for overseeing the adequacy and overall effectiveness of the Group's risk management function and its implementation by management. The terms of reference of the Risk Committee also includes oversight of sustainability within the Group.

Risk Committee membership

The Risk Committee comprises Messrs GC Zondi (Chairman), M Dally (Chief Executive Officer), RH Field (Chief Financial Officer), RV Smither (Audit Committee Chairman) and Dr M Griessel. In order to facilitate the effective assessment of risks at all levels in the Group, the GARM and director in charge of sustainability attended the committee's bi-annual meeting by invitation.

Responsibilities

The committee charter includes the following key responsibilities:

Risk management

- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board

- Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes
- Make recommendations to the Board concerning the levels of tolerance and appetite, and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board
- Oversee that the risk management plan is widely disseminated throughout the Group and integrated in the day-to-day activities of the Group
- Ensure that risk management assessments are performed on a continuous basis
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensure that management considers and implements appropriate risk responses
- Ensure that continuous risk monitoring by management takes place
- Liaise closely with the Audit Committee to exchange information relevant to risk
- Express the committee's formal opinion to the Board on the effectiveness of the system and process of risk management
- Review reporting concerning risk management that is to be included in the integrated report to ensure that it is timely, comprehensive and relevant.

Sustainability

- Make recommendations to the Board concerning key policies, strategies and performance indicators
- Provide appropriate guidance and strategic direction on sustainability issues affecting the Group
- Review the Group's annual sustainability report prior to submission to the Board for approval.

The Risk Committee is satisfied that it has carried out its responsibilities for the year in compliance with its approved mandate.

The taking of risk in an appropriate manner is an integral part of RCL's business. Success relies on optimising the trade off between risk and reward following an integrated risk management approach and by considering both internal and external factors. Systems are therefore designed to manage, rather than eliminate, the risk of failure or to maximise opportunities to achieve business objectives. Risk management frameworks and methodologies are regularly assessed and enhanced, where appropriate, to ensure that the Group's ability to anticipate and adequately respond to unpredictable risks is improved.

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 assessment

Formal risk assessments are performed bi-annually in May and November where existing risks are re-assessed and new and emerging risks are identified through a combination of facilitated workshops and interviews with Group executives and management. The RCL risk universe is the foundation for conducting the strategic risk assessment and provides management with another filter to determine if any key business risk areas have been overlooked which could make the organisation vulnerable. Risk reviews are proactive in not only determining negative areas but also identifying areas of opportunity where effective risk management can be turned into competitive advantage.

The Group risk register summarises the significant risks faced by the Group, taking into account the likelihood of occurrence, the potential impact, velocity and the related mitigating factors and compensating controls. Management's treatment of risks are aligned to the risk appetite and tolerance approved by the Board. Appropriate risk response strategies in relation to the Group's major risks have been developed and implemented. The adequacy and effectiveness of these strategies are reviewed on an ongoing basis to ensure that they are responsive to changes in the dynamic environment in which the Group operates.

Combined assurance

RCL operates a combined assurance framework, which aims to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the Group.

RCL's combined assurance framework is integrated with the Group's risk management approach. Risks facing the Group are identified, evaluated and managed by implementing risk mitigations. Assurance on the effectiveness of the internal controls is obtained from various assurance providers in a co-ordinated manner, which avoids duplication of effort. The combined assurance helps to identify gaps or improvement areas in the internal controls.

The Risk Committee considers the risks and the assurance provided through the combined assurance framework and periodically advises the Board on the state of risks and controls in RCL's operating environment. This information is used as the basis for the Board's review, sign-off and reporting to stakeholders via the annual integrated report, on risk management and the effectiveness of internal controls within the Group.

Key risks

The table below provides a brief description of the key operational and strategic risks to which the Group is exposed and the mitigating controls in place to manage these risks.

Business risk	Context	Risk response
Volatility in raw material prices and exchange rates	Significant increase in feed raw material costs which cannot be passed onto customers	<ul style="list-style-type: none"> Raw material procurement is centralised Clear strategy and policy defined The Group Feed Procurement Committee meets at least monthly to review the market factors and set mandates
Recovery of required realisations	Market demand and product price fluctuations due to: <ul style="list-style-type: none"> competition from other domestic and international poultry producers and processors High levels of imports Consumer disposal income and spend 	<ul style="list-style-type: none"> Regular management forecasts and reviews that focus on actions required to deliver desired performance Participation in industry bodies, e.g. SAPA that represent the interest of poultry producers Building Rainbow's brands through innovation and marketing programmes
Level of injection cap proposed by government	The much publicised topic of poultry meat injection and government's proposal to introduce a cap is another issue facing the local poultry industry. An injection cap is likely to result in an erosion of IQF profit margins across all poultry producers, the extent of which will only be determined once the legislated injection level is introduced	Rainbow is playing an active role in working with government and the industry to adopt a responsible approach to the injection of poultry meat which is more in line with Rainbow's current practice and international best practice
Energy and water security and pricing	The Group is aware of the need to reduce the usage of both water and electricity in light of constrained availability and recent price increases	<ul style="list-style-type: none"> A sustainability framework is in place for defining and reviewing environmental objectives and targets Continual focus on waste water reduction and introduction of water re-use systems Research into ways to reduce energy consumption, e.g. use of energy saving lighting on farms and alternative energy sources, i.e. chicken litter, wind and solar energy

Corporate governance report continued

Business risk	Context	Risk response
Non-compliance with laws and regulations	The Group's operations are subject to legislation and regulations by authorities that oversee, including but not limited to: <ul style="list-style-type: none"> • Financial standards • Food labelling requirements • Facility and product requirements • Safety, health and environmental requirements and standards for staff, consumers and customers 	<ul style="list-style-type: none"> • Legal compliance framework is established • Rainbow's Total Integrated Management System (TIMS) facilitates the validation of Rainbow systems and product information to ensure compliance to South African regulatory and statutory requirements • Ongoing employee awareness programmes • External assurance providers • Compliance is monitored and tested on an ongoing basis by Internal Audit, External Audit and third party providers
Disease outbreaks at farms	The outbreak of poultry diseases can impact negatively on the ability to conduct operations and the demand for Rainbow's products	<p>The Group adheres to good farming practices and extensive precautionary measures are in place to ensure the health of the flocks:</p> <ul style="list-style-type: none"> • Bio-exclusion procedures are in place (physical access controls, shower procedures, site clothes, foot dip tanks, vehicle sprays at key sites, insulated houses, trained employees) • Testing of flocks every month for Avian Influenza, Newcastle, Salmonella and Infectious Bronchitis
Fire at distribution facilities, plants and farms	Fires will affect the ability to conduct operations which will impact on financial results	<p>The Group works closely with external risk assessors and insurers to ensure that all facilities have the highest level of fire detection and prevention. Key controls include:</p> <ul style="list-style-type: none"> • All equipment is subject to regular Infrared Inspection (IRIS) audits • Fire hydrants and sprinkler systems • CO₂ systems for electrics • Fire teams and training • Fire alarms and smoke detectors • New panels are fire retardant • Flammable substances are stored separately
Non-conforming food products	Products could potentially be subjected to food hazards if not managed within the supply chain. As a result we may be subject to product liability claims and product recalls and consumer safety	<ul style="list-style-type: none"> • These food safety risks are controlled by introducing Hazard Analysis and Critical Control Points (HACCP) methodology across the supply chain to manage food risks from farm to fork • The Group's TIMS allows the Group to manage risks associated with incoming material, minimise and reduce risks during production, transportation and distribution to customers
IT systems failure	The Group operations are dependent on reliable, secure, effective and efficient IT systems	<ul style="list-style-type: none"> • Business continuity plans and security controls are reviewed and tested regularly and updated accordingly • Key centralised IT systems are backed up and supported by a suitable disaster recovery plan • Key applications are hosted out of genuine data centre facilities accompanied by appropriate UPS and generator redundancy with appropriate network redundancy provided into the data centre • Physical security at the data centre facilities are robust with the required access and environmental monitoring in place • The targeted technology refresh cycle is between three to five years, thus ensuring key applications run on supported platforms • The Group's wide area network communications platform is supported by a back-up virtual private network (VPN)

The Group's risk management processes and practises were independently assessed during the 2011 financial year and were categorised as "developed". Opportunities for further enhancement are evaluated on an ongoing basis.

Legal compliance

The Group has implemented an enterprise wide Legal Compliance Framework which is designed to provide assurance to the Board that the risks posed by non-compliance with legislative and regulatory obligations are being addressed.

The key elements of the framework include:

- A comprehensive legal register which is updated on an ongoing basis
- Divisional legal champions who ensure that their respective divisions monitor and comply with all regulations and legislation
- Legal compliance prevention and monitoring strategies.

The Group attempts to keep up to date with all intended or promulgated legislation through regular interaction with the Group's corporate attorneys. During the period, the following Acts have been identified to have a significant impact on the Group:

- Competition Act
- Consumer Protection Act
- Occupational Health and Safety Act
- Foodstuffs, Cosmetics and Disinfectants Act
- Fertilizer, Farm Foods, Agricultural and Stock Remedies Act
- Companies Act of South Africa.

The audit and risk teams assess significant legal risks and the level of compliance as part of their annual audit activities. Compliance is monitored and tested on an ongoing basis through various means, including Internal Audit, External Audit and third party providers. Reports from the various functions are submitted to the Risk, Audit and Social and Ethics Committees.

IT governance

IT is an integral part of RCL's business and is fundamental to the support, growth and sustainability of the Group. IT within the Group is directed by a dedicated IT director and the overall responsibility for IT governance lies with the Board. Through the IT strategy, the IT roadmap is aligned to the Group's business objectives to ensure that IT consistently enables sustainable value driven solutions and services to the Group.

The Group has adopted Control Objectives for Information and Related Technology (COBIT) as a guideline for establishing and maintaining effective internal controls, including compliance, continuity management and risk. An IT Project Portfolio Management (PPM) tool is in place to align and structure processes

to better measure and manage the overall IT portfolio by ensuring that appropriate project management principles are applied to all new IT projects. These frameworks and associated IT policies and standards ensure that IT risks within the Group are minimised.

Internal Audit performed an assessment of IT governance processes against best practice principles as espoused in King III which confirmed that the maturity of the Group's IT processes are largely aligned to its desired maturity levels. The Group's current focus is on enhancing its IT platform to deliver greater value and efficiency.

SOCIAL AND ETHICS COMMITTEE

In accordance with the requirements of the Companies Act, 2008, the Group constituted a Social and Ethics Committee on 21 February 2012, as a committee of the Board. It is the responsibility of the committee to ensure, amongst other things, that the Group:

- Implements the ten principles of the United Nations Global Compact
- Upholds the goals of the Organisation of Economic Co-operation and Development (OECD) recommendations regarding corruption
- Complies with the Employment Equity Act (as amended) and the Broad-based Black Economic Empowerment Act (as amended)
- Practices labour and employment policies that comply with the terms of the International Labour Organisation (ILO) protocol on decent work and working conditions
- Contributes to the development of the communities within which it operates
- Acts responsibly in relation to the environment and health and public safety.

The Social and Ethics Committee comprises Messrs GC Zondi (Chairman), M Dally (CEO), RH Field (CFO) and Mrs MM Nhlanhla. The Group HR and Corporate Affairs Director and the GARM are permanent invitees to this committee. The committee met twice during the financial year. The committee has set out a reporting framework against which it has reviewed and monitored the performance of the company on key performance areas, being good corporate citizenship, consumer relations, employment equity and labour relations.

Code of ethics and corporate conduct

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

Corporate governance report continued

Through its Corporate Code of Conduct, the Group is committed to:

- Applying the highest standards of integrity in all its dealings with all stakeholders
- 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
- Being proactive toward environmental and social sustainability issues.

The Board has also adopted an Ethics Policy in order to:

- Clearly state acceptable and unacceptable practices
- 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
- Facilitate dispute resolution.

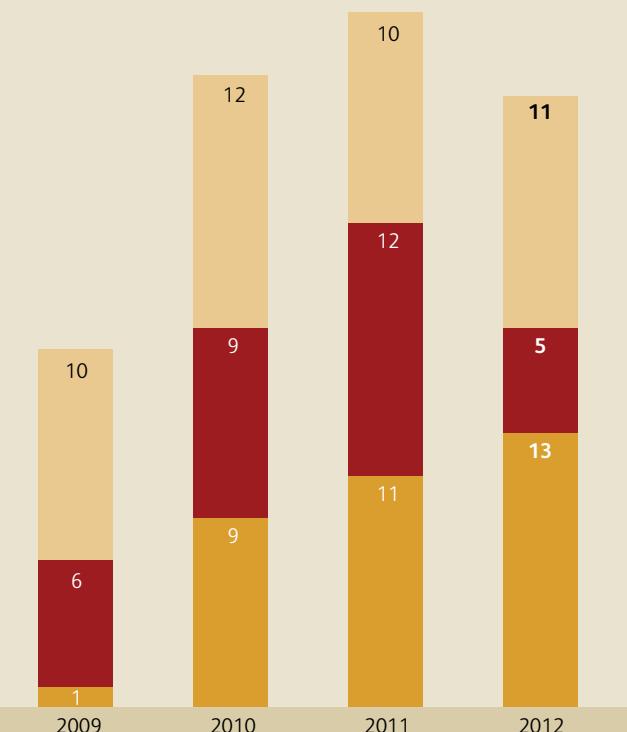
In addition to the Group's other compliance and enforcement activities, the Board recognises the need for a confidential reporting mechanism covering fraud and other risks (whistle-blowing). The whistle-blowing hotline, an anonymous toll-free number, is part of the Group's anti-fraud and anti-corruption efforts and is supported by the Corporate Code of Conduct. This hotline provides an impartial facility for all stakeholders to report fraud, statutory malpractice, crime and deviations from policy. It is a requirement that all employees sign an acknowledgement that they have read and understood the contents of the Code and that contravention of the basic standards contained therein may result in disciplinary action, including dismissal.

In line with its commitment to transparency and accountability, the Group takes action against employees and others who are guilty of fraud, corruption or other misconduct, or who are in breach of Group policies. Procedures are in place for the independent investigation of matters reported and for appropriate follow-up action.

During the 2012 financial year, 23 % of calls that were classified as criminal were resolved resulting in dismissal, resignation and/or disciplinary action against the relevant individuals. The balance of the calls were closed due to either insufficient information supplied by the caller or that the allegations were found to be untrue.

Analysis of tip off calls by category

■ Criminal ■ HR ■ Other



Remuneration report

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee is responsible for the assessment and approval of the remuneration strategy for the Group, determination of short- and long-term incentive pay structures for Group executives, positioning of senior executive pay levels relative to local and international industry benchmarks and assessment and authorisation of specific reward proposals for the Group's executive directors and management. The objective of the remuneration strategy is to employ the necessary skills for the company to achieve its business goals and to base remuneration on personal and company performance in accordance with competitive market practices.

The Remuneration and Nominations Committee operates under the delegated authority of the Board and consists of three non-executive directors and meets at least twice a year. Mr NP Mageza is the Chairman of the Remuneration and Nominations Committee. The other members during the year were Messrs JB Magwaza and MH Visser. Mr RV Smither was appointed to the committee on 12 June 2012. The Chief Executive Officer, Group HR and Corporate Affairs Director and the Company Secretary attend meetings of the Remuneration and Nominations Committee but are excluded from the review of their own remuneration.

A schedule setting out directors' remuneration and equity interest appears on pages 100 to 106.

The mandate of the Remuneration and Nominations Committee also includes:

- Providing guidance on evaluating the performance of executive directors
- Reviewing and recommending to the Board the remuneration of executive directors
- Reviewing and approving general proposals for salary adjustments in the Group
- Approving principles on which short-term incentives for all staff are based
- Approving all awards pursuant to the Rainbow Share Appreciation Rights Scheme
- Approving the overall cost of remuneration increases awarded
- Approving annual performance bonuses
- Reviewing the executive succession plan.

The committee considers the views of the Chief Executive Officer on the performance and remuneration of his colleagues. The Chief Executive Officer and Group HR and Corporate Affairs Director assist the Remuneration and Nominations Committee with analysis of external market data and trends.

In applying agreed remuneration policies, the Remuneration and Nominations Committee is committed to the principles of accountability and transparency and to ensuring that the reward arrangements are linked to Group performance, and are market related and support the business strategies.

GROUP REMUNERATION PHILOSOPHY

Recognising that the Group is operating in a competitive environment, the remuneration philosophy:

- Plays an integral part in supporting the implementation of RCL's business strategies
- Motivates and reinforces individual and team performance
- Focuses on a Total Reward Model that integrates both financial and non-financial benefits
- Is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

The Group's application of remuneration practices:

- Aims to be competitive in specific market sectors in which people are employed
- Determines the value proposition of the various positions within job families or functions
- Ensures that performance management forms an integral part of remuneration, thereby influencing the remuneration components of base pay and incentives
- Applies good governance to remuneration practices within approved structures.

The alignment of these remuneration principles aims to meet the strategic objectives of:

- Attracting, retaining and motivating key and talented people
- Competing in the marketplace with the intention of being a preferred employer
- Rewarding individual and business performance and encouraging superior performance.

Fixed remuneration

Following established market best practice, salaries are set with reference to the scope and nature of an individual's role and his or her performance and experience, comparing with the upper-quartile pay levels of South African companies to ensure sustainable performance and market competitiveness.

Employees receive guaranteed packages which includes membership of one of the Group's approved medical aid schemes and a vehicle allowance for necessary business travel. Retirement and risk benefits, including death-in-service benefits, also apply, subject to the rules of the Rainbow Pension and Provident Funds.

Remuneration report continued

Employees' fixed remuneration is reviewed and increased annually in October by the Remuneration and Nominations Committee.

Annual performance bonus

In addition to guaranteed packages, executive directors and members of management participate in an annual performance bonus scheme to reward the achievement of agreed Group and company financial, strategic and personal performance objectives.

The Remuneration and Nominations Committee sets the performance target for the bonus scheme based on the annual budget which takes into account prevailing market conditions and ensures that a demanding target is in place to encourage performance.

Long-term incentive plans

Executive directors and key selected employees currently participate in two long-term incentive plans designed to recognise their contribution to the business by enabling them to participate in the growth in the value of the Group.

The Rainbow Share Incentive Scheme (RSIS) was previously the only such plan, but developments in the regulatory environment and the change in practice both internationally and locally with regard to incentive schemes necessitated a review of the RSIS by the Board. As a result, the Board recommended the adoption of a new Rainbow Share Appreciation Rights Scheme (RSARS), based on equity-settled share appreciation rights. The salient features of the RSARS were included in the 2009 annual report, and the adoption of the new scheme was approved by shareholders on 31 July 2009.

The Remuneration and Nominations Committee has not issued any further share options in respect of the RSIS since adoption of the RSARS, and the RSIS will simply be allowed to run its course in respect of existing share options. The existing RSIS will remain in place for share options granted and offers made under that scheme until such time as the share options are exercised or lapse or are substituted with awards under the new RSARS.

All other Group employees participate in the growth in the value of the Group through the Employee Share Ownership Programme (ESOP).

Rainbow Share Incentive Scheme (RSIS)

Within the limits imposed by the company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approved and granted share options on an annual basis, as well as periodically when either an employee was promoted or a new appointment was made to an appropriate management position. The share options were granted at the closing share price ruling on the trading days approved by the Remuneration and Nominations Committee.

Share options vest after stipulated periods and are exercisable up to a maximum of ten years from the grant dates (if granted prior to 31 March 2005) or seven years from the grant dates (if granted after 31 March 2005).

Share options granted vest as follows:

- First third – second anniversary of grant date
- Second third – third anniversary of grant date
- Final third – fourth anniversary of grant date.

On resignation, share options which have not yet vested will lapse and share options which have vested may be exercised before the last day of employment. On retirement, share options which have not yet vested will lapse and share options which have vested may be exercised within six months from the date of retirement. On death, share options which have not yet vested will lapse and share options which have vested may be exercised by beneficiaries within six months from the date of death.

Rainbow Share Appreciation Rights Scheme (RSARS)

The new RSARS provides executive directors and selected employees with conditional rights to receive RCL ordinary shares, referred to as Share Appreciation Rights (SAR).

Within the limits imposed by the company's shareholders and the JSE Limited, the Remuneration and Nominations Committee approves and awards SAR on an annual basis, as well as periodically when either an employee is promoted or a new appointment is made to an appropriate management position. Recipients of SAR become entitled to RCL shares having a value equal to the increase in the market value of a number of notional RCL shares. The market value of RCL shares for the purposes of determining award prices and exercise prices is the volume-weighted average price of RCL shares traded on the JSE for the five business days immediately preceding the award dates and exercise dates approved by the Remuneration and Nominations Committee.

SAR awards vest after stipulated periods and are exercisable up to a maximum of seven years from the award dates.

SAR awards vest as follows:

- First third – third anniversary of award date
- Second third – fourth anniversary of award date
- Final third – fifth anniversary of award date.

On resignation, SAR awards which have not yet vested will lapse and SAR awards which have vested may be exercised before the last day of employment. On retirement, unvested SAR awards vest immediately and all SAR awards may be exercised within 12 months from the date of retirement. On death, unvested SAR awards vest immediately and all SAR awards may be exercised by beneficiaries within 12 months from the date of death.

Employee Share Ownership Programme (ESOP)

Employees are key to the future ambitions of the business, and in 2008 shareholders approved a Broad-based Black Economic Empowerment (BEE) transaction, the largest participant which is the Rainbow Employee Trust. The trust was established to facilitate the implementation of the Employee Share Ownership Programme (ESOP), which enables all employees to participate in the future growth of the business and to share in the wealth that they help to create. Participation extends to all permanent employees on a non-discriminatory basis, and excludes only executive directors and selected employees who participate in either the RSIS or the RSARS outlined above.

In terms of the ESOP, all participating employees have been allocated the same number of units, irrespective of seniority or position in the Group. Each unit represents a potential future RCL shareholding, as they will be converted on 30 July 2018 into RCL shares in the hands of the employees. To encourage staff retention, employees who remain employed by the Group for a period of five years qualify for additional units.

POLICY ON DIRECTORS' FEES AND REMUNERATION

The directors are appointed to the Board to bring competencies and experience appropriate to achieving the Group's objectives.

Executive directors

The current employment agreements of executive directors outline the components of their remuneration. At present, remuneration is divided into two components: a fixed component and a variable component comprising an annual performance bonus and long-term incentives in the form of the RSIS and RSARS, ensuring that a portion of their package is linked to the achievement of improved business performance.

Directors' service contracts

There are no fixed-term service contracts for executive or non-executive directors.

Non-executive directors

The Remuneration and Nominations Committee determines the remuneration of non-executive directors.



Abridged sustainability report

INTRODUCTION

RCL's sustainability report is presented annually as part of its integrated report, however, in an abridged format. The detailed sustainability report is included on Rainbow's website at www.rainbowchicken.co.za.

RCL recognises that true sustainability cannot succeed in isolation and as such the sustainability strategy has been integrated in the overall business strategy and forms one of the five strategic drivers of the business. In line with the company's "Strategy into Action" (SIA) process, the sustainability strategy has been converted into a number of strategic goals, each with measurable key performance indicators and targets. This integrated management approach ensures strong alignment between the sustainability strategy and the day-to-day business activities. RCL has established appropriate governance structures for the advancement of sustainable development through a sustainability charter which has been included as part of the Risk Committee mandate. In addition, management systems have been implemented, some of which are independently verified, that provide the platform for managing the Group's economic, social and environmental practices as indicated in the pages that follow.

STAKEHOLDER ENGAGEMENT PROCESS

The Group subscribes to a partnership approach in the way business is conducted. It seeks to constructively engage its key stakeholders so as to understand and be able to respond to their

needs. Interaction occurs with key stakeholders in the business through a number of formal and informal channels, including participation in industry forums, the investor relations function and consumer careline.

While shareholders are primarily concerned with value creation, government and local communities are looking to the Group to create direct and indirect job opportunities, improve community infrastructures and protect the environment. The Group's stakeholder process is therefore underpinned by management's responsibility to remain visible and accessible to all its stakeholders and will continue to emphasise open and transparent dialogue in order to anticipate trends and make changes where possible to the way it currently operates.

The Board accepts its duty to present a balanced and understandable assessment of the Group's position in reporting to stakeholders 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. The integrated annual report seeks to address matters of significant interest and concern to all stakeholders and to 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 complete, fair and honest account of its performance.

The table below sets out the Group's key stakeholders and a brief description of the nature of interactions.

Key stakeholders	Dialogue channels and forms of engagement	
Shareholders and other providers of capital	<ul style="list-style-type: none">• Annual general meeting• Investor relations• Bi-annual results announcements• Trading updates	<ul style="list-style-type: none">• SENS announcements• Integrated annual report• Websites
Business partners and customers	<ul style="list-style-type: none">• Face to face interventions• Regular meetings and workshops• Market, customer and in-store surveys	
Local community	<ul style="list-style-type: none">• Selected projects as part of Corporate Social Investment• Regular meetings with municipalities and civic organisations	
Government and regulators	<ul style="list-style-type: none">• Corporate affairs, legal and investor relations functions	
Industry	<ul style="list-style-type: none">• Southern African Poultry Association (SAPA)• Consumer Goods Council of South Africa (CGCSA)• Animal Feed Manufacturers Association (AFMA)• South African Agricultural Processors Association (SAAPA)	
Consumers	<ul style="list-style-type: none">• Consumer careline• Consumer and product surveys	<ul style="list-style-type: none">• Advertising campaigns in print and media• Consumer immersions
Staff and unions	<ul style="list-style-type: none">• Roadshows• Good to Great leadership journey• Intranet• Staff meetings and training	<ul style="list-style-type: none">• Performance reviews and career planning• Management and Union meetings• Confidential hotline through "Tip Offs Anonymous"
Suppliers	<ul style="list-style-type: none">• Direct relationships with suppliers to enable partnerships• Face to face interventions• Regular meetings and workshops	

ECONOMIC SUSTAINABILITY PRACTICES

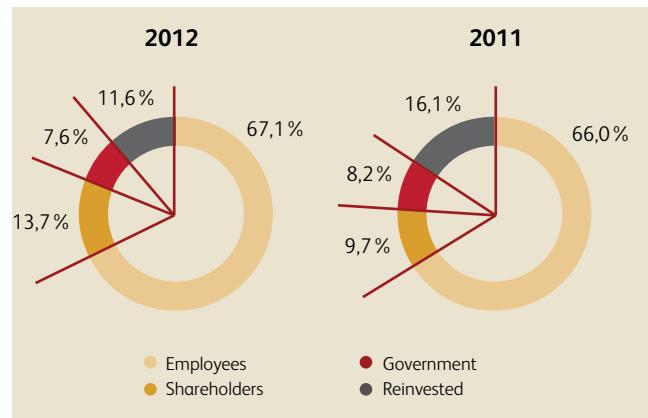
Creating value for stakeholders through sustainable economic growth and development encompasses a number of elements. In generating economic value for shareholders and other stakeholders, Rainbow provides a quality and affordable food source to the South African nation and creates jobs both within the business and along the supply chain in the formal and informal sectors. The Group is committed to doing business through fair commercial competitive

practices and to trading with customers and suppliers that subscribe to the same high ethical business practices.

The Group generated headline earnings of R267,1 million for the year ended 30 June 2012, from which major stakeholders benefited in varying proportions as indicated in the table below. Employees were the main beneficiaries, followed by shareholders through dividends and government through taxes.

Value added statement

	12 months to 30 June 2012 R'000	%	15 months to 30 June 2011 R'000	
Revenue	7 855 142		8 621 389	
Paid suppliers	(5 971 078)		(6 338 218)	
Value added by operations	1 884 064		2 283 171	
Finance income	7 370		21 520	
Total value added	1 891 434		2 304 691	
Applied as follows:				
To pay employees				
Salaries, wages and benefits	67,1	1 269 554	66,0	1 520 554
To pay providers of capital	13,7	258 604	9,7	224 348
Interest paid	0,6	11 358	0,1	1 808
Dividends paid	13,1	247 246	9,6	222 540
Tax (excluding VAT)	7,6	143 469	8,2	188 139
Reinvested in the business	11,6	219 807	16,1	371 650
Depreciation and amortisation	10,6	200 286	9,1	210 340
Retained earnings	1,0	19 521	7,0	161 310
	100,0	1 891 434	100,0	2 304 691



Abridged sustainability report continued

BEE SCORECARD					
BEE category	Element	Maximum score	Score		
			2012	2011	
Direct empowerment	Ownership	20	13,86	11,04	
	Management	10	2,68	2,92	
HR development	Employment equity	15	6,92	5,45	
	Skills development	15	7,21	4,11	
Indirect empowerment	Preferential procurement	20	15,39	12,48	
	Enterprise development	15	15,00	15,00	
	Socio-economic development	5	5,00	4,85	
Total score			66,06	55,85	
Recognition status			Level 4 100% contributor	Level 5 80% contributor	

Broad-based Black Economic Empowerment (B-BBEE)

RCL continues to fully support the principles embodied in the BEE Act 53 of 2003, the BEE Codes of Good Practice and the Agriculture BEE Sector Transformation Charter aimed at ensuring greater participation by black people in the country's agriculture sector.

During the reporting period, the Group improved its B-BBEE rating through focused empowerment initiatives aimed at supporting the Group's long term B-BBEE strategies.

RCL's B-BBEE verification process was conducted by Empowerdex, an external SANAS accredited verification agency. Concluded on 31 August 2012, the Group achieved a level 4 contributor level, equating to a 100% procurement recognition level, and a total of 66,06 points on the generic scorecard.

Preferential procurement

The Group continues to focus on all BEE procurement aspects, while encouraging further Qualifying Small Enterprises (QSE) and Exempted Micro Enterprises (EME) participation, and further leveraging opportunities of sourcing from black and black women owned suppliers.

The score for the preferential procurement element of the scorecard is 16,19 points, which improved significantly from the previous verification score of 12,48, due mainly to ensuring that we have procured from suppliers with BEE credentials.

Contract growers

The Group has achieved maximum points on Enterprise Development mainly due to Rainbow's contract grower initiative which has proven its significant potential to deliver true empowerment to previously disadvantaged persons in the poultry industry. A contract grower is a farmer that rears chickens on behalf of Rainbow using the grower's own farm and facilities, with Rainbow supplying the chicks, feed and in some instance the transfer of skills.

The fundamental principle is that the farms must be owner managed ensuring that there is a true transfer of skills, knowledge, accountability and responsibility from Rainbow to the grower. All growers are managed and mentored against the Rainbow standards and best operating practices. Rainbow's key performance indicators (KPIs) are used and best operating practices manuals (BOPs) are followed ensuring that the strictest animal welfare and bio-security practices are enforced.

Growers or potential growers are given all the necessary guidance and support, including the development of the business plan, accessing of finance and day-to-day management of their independent growing operation. Regular interactive workshops are held with Rainbow's local and international partners, suppliers and specialists to ensure that the necessary knowledge and skills are transferred and maintained at the highest levels.

Rainbow is proud of its black growers and their continuing outstanding performances. For the reporting period, Rainbow's expenditure on contract growers was R172,7 million with 25,7% or R44,5 million of that amount spent on black growers.

ENVIRONMENTAL SUSTAINABILITY PRACTICES

RCL takes full responsibility for the impact it has on the environment by challenging every employee to ensure effective use of resources. In addition, the Group favours suppliers and partners who have similar environmental policies.

The Group strives to use the best environmental practices on all land used for farming, processing, milling or distribution operations, whether it be owned or leased.

Nature conservation

The Group supports nature conservation and views it as an important national heritage. In this regard, Rainbow leases approximately 630 hectares to the North West Parks Board for the enlargement of the Rustenburg Nature Reserve, for one rand per annum.

Additionally, at the Group's 1 547 hectare Roodewaal farm near Koster in the North West province, Rainbow has permission from the Department of Nature Conservation to conserve game. Bordered by three game farms, it actively supports the North West Parks Board and game farming in the area by helping to ensure wildlife and plant conservation.

Environmental management system

The Group is in the process of implementing an Environmental Management System based on ISO 14001 principles. All mills are fully certified and implementation for the processing facilities, agricultural farms and distribution facilities are targeted for completion by the end of the 2013 financial year. This new system will ensure improved management of environmental risks.

Environmental risk

Rainbow has identified the following potential environmental risks in its operations:

Environmental risks	Risks are mitigated by
Fires	An environmental policy providing the framework for setting and reviewing environmental objectives and targets
Air pollution	Environmental management programmes and key performance indicators that are monitored regularly
Natural resource depletion	Effective training programmes
Hazardous chemical, diesel and gas spillage	Effective bio-security and security procedures at all operations
Odours from processing plants and mills	Effective health and safety procedures
Poultry disease outbreaks on farms	Supply agreements with registered waste companies for the safe disposal of diseased birds and contaminated or hazardous waste
Energy consumption	Fire breaks maintained on all farming operations
Ground and surface water pollution	Bund walls around all diesel tanks
Waste disposal	Chemical store rooms allowing for segregation of hazardous chemicals
Water shortages and water quality	Electronic fuel filling and monitoring systems, computerised vehicle routing system to route deliveries in the most efficient manner and technologically advanced tracking system to monitor the adherence to the most efficient planned route
	Regular water quality assessments and proactive management to ensure sufficient and reliable water supply.

Abridged sustainability report continued



32 old ventilation fans are replaced by 12 new efficient fans which are automatically controlled. The electrical load of each upgraded house is reduced by 40%.



Energy usage

To drive energy saving and carbon footprint reduction the Group has set a target reduction of 5% per ton produced on heat and power consumption. This target is based on 2011 consumption and is supported by a number of initiatives:

- Poultry house upgrades consisting of ventilation control and redesign ensures that electrical and heating requirements are reduced. A total of 14 houses were upgraded during the year
- Rainbow's Agricultural Engineers, together with technology providers, have designed a revolutionary lighting system for poultry houses. This fully controllable LED lighting system ensures that the correct lux levels are maintained throughout poultry houses, saving 900 mWh per year in the 22 houses that were retrofitted with LED lighting systems. The replacement programme will continue throughout the next financial year
- Waste heat recovery ensures that "free heat" from refrigeration equipment is utilised efficiently at one of the processing facilities. This has proven to be effective and will be rolled out to other facilities where applicable
- Power factor correction modules directly reduce electricity consumption by 8% – 20% and indirectly reduce maintenance on motors, lights and other electrical equipment
- The design of the new Plant Based Cold Storage warehouse in Rustenburg incorporates the latest in energy saving refrigeration technology. Increased insulation wall thickness, efficient refrigeration control and rainwater harvesting are some of the new facility's "green" features
- Smart metering enables Rainbow to gather critically important data with regards to electricity consumption and demand patterns. It enables facility managers and engineers to trend historical consumption patterns and to exercise better control on how operations are managed. Smart metering provides the necessary "baseline" data for feasibility studies on energy conservation, optimisation and co-generation initiatives. It also

provides good insight into post-implementation success rates when comparing pre- and post-installation data sets. Rainbow has rolled out "smart metering" to all milling operations, one hatchery, one processing plant and two distribution warehouses during the past year.

Water

Poor water quality and water shortages are significant potential risks to the business. Rainbow has mitigated the risk of water shortages by building additional reservoirs to hold capacity in times of shortage and is looking at ways of reducing the demand for water in rearing the parent stock and broiler birds and in the slaughtering process. With significant water usage, water effluent needs to be managed and every effort is made to recycle effluent water. Measuring wastage enables early detection of system defects that can be rectified to minimise potential losses and impact on the environment.

Rainbow has invested in two artificial wetlands where natural fauna is used to break down and extract organic matter from poultry house wash water. Water samples will be taken from these wetlands on a regular basis to evaluate the efficiency of this zero energy, zero carbon water recycling solution.

Recycled water from the three major primary processing plants is used as grey water for cleaning and the balance is discharged to municipal effluent plants for further recycling. Recycled water is only used once the Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) levels are reduced to acceptable standards.

The Worcester plant has a chemical free water treatment plant and has seen a substantial improvement in waste water quality.

Waste and recycled products

The Group analyses all types of waste material generated. Options for possible re-use and disposal are assessed to ensure that it is used or disposed of in the most environmentally friendly way.

Rainbow uses the following recycled products from other suppliers in its processes:

- Wood shavings as bedding for the chicken houses
- Recycled paper is utilised in the finished product outer carton packaging
- Recycled plastic is utilised in the manufacture of plastic catching crates.

Packaging

A packaging sustainability strategy is being formalised by an internal workgroup that was formed during the reporting period. This will have a 2020 view towards implementing packaging that is aligned with the Department of Environmental Affairs and Tourism (DEAT) waste management strategy initiatives around recycling and recovery in South Africa.

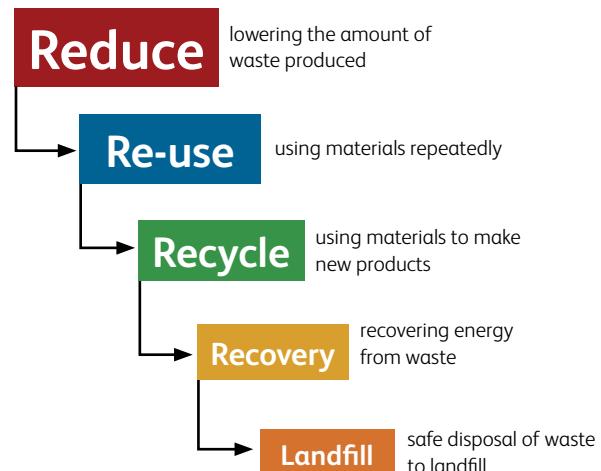
Baseline audits currently being conducted on packaging consumption will allow specific targets to be set towards reducing the impact on waste to landfill despite growing production volumes.

By designing packaging with the environment in mind, Rainbow has reduced indirect CO₂ emissions during the reporting period through the following initiatives:

- Eliminating 285 tons/annum of carton board (equivalent to 151 tons CO₂e/annum) by moving certain products out of carton board and into polypropylene plastic bailed bags
- With increased focus, improved processes, and successful implementation, Rainbow halved split bag returns which would have negatively impacted post-consumer waste to landfill with an extra 6 tons of Low Density Polyethylene (LDPE) plastic
- Rainbow successfully converted 100 % of cartons used for frozen product distribution to recycled liners avoiding consumption of 1 100 tons of virgin liner. With implementation of a more efficient carton design, the Group has saved a further 41 tons of carton board (equivalent to 42 tons CO₂e) throughout the supply chain
- Carton board boxes used as secondary packaging have been replaced with re-useable plastic bags. Care is taken to ensure that a high level of hygiene is maintained at all times. This initiative achieves a 5 ton carton board saving annually (equivalent to 5,3 tons per annum of CO₂ emissions).

Packaging preserves, protects, contains, transports, informs and sells our products. Reducing the pre- and post-consumer impact of packaging materials is a responsibility Rainbow takes very seriously. Rainbow has also added the recycling codes and statements such as "care for our environment" and "dispose of packaging responsibly" to all packaging material. Rainbow has also challenged its strategic packaging suppliers to assist with finding ways of implementing the 4Rs to all packaging materials used (i.e. Reduce, Re-use, Recycle, Recover).

Most favoured option



Least favoured option

Emissions to air

The Group recognises its responsibilities in terms of the Air Quality Act, No 39 of 2004, and as such ensures that Rainbow's animal matter reduction plants, coal-fired boilers and boiler stacks are well maintained and routinely inspected.

Additional management process changes have taken place within Rainbow's rendering plants to ensure:

- Capacities of all cookers and driers are not exceeded
- Alternative disposal of raw material is available through registered waste companies
- Cooking recipes are balanced to prevent odours
- Routine scheduled maintenance is carried out for the effective running of all equipment
- The use of specialist consultants to investigate possible further improvements in rendering of processing waste material.

Rainbow has invested in an odour control system at the Worcester processing plant. Ozone deodorises and purifies by a process of oxidation permanently converting odours and bacteria into water vapour making it a safe and viable alternative to traditional chemical odour control methods.

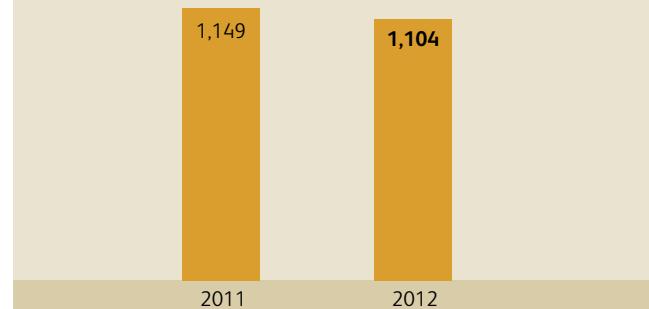
While there is currently no legislation governing vehicle emissions, the Group and especially Vector is conscious of this impact on the environment and as a result all vehicles are maintained and replaced on a regular basis to minimise both emissions and diesel fuel wastage.

Abridged sustainability report continued

Carbon disclosure

In the 2010 Carbon Disclosure Leadership Index, the Group achieved 84% and joint seventh position in the SA top 100 companies. Due to a recent reduction in market capitalisation, the Group was not included in the 2011 and 2012 samples, however, RCL continues to participate in Remgro's submission of the Carbon Disclosure Project by providing information on its greenhouse gas emissions.

Emissions intensity (t CO₂e/ton processed for sales)



SOCIAL SUSTAINABILITY PRACTICES

Employees

The Group recognises the importance of its people in attaining sustained business performance. Human resource policies and operational strategies, which include an understanding of national imperatives and relevant legislation have been implemented across the Group. This provides a platform for building a community of inspirational people who have a common purpose. Specific focus areas include:

Key area	Business response
Human capital	<ul style="list-style-type: none"> The Group firmly believes that sustainability is synonymous with achieving long-term human capital development and corporate social responsibility objectives. The “Good to Great” journey process has again been effective in developing the business leadership and achieving alignment with the respective strategies
Talent management	<ul style="list-style-type: none"> Attracting and retaining talent, supported by leadership and talent management programmes, is key to transforming the organisation from “Good to Great” Underpinning this are individual development plans and sound succession plans which ensure that high potential employees are recognised and prepared for the future As part of the talent management process, people development systems and processes have been enhanced with greater emphasis on the integration of the 2015 Employment Equity objectives. The Leadership Standards and Behaviours have been rolled out across the business, promoting behaviours that ensure every manager is accountable for sustainable delivery. Employees are also able to access specific training within defined learning pathways, such as leadership and professional skills
Employee relations	<ul style="list-style-type: none"> The Group acknowledges the right of all its employees to freedom of association, and actively drives best management practices in all its operations in order to create a work environment conducive to productivity, participation and organisational stability Through constructive recognition agreements, the Group has a significant bargaining unit, with 74% of its employees within the bargaining unit, and for whom the recognised trade unions negotiate annually their salaries and conditions of employment. To ensure proper communication and engagement with the recognised trade unions – our social partners and various trade union regional and site based employee representative forums are in place to facilitate information sharing and consultation In order to ensure equitable and fair working conditions, the Group has well developed disciplinary and grievance policies and procedures. These policies and procedures are communicated to all employees during their induction, through training, on the intranet and through ongoing communication of the Group’s standards, policies and procedures
Remuneration	<ul style="list-style-type: none"> The Group’s philosophy is to reward for performance that achieves the organisation’s objectives. Competitive remuneration packages are structured in order to attract, reward and retain the talent needed to achieve the strategic goals. Salaries are reviewed annually The Group continually reviews its reward and remuneration policies and strategy in line with industry best practice. By doing this, an effective and equitable compensation practice across the organisation is maintained

Abridged sustainability report continued

Key area	Business response
Resourcing	<p>Resourcing scarce and critical skills has continued to prove challenging, especially within specific geographies. The Group has focused on improving resourcing strategy and practices by:</p> <ul style="list-style-type: none"> • Enhancing the use of psychometric tools in aiding the recruitment decision • Improving the use of resourcing performance indicators as part of an integrated HR dashboard • Leveraging technology and maximising use of an e-recruitment portal • Effective management of resourcing service providers and service level agreements • Maximising the effectiveness of media advertising channels for resourcing • Growing the bursary and graduate entry channels • Focus on employment equity (EE) appointments <p>By acknowledging that no resourcing strategy operates in isolation, but rather is integrated into the overall HR strategy and policy framework, the following key activities have been implemented:</p> <ul style="list-style-type: none"> • Centralisation of management recruitment across the Group, streamlining the process, creating consistency in regard to best practices, creating a positive experience for applicants • Continued focus on African, Coloured and Indian (ACI) recruits at management level • Development of professional recruitment skills amongst human resources and line management teams • Globally recognised behavioural event interviewing processes have been rolled out to managers within the Group to equip them with the skills they need to deliver the resourcing strategy and partner with recruitment to find the best talent for their teams • Built a recruitment network to enhance RCL's employer brand in the market place
Employment equity	<ul style="list-style-type: none"> • RCL is an equal opportunity employer committed to a policy of employment equity. Progress towards achieving the Group's workforce diversity objectives is measured through Group targets and monthly progress reporting • There is a process of iterative consultation and engagement with the businesses Employment Equity Committees to ensure the Group delivers against its employment equity plan for 2015 • Continuous engagement and consultation with the regional Employment Equity Committees for all issues relating to workplace diversity • The integrated business transformation or "journey" process previously rolled out to management within the business, has been further rolled down to all employees at all levels within the organisation. This provides the opportunity for all employees to connect with and relate to fellow employees from many different cultures, backgrounds, different genders and encourages employees to view each other as unique individuals

Key area	Business response
Staff health and safety	<ul style="list-style-type: none"> • A national health and safety policy has been adopted by the Board which commits all operations and facilities to the provision and maintenance of a working environment that is healthy and safe • Senior managers investigate lost time injuries and determine actions to prevent a recurrence of incidents • Risk management audits (both internal and external) and health and safety key performance indicators are key elements in evaluating performance • Health and safety register specifically designed to highlight and address any legal issues • Occupational health care infrastructure with accredited service providers to provide best practice • Health and safety risks are mitigated by having: <ul style="list-style-type: none"> – Dedicated risk control personnel in each operation – Health and Safety Committees in each operation consisting of elected health and safety representatives, workers' union representatives and management, who meet on a monthly basis to address risks – Occupational health and safety risk identification and assessment – Policies and procedures on how to mitigate each of the risks, in addition to ensuring compliance with all legislation – Centralised reporting and monitoring of all issues and incidents – Training programmes for all employees in all aspects of health and safety, ensuring appropriate understanding, accountability and responsibility for health and safety • Disabling incident frequency rate (DIFR) relates to the number of disabling incidents per 200 000 man-hours worked. Disabling incident is defined as any incident in which an employee is booked off work for more than a shift following the incident. The DIFR for 2012 is 1,6 which is a marginal improvement compared to the previous year of 1,7
Employee wellness and HIV/AIDS	<ul style="list-style-type: none"> • The Group is committed to provide employee wellness programmes that ensure that its employees have access to support initiatives that focus on health and wellness, alcohol and substance abuse and HIV/AIDS. The Group's HIV/AIDS policy guides the business in the management of HIV/AIDS, placing emphasis on education and peer education, prevention, voluntary counselling and testing • As part of Human Resources strategy to deliver vitality and employee wellness, a National Wellness Day was held on 1 September with specific emphasis on providing assessment facilities in order to create awareness around various health and wellness issues and to empower employees to take responsibility for their health status • The Group engages the services of "Careways" and partners with "Life Occupational Health" and "Occuwell" to ensure that the Group delivers professional onsite service in many of the operations

Abridged sustainability report continued

Consumers

Consumers are becoming increasingly proactive with regard to issues such as health and safety, farming practices, animal welfare, product safety and product labelling. The Group regards these issues as critical to its business and addresses them in a variety of ways.

Stakeholder concerns	Business response
Product quality and safety	<p>The Group demonstrates its commitment to product quality and safety through:</p> <ul style="list-style-type: none"> • Appointing certified meat inspectors, processing and engineering personnel to ensure safe products which comply with defined specifications • Appointing SHEQ teams to verify processing, food safety, legal and quality compliance by conducting audits • Adopting Total Integrated Management System (TIMS) tools which are used to monitor, trend, verify, validate and report facility standards, equipment standards, processes and activities that impact on processing performance, food safety and product quality • Cold chain maintenance during processing, warehousing and transport • Ensuring that raw materials, ingredients and packaging materials are traceable with mock recalls being conducted • Compliance with ISO 22000
Labelling	<ul style="list-style-type: none"> • The Group is committed to adhering to labelling regulations • Conforms to the regulations in Foodstuffs, Cosmetics and Disinfectants Act, No 154 of 1972 and compliance with regulation R146 was completed in March 2012 • Supports the Consumer Goods Council of South Africa (CGCSA) and Global Standards (GS1) in listing of all products with GS1 • Labelling of all saleable units with EAN-13 barcodes and cartons with ITF-14 barcodes • Carton label reflects production batch number, case number, production date and sell-by date • Suppliers of packaging material with pre-printed barcodes are obliged to comply with GS1 standards
Halaal status	<ul style="list-style-type: none"> • Chickens are slaughtered by Halaal slaughterers and all ingredients used for Rainbow brands have Halaal status • Inspectors from the South African Halaal Authority (SANHA) and from the Muslim Judicial Council (MJC) ensure that all practices are in accordance with Halaal standards
Consumer insight	<ul style="list-style-type: none"> • Marketing and product development teams ensure that the Group develops and markets competitive brands at competitive prices • The Group keeps abreast of national and international trends, through research and consumer interactions within a variety of target markets

Consumer complaints

The Group continuously engages with consumers through the following:

- National Complaints System
- The Rainbow website
- Consumer immersions
- Consumer care line
- Advertising campaigns in the print and media
- Consumer product surveys.

The national complaint system provides a care line for all Rainbow products. All details are centrally logged and emails are

forwarded daily to the national complaints department where dedicated personnel manage all complaints. Personal contact with customers and consumers, response time and actions taken to prevent the same problems from occurring again, are keys to the success achieved thus far with the care line. The information is communicated to all relevant teams for action and presented to Executive Management at the National Management Review. In 2012, the Group responded to 99% of complaints within 48 hours.

Through these avenues the Group receives feedback from consumers and customers, covering complaints, queries and compliments.

ISO management systems

As a participant in the food industry, the Group complies with the strictest standards and continuous monitoring by internal and external parties ensures that these standards are adhered to. International Standards Organisation (ISO) principles are therefore embedded in the TIMS across the supply chain (from “farm to fork”) to exceed customer satisfaction, to build customer trust, to reap commercial benefits and to drive sustainability in a changing environment.

THE GROUP HAS IMPLEMENTED THE FOLLOWING ISO MANAGEMENT SYSTEMS	
ISO	Operation
ISO 22000	National office, further processing plants, Hammarsdale, Rustenburg and Worcester primary processing plants, agricultural operations, feed mills and distribution centres
ISO 9001	Feed mills
ISO 14001	Feed mills
ISO 14001*	Agricultural operations, further processing plants, primary processing plants and distribution hubs
OHSAS 18001	Hammarsdale primary processing plant and feed mills
OHSAS 18001*	Rustenburg and Worcester primary processing plants, further processing plants, distribution hubs and agricultural operations
ISO 17025	Laboratories

* In progress of being implemented

CORPORATE SOCIAL INVESTMENT

Rainbow, as South Africa's largest processor and marketer of chicken, provides protein to a large number of South Africans, thus playing an important role in feeding the nation. RCL therefore believes that it has a responsibility to assist in improving the lives of disadvantaged communities in the areas in which the company operates. RCL has a corporate social investment (CSI) policy which seeks to make a significant impact in the communities within which it operates.

A key focus of RCL's CSI policy is education, and RCL is proud to be involved with the Star Schools Project. RCL has partnered with Star Schools to drive this programme, allowing underprivileged high school learners in grades 10 to 12 access to extra tuition in Maths, Science and English. Established in Hammarsdale in 2007, the programme has since been extended to Worcester and Rustenburg. To date over 350 learners have passed through the programme, which has brought about significant improvements in individual performance and the group pass rate. Top performers in each location are recognised and bursaries for tertiary study are awarded. Group staff also offer career guidance at each site's annual Career Day.

RCL encourages the learners to continue their studies in such fields as food technology and engineering, and given the shortage of skills in these areas, will ensure a valuable future resource to the Group.

The Group has an established bursary programme aimed at the children of our employees, and is able to provide a bursary to children with good academic results and potential, but without the financial means to achieve a tertiary qualification. Total CSI spend (excluding bursaries, HIV, health and wellness spend) was R4 million in 2012.

The Group understands that the arts play a vital role in developing the “whole person” and boosting individual self-esteem. To give young actors and singers exposure to the “real” theatre environment, Rainbow sponsors the Young Performers Project, which for the past 12 years has been producing a top-class annual musical with a cast of performers drawn from schools around Durban.

RCL achieved the maximum score of 5 for the socio-economic development element of the B-BBEE scorecard.

ASSURANCE

Sustainability performance and reporting has not been independently assured for the period. The Board has relied on internal assurance providers with regard to the reliability of sustainability issues in the integrated report. Independent assurance will be included in the Board's agenda for the 2013 financial year.

Abridged sustainability report continued

KEY STATISTICS

	2012 12 months Rm	2011 15 months Rm
ECONOMIC PERFORMANCE INDICATORS		
Impact on suppliers		
Total paid to suppliers	5 971	6 338
Total contracted spend	1 659	1 505
Major sources of suppliers:		
– transport	460	519
– total contract growers	173	179
– BEE contract growers	45	46
– electricity	233	228
Impact on employees		
Total payroll and benefits	1 270	1 521
Impact on providers of capital		
Total interest paid to funders	11	2
Total dividends to ordinary shareholders	247	223
Reserves	20	161
Impact on public sector		
Tax (excluding VAT)	143	188
Impact on community		
Social responsibility expenditure	4	4

	2012 12 months	2011 15 months
ENVIRONMENTAL PERFORMANCE INDICATORS		
Water consumption	(kl)	7 795 275
Energy consumption		9 472 675
– coal	(tons)	25 789
– gas	(kl)	30 571
– diesel	(kl)	5 916
Recycled waste products		
– cardboard waste	(tons)	327
– litter	(m ³)	393 924
– plastic waste	(tons)	439
– scrap metal and timber	(tons)	546
– treated water for recycling	(kl)	2 368 833
– treated water as a percentage of total water consumption	(%)	30
Non-compliance, prosecution and fines		nil
SOCIAL PERFORMANCE INDICATORS		
Full-time employees		7 942
Net full-time employment (reduction)/creation		(66)
Bargaining unit employees	(%)	74
Training expenditure	(Rm)	15
Disabling incident frequency rate		1,6
		1,7

GRI INDEX

The following table provides a summary of the Group's reporting against the criteria of the Global Reporting Initiative's Sustainability Reporting Guidelines (www.globalreporting.org).

GRI element		Page	Report section/additional comment
Vision and strategy			
1.1	Sustainable development vision and strategy	42	Introduction
1.2	CEO statement	17	Chief Executive's Review
Profile			
2.1 – 2.8	General organisational details	3 110	RCL national footprint, total assets, effective holding
2.9	List of stakeholders	42	Key stakeholders
2.10 – 2.16	Details on nature and scope of the report	42	Introduction
2.17 – 2.22	Profile of the report – including implementation of GRI principles and external assurance	42	Introduction
Governance structure and management systems			
3.1 – 3.8	Structure and governance	28	Stakeholder engagement process, corporate governance
3.9 – 3.12	Stakeholder engagement issues	49	Social sustainability practices
3.13 – 3.20	Overarching policies and management systems	53	Corporate governance, ISO management systems
Economic performance indicators			
EC 1 – 2	Clients: Net sales and markets	43	Value added statement
EC 3 – 4	Suppliers: Costs of purchased goods/payment of contracts in accordance with terms	43	Value added statement
EC 5	Employees: Total payroll and benefits	43	Value added statement
EC 6 – 7	Providers of capital: Distributions to providers of capital. Changes in retained earnings	43	Value added statement
EC 8 – 9	Public sector: Taxes and subsidies	43	Value added statement
EC 10	Community donations	54	Key statistics
Environmental performance indicators			
EN 1 – 2	Material use	54	Key statistics
EN 3 – 4	Energy use	54	Key statistics
EN 5	Total water use	54	Key statistics
EN 6 – 7	Biodiversity	54	Key statistics
EN 8 – 13	Emissions, effluents and wastes	54	Key statistics
EN 14 – 15	Environmental impacts of products and services	54	Key statistics
EN 16	Incidents and fines	54	Key statistics
Social performance indicators			
Labour practices and decent work			
LA 1 – 2	Workforce breakdown and employment creation	54	Key statistics
LA 3 – 4	Labour relations	49	Employee relations
LA 5 – 8	Health and safety issues	51	Staff health and safety
LA 9	Training and education	49	Talent management
LA 10 – 11	Equal opportunity policies and programmes	50	Employment equity
Human rights			
HR 1 – 7	Strategy and management, freedom of association, child labour, compulsory labour	49	Employee relations
Society			
SO 1 – 3	Policies to manage impacts on communities, to address bribery and corruption, and on political contributions	44	Code of ethics and corporate conduct, environmental sustainability practices
Product responsibility			
PR 1 – 3	Policies for preservation of client health and safety in using products	52	Product quality and safety

King III index

The following provides an assessment of RCL's compliance with King III

Key:		Internal audit
✓	Compliant	✓ Effective risk based Internal Audit
¥	Partially compliant	✓ Written assessment of the effectiveness of the company's system of internal controls and risk management
#	Under review	✓ Internal Audit is strategically positioned to achieve its objectives
•	Not applicable	
Ethical leadership and corporate citizenship		Audit Committee
✓	Effective leadership based on an ethical foundation	✓ Effective and independent
✓	Responsible corporate citizen	✓ Suitably skilled and experienced independent non-executive directors
✓	Effective management of company's ethics	✓ Chaired by an independent non-executive director
Boards and directors		✓ Oversees integrated reporting
✓	The Board is the focal point for and custodian of corporate governance	✓ A combined assurance model is applied to improve efficiency in assurance activities
✓	Strategy, risk, performance and sustainability are inseparable	✓ Satisfies itself of the expertise, resources and experience of the company's finance function
•	The Board should consider business rescue proceedings when appropriate ¹	✓ Oversees Internal Audit
✓	Directors act in the best interests of the company	✓ Integral to the risk management process
¥	The Chairman of the Board is an independent non-executive director ²	✓ Oversees the External Audit process
✓	Framework for the delegation of authority has been established	✓ Reports to the Board and shareholders on how it has discharged its duties
#	The Board comprises a balance of power, with a majority of non-executive directors who are independent ³	Compliance with laws, codes, rules and standards
✓	Directors are appointed through a formal process	✓ The Board ensures that the company complies with relevant laws
✓	Formal induction and ongoing training of directors is conducted	✓ The Board and directors have a working understanding of the relevance and implications of non-compliance
✓	The Board is assisted by a competent, suitably qualified and experienced Company Secretary	✓ Compliance risk forms an integral part of the company's risk management process
¥	Regular performance evaluations of the Board, its committees and the individual directors ⁴	✓ The Board has delegated to management the implementation of an effective compliance framework and processes
✓	Appointment of well-structured committees and oversight of key functions	Governing stakeholder relationships
✓	A governance framework should be agreed between the Group and its subsidiary Boards	✓ Appreciation that stakeholders' perceptions affect a company's reputation
✓	Directors and executives are fairly and responsibly remunerated ⁵	✓ Management proactively deals with stakeholder relationships
✓	Remuneration of directors and prescribed officers disclosed	✓ There is an appropriate balance between its various stakeholder groupings
✓	The company's remuneration policy is approved by its shareholders ⁶	✓ Equitable treatment of shareholders
		✓ Transparent and effective communication to stakeholders
		¥ Disputes are resolved effectively and timeously ⁷

The following provides an assessment of RCL's compliance with King III continued

The governance of Information Technology		Note	Explanation	Further reading
✓	The Board is responsible for Information Technology (IT) governance	1	It has not been necessary to consider business rescue proceedings	
✓	IT is aligned with the performance and sustainability objectives of the company	2	The Chairman of the Board is not independent due to his position as CEO of Remgro Limited who is the major shareholder of RCL. As of 30 August 2011, Mr RV Smither has been appointed as RCL's lead independent director	Board structure and composition pages 10 to 12
✓	Management is responsible for the implementation of an IT governance framework	3	The majority of the directors are currently not independent, however, an appropriate balance of power exists where the decision-making process cannot be dominated by one individual or group of individuals	Board structure and composition pages 10 to 12
✓	The Board monitors and evaluates significant IT investments and expenditure	4	The Board and committees perform a self-evaluation annually, but have decided not to disclose results and action plans in the integrated report due to the potentially sensitive nature thereof	
✓	IT is an integral part of the company's risk management	5	The Board does not believe that directors should earn attendance fees in addition to a base fee. Many directors add significant value to the Group outside of the formal Board and committee meetings	Remuneration report page 39
✗	Information assets are managed effectively ⁸	6	The Board does not intend to ask the shareholders for a non-binding approval of RCL's remuneration policy. The rationale and basis for the Group's executive remuneration policy is carefully considered by the Remuneration and Nominations Committee and is documented in the annual report	Remuneration report page 39
✓	The Risk Committee and Audit Committee assist the Board in carrying out its IT responsibilities	7	The Board does not intend to institute a formal dispute resolution process as it believes that the existing processes within the Group operate satisfactorily and do not require a more formal and separate mechanism. Shareholders have remedies in terms of the Companies Act	
The governance of risk		8	IT will focus on enhancing information security management in 2013	IT governance page 37
Integrated reporting and disclosure		9	Independent assurance in respect of sustainability reporting and disclosures will be considered for the 2013 annual report	Combined assurance page 35
✓	Ensures the integrity of the company's integrated report			
✓	Sustainability reporting and disclosure is integrated with the company's financial reporting			
#	Sustainability reporting and disclosure is independently assured ⁹			

Financial statements

REGULATORY APPROVALS

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Approval of the annual financial statements

for the year ended 30 June 2012

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 International Financial Reporting Standards. 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 external 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 period.

In preparing the annual financial statements, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and has complied with all applicable accounting standards. The directors are of the opinion that the annual financial statements present fairly the financial position of the company and the Group at 30 June 2012 and the results of its 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 set out on pages 61 to 111, which have been prepared on the going concern basis, were approved by the Board of directors on 28 August 2012 and are signed on its behalf by:



JJ Durand
Non-executive Chairman

28 August 2012



M Dally
Chief Executive Officer

Report of the Audit Committee

for the year ended 30 June 2012

The Audit Committee submits this report, as required in terms of the Companies Act of South Africa, in respect of the year ended 30 June 2012. The Audit Committee consists of three non-executive directors who act independently as described in section 94 of the Act. During the year three meetings were held and the committee members attended all the meetings. At the meetings the members fulfilled all their functions as prescribed by the Act. A detailed list of the functions of the Audit and Risk Committees is contained in the corporate governance report. The Audit Committee has satisfied itself that the auditors are independent of the company and the Group and are therefore able to conduct their audit functions without any influence from the Group.



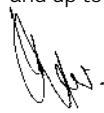
RV Smither
Chairman of the Audit Committee

28 August 2012

Certificate by the Company Secretary

for the year ended 30 June 2012

I hereby certify that in respect of the year ended 30 June 2012, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 88(2) of the Companies Act of South Africa and that all such returns are true, correct and up to date.



JMJ Maher
Company Secretary

28 August 2012

Independent auditor's report to the shareholders of Rainbow Chicken Limited for the year ended 30 June 2012

We have audited the consolidated and separate financial statements of Rainbow Chicken Limited set out on pages 61 to 111, which comprise the balance sheet as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information and the directors report, as set out on page 61.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate balance sheet of Rainbow Chicken Limited as at 30 June 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.



PricewaterhouseCoopers Inc.

Director: H Ramsumer

Registered Auditor

Durban

28 August 2012

Report of the directors

for the year ended 30 June 2012

NATURE OF BUSINESS

Rainbow Chicken Limited, the holding company of the Group, is incorporated in the Republic of South Africa and was listed on the JSE Limited in 1989. Rainbow Chicken Limited is the holding company of two principal operating subsidiaries being Rainbow Farms Proprietary Limited and Vector Logistics Proprietary Limited.

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 1 065 999 (2011: 1 362 244) ordinary shares during the year due to share options being exercised. At the balance sheet date, unexercised share options totalling 10 478 408 (2011: 11 746 392) had been granted to participants in the Rainbow Share Incentive Scheme. No further options will be issued and the scheme will be allowed to run its course. At the balance sheet date 16 888 147 unexercised share appreciation rights (2011: 16 995 657) had been granted to participants in the Rainbow Share Appreciation Rights Scheme. These options and rights are granted at the discretion of the directors.

On 30 July 2008, 51 177 217 shares were issued to Eagle Creek Investments 620 Proprietary Limited in terms of the BEE transaction. For accounting purposes, these shares are not treated as issued.

Shareholders will be asked to consider an ordinary resolution at the forthcoming annual general meeting for the unissued shares of the company to remain under the control of the directors until the following annual general meeting.

FINANCIAL RESULTS

The profit for the year amounted to R266,8 million (2011: R383,9 million). This translates into a headline earnings per share of 90,7 cents (2011: 132,7 cents) based on the weighted average shares in issue during the year.

DIVIDENDS

Ordinary dividends declared and paid in respect of the year under review are as follows:

Number 76 amounting to R164,7 million (56,0 cents per ordinary share) declared on 30 August 2011 and paid on 26 September 2011.

Number 77 amounting to R82,6 million (28,0 cents per ordinary share) declared on 21 February 2012 and paid on 23 April 2012.

Number 78 amounting to R94,4 million (32,0 cents per ordinary share) declared on 28 August 2012 and payable on 22 October 2012.

The salient dates of the declaration and payment of dividend number 78 are as follows:

Last date to trade ordinary shares "cum" dividend	Friday 12 October 2012
Ordinary shares trade "ex" dividend	Monday 15 October 2012
Record date	Friday 19 October 2012
Payment date	Monday 22 October 2012

Share certificates may not be dematerialised or rematerialised between Monday 15 October 2012 and Friday 19 October 2012 (both dates inclusive).

BEE TRANSACTION

Rainbow's BEE transaction was concluded on 30 July 2008 with the issue of 51 177 217 shares to the consortium. As noted in the 2009 annual report, for accounting purposes the transaction is treated as an option and therefore has not had an impact on the per share calculations. The only impact on Rainbow's results is the recurring employee portion of the option charge.

SUBSIDIARIES

Details of Rainbow Chicken Limited's interest in its subsidiaries are set out in note 1 on page 110. The aggregate profit after tax, so far as concerns the interest of the company in its subsidiaries, amounts to R316,6 million (2011: R413,2 million).

HOLDING COMPANY

Industrial Partnership Investments Proprietary 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

The names of the directors are listed on pages 10, 11, and 12 respectively.

DIRECTORS' SHAREHOLDINGS

At the date of this report, the directors in aggregate held direct beneficial interests in 1 342 000 (2011: 750 000) ordinary shares in the company and had indirect beneficial interests in 6 674 280 (2011: 6 674 280) ordinary shares. Details of directors' shareholdings are set out in note 26 of the notes to the Group annual financial statements.

SUBSEQUENT EVENTS

No material change has taken place in the affairs of the Group between the end of the financial year and the date of this report.

Group balance sheet

as at 30 June 2012

	Note	30 June 2012 R'000	30 June 2011 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	1 824 072	1 600 008
Intangible assets	2	317 318	287 444
		2 141 390	1 887 452
Current assets			
Inventories	4	873 040	664 804
Biological assets	5	476 427	445 226
Trade and other receivables	6	1 347 671	1 259 552
Derivative financial instruments	7	20 811	
Tax receivable		31 160	41 773
Cash and cash equivalents		305 792	469 496
		3 054 901	2 880 851
Total assets		5 196 291	4 768 303
EQUITY			
Stated capital	8	1 198 253	1 189 684
Share-based payments reserve	9	160 724	138 788
Retained earnings		1 547 382	1 527 861
Total equity		2 906 359	2 856 333
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	11	65 642	
Deferred income tax liabilities	3	432 655	372 198
Retirement benefit obligations	10	108 587	102 162
		606 884	474 360
Current liabilities			
Trade and other payables	12	1 648 147	1 433 243
Interest-bearing debt	11	33 243	
Derivative financial instruments	7	3	3 469
Current income tax liabilities		1 655	898
		1 683 048	1 437 610
Total liabilities		2 289 932	1 911 970
Total equity and liabilities		5 196 291	4 768 303

Group statement of comprehensive income

for the year ended 30 June 2012

	Note	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Revenue		7 855 142	8 621 389
Operating profit before depreciation and amortisation (EBITDA)		614 510	762 617
Depreciation and amortisation	13	(200 286)	(210 340)
Operating profit	14	414 224	552 277
Finance costs	15	(11 358)	(1 808)
Finance income	16	7 370	21 520
Profit before tax		410 236	571 989
Income tax expense	17	(143 469)	(188 139)
Profit for the year		266 767	383 850
Total comprehensive income for the year		266 767	383 850
Earnings per share (cents)	18		
– basic		90,6	131,0
– diluted		90,4	130,1

Group statement of changes in equity

for the year ended 30 June 2012

	Stated capital R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000
Balance at 1 April 2010	1 177 057	116 574	1 366 551	2 660 182
Total comprehensive income for the period			383 850	383 850
Ordinary dividends paid			(222 540)	(222 540)
BEE share-based payments charge		4 260		4 260
Employee Share Incentive Scheme:				
– proceeds from shares issued	12 627			12 627
– value of employee services		17 954		17 954
Balance at 1 July 2011	1 189 684	138 788	1 527 861	2 856 333
Total comprehensive income for the year			266 767	266 767
Ordinary dividends paid			(247 246)	(247 246)
BEE share-based payments charge		3 383		3 383
Employee Share Incentive Scheme:				
– proceeds from shares issued	8 569			8 569
– value of employee services		18 553		18 553
Balance at 30 June 2012	1 198 253	160 724	1 547 382	2 906 359

Group cash flow statement

for the year ended 30 June 2012

	Note	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Cash flows from operating activities			
Cash generated by operations	A	506 369	643 331
Finance costs		(11 358)	(1 808)
Finance income		7 370	21 520
Tax paid	B	(71 642)	(170 448)
Cash available from operating activities		430 739	492 595
Dividends paid		(247 246)	(222 540)
Net cash inflow from operating activities		183 493	270 055
Cash flows from investing activities			
Replacement property, plant and equipment		(305 354)	(169 251)
Expansion property, plant and equipment		(56 805)	(190 789)
Intangible additions		(26 248)	
Acquisition of business combination	28	(92 500)	
Proceeds on disposal of property, plant and equipment		26 256	7 787
Net cash outflow from investing activities		(454 651)	(352 253)
Cash flows from financing activities			
Advances of interest-bearing debt		98 885	
Issue of shares		8 569	12 627
Net cash inflow from financing activities		107 454	12 627
Net movement in cash and cash equivalents		(163 704)	(69 571)
Cash and cash equivalents at the beginning of the year		469 496	539 067
Cash and cash equivalents at the end of the year	C	305 792	469 496

Notes to the group cash flow statement

for the year ended 30 June 2012

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
A. CASH GENERATED BY OPERATIONS		
Operating profit	414 224	552 277
Adjusted for:		
Depreciation and amortisation	200 286	210 340
Loss on disposal of property, plant and equipment	427	6 834
Movement in retirement benefit obligations	6 425	7 492
Movement in derivative financial instruments	(24 277)	2 465
Fair value adjustment in biological assets	2 767	(10 500)
Share-based payments – BEE charge	3 383	4 260
Share-based payments – Employee Share Incentive Scheme	18 553	17 954
	621 788	791 122
Working capital changes:		
Movement in inventories	(208 236)	(126 391)
Movement in biological assets	(33 968)	(11 928)
Movement in trade and other receivables	(88 119)	(104 905)
Movement in trade and other payables	214 904	95 433
	(115 419)	(147 791)
	506 369	643 331
B. TAX PAID		
Paid in advance at the beginning of the year	40 875	6 690
Charged to the income statement	(83 012)	(136 263)
Normal tax	(60 930)	(131 979)
Prior period over provision	2 642	17 970
Secondary tax on companies	(24 724)	(22 254)
Paid in advance at the end of the year	(29 505)	(40 875)
	(71 642)	(170 448)
C. CASH AND CASH EQUIVALENTS		

Cash and cash equivalents include restricted balances of R29,7 million (2011: R29,5 million). Restricted cash balances consist of initial margin balances with the JSE Limited which serve as collateral for derivative positions held at year-end. This cash will only be accessible by the Group when the related derivative positions are closed.

Accounting policies

for the year ended 30 June 2012

BASIS OF PREPARATION

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa and the Listings Requirements of the JSE Limited under the supervision of the Chief Financial Officer, Robert Field CA(SA). The financial statements have been prepared using the historical cost convention except for biological assets and financial instruments at fair value through profit and loss. The accounting policies comply with IFRS and are consistent with those applied in the previous year except the amendments to standards noted below that became effective 1 January 2011: IAS 24 (Related Party Disclosures), IAS 34 (Interim Financial Reporting) and IFRS 7 (Financial Instruments: Disclosures). The adoption of these standards has no effect on the results, nor has it required any restatement of the results.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed on page 73.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within the entity.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership in subsidiaries without Group control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Accounting treatment for subsidiaries in company financial statements

The accounting policies of subsidiary companies conform to the policies adopted by the Group. Investments in subsidiaries, comprising investments and loans with no fixed terms of repayment, are accounted for at cost less impairment losses. Dividend income from subsidiaries is recognised in the statement of comprehensive income when the right to receive payment is established.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation less impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on property, plant and equipment at rates that reduce the cost thereof to estimated residual values over the expected useful lives of the asset on a straight-line basis. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Depreciation is calculated over the following estimated useful lives:

Buildings	25 to 50 years
Plant and equipment	10 to 30 years
Vehicles	3 to 8 years
Furniture	10 to 20 years

Land is not depreciated.

INTANGIBLE ASSETS

Trademarks

Trademarks are recognised at cost. They have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their expected useful lives of 15 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. It is reported in the balance sheet as a non-current asset, tested annually for impairment and carried at cost less accumulated impairment losses. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Accounting policies continued

for the year ended 30 June 2012

Computer software

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use
- management intends to complete the software product to use
- there is an ability to use or sell the software product
- the software product will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use are available, and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 10 years and are stated at cost less accumulated depreciation.

INVENTORIES

Finished goods, processed chicken, raw materials and consumables are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. Costs include expenditure incurred in acquiring the inventories and bringing them to their present location and condition, all direct production costs and an appropriate portion of overheads based on normal capacity. Slaughtered chickens are transferred to inventory at fair value less estimated point-of-sale costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

BIOLOGICAL ASSETS

Live broiler birds and breeding stock are measured at fair value less estimated point-of-sale costs at reporting dates. Fair value is determined based on market prices or, where market prices are not available, by reference to sector benchmarks.

Breeding stock includes the Cobb grandparent breeding and the parent rearing and laying operations. Broiler hatching eggs are included in breeding stock.

Gains and losses arising on the initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs are recognised in the statement of comprehensive income in the period in which they arise.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that were impaired, are reviewed for possible reversal of the impairment at each reporting date.

STATED CAPITAL

Ordinary shares are classified as equity.

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

CURRENT AND DEFERRED TAX

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and that are expected to apply to the period when the liability is settled or asset realised. Deferred tax is accounted for using the balance sheet 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 value used in the computation of taxable income. Deferred tax assets are raised only to the extent that their recoverability is probable.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time affects neither accounting nor taxable profit or loss.

A deferred tax liability is recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

SECONDARY TAX ON COMPANIES (STC)

STC was provided on dividend payments, net of dividend received and was recognised as a taxation charge. STC was abolished effective 1 April 2012 and has been replaced by a new withholding tax which is levied on the shareholder and not the company, with the exception of non-cash dividends.

EMPLOYEE BENEFITS

Retirement funds

The Group has defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

The assets of the plans are held in separate trustee-administered funds. These plans are funded by payments from the employees and the Group, taking into account recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution pension plans are charged to the statement of comprehensive income in the period to which they relate.

Post-retirement medical benefits

For Rainbow and Vector employees engaged pre-October 2003 and January 1997 respectively, the Group provides post-retirement medical benefits to its retirees. The entitlement to post-retirement medical benefits is based on the employees remaining in service up to retirement age. The projected unit credit method of valuation is used to calculate the liability for post-retirement medical benefits and is calculated annually by independent actuaries.

If the cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed ten percent of the obligation, that excess is recognised in future periods over the expected average remaining working lives of the participating employees.

Accounting policies continued

for the year ended 30 June 2012

Bonus plan

The Group recognises a liability where contractually obliged or where there is past practice that has created a constructive obligation. Management participates in a bonus plan whereby bonuses are paid in respect of out-performance against targets. All bonuses are authorised by the Remuneration and Nominations Committee.

Share-based payments

The Group operates share-based compensation plans under which the Group receives services from employees as consideration for equity instruments (options and rights) of the Group. The fair value of the employees' services received in exchange for the grant of the options or rights is recognised as an expense.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity and is based on the Group's estimate of options that will eventually vest. Fair value is measured by the use of a binomial model excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options or rights that are expected to vest. The Group recognises the impact on the original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

When the options or rights are exercised, the company issues new shares. The proceeds received are credited to share capital when the options or rights are exercised.

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

LEASES

Leases of property, plant and equipment where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Finance leased assets are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the future minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The assets are depreciated over the shorter of the period of the lease or the period over which the particular category of asset is otherwise depreciated. Lease finance charges are charged to the statement of comprehensive income over the term of the relevant lease using the effective interest rate method.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The Group ensures that the following two requirements are met in order for an arrangement transacted by the Group to be classified as a lease:

- fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied
- the arrangement in substance conveys a right to use the asset.

The Group's assessment of whether an arrangement contains a lease is made at the inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances.

Where the Group concludes that it is impracticable to separate payments for the lease from other payments required by the arrangement:

- in the case of a finance lease, the Group recognises an asset and a liability at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate of interest
- in the case of an operating lease, all payments under the arrangement are treated as lease payments.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is disclosed net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Sales of goods comprise the sale of chicken and animal feed. Sales of services comprise logistics and distribution services where the Group acts as an agent on behalf of a principal and earns commission.

Revenue is recognised when a Group entity has delivered products to the customer (in the case of services when the underlying products have been delivered), the customer has accepted the products, the amount of revenue can be reliably measured, and collectability of the related receivable is reasonably assured.

The Group bases its estimates of incentive rebates and settlement discounts on historical results.

Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

BEE TRANSACTIONS

BEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include derivative instruments, trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing debt. Financial instruments are recognised when the Group is party to a contractual arrangement and are initially measured at fair value.

The Group classifies its financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial instruments at fair value through profit and loss

Financial assets at fair value through profit and loss, which comprise derivative instruments, are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit and loss are recognised in the statement of comprehensive income in the period in which they arise.

Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Accounting policies continued

for the year ended 30 June 2012

Loans and receivables

Loans and receivables with fixed or determinable payments that are not quoted in an active market are included in current assets as non-derivative financial assets. Loans and receivables with maturities longer than twelve months after the balance sheet date are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Derecognition

Financial assets (or a portion thereof) are derecognised when the Group has substantially transferred all risks and rewards of ownership. On derecognition, the difference between the carrying amount of the financial asset and the proceeds receivable is included in the statement of comprehensive income.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and any amount paid is included in the statement of comprehensive income.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Derivative instruments

Derivative instruments include forward exchange contracts, options and futures contracts and derivatives embedded in procurement contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any gain or loss as a result of fair value adjustments is recognised in the statement of comprehensive income. Forward commitments to purchase maize for own use and consumption are designated executory in nature, and excluded from the fair value adjustment. Embedded derivatives are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method, less accumulated impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties or delinquency in payments are considered to be indicators that trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The difference is recognised as an expense in the statement of comprehensive income. When a trade receivable is uncollectable it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities on the balance sheet.

Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Offset

Financial assets and financial liabilities are offset if there is a currently enforceable 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.

FOREIGN CURRENCY

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies are translated to functional currencies at the rates of exchange ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's Board.

OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

The following additional line items, headings and subtotals are presented on the face of the statement of comprehensive income as management believes them to be relevant to the understanding of the Group's financial performance:

- operating profit before depreciation and amortisation, being the trading income of the Group.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions and sources of estimation uncertainty at the balance sheet date that could have significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the new financial year:

Useful lives and residual values of assets

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values. Useful lives and residual values are reviewed annually, taking into account factors such as the expected usage, physical output, market demand for the output of the assets and legal or similar limits on the assets.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value of future cash flows. Management estimates the discount rate using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the cash-generating units. The growth rates are based on industry and customer growth forecasts. The key assumptions used in the calculation are disclosed in note 2.

Fair value assessment of biological assets

The determination of fair value is based on active market values, where appropriate, or management's assessment of the fair value based on available industry data and benchmark statistics. The key assumptions used in the calculation of the fair value are the day old chick prices and the market price of feed consumed.

Liability for post-retirement medical benefits

The liability is determined by annual actuarial assumptions. The key estimates and assumptions relating to the actuarial calculation are disclosed in note 10 to the financial statements.

Accounting policies

continued
for the year ended 30 June 2012

IMPACT OF FUTURE AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS

Management has considered all standards, interpretations and amendments that are in issue but not yet effective. The standards, interpretations and amendments that are relevant to the Group but which the Group has not early adopted are as follows:

NUMBER TITLE AND SUMMARY

IAS 1 Presentation of financial statements (effective from 1 July 2012)

The amendment requires items presented in “other comprehensive income” (OCI) to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The title used by IAS 1 for the statement of comprehensive income has changed to “statement of profit or loss and other comprehensive income”. However, IAS 1 still permits entities to use other titles.

IAS 19 Amendments to employee benefits (1 January 2013)

Recognition of actuarial gains and losses (remeasurements)

“Actuarial gains and losses” are renamed “remeasurements” and will be recognised immediately in OCI. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; this is likely to increase balance sheet and OCI volatility.

Remeasurements recognised in OCI will not be recycled through profit or loss in subsequent periods.

Recognition of past-service cost/curtailment

Past-service costs will be recognised in the period of a plan amendment; unvested benefits will no longer be spread over a future-service period. A curtailment now occurs only when there is a significant reduction in the number of employees. Curtailment gains/losses are accounted for as past-service costs.

Measurement of pension expense

Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the finance charge and expected return on plan assets, and will increase benefit expenses for most entities. There will be no change in the discount rate, which remains a high-quality corporate bond rate where there is a deep market in such bonds, and a government bond rate in other markets.

Presentation in the income statement

There will be less flexibility in income statement presentation. Benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. This analysis can be in the income statement or in the notes.

Disclosure requirements

Additional disclosures are required to present the characteristics of benefit plans, the amounts recognised in the financial statements, and the risks arising from defined benefit plans and multi-employer plans. The objectives and principles underlying disclosures are provided; these are likely to require more extensive disclosures and more judgement to determine what disclosure is required.

Distinction between “short-term” and “other long-term” benefits

The distinction between short- and long-term benefits for measurement purposes is based on when payment is expected, not when payment can be demanded. An obligation measured as a long-term benefit could therefore be presented as a current liability when it is expected to be settled after more than one year, but does not have the unconditional ability to defer settlement for more than one year.

Treatment of expenses and taxes relating to employee benefit plans

Taxes related to benefit plans should be included either in the return on assets or the calculation of the benefit obligation, depending on their nature. Investment management costs should be recognised as part of the return on assets; other costs of running a benefit plan should be recognised as period costs when incurred. This should reduce diversity in practice but might make the actuarial calculations more complex.

Termination benefits

Any benefit that has a future-service obligation is not a termination benefit. This will reduce the number of arrangements that meet the definition of termination benefits. A liability for a termination benefit is recognised when the entity can no longer withdraw the offer of the termination benefit or recognises any related restructuring costs. This might delay recognition of voluntary termination benefits.

Risk or cost sharing features

The measurement of obligations should reflect the substance of arrangements where the employer's exposure is limited or where the employer can use contributions from employees to meet a deficit. This might reduce the defined benefit obligation in some situations. Determining the substance of such arrangements will require judgement and significant disclosure.

IAS 27 Separate financial statements (1 January 2013)

IAS 27 has been renamed "Separate financial statements"; it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

IAS 28 Investments in associates and joint ventures (1 January 2013)

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 10 IFRS 10 Consolidated financial statements (1 January 2013)

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements", and SIC-12, "Consolidation – special purpose entities". IAS 27 is renamed "Separate financial statements"; it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The changed definition and application guidance is not expected to result in widespread change in the consolidation decisions made by IFRS reporting entities, although some entities could see significant changes.

All entities will need to consider the new guidance. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single entity remains unchanged, as do the mechanics of consolidation.

IFRS 10 excludes guidance specifically for investment companies, as the IASB continues to work on a project on accounting by investment companies for controlled entities.

IFRS 9 Financial instruments (1 January 2015)

Financial assets

IFRS 9 addresses classification and measurement of financial assets.

The standard replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. A financial asset is measured at amortised cost if two criteria are met:

- the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and
- the contractual cash flows solely represent payments of principal and interest.

The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value. Most embedded derivatives introduce variability to cash flows. This is not consistent with the notion that the instrument's contractual cash flows solely represent the payment of principal and interest. Most hybrid contracts with financial asset hosts will therefore be measured at fair value in their entirety.

Two of the existing three fair value option criteria become obsolete under IFRS 9, as a fair value driven business model requires fair value accounting, and hybrid contracts are classified in their entirety. The remaining fair value option condition in IAS 39 is carried forward to the new standard – that is, management may still designate a financial asset as at fair value through profit or loss on initial recognition if this significantly reduces an accounting mismatch. The designation at fair value through profit or loss will continue to be irrevocable.

IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes; in this case, the entity is required to reclassify affected financial assets prospectively.

Accounting policies continued

for the year ended 30 June 2012

There is specific guidance for contractually linked instruments that create concentrations of credit risk, which is often the case with investment tranches in a securitisation. In addition to assessing the instrument itself against the IFRS 9 classification criteria, management should also “look through” to the underlying pool of instruments that generate cash flows to assess their characteristics. To qualify for amortised cost, the investment must have equal or lower credit risk than the weighted-average credit risk in the underlying pool of instruments, and those instruments must meet certain criteria. If “a look through” is impracticable, the tranche must be classified at fair value through profit or loss.

IFRS 9 classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss.

The cost exemption for unquoted equities and derivatives on unquoted equities has been removed, but guidance is provided on when cost may be an appropriate estimate of fair value.

Financial liabilities

The requirements in IAS 39 regarding the classification and measurement of financial liabilities have been retained, including the related application and implementation guidance.

Under the new standard, entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in OCI. There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

However, if presenting the change in fair value attributable to the credit risk of the liability in OCI would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss. An entity is required to determine whether an accounting mismatch is created when the financial liability is first recognised, and this determination is not reassessed. The mismatch must arise due to an economic relationship between the financial liability and a financial asset that results in the liability's credit risk being offset by a change in the fair value of the asset.

Financial liabilities that are required to be measured at FVTPL (as distinct from those that the entity has designated at FVTPL), including financial guarantees and loan commitments measured at FVTPL, will continue to have all fair value movement recognised in profit or loss. Derivatives such as foreign currency forwards and interest rate swaps, or a bank's own liabilities that it holds in its trading portfolio, continue to have all fair value movements recognised in profit or loss.

Derecognition of financial instruments

The requirements in IAS 39 for determining when financial instruments are derecognised from the balance sheet have also been relocated to IFRS 9 without change.

IFRS 7 Amendment to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities (1 January 2013)

The amended disclosures will require more extensive disclosures than are currently required under IFRS and US GAAP. The disclosures focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

IFRS 12 Disclosure of interests in other entities (1 January 2013)

IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10, “Consolidated financial statements”, and IFRS 11, “Joint arrangements”; it replaces the disclosure requirements currently found in IAS 28, “Investments in associates”.

IFRS 13 Fair value measurement (1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IFRS 32 Offsetting financial assets and financial liabilities (1 January 2014)

The amendments do not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the balance sheet only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realise the asset and settle the liability simultaneously.

The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

IMPROVEMENTS TO IFRS 2011

Amendment to IAS 1, “Presentation of financial statements”

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either:

- as required by IAS 8, “Accounting policies, changes in accounting estimates and errors”, or
- voluntarily.

When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period – that is, the opening position. No notes are required to support this balance sheet.

When management provides additional comparative information voluntarily – for example, statement of profit and loss, balance sheet – it should present the supporting notes to these additional statements.

Amendment to IFRS 1 as a result of the above amendment to IAS 1

The consequential amendment clarifies that a first-time adopter should provide the supporting notes for all statements presented.

Amendment to IAS 16, “Property, plant and equipment”

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

The previous wording of IAS 16 indicated that servicing equipment should be classified as inventory, even if it was used for more than one period. Following the amendment, this equipment used for more than one period is classified as property, plant and equipment.

Amendment to IAS 32, “Financial instruments: Presentation”

The amendment clarifies the treatment of income tax relating to distributions and transaction costs.

Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the income statement or in equity.

The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

Amendment to IAS 34, “Interim financial reporting”

The amendment clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

The amendment brings IAS 34 into line with the requirements of IFRS 8, “Operating segments”.

A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

Adoption of these standards by the Group in future reporting periods is not expected to have a significant impact on the financial statements of the Group or company, apart from the application of IAS 19. IAS 19 eliminates the option to defer the recognition of actuarial gains and losses. The remeasurement will be required to be presented in other comprehensive income in full.

Notes to the group annual financial statements

for the year ended 30 June 2012

	Land and buildings R'000	Plant, equipment and furniture R'000	Vehicles R'000	Capitalised leased assets – plant R'000	Capital work-in- progress R'000	Total R'000
1. PROPERTY, PLANT AND EQUIPMENT						
30 June 2012						
Cost						
At the beginning of the year	1 077 483	1 743 582	244 381		98 497	3 163 943
Transfers out of capital work-in-progress*					(98 497)	(98 497)
Additions**	127 660	212 179	45 004	7 918	155 863	548 624
Disposals	(12 999)	(45 095)	(20 080)			(78 174)
At the end of the year	1 192 144	1 910 666	269 305	7 918	155 863	3 535 896
Accumulated depreciation						
At the beginning of the year	466 034	973 129	124 772			1 563 935
Disposals	(3 442)	(35 276)	(12 773)			(51 491)
Depreciation	41 094	131 557	24 749	1 980		199 380
At the end of the year	503 686	1 069 410	136 748	1 980		1 711 824
Net book amount	688 458	841 256	132 557	5 938	155 863	1 824 072
30 June 2011						
Cost						
At the beginning of the period	955 360	1 595 440	228 609	94	94 236	2 873 739
Transfers out of capital work-in-progress*					(94 236)	(94 236)
Additions	124 082	195 412	36 285		98 497	454 276
Disposals	(1 959)	(47 270)	(20 513)	(94)		(69 836)
At the end of the period	1 077 483	1 743 582	244 381		98 497	3 163 943
Accumulated depreciation						
At the beginning of the period	422 133	873 171	113 412	94		1 408 810
Disposals	(1 085)	(39 201)	(14 835)	(94)		(55 215)
Depreciation	44 986	139 159	26 195			210 340
At the end of the period	466 034	973 129	124 772			1 563 935
At the end of the period	611 449	770 453	119 609		98 497	1 600 008

* Transfers out of capital work-in-progress have been disclosed within additions of each of the appropriate individual categories.

** Included in additions are assets acquired in a business combination, refer to note 28.

	12 months to 30 June 2012 R'000	15 months to 30 June 2012 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Depreciation expense charged in:		
Cost of sales	142 383	153 326
Selling and marketing expenses	1 769	2 955
Administration expenses	32 832	19 950
Distribution expenses	22 396	34 109
	199 380	210 340
Capital commitments:		
Contracted and committed	186 831	79 694
Approved but not contracted	73 703	116 858
	260 534	196 552

Capital commitments include all projects for which specific Board approval has been obtained up to balance sheet date. Projects for which specific Board approval has not yet been obtained are excluded. The capital expenditure will be financed from available resources.

The Group carries out a review of the recoverable amounts of its dormant sites each year. The review did not highlight any requirement for an adjustment to the recoverable amounts of the dormant sites.

The Group has reviewed the residual values and useful lives used in the calculation of the depreciation charge for the year. The review did not highlight any requirement for an adjustment to the residual values and useful lives.

A register of land and buildings is available for inspection at the registered office of the company.

The Group leases various office equipment under finance lease arrangements. The lease term is five years. The net book value of the assets leased amounts to R5 938 000 (2011: nil).

	Software R'000	Trademarks R'000	Goodwill R'000	Total R'000
2. INTANGIBLE ASSETS				
30 June 2012				
Opening net book amount			287 444	287 444
Transfer from work-in-progress	4 532			4 532
Additions	26 248			26 248
Amortisation charge	(906)			(906)
Closing net book amount	29 874		287 444	317 318
Cost	30 780	50 500	287 444	368 724
Accumulated amortisation and impairment	(906)	(50 500)		(51 406)
Net book amount	29 874		287 444	317 318
30 June 2011				
Opening net book amount			287 444	287 444
Amortisation charge				
Closing net book amount			287 444	287 444
Cost	50 500	287 444		337 944
Accumulated amortisation and impairment	(50 500)			(50 500)
Net book amount			287 444	287 444

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	12 months to 30 June 2012	15 months to 30 June 2011
2. INTANGIBLE ASSETS continued		
Trademarks		
Finite life/indefinite life	finite life	finite life
Amortisation period	15 years	15 years
Method of amortisation	straight-line	straight-line
Is intangible title restricted in any way	no	no
Net book amount pledged as security	nil	nil
Trademarks comprise Farmer Brown, Bonny Bird, Farm Fare and Epol, all of which were acquired on acquisition of Bonny Bird Farms Proprietary Limited and Epol Proprietary Limited in 1991.		
Software		
Finite life/indefinite life	finite life	finite life
Amortisation period	10 years	10 years
Method of amortisation	straight-line	straight-line
Is intangible title restricted in any way	no	no
Net book amount pledged as security	nil	nil
Goodwill		
Goodwill relates to the acquisition of Vector Logistics Proprietary Limited in 2005. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and future periods based on estimated growth rates. Cash flows beyond a five-year period are extrapolated using the estimated growth rates stated below.		
Key assumptions used in the goodwill impairment test:		
Discount rate – pre-tax	(%)	17,3
Discount rate – post-tax	(%)	12,3
Perpetuity growth rate	(%)	5,5
Period	(years)	5
The perpetuity growth rate is consistent with long-term inflation forecasts. The discount rate reflects specific risks relating to the cash-generating unit.		
No impairment was required in the current year or prior year.		
Sensitivity analysis of assumptions used in the goodwill impairment test:		
Discount rate		
– movement	(%)	+2
– impairment	(%)	nil
Perpetuity growth rate		
– movement	(%)	-2
– impairment	(%)	nil

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
3. DEFERRED TAX		
Deferred income tax liability movement:		
At the beginning of the year	372 198	320 322
Charge for the year	67 832	51 876
Prior year over provision	(7 375)	
At the end of the year	432 655	372 198
Deferred income tax liability comprises:		
Trademarks, property, plant and equipment	321 073	288 394
Inventories and biological assets	156 879	121 311
Provisions	(50 457)	(44 333)
Derivative financial instruments	5 824	(899)
Other	(664)	7 725
	432 655	372 198
Deferred tax due after 12 months	304 850	262 251
Deferred tax due within 12 months	127 805	109 947
	432 655	372 198
4. INVENTORIES		
Finished goods	556 411	362 476
Raw materials	260 879	255 052
Consumables	55 750	47 276
At the end of the year	873 040	664 804
Amount of inventory written down to net realisable value	135 335	180 211
Amount included in inventory as write down to net realisable value	31 637	28 702
5. BIOLOGICAL ASSETS		
Breeding stock		
At the beginning of the year at fair value	224 095	240 764
Gain arising from cost inputs	777 803	880 383
Decrease due to harvest	(750 921)	(902 140)
Fair value adjustment	3 935	5 088
At the end of the year at fair value	254 912	224 095
Broiler stock		
At the beginning of the year at fair value	221 131	182 034
Gain arising from cost inputs	3 562 041	4 063 952
Decrease due to harvest	(3 586 544)	(4 051 356)
Fair value adjustment	24 887	26 501
At the end of the year at fair value	221 515	221 131
Total at the end of the year at fair value	476 427	445 226

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	30 June 2012 R'000	30 June 2011 R'000
6. TRADE AND OTHER RECEIVABLES		
Trade receivables	1 234 904	1 163 291
Less: provision for impairment of trade receivables	(24 798)	(25 222)
Net trade receivables	1 210 106	1 138 069
Prepayments	45 096	52 835
Other receivables	92 469	68 648
At the end of the year	1 347 671	1 259 552
Credit risk:		
Collateral held/insurance	yes	yes
Terms	30 days	30 days
Credit Guarantee Insurance Cover (CGIC)	994 237	948 445
Mortgage bonds – registered value	43 000	34 840
Notarial bonds – registered value	990	500
Cessions – book value	800	500
Bank guarantees – actual value	3 000	4 950
	1 042 027	989 235
Provision for impairment movement:		
At the beginning of the year	(25 222)	(14 401)
Receivables impaired	(7 377)	(14 656)
Impairments utilised	538	3 655
Unused amounts reversed	7 263	180
At the end of the year	(24 798)	(25 222)
The other classes within trade and other receivables do not contain impaired assets.		
Trade receivables that are less than 30 days are not considered past due. Past due receivables, not impaired, relate to a number of independent customers for whom there is no recent history of default. The ageing relating to these trade receivables is as follows:		
30 to 90 days	178 870	115 312
Over 90 days	16 034	17 406
	194 904	132 718
The individually impaired receivables relate mainly to customers in unexpected difficult economic situations. The ageing of these receivables is as follows:		
Current		(1 430)
30 to 90 days	(1 612)	(6 452)
Over 90 days	(23 186)	(17 340)
	(24 798)	(25 222)

In the current year, 84% (2011: 85%) of the Group's trade receivables have been covered by CGIC and other collateral in the form of bonds and guarantees. The Group's trade receivables that are not covered by CGIC relate to a number of independent customers for whom there is no recent history of default. Other receivables do not include any amounts that are past due or impaired.

All trade and other receivables are due within one year of the balance sheet date.

The carrying amount of trade and other receivables approximates their fair values.

		30 June 2012 R'000	30 June 2011 R'000
7. DERIVATIVE FINANCIAL INSTRUMENTS			
Derivative financial assets			
Soya options		14 375	
Soya oil options		12	
Maize options		6 424	
At the end of the year		20 811	
Derivative financial liabilities			
Forward exchange contracts		3	113
Soya options			3 356
At the end of the year		3	3 469
Net asset/(liability) at the end of the year		20 808	(3 469)
8. STATED CAPITAL			
Authorised			
575 525 772 (2011: 575 525 772) ordinary shares of no par value.			
Issued ordinary shares of no par value:			
At the beginning of the year		293 925 607	1 177 057
Shares issued in terms of Share Incentive Scheme		1 065 999	12 627
At the end of the year		294 991 606	1 198 253
			1 189 684
			8 569
			1 189 684

On 30 July 2008, 51 177 217 shares were issued to Eagle Creek Investments 620 Proprietary Limited in terms of the BEE transaction (refer to Report of the directors). For accounting purposes, these shares are not treated as issued.

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

Rainbow Share Incentive Scheme

Details of share options granted under this scheme are as follows:

Exercise price Rand	Date options granted	Options at 30 June 2011	Options exercised during the year	Options forfeited during the year	Options at 30 June 2012	Options exercisable at 30 June 2012
5,10	21 May 2004	23 191	(7 390)		15 801	15 801
6,65	19 May 2005	796 500	(796 500)			
10,39	25 May 2006	1 852 137	(127 964)		1 724 173	1 724 173
10,11	1 September 2006	92 318			92 318	92 318
16,60	1 April 2007	312 650			312 650	312 650
16,35	1 August 2007	5 189 919		(126 044)	5 063 875	5 063 875
16,59	23 November 2007	153 619		(50 633)	102 986	102 986
14,20	22 May 2008	3 201 058	(134 145)	(25 308)	3 041 605	3 041 605
14,00	1 February 2009	125 000			125 000	83 333
		11 746 392	(1 065 999)	(201 985)	10 478 408	10 436 741

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	12 months to 30 June 2012 Rand	15 months to 30 June 2011 Rand
8. STATED CAPITAL continued		
The weighted average share prices were as follows:		
Weighted average exercise price of options in issue at the beginning of the year	14,08	13,68
Weighted average exercise price of options in issue at the end of the year	14,66	14,08
Weighted average exercise price of options exercised during the year	8,04	9,27
Weighted average exercise price of options forfeited during the year	16,14	15,93
Weighted average share price at date options exercised during the year	15,29	17,45

Rainbow Share Appreciation Rights Scheme

Details of share appreciation rights awarded under this scheme are as follows:

Award price Rand	Date rights awarded	Rights at 30 June 2011	Rights awarded during the year	Rights exercised during the year	Rights forfeited during the year	Rights at 30 June 2012	Rights exercisable at 30 June 2012
15,34	1 August 2009	5 319 382			(168 401)	5 150 981	
15,83	2 June 2010	5 754 486			(296 211)	5 458 275	
15,26	1 September 2010	141 546				141 546	
17,68	1 June 2011	5 780 243			(185 330)	5 594 913	
15,21	1 December 2011		108 872			108 872	
15,04	1 January 2012		166 223			166 223	
15,43	1 April 2012		267 337			267 337	
		16 995 657	542 432	(649 942)		16 888 147	

The weighted average fair value of rights awarded during the year was R3,80 (2011: R4,07).

	12 months to 30 June 2012 Rand	15 months to 30 June 2011 Rand
Weighted average exercise price of rights in issue at the beginning of the year	16,30	15,34
Weighted average exercise price of rights in issue at the end of the year	16,27	16,30
Weighted average exercise price of rights forfeited during the year	16,23	15,71
Weighted average award price of rights awarded during the year	15,27	16,73

For a description of both of the schemes, refer to the remuneration report on page 39 of the annual report.

Expected volatility for both of the schemes was determined calculating the historical volatility of the share price over the previous four years, adjusted for the impact on the share price of the offer by Remgro to minorities in March 2007. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

These fair values were calculated using the binomial options pricing model. The inputs into the model were as follows:

Expected volatility	(%)	24,9 – 25,8	25,1 – 26,0
Risk-free rate	(%)	7,1 – 7,2	7,3 – 7,7
Expected dividend yield	(%)	4,6	4,6
Contractual life	(years)	7 or 10	7 or 10
Weighted average contractual life – options	(years)	2,1	3,0
Weighted average contractual life – rights	(years)	5,1	6,0

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
9. SHARE-BASED PAYMENTS RESERVE		
Employee share scheme		
At the beginning of the year	82 294	64 340
Value of employee services expensed during the year	18 553	17 954
At the end of the year	100 847	82 294
BEE transaction		
At the beginning of the year	56 494	52 234
Employee portion – recurring	3 383	4 260
At the end of the year	59 877	56 494
Total at the end of the year	160 724	138 788
10. RETIREMENT BENEFIT OBLIGATIONS		
Post-retirement medical benefits	108 587	102 162
Post-retirement medical obligation		
The obligation of the Group to pay certain medical aid benefits after retirement is no longer part of the conditions of employment for Rainbow employees engaged after 1 October 2003 and for Vector employees engaged after 1 January 1997. A number of pensioners and current employees, however, remain entitled to this benefit. The entitlement to this benefit is dependent upon the employee remaining in service until retirement age. The last valuation date was 30 June 2012 for both Rainbow and Vector. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:		
At the beginning of the year	102 162	94 670
Recognised as an expense in the current year	10 461	12 034
Interest costs	8 521	10 419
Current service costs	2 262	2 512
Actuarial gain recognised	(322)	(897)
Benefits paid	(4 036)	(4 542)
At the end of the year	108 587	102 162
Unrecognised past service costs	(14 325)	3 514
Unrecognised actuarial loss	28 549	3 514
Balance per actuarial valuation	122 811	105 676

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
10. RETIREMENT BENEFIT OBLIGATIONS continued		
The principal actuarial assumptions are:		
Discount rate (%)	8,25	8,75
Health care cost inflation (%)	7,75	7,75
Mortality – pre-retirement	*	*
Mortality – post-retirement	**	**
Impact of 1% movement in the assumed medical cost trend on:		
– accrued liability increase	19 081	(28 270)
– accrued liability decrease	(15 587)	14 686
– current service and interest costs increase	2 122	1 839
– current service and interest costs decrease	(1 711)	(1 477)
Expected contributions for the years ending June	4 839	6 618
	2012 R'000	2011 R'000
	2010 R'000	2009 R'000
Historical information		
Present value of unfunded obligations	122 811	105 676
Experience loss/(gain) on plan liabilities	3 422	2 991

* SA85/90 (light) ultimate.

** PA(90) ultimate table rated down two years plus 1% improvement per annum from 2006.

RETIREMENT BENEFIT PLANS

Pension and provident fund schemes

The Group contributes towards retirement funds for all permanent employees who are required to be a member of a Group implemented scheme. These schemes, the Rainbow Pension Fund and the Rainbow Provident Fund, are governed by the Pension Funds Act, 1956. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of the Group. The schemes' assets are administered by a board of trustees, each of which includes elected employee representatives. The Rainbow Workers Provident Fund is a union fund and has no employer representatives on its board of trustees. The Pension Funds Second Amendment Bill was enacted with effect 7 December 2001. This Bill requires that the actuarial valuations at 31 March 2004, together with a plan for the apportionment on a fair basis to past and current members of the funds of any surplus established by this valuation date, must be approved by the Financial Services Board (FSB). The FSB has approved a Nil Surplus Apportionment for both the Rainbow Pension and Provident Funds.

Defined contribution pension and provident fund schemes

There are four defined contribution schemes as listed below. The latest audited financial information of these schemes all reflect a satisfactory state of affairs. Amounts charged to the income statement are as follows:

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Defined contribution pension and provident schemes:		
– Rainbow Pension Fund	22 692	25 619
– Rainbow Provident Fund	51 077	56 999
– Rainbow Workers Provident Fund	4 703	6 979
– Namflex Pension Fund	341	371
	78 813	89 968

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
11. INTEREST-BEARING DEBT		
Long-term		
Bank borrowings	61 828	
Finance lease liability	3 814	
	65 642	
Short-term		
Bank borrowings	30 833	
Finance lease liability	2 410	
	33 243	
Bank borrowings		
Unsecured loan raised to finance the acquisition of the Bushvalley operation. The loan bears interest at Jibar + 1,5% and is payable quarterly.		
At 30 June 2012 loan repayments are as follows:		
Within one year	30 833	
Capital repayments	6 136	
Interest	36 969	
	61 828	
Cash flows	4 943	
Within two to five years		
Capital repayments	66 771	
Interest		
Total cash flows	103 740	
Finance lease liability		
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.		
At 30 June 2012 lease repayments are as follows:		
Within one year	2 410	
Capital repayments	538	
Interest	2 948	
	3 814	
Cash flows	467	
Within two to five years		
Capital repayments	4 281	
Interest		
Total cash flows	7 229	
All interest-bearing borrowings are approved by the Board.		
12. TRADE AND OTHER PAYABLES		
Trade payables	1 435 348	1 248 255
Accruals	195 524	170 101
Other payables	17 275	14 887
At the end of the year	1 648 147	1 433 243

The carrying amount of trade and other payables approximates their fair values.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
13. DEPRECIATION AND AMORTISATION		
Buildings	41 094	44 986
Plant, equipment and furniture	131 557	139 159
Vehicles	24 749	26 195
Leased assets	1 980	
	199 380	210 340
Amortisation – intangible assets	906	
Total depreciation and amortisation	200 286	210 340
14. OPERATING PROFIT		
Revenue	7 855 142	8 621 389
Cost of sales	(5 913 470)	(6 230 828)*
Gross profit	1 941 672	2 390 561
Administration expenses	(487 082)	(540 481)*
Selling and marketing expenses	(240 652)	(258 814)
Distribution expenses	(898 942)	(1 075 600)*
Other income	99 228	36 611
Operating profit	414 224	552 277
Disclosable items – income:		
Fair value adjustment on biological assets	28 822	31 589
Fair value adjustment on derivatives	67 868	
Foreign exchange gains	1 572	3 793
Disclosable items – expense:		
Operating lease charges	67 383	56 092
– land and buildings	50 760	36 035
– plant and equipment	13 907	16 131
– other	2 716	3 926
Arrangements containing an operating lease**	632 888	699 266
– contract grower fees	172 682	179 164
– outsourced transport	460 206	520 102
Technical consultants' and legal fees	34 629	29 665
Fair value adjustment on derivatives		12 091
Foreign exchange losses	5 268	11 404
Feed costs	2 507 748	2 568 563
Utilities	494 797	495 741
Loss on disposal of property, plant and equipment	427	6 834
Directors' remuneration	10 226	16 771
Staff costs	1 269 554	1 520 554
– salaries and wages	1 099 174	1 328 229
– share-based payments	18 553	22 214
– retirement benefit costs	78 813	89 968
– other post-employment benefits	10 461	12 034
– other	62 553	68 109

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
14. OPERATING PROFIT continued		
Administration fee paid to Group holding company	5 417	6 313
Auditors' remuneration	5 326	5 858
– fees for the audit	5 262	5 433
– prior year (over)/under provision	(976)	12
– disbursements	170	85
– fees for other services	870	328
* <i>Administration expenses of R356,4 million and distribution expenses of R411,2 million have been reclassified into cost of sales.</i>		
** <i>It is not practical to separate the lease element from the total costs paid in respect of these arrangements and accordingly only total costs have been disclosed.</i>		
15. FINANCE COSTS		
Interest paid on overdraft	242	104
Interest paid – other	3 484	1 305
Interest paid – interest-bearing debt	162	
Interest paid to Group company	7 470	399
	11 358	1 808
16. FINANCE INCOME		
Interest received – other	2 227	1 616
Call funds with financial institutions	5 143	19 904
	7 370	21 520
17. INCOME TAX EXPENSE		
Current tax	58 288	114 009
South African	60 930	131 979
Prior year over provision	(2 642)	(17 970)
Deferred tax	60 457	51 876
South African	67 832	39 999
Foreign		(34)
Prior year (over)/under provision	(7 375)	11 911
Secondary tax on companies	24 724	22 254
	143 469	188 139
	%	%
Reconciliation of tax rate:		
Normal rate of tax	28,0	28,0
Adjusted for:		
– secondary tax on companies	6,0	3,9
– prior year over provision – current	(0,5)	(3,1)
– prior year (over)/under provision – deferred	(1,8)	2,1
– non-deductible items	3,3	2,0
Effective rate of tax	35,0	32,9

Notes to the group annual financial statements continued

for the year ended 30 June 2012

18. EARNINGS AND HEADLINE EARNINGS PER SHARE

Earnings and headline earnings per share are calculated using the weighted average ordinary shares in issue during the year. Diluted earnings and headline earnings per share are calculated using the fully diluted weighted average ordinary shares in issue. Dilution is due to shares offered, but not paid and delivered to participants in the BEE transaction, the Rainbow Share Incentive Scheme and the Rainbow Share Appreciation Rights Scheme (refer to notes 8 and 9). A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding scheme shares. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the share scheme options.

	12 months to 30 June 2012	15 months 30 June 2011
Weighted average shares – basic and headline earnings per share	294 388 848	293 074 612
Share option dilution impact	682 929	1 943 856
Weighted average shares – basic and headline earnings per share – diluted	295 071 777	295 018 468
	R'000	R'000
Headline earnings reconciliation:		
Profit for the year	266 767	383 850
Loss on disposal of property, plant and equipment (net of tax of R0,1 million (2011: R1,9 million))	307	4 920
Headline earnings	267 074	388 770
Basic earnings per share (cents)		
– basic	90,6	131,0
– diluted	90,4	130,1
Headline earnings per share (cents)		
– basic	90,7	132,7
– diluted	90,5	131,8
Interim – paid: 28,0 cents (2011: 28,0 cents)	82 568	82 010
Final – declared: 32,0 cents (2011: paid 56,0 cents)	94 397	164 598
Total: 60,0 cents (2011: 84,0 cents)	176 965	246 608

19. DIVIDENDS PER SHARE

Interim – paid: 28,0 cents (2011: 28,0 cents)

Final – declared: 32,0 cents (2011: paid 56,0 cents)

Total: 60,0 cents (2011: 84,0 cents)

A final dividend of 32,0 cents per share was declared for the financial year ended 30 June 2012. The dividend will be paid on Monday 22 October 2012. The last date to trade "cum" dividend will be Friday 12 October 2012. The Rainbow share will commence trading "ex" dividend from the commencement of business on Monday 15 October 2012 and the record date will be Friday 19 October 2012.

Since the final dividend was declared subsequent to year-end, it has not been provided for in the annual financial statements.

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
20. LEASE COMMITMENTS		
Operating leases:		
Due within one year	81 670	56 316
Due within two to five years	205 634	173 092
	287 304	229 408
Due thereafter		
In respect of:		
– property	246 619	199 288
– plant and equipment	32 908	17 659
– other	7 777	12 461
	287 304	229 408
In addition, the Group has operating lease commitments with rentals determined in relation to volumes of activity. It is not possible to quantify accurately future rentals payable under such lease arrangements.		
21. CONTINGENCIES		
Legal dispute	6 000	
Contract grower guarantees	22 433	24 424
	28 433	24 424

The Group has a contingent liability in respect of a legal claim for the dismissal of employees. The matter is ongoing and legal counsel are of the opinion that the Group will be successful. The directors have concluded that it is highly unlikely that the Group will incur a financial loss.

The Group has contingencies in respect of contract grower arrangements whereby the Group has guaranteed bank loans given to certain contract growers. These guarantees continue for a remaining four years. It is not anticipated that any material liabilities will arise from these contingencies. However, should they arise, the Group will acquire claims against the growers' farms which would reduce the net exposure.

22. OPERATING SEGMENTS

The Chief Executive Officer is the chief operating decision-maker. The Chief Executive Officer assesses the performance of the operating segments based on EBIT.

The Group restructure on 1 January 2011 resulted in the Group now having two operating segments, namely Rainbow and Vector.

Previously the Group was a single reportable segment. Key financial reporting systems for the charging of services between Rainbow and Vector have been established from July 2011. The charging of these services is now derived on an activity based costing basis.

The activities and systems configured to compute the charges were not available in prior years and consequently the segmental results will only reflect meaningful comparatives with effect from 2012.

The Rainbow segment is a vertically integrated chicken producer. The Vector segment is a specialist frozen third-party logistics provider, providing integrated logistics.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
22. OPERATING SEGMENTS continued		
Revenue	7 855 142	8 621 389
Rainbow	7 196 632	7 903 823
Vector	1 339 580	1 467 941
Sales between segments:		
Vector to Rainbow	(681 070)	(750 375)
Operating profit	245 487	343 048
Rainbow	168 737	209 229
Vector		
Operating profit	414 224	552 277
Finance costs	(11 358)	(1 808)
Finance income	7 370	21 520
Profit before tax	410 236	571 989
Assets		
Rainbow	3 791 566	3 267 015
Vector	2 638 534	2 310 527
Set-off of inter-segment balances	(1 521 253)	(1 096 683)
Goodwill	287 444	287 444
Total per balance sheet	5 196 291	4 768 303
Liabilities		
Rainbow	2 261 363	1 631 771
Vector	1 549 822	1 374 364
Set-off of inter-segment balances	(1 521 253)	(1 094 165)
Total per balance sheet	2 289 932	1 911 970
Additions to property, plant and equipment and intangible assets		
Rainbow	408 371	298 487
Property, plant and equipment	26 248	
Intangible assets		
Vector	46 288	61 553
Property, plant and equipment		
Depreciation and amortisation		
Rainbow	163 871	172 935
Vector	36 415	37 405
Major customers		
Revenue from the Group's top five customers is:		
– customer A	1 579 724	1 631 494
– customer B	1 261 853	1 498 569
– customer C	331 385	418 238
– customer D	320 196	317 073
– customer E	318 845	312 186
All of the above revenue is included in the Rainbow segment.		
Analysis of revenue		
The Group derives its revenue from the following products and services:		
Chicken	6 248 474	6 985 480
Feed	948 158	918 343
Services	658 510	717 566
	7 855 142	8 621 389

23. FINANCIAL RISK MANAGEMENT

Financial risk factors

This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing these risks and the Group's management of capital.

The Group's financial instruments consist primarily of cash resources with financial institutions, derivatives, accounts receivable and payable and interest-bearing debt. In the normal course of business, the Group is exposed to credit, interest, liquidity and market risk. In order to manage these risks, the Group may enter into transactions which make use of derivatives. They include forward exchange contracts, options, interest rate swaps and commodity futures and options. A separate committee is used to manage the risks and the hedging activities of the Group. The Group does not speculate in derivative instruments. The Group's forward exchange and forward purchase contracts do not qualify as designated hedges for accounting purposes. Their fair values are disclosed in note 7.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Committee which is responsible for developing and monitoring the Group's risk management policies. The Risk Committee reports regularly to the Board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk primarily relates to trade receivables, cash investments and derivative financial instruments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and there is no significant concentration of risk related to industry segments. The granting of credit is controlled by well established criteria which are reviewed on an annual basis. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial asset and financial guarantee amounting to R22,4 million (refer to note 21).

In the current year, 84% (2011: 85%) of the Group's trade receivables have been covered by Credit Guarantee Insurance Cover (CGIC) and other collateral in the form of bonds and guarantees. The insurance covers 90% of outstanding debt. The credit policy requires each new customer to be analysed individually for creditworthiness before delivery and payment terms are offered. The Group's review includes external ratings where available and in some cases bank references. Limits are established for each customer which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

23. FINANCIAL RISK MANAGEMENT continued

The Group deposits cash surpluses with financial institutions of high quality and standing. The tables below show the cash and cash equivalents and derivative financial asset balances allocated in terms of bank rating. These ratings are based on Moody's bank ratings.

	30 June 2012 R'000	30 June 2011 R'000
Rating		
A3	305 329	469 231
Cash on hand	463	265
	305 792	469 496

Liquidity risk

The Group has minimal risk of illiquidity. Its unutilised borrowing capacity is R470 million (2011: R470 million). Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flow.

The Group's derivative financial liabilities, trade and other payables and financial leases are all due within one year and the impact of discounting them is not significant.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2012					
Non-current borrowings		36 400	34 652		71 052
Current borrowings	39 917				39 917
Trade and other payables (excluding employee benefit payables)	1 515 731				1 515 731
Derivative financial liabilities	3				3
	1 555 651	36 400	34 652		1 626 703
2011					
Non-current borrowings					
Current borrowings					
Trade and other payables (excluding employee benefit payables)	1 339 380				1 339 380
Derivative financial liabilities	3 469				3 469
	1 342 849				1 342 849

23. FINANCIAL RISK MANAGEMENT continued

MARKET RISK

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. The effective interest rate for the year was 5,57% (2011: 6,45%).

The post-tax impact on the statement of comprehensive income and equity as at 30 June for fluctuations in interest rates, with all other variables held constant, would have been as follows:

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
+3 %	4 469	10 141

Foreign currency risk

In the normal course of business the Group enters into transactions denominated in foreign currencies. Trade and other payables include net payables of R4,6 million (2011: R4,7 million) in respect of purchases due in foreign currencies. The currencies predominantly traded in by the Group are USD, GBP and Euro. As a result, the Group is subject to exposure from fluctuations in foreign currency exchange rates. The Group utilises forward exchange contracts and currency options to minimise foreign currency exchange risk in terms of its risk management policy. All forward exchange contracts and currency options are supported by underlying transactions.

	Average rate R	Foreign contract amount R'000	Fair value of FECs R'000
30 June 2012			
Euro forward exchange contracts – liabilities	10,54	30	3

30 June 2011

GBP forward exchange contracts – liabilities

Euro forward exchange contracts – liabilities

11,28

9,85

325

145

118

(5)

	Foreign option amount '000	Fair value of options R'000
30 June 2012		
USD currency options – assets	53 000	7 685
USD currency options – liabilities	35 000	6 941
30 June 2011		
USD currency options – assets	15 000	885
USD currency options – liabilities	25 000	1 146

Notes to the group annual financial statements continued

for the year ended 30 June 2012

23. FINANCIAL RISK MANAGEMENT continued

Currency

Sensitivity of future (post-tax) income statement impact arising on the maturity of currency option contracts and trade payables:

Profit/(loss) as a result of a movement of the USD at 30 June assuming the spot price remains constant thereafter until the maturity of the contracts.

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
10% increase in the value of the USD against the rand	29 323	48 234
10% decrease in the value of the USD against the rand	(29 323)	(48 234)

Commodity price and procurement 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, derivative instruments including forward contracts, commodity options and futures contracts are used to hedge its exposure to commodity price risk.

The overriding directive is to procure commodities at the lowest cost to meet forecast requirements, both internally and for external sales. Call and put options are utilised within this framework to manage commodity requirements and supply. The use of written options is restricted to the hedging of existing long positions and is limited to put options.

The overall procurement strategy and net positions are reported monthly to the Board and an oversight committee. The oversight committee is responsible for the setting of the monthly company view with regard to future price movements. The daily trading by the procurement team is restricted in terms of this company view, unless prior approval is obtained from the procurement committee.

Maize and soya

Sensitivity of future (post-tax) income statement impact arising on the maturity of maize and soya derivative contracts:

Profit/(loss) as a result of a movement in the spot price of maize and soya and resulting impact on tonnage at 30 June, assuming the spot price remains constant thereafter until the maturity of the contracts.

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Maize – 5% increase	19 194	18 280
Maize – 5% decrease	(19 194)	(18 280)
Soya – 15% increase	28 225	9 020
Soya – 15% decrease	(28 225)	(9 020)

Rainbow Farms Proprietary Limited has entered into contract grower agreements with various counterparties to procure broiler chickens for the forthcoming financial year.

The commitment value as at 30 June 2012 was R19,9 million (2011: R20,7 million).

23. FINANCIAL RISK MANAGEMENT continued

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain the future development needs of the business. The Board monitors both the spread of shareholders and return on equity (which is defined as profit for the year expressed as a percentage of average total equity) and the level of dividends paid to shareholders.

The Group's target is to achieve a return on shareholders' equity in excess of 25%. In 2012 the return was 9,3% (2011: 13,9%).

There were no changes to the Group's approach to capital management during the year.

Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Assets				
Trading derivatives		20 811		20 811
Total assets		20 811		20 811
Liabilities				
Trading derivatives		3		3
Total liabilities		3		3
30 June 2011				
Liabilities				
Trading derivatives		3 469		3 469
Total liabilities		3 469		3 469

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the group annual financial statements continued
for the year ended 30 June 2012

	Loans and receivables R'000	Assets at fair value through profit and loss R'000	Total R'000
24. FINANCIAL INSTRUMENTS BY CATEGORY			
The accounting policies for financial instruments have been applied to the line items below:			
Assets per the balance sheet			
30 June 2012			
Trade and other receivables	1 272 042		1 272 042
Derivative financial instruments		20 811	20 811
Cash and cash equivalents	305 792		305 792
At the end of the year	1 577 834	20 811	1 598 645
30 June 2011			
Trade and other receivables	1 206 718		1 206 718
Cash and cash equivalents	469 496		469 496
At the end of the year	1 676 214		1 676 214
	Other financial liabilities R'000	Liabilities at fair value through profit and loss R'000	Total R'000
Liabilities per the balance sheet			
30 June 2012			
Derivative financial instruments		3	3
Trade and other payables	1 515 731		1 515 731
At the end of the year	1 515 731	3	1 515 734
30 June 2011			
Derivative financial instruments		3 469	3 469
Trade and other payables	1 339 380		1 339 380
At the end of the year	1 339 380	3 469	1 342 849

25. RELATED PARTY TRANSACTIONS

Related party relationships exist between Rainbow Chicken Limited, its subsidiaries and Remgro Limited and its subsidiaries and associates. Remgro Management Services Limited provides treasury services to the Group. All purchasing, selling and treasury transactions are concluded at arm's length.

Group

As detailed in note 1 to the company financial statements on page 110, the company has concluded certain lending transactions with these related parties. In addition the following transactions were concluded:

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Interest paid to Remgro Management Services Limited – refer to note 15*	7 470	399
Administration fee paid to Remgro Management Services Limited – refer to note 14	5 417	6 313
Amount owing to Remgro Management Services Limited included in payables	991	62
Bank charges paid to First National Bank Limited	550	336
Net interest (received)/paid to First National Bank Limited		(547)
Purchases from Unilever South Africa Proprietary Limited	2 287	67 037
Amount owing to Unilever South Africa Proprietary Limited included in payables	273	5 018
Purchases from Quality Sugars Proprietary Limited	6 641	
Amount owing to Quality Sugars Proprietary Limited included in payables	910	
Purchases from Grindrod South Africa Proprietary Limited	4 055	
Amount owing to Grindrod South Africa Proprietary Limited included in payables	388	
Purchases from PG Glass Proprietary Limited	1	
	96 354	124 564
	18 553	17 954
	114 907	142 518

* There were no outstanding loans with Remgro Management Services Limited at year-end.

Shareholders

Details of the major shareholders of the company appear on page 8.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

	Basic salary R'000	Bonus* R'000	Pension contribution R'000	Other benefits** R'000	Total R'000
26. DIRECTORS' EMOLUMENTS					
Executives					
2012 – 12 months					
M Dally	4 962		359	108	5 429
RH Field	2 334		232	59	2 625
	7 296		591	167	8 054
2011 – 15 months					
M Dally	5 637	3 226	405	126	9 394
RH Field	2 651	1 450	262	68	4 431
	8 288	4 676	667	194	13 825

* Bonuses relate to the previous financial year.

** Other benefits include company contributions to disability insurance, medical aid and UIF.

	12 months 2012 R'000	15 months 2011 R'000
Non-executives (for services as a director)		
Present directors		
JJ Durand*	172	200
Dr M Griessel	278	367
PR Louw*	172	230
NP Mageza	304	398
JB Magwaza	211	283
MM Nhlanhla	186	230
RV Smither	355	422
CM van den Heever*	9	
GC Zondi**	313	305
	2 000	2 435
Past directors		
DW Vale		220
MH Visser*	172	291
	172	511
Total	2 172	2 946

* Paid to Remgro Management Services Limited.

** Paid to Imbewu Capital Partners Consulting Proprietary Limited.

26. DIRECTORS' EMOLUMENTS continued

DIRECTORS' INTERESTS

Interests of directors of the company in share options granted

Options granted to executive directors and unexpired or unexercised as at 30 June 2012 are as follows:

	Options exercisable at 30 June 2011	Issue price Rand	Options at 30 June 2011	Options granted during the year	Options exercised during the year	Options at 30 June 2012	Exercise price Rand	Gain on options exercised R'000
M Dally	464 000	6,65	464 000		(464 000)		15,10	3 922
	779 211	10,39	779 211			779 211		
	734 211	16,35	1 101 317			1 101 317		
	336 163	14,20	504 245			504 245		
	2 313 585		2 848 773		(464 000)	2 384 773		3 922
RH Field	128 000	6,65	128 000		(128 000)		15,13	1 085
	154 328	10,39	154 328			154 328		
	382 426	16,35	573 639			573 639		
	176 269	14,20	264 404			264 404		
	841 023		1 120 371		(128 000)	992 371		1 085
Total	3 154 608		3 969 144		(592 000)	3 377 144		5 007

No options were issued during the year, nor will any further options be issued under the Rainbow Share Incentive Scheme, as this scheme has been replaced by the Rainbow Share Appreciation Rights Scheme approved at the 43rd annual general meeting of shareholders held on 31 July 2009. The scheme will simply be allowed to run its course in respect of existing options.

	Options exercisable at 31 March 2010	Issue price Rand	Options at 31 March 2010	Options granted during the period	Options exercised during the period	Options at 30 June 2011	Exercise price Rand	Gain on options exercised R'000
M Dally	464 000	6,65	464 000			464 000		
	519 474	10,39	779 211			779 211		
	367 105	16,35	1 101 317			1 101 317		
		14,20	504 245			504 245		
	1 350 579		2 848 773			2 848 773		
RH Field	16 103	5,10	16 103		(16 103)		18,05	209
	131 822	5,30	131 822		(131 822)		18,05	1 681
	256 000	6,65	256 000		(128 000)	128 000	18,05	1 459
	154 327	10,39	231 491		(77 163)	154 328	18,05	591
	191 213	16,35	573 639			573 639		
		14,20	264 404			264 404		
	749 465		1 473 459		(353 088)	1 120 371		3 940
Total	2 100 044		4 322 232		(353 088)	3 969 144		3 940

Notes to the group annual financial statements continued

for the year ended 30 June 2012

26. DIRECTORS' EMOLUMENTS continued

Interests of directors of the company in share appreciation rights awarded

Share appreciation rights awarded to executive directors and unexpired or unexercised as at 30 June 2012 are as follows:

	Rights exercisable at 30 June 2011	Award price Rand	Number of rights at 30 June 2011	Rights awarded during the year	Rights exercised during the year	Number of rights at 30 June 2012	Exercise price Rand	Gain on rights exercised R'000	Grant date fair value of rights awarded R'000
M Dally	15,34	845 679				845 679			
	15,83	865 465				865 465			
	17,68	665 120				665 120			
					2 376 264	2 376 264			
RH Field	15,34	397 932				397 932			
	15,83	401 989				401 989			
	17,68	339 739				339 739			
					1 139 660	1 139 660			
Total			3 515 924			3 515 924			

	Rights exercisable at 31 March 2010	Award price Rand	Number of rights at 31 March 2010	Rights awarded during the period	Rights exercised during the period	Number of rights at 30 June 2011	Exercise price Rand	Gain on rights exercised R'000	Grant date fair value of rights awarded R'000
M Dally	15,34	845 679				845 679			
	15,83		865 465			865 465		3 479	
	17,68		665 120			665 120		2 738	
					845 679	1 530 585	2 376 264		6 217
RH Field	15,34	397 932				397 932			
	15,83		401 989			401 989		1 616	
	17,68		339 739			339 739		1 399	
					397 932	741 728	1 139 660		3 015
Total			1 243 611	2 272 313		3 515 924			9 232

* Grant date fair value of rights awarded represents the total fair value of rights awarded during the year. This cost will be expensed over the right's vesting period.

26. DIRECTORS' EMOLUMENTS continued

Interest of directors of the company in stated capital

The aggregate beneficial holdings as at 30 June 2012 of those directors of the company holding issued ordinary shares are detailed below:

	2012		2011	
	Direct beneficial 000	Indirect beneficial 000	Direct beneficial 000	Indirect beneficial 000
Executive directors				
M Daily	964		500	
RH Field	378		250	
Non-executive directors				
Dr M Griessel		5		5
JB Magwaza*		2 559		2 559
MM Nhlanhla*		343		343
GC Zondi*		3 767		3 767
	1 342	6 674	750	6 674

* Assumes 100% vesting in terms of the BEE transaction.

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.

Directors' emoluments paid by Remgro Limited

12 months to 30 June 2012	Fees R'000	Salaries R'000	Retirement	Other benefits ⁽³⁾ R'000	Total R'000
			fund R'000		
Executive					
MH Visser ⁽¹⁾	166	7 311	1 696	534	9 707
JJ Durand	199	5 030	1 037	248	6 514
PR Louw		1 118	222	192	1 532
CM van den Heever ⁽²⁾		1 233	245	192	1 670
Subtotal	365	14 692	3 200	1 166	19 423
Independent non-executive					
NP Mageza	266				266
Subtotal	266				266
Total	631	14 692	3 200	1 166	19 689
15 months to 30 June 2011					
Executive					
MH Visser ⁽¹⁾	233	11 200	2 303	357	14 093
JJ Durand	233	5 568	1 151	295	7 247
PR Louw		1 246	251	228	1 725
CM van den Heever ⁽²⁾					
Subtotal	466	18 014	3 705	880	23 065
Independent non-executive					
NP Mageza		311			311
Subtotal		311			311
Total	777	18 014	3 705	880	23 376

(1) Mr MH Visser passed away on 26 April 2012.

(2) Mr CM van den Heever was appointed as non-executive director on 12 June 2012.

(3) Other benefits include medical aid contributions and vehicle benefits.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

26. DIRECTORS' EMOLUMENTS continued

Variable pay – long-term incentive plans

Remgro Share Scheme June 2012 ordinary shares

Participant	Balance of shares accepted as at 30 June 2011	Shares accepted during the period	Date of acceptance of shares	Offer price (Rand)	Number of shares paid and delivered	Date of payment and delivery of shares	Share price on date of payment and delivery of shares (Rand)	Increase in value ⁽²⁾ (R'000)	Balance of shares accepted as at 30 June 2012
Executive									
MH Visser ⁽¹⁾	172 681			135,00					172 681
	68 230			186,70					68 230
Total	240 911								240 911

(1) In terms of the rules of the Remgro Share Scheme, the executor of the estate of the late Mr MH Visser is entitled to effect payment of all the shares offered to him within twelve months after the date of his death or before the expiry of the offer periods, whichever is the earlier.

(2) It refers to an increase in value of the Scheme shares of the indicated participant from the offer date to the date of payment and delivery.

Participant	Balance of shares accepted as at 31 March 2010	Shares accepted during the period	Date of acceptance of shares	Offer price (Rand)	Number of shares paid and delivered	Date of payment and delivery of shares	Share price on date of payment and delivery of shares (Rand)	Increase in value ⁽¹⁾ (R'000)	Balance of shares accepted as at 30 June 2011
Executive									
MH Visser	174 614			87,86	174 614	25/02/11	109,66	3 807 ⁽²⁾	172 681
	172 681			135,00					68 230
Total	415 525				174 614			3 807	240 911

(1) It refers to the increase in value of the Scheme shares or the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.

(2) According to the rules of the Remgro Share Scheme and, in addition to the Remgro shares received, Mr Visser also received ordinary shares in British American Tobacco (BAT), Reinet Investments and Trans Hex amounting to R21,0 million.

26. DIRECTORS' EMOLUMENTS continued

Remgro Equity Settled Share Appreciation Right Scheme – June 2012 – Share appreciation rights (SARs)

Participant	Balance of SARs accepted as at 30 June 2011	SARs accepted during the period	Offer date	Offer price ⁽²⁾ (Rand)	Number of SARs exercised	Date exercising SARs	Share price on exercise date (Rand)	Increase in value ⁽³⁾ (R'000)	Balance of SARs accepted as at 30 June 2012	Grant date fair value of SARs granted during the period
Executive										
MH Visser ⁽¹⁾	542 424			65,50					542 424	
	486 465			97,55					486 465	
JJ Durand	427 047			38,90	427 047	26/10/11	117,75	33 673	–	
	162 354			78,30					162 354	
	22 717			75,38	7 573	26/10/11	117,75	258	15 144	
	12 662			82,60	8 442	26/10/11	117,75	230	4 220	
	235 895			97,55					235 895	
PR Louw	7 000			63,97					7 000	
	9 058			64,23					9 058	
	26 995			65,50					26 995	
	8 860			40,62					8 860	
	27 432			97,55					27 432	
CM van den Heever	46 976			31,43					46 976	
	17 961			78,30					17 961	
	2 680			75,38					2 680	
	1 419			82,60					1 419	
	34 292			97,55					34 292	
	2 072 237				443 062				34 161	1 629 175

- (1) In terms of the rules of the SAR Scheme, the executor of the estate of the late Mr MH Visser is entitled to exercise all the SARs granted to him at any time within twelve months after the date of his death or before the expiry of the SAR period (being seven years from the grant date), whichever is the earlier.
- (2) In terms of the rules of the SAR Scheme, the offer price of SARs that were awarded prior to the unbundling of the investment in Implats, was reduced by between R7,58 and R13,19 (depending on the offer date) to ensure that the participants were placed in substantially the same position as they were prior to the unbundling.
- (3) It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.

Notes to the group annual financial statements continued

for the year ended 30 June 2012

26. DIRECTORS' EMOLUMENTS continued

Remgro Equity Settled Share Appreciation Right Scheme – June 2011 – Share appreciation rights (SARs)

Participant	Balance of SARs accepted as at 31 March 2010	SARs accepted during the period	Offer date	Offer price ⁽¹⁾ (Rand)	Number of SARs exercised	Date exercising SARs	Share price on exercise date (Rand)	Increase in value ⁽²⁾ (R'000)	Balance of SARs accepted as at 30 June 2011	Grant date fair value of SARs granted during the period
Executive										
MH Visser	136 767			71,71	136 767	25/02/11	109,66	5 190	542 424	
	542 424			73,71					486 465	16 225
JJ Durand	427 047			486 465	29/11/10	108,69			427 047	
	162 354					38,90			162 354	
	22 717					87,21			22 717	
	12 662					83,65			12 662	
						90,52			235 895	7 868
PR Louw	16 058			235 895	29/11/10	108,69			16 058	
	26 995					71,71			26 995	
	8 860					73,71			8 860	
						48,09			27 432	915
	27 432	29/11/10								
	1 355 884	749 792			136 767				5 190	1 968 909
										25 008

(1) In terms of the rule of the SAR Scheme, the offer price of SARs that were awarded prior to the Trans Hex unbundling was reduced by 29 cents to ensure that the participants were placed in substantially the same position as they were prior to the unbundling.

(2) It refers to the increase in value of the SAR Scheme shares of the indicated participants from the offer date to the date of payment and delivery.

27. BEE TRANSACTION

On 18 March 2008, shareholders approved a Broad-based Black Economic Empowerment (BEE) transaction. The participants in the BEE transaction are the Imbewu Consortium, Ikamva Labantu Empowerment Trust (a Corporate and Social Investment Community Trust), the Rainbow Employee Trust and Mrs MM Nhlanhla, a non-executive director of Rainbow (collectively the BEE partners).

Details of the transaction

In terms of the transaction a special purpose entity, Eagle Creek Investments 620 Proprietary Limited (Eagle Creek), acquired an effective 15 % of Rainbow's entire issued share capital for R915,6 million on 30 July 2008. The purchase price was settled by issuing variable rate (CPIX plus 6 %) cumulative redeemable preference shares in Eagle Creek to Rainbow.

Ordinary dividends paid to Eagle Creek will be applied immediately to reduce the outstanding redemption amount.

The shares issued to Eagle Creek are also subject to restrictions on alienation and encumbrance until 30 July 2018. Should Eagle Creek be unable to pay the full redemption amount payable upon redemption of the preference shares, Rainbow is entitled to effect a buy-back in terms of section 85 of the Companies Act of the number of shares whose value at that time is equivalent to the outstanding redemption amount. At 30 June 2012 the outstanding redemption amount was R1 292,7 million (2011: R1 193,5 million).

Accounting principles and assumptions

The terms of issuance of the ordinary shares and acquisition of the preference shares are deemed for accounting purposes to constitute the issuance of an option in Rainbow shares granted to Eagle Creek, effective on 18 March 2008, when the shareholders' approval was obtained. Accordingly, the issuance of the shares and the subscription by Rainbow to the Eagle Creek preference shares, has not been recognised.

The Rainbow shares attributed to the Rainbow Employee Trust, net of any shares that may be bought back by Rainbow to settle the redemption amount, will be distributed to employees who are in service of Rainbow at the end of the 10-year period. The basis of apportionment of shares to employees is set out in the trust deed and rewards longer service.

28. BUSINESS COMBINATIONS

The Group acquired the fixed assets and poultry processing operations of Bushvalley Chickens, located near Tzaneen in the Limpopo province, for a purchase consideration in cash of R92,5 million. The acquisition is in line with the Group's strategic growth plan.

The impact on the Group's results are minimal as the effective date of the acquisition was only 12 March 2012 and includes the following:

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Revenue	57 049	
Operating loss (including start-up costs)	(4 723)	
The impact on the Group's results, had the acquisition occurred on 1 July 2011, is not presented as it is not practical to calculate due to different input costs prior to the acquisition.		
Details of net assets acquired and the cost of the investment are as follows:		
Land	1 232	
Buildings	33 768	
Plant and equipment	47 851	
Vehicles	9 649	
Net assets acquired	92 500	

Carrying value

As the Group acquired the assets and liabilities of this business rather than the shares of the legal entity that previously owned such assets and liabilities, it is impractical to disclose the carrying amounts in the accounting records of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.

No goodwill arose from the acquisition as the purchase consideration determined in accordance with IFRS is equal to the fair value.

The purchase allocation has been performed and is considered final.

Company balance sheet

as at 30 June 2012

	Note	30 June 2012 R'000	30 June 2011 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries		584 177	579 210
Loans to Group companies		633 436	654 874
Total assets	1	1 217 613	1 234 084
EQUITY			
Stated capital	2	1 198 253	1 189 684
Share-based payments reserve		126 323	121 356
Accumulated loss		(107 963)	(78 242)
Total equity		1 216 613	1 232 798
LIABILITIES			
Current liabilities			
Trade and other payables		1 000	1 286
Total current liabilities		1 000	1 286
Total equity and liabilities		1 217 613	1 234 084

Company statement of comprehensive income

for the year ended 30 June 2012

	Note	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Profit before tax	3	242 249	216 757
Income tax expense	4	(24 724)	(22 254)
Profit for the year		217 525	194 503
Total comprehensive income for the year		217 525	194 503

Company statement of changes in equity

for the year ended 30 June 2012

	Stated capital R'000	Share-based payments reserve R'000	Accumulated loss R'000	Total R'000
Balance at 1 April 2010	1 177 057	116 574	(50 205)	1 243 426
Total comprehensive income for the period			194 503	194 503
Ordinary dividends paid			(222 540)	(222 540)
BEE share-based payments charge		4 260		4 260
Employee Share Option Scheme:				
– proceeds from shares issued	12 627			12 627
– value of employee services		522		522
Balance at 1 July 2011	1 189 684	121 356	(78 242)	1 232 798
Total comprehensive income for the year			217 525	217 525
Ordinary dividends paid			(247 246)	(247 246)
BEE share-based payments charge		3 383		3 383
Employee Share Option Scheme:				
– proceeds from shares issued	8 569			8 569
– value of employee services		1 584		1 584
Balance at 30 June 2012	1 198 253	126 323	(107 963)	1 216 613

Company cash flow statement

for the year ended 30 June 2012

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
Cash flows from operating activities		
Cash generated by operations	242 249	216 757
Movement in share-based payments reserve	4 967	4 782
Dividends paid	(247 246)	(222 540)
Tax paid	(24 724)	(22 254)
Movement in trade and other payables	(286)	486
Net cash outflow from operating activities	(25 040)	(22 769)
Cash flows from investing activities		
Movement in investment in subsidiaries	(4 967)	(461 394)
Movement in loans to Group companies	21 438	471 536
Net cash inflow from investing activities	16 471	10 142
Cash flows from financing activities		
Issue of shares	8 569	12 627
Net cash movement	25 040	22 769

Notes to the company financial statements

for the year ended 30 June 2012

	Issued share capital 2012 R	Issued share capital 2011 R	Effective holding 2012 %	Effective holding 2011 %
1. TOTAL ASSETS				
Effective holding				
Directly owned				
Rainbow Farms Investments	99 900	99 900	100	100
Rainbow Farms	40 000	40 000	100	100
Vector Logistics	50	50	100	100
Farmer Brown	1	1	100	100
East End Court	1	1	100	100
Bonny Bird Farms	312	312	100	100
Epol	78 000	78 000	100	100
Indirectly owned				
Vector Logistics (Namibia)	100 000	100 000	100	100
Rainbow Chicken Foods	100	100	100	100

	Shares 2012 R'000	Shares 2011 R'000	Indebtedness 2012 R'000	Indebtedness 2011 R'000	Total 2012 R'000	Total 2011 R'000
Share and indebtedness						
Rainbow Farms Investments	100	100			100	100
Rainbow Farms	1 142	1 142	633 436	654 874	634 578	656 016
Vector Logistics	456 612	456 612			456 612	456 612
Subsidiary portion of share-based payments reserve						
	457 854	457 854	633 436	654 874	1 091 290	1 112 728
	126 323	121 356			126 323	121 356
	584 177	579 210	633 436	654 874	1 217 613	1 234 084

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

None of the above companies are listed as they are all "Proprietary Limited".

	Number of shares	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
2. STATED CAPITAL			
Authorised			
575 525 772 (2011: 575 525 772) ordinary shares of no par value.			
Issued ordinary shares of no par value:			
At the beginning of the year			
Shares issued in terms of Share Incentive Scheme			
At the end of the year			

On 30 July 2008, 51 177 217 shares were issued to Eagle Creek Investments 620 Proprietary Limited in terms of the BEE transaction. For accounting purposes, these shares are not treated as issued.

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting.

	12 months to 30 June 2012 R'000	15 months to 30 June 2011 R'000
3. PROFIT BEFORE TAX		
Dividends received from subsidiaries	247 246	222 540
Non-executive directors' fees	(2 172)	(2 946)
Listed company expenses	(2 712)	(2 837)
Interest paid	(113)	
	242 249	216 757
4. INCOME TAX EXPENSE		
Secondary tax on companies		22 254
5. CONTINGENT LIABILITY		
Banking and loan facilities are renewed annually and are subject to floating interest rates. Rainbow Chicken Limited binds itself in favour of various banking institutions as surety in solidum for and co-principal debtor jointly and severally with Rainbow Farms Proprietary Limited for facilities granted. At year-end the facilities granted amounted to R470 million (2011: R470 million). No liquidity risk to the company is considered to arise in respect of this guarantee in view of the limited utilisation by Rainbow Farms Proprietary Limited of its facilities.		
6. DIVIDENDS PER SHARE		
Refer to note 19 of the notes to the Group financial statements.		
7. FINANCIAL RISK MANAGEMENT		
Credit risk		
The company has guaranteed a loan of a subsidiary. The maximum exposure to credit risk at the reporting date is R92,7 million.		
Liquidity risk		
The table below summarises the maturity profile of the guaranteed loan:		

	Less than one year R'000	One to two years R'000	Two to three years R'000	Greater than three years R'000	Total R'000
2012	36 969	34 528	32 243		103 740

Independent reporting accountants' report on the unaudited *pro forma* financial information of Rainbow Chicken Limited ("Rainbow" or "the company")

Introduction

Rainbow Chicken Limited changed its financial year-end in the prior financial year resulting in a 15 month period to 30 June 2011. In presenting the financial results for the year to 30 June 2012, Rainbow proposes to present certain financial information for a comparative 12 month period relating to the prior financial year within the company's SENS announcement of results presented on page 113 of the annual financial statements.

At your request we present our report on the unaudited comparative *pro forma* income statement information ("the unaudited *pro forma* financial information") of the company presented on page 113 of the annual financial statements.

The unaudited *pro forma* financial information has been prepared in accordance with the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide certain comparative financial information as a consequence of the change in the company's year-end.

Responsibilities

The directors of the company are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information presented on page 113 of the annual financial statements and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information contained on page 113 of the annual financial statements has been properly compiled on the basis stated; the basis is consistent with the accounting policies of the company; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included on page 113 of the annual financial statements. We conducted our assurance engagement in accordance with ISAE 3000: International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Revised Guide on *pro forma* financial information issued by the South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information of the company with the source documents, considering the *pro forma* adjustments in light of the accounting policies of the company, considering the evidence supporting the unaudited *pro forma* adjustments and discussing the adjusted unaudited *pro forma* financial information with the directors of the company.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of the company and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with the International Standards on Auditing or the International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of the company, and
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to sections 8.17 and 8.30 of the JSE Listings Requirements.



PricewaterhouseCoopers Inc.

Director: H Ramsumer

Registered Auditor

Durban

28 August 2012

Pro forma income statement

for the 12 months ended 30 June 2011

R'000	Note 1 Unadjusted Audited 15 months to 30 June 2011	Note 2 Actual 3 months 1 April 2010 to 30 June 2010	Note 3 <i>Pro forma</i> 12 months to 30 June 2011
Revenue	8 621 389	1 658 636	6 962 753
Operating profit before depreciation and amortisation (EBITDA)	762 617	169 501	593 116
Depreciation and amortisation	(210 340)	(47 642)	(162 698)
Operating profit	552 277	121 859	430 418
Net finance income	19 712	4 962	14 750
Profit before tax	571 989	126 821	445 168
Income tax expense	(188 139)	(37 411)	(150 728)
Profit for the period	383 850	89 410	294 440
Headline earnings			
Profit for the period	383 850	89 410	294 440
Loss/(profit) on disposal of property plant and equipment	4 920	(819)	5 739
Headline earnings	388 770	88 591	300 179
Headline earnings per share – basic (cents)	132,7	30,4	102,4
Headline EBITDA	762 617	169 501	593 116
EBITDA	6 834	(1 137)	7 971
Loss/(profit) on disposal of property plant and equipment			
Headline EBITDA	769 451	168 364	601 087

- (1) *Unadjusted audited results for the 15 months ended 30 June 2011.*
- (2) *Unaudited results for the three months from 1 April 2010 to 30 June 2010 based on complete management account information for the three months ended 30 June 2011 prepared in terms of the company's accounting policies and IFRS.*
- (3) *Pro forma results for the 12 months to 30 June 2011, being column 1 minus column 2, which represents the unaudited pro forma comparative income statement for the 12 months to 30 June 2011.*
- (4) *This pro forma statement is the responsibility of the company directors and as per the JSE Limited Listings Requirements, para 8.18: this information is prepared for illustrative purposes and because of its nature, it may not fairly present the financial results of the company for the pro forma reporting period.*
- (5) *The reporting accountants' report from PricewaterhouseCoopers Inc. on the pro forma financial information is set out in the annual financial statements and forms part of the SENS announcement of results.*

Shareholders' diary

Financial year-end	June
Annual general meeting	November
FINANCIAL REPORTS	
Announcement of results for the year	August
Annual financial statements posted	September
Interim report for the half year to December	February
FUTURE ORDINARY DIVIDENDS	
Interim dividend	
Declaration	February
Payment	April
Final dividend	
Declaration	August
Payment	October

Notice to shareholders

In terms of section 59(1)(a) of the South African Companies Act, No 71 of 2008, as amended, ("the Companies Act") the record date for the purpose of determining which shareholders of the company are entitled to receive notice of the annual general meeting is 12 October 2012. In terms of section 59(1)(b) of the Companies Act, the record date for the purpose of determining which shareholders of the company are entitled to participate in and vote at the annual general meeting is 9 November 2012. Accordingly the last day to trade in order to be registered in the register of members of the company and therefore be eligible to participate in and vote at the annual general meeting is 2 November 2012.

Notice is hereby given that the 46th annual general meeting of shareholders of Rainbow Chicken Limited will be held at One The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Tuesday 20 November 2012 at 08:30 to consider and, if deemed fit, to pass the following ordinary and special resolutions with or without modification and to transact such other business as may be transacted at an annual general meeting.

ORDINARY RESOLUTIONS

1. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

Ordinary resolution number 1

Resolved that the audited annual financial statements of the company and the Group, including the directors' report, report of the Audit Committee and independent auditor's report, for the year ended 30 June 2012 be received and adopted.

2. ELECTION AND RE-ELECTION OF DIRECTORS

Ordinary resolution number 2.1

Resolved that Mr CM van den Heever, having been appointed since the last annual general meeting, be elected as a director of the company.

Ordinary resolution number 2.2

Resolved that Mr M Dally, who retires by rotation in accordance with the Articles of Association of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

Ordinary resolution number 2.3

Resolved that Mr RH Field, who retires by rotation in accordance with the Articles of Association of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

Ordinary resolution number 2.4

Resolved that Dr M Griessel, who retires in accordance with the Articles of Association of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

Ordinary resolution number 2.5

Resolved that Mr JB Magwaza, who retires in accordance with the Articles of Association of the company and who, being eligible, has offered himself for re-election, be re-elected as a director of the company.

Biographical details of the above directors can be found on pages 10, 11 and 12 of this annual report, of which this notice forms part.

3. RE-APPOINTMENT OF EXTERNAL AUDITORS

Ordinary resolution number 3

Resolved that the re-appointment of PricewaterhouseCoopers Incorporated as the company's auditors, as nominated by the company's Audit Committee, be approved, and to note that the individual registered auditor who will undertake the audit during the financial year ending 30 June 2013 is Mr H Ramsumer.

4. ELECTION OF MEMBERS OF THE AUDIT COMMITTEE

Ordinary resolution number 4.1

Resolved that Dr M Griessel, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next annual general meeting.

Ordinary resolution number 4.2

Resolved that Mr NP Mageza, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next annual general meeting.

Ordinary resolution number 4.3

Resolved that Mr RV Smither, an independent non-executive director of the company, be elected as a member of the Audit Committee until the next annual general meeting.

Notice to shareholders continued

5. CONTROL OF AUTHORISED BUT UNISSUED SHARES

Ordinary resolution number 5

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 the Companies Act, the company's Articles of Association and the Listings Requirements of the JSE Limited (JSE).

6. IMPLEMENTATION OF CONDITIONAL SHARE PLAN

Ordinary resolution number 6

Resolved that the company hereby adopts the implementation of the Rainbow Chicken Limited Conditional Share Plan ("CSP"), details of which are set out below.

Background in respect of ordinary resolution number 6

Terms capitalised below bear the same meanings as those terms bear in the rules of the CSP. The rules of the CSP are available for inspection as detailed below.

Introduction

Currently the Company operates a Share Appreciation Rights Plan ("SAR") which is dependent on the growth of the Company's share price in order to realise a benefit to Participants. As the Company's share price has remained relatively static over the last few years, historic awards under the SAR have not realised a significant benefit and are, in some instances, under water. The Company is therefore facing retention risks over the long-term, especially from an executive perspective. To address this risk, the Company proposes the introduction of the CSP which will be operated in conjunction with the current SAR. The Company intends only using the CSP to make *ad hoc* allocations as and when the need arises to address retention or recruitment issues.

Under the CSP, Participants will receive a Conditional Award of Shares on the Award Date. Provided that they remain in the employment of the Company over the Vesting Period ("Vesting Condition"), Shares will be Settled to Participants on the Vesting Date. Participants will have no shareholder or dividend rights before the Vesting Date.

Salient features of the CSP

- 1) Initially only executives will be allowed to participate in the CSP. However, the Remuneration Committee can, in its discretion, include any other person holding permanent salaried employment or office with any Employer Company, but excluding any non-executive director of the Group.
- 2) Awards will be made on an *ad hoc* basis, will be used to address retention and recruitment issues and will only be subject to the Vesting Condition of continued employment. The rationale behind the making of these retention awards is to address retention risks currently faced by the Company.
- 3) The number of Conditional Shares subject to an Award made to an Employee or prospective Employee will primarily be based on his annual salary, retention and/or attraction requirements and market benchmarks.
- 4) The Remuneration Committee will set appropriate Vesting Periods for each Award. Initially the Vesting Period will be three years measured from the Award Date.
- 5) The rules of the CSP will be flexible in order to allow for settlement in any of the following manners:
 - (i) By way of a market purchase of Shares;
 - (ii) Use of treasury Shares; or
 - (iii) Issue of Shares.

The exact method will, however, be determined by the Remuneration Committee in respect of any particular Award.

- 6) The maximum number of Shares which may at any one time be Allocated under the CSP may not exceed 8 654 220 shares (approximately 2,5 % of issued ordinary Shares). The maximum number of Shares which may be allocated to an individual in respect of all unvested Awards may not exceed 865 422 Shares (approximately 0,25 % of issued ordinary Shares). Shares Allocated under the CSP which are not subsequently settled to an Employee as a result of the forfeiture thereof, will be excluded in calculating the Company limit. Similarly, any Shares purchased in the market in settlement of the CSP will be excluded.
- 7) Employees will give no consideration for the making, Settlement or vesting of their Awards.

- 8) Employees terminating employment due to resignation or dismissal on grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct will be classified as bad leavers and will forfeit all unvested Awards.
- 9) Employees terminating employment due to death, Retirement, retrenchment, ill-health, disability, injury or the sale of their Employer Company will be classified as good leavers and a *pro-rata* portion of the Award will vest on the Date of Termination of Employment. This portion will reflect the number of months served since the Award Date to the Date of Termination of Employment over the total number of months in the Vesting Period. The remainder of the Award will lapse.
- 10) In the event of a Change of Control, a portion of the Award will Vest. This portion will reflect the number of months served since the Award Date to the Date of Termination of Employment over the total number of months in the Vesting Period.

The portion of the Award that does not Vest on the Change of Control Date will, except on the termination of the CSP, continue to be subject to the terms of the Award Letter relating thereto. The Remuneration Committee may, however, determine that the terms of the Award Letter relating thereto are no longer appropriate. In such case, the Remuneration Committee shall have a discretion to take such action (if any) that it considers appropriate to protect the interests of the Participants, including adjusting the number of Awards or converting Awards into awards in respect of shares in one or more other companies.

- 11) In the event of a variation in Share capital, such as a capitalisation issue, subdivision of Shares, consolidation of Shares and liquidation, Participants will continue to participate in the CSP. The Remuneration Committee may make such adjustment to the number of unvested Conditional Shares comprised in the relevant Award or take such other action so as to ensure that Participants are placed in substantially the same position as they were in prior to the occurrence of the aforesaid event provided that such adjustment gives a Participant an entitlement to the same proportion of equity capital as that to which he was previously entitled.

The issue of Shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to Awards. Where the Remuneration Committee regards an adjustment as necessary, the Auditors, acting as experts and not as arbitrators and whose decision will be final and binding on all persons affected thereby, will confirm to the Company in writing that these are calculated on a non-prejudicial basis. The Auditors will also confirm in writing to the JSE whether those adjustments were calculated in accordance with the rules of the CSP. Any adjustments made will be reported in the Company's annual financial statements in the year during which the adjustments are made.

The Rules of the CSP are available for inspection from two weeks prior to the date of the Annual General Meeting at the Company's registered office, being, One The Boulevard, Westway Office Park, Westville, 3629.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 6 requires the approval of a 75% (seventy-five percent) majority of the voting rights exercised on the resolution.

SPECIAL RESOLUTIONS

1. FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES OR OTHER LEGAL ENTITIES

Special resolution number 1

Resolved as a special resolution pursuant to section 45(3) of the Companies Act, that the directors of the company be and they are hereby authorised and empowered, as a general approval contemplated in section 45(3) of the Companies Act, to cause the company to provide any direct or indirect financial assistance to any company or other legal entity which is related or inter-related to the company, subject to and in accordance with the provisions of sections 45(3)(b) to 45(5).

Explanation

On a regular basis, and in the ordinary course of business, the company provides loan financing, guarantees, and other support to the related and inter-related companies/legal entities in the Group.

Section 45(2) of the Companies Act empowers the board of a company to provide direct or indirect financial assistance to a related or inter-related company or corporation. However, section 45(3) of the Companies Act provides that the board of a company may only authorise any financial assistance contemplated in section 45(2) thereof pursuant to a special resolution of the shareholders of the company adopted within the previous two years.

The reason for and effect of special resolution number 1 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or other legal entity which is related or inter-related to the company, subject to compliance with the relevant provisions of section 45 of the Companies Act.

Notice to shareholders continued

2. APPROVAL OF NON-EXECUTIVE DIRECTORS' REMUNERATION

Special resolution number 2

Resolved as a special resolution that, unless otherwise determined by the company in a general meeting, the annual fees payable by the company to its non-executive directors, with effect from 1 October 2012, be approved as follows:

Rands per annum	Current	Proposed
Board		
Chairman	176 000	193 600
Members	176 000	193 600
Audit Committee		
Chairman	140 000	154 000
Members	70 000	77 000
Remuneration and Nominations Committee		
Chairman	66 000	72 600
Members	39 600	43 560
Risk Committee		
Chairman	66 000	72 600
Members	39 600	43 560
Social and Ethics Committee		
Chairman	66 000	72 600
Members	39 600	43 560

Explanation

Section 66(9) of the Companies Act requires that a company may pay remuneration to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous two years.

The reason for and effect of special resolution number 2 is to grant the company the authority to pay fees to its non-executive directors for their services as directors.

3. ADOPTION OF NEW MEMORANDUM OF INCORPORATION

Special resolution number 3

Resolved that in terms of section 16(1)(c) of the Companies Act, the existing Memorandum and Articles of Association of the company be and are hereby substituted in their entirety by the Memorandum of Incorporation signed by the chairperson of the annual general meeting on the first page thereof for identification purposes, with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission.

Additional information relating to special resolution number 3

Special resolution number 3 is proposed to adopt a new Memorandum of Incorporation in substitution for the existing Memorandum and Articles of Association of the company (which contains provisions which are in conflict with the provisions of the Companies Act, but which conflicting provisions generally override the provisions of the Companies Act, for a period of two years after the Companies Act effective date) in order to bring the company's constitutional documents in harmony with the provisions of the Companies Act. In terms of Item 4(2) of Schedule 5 to the Companies Act, a company that existed prior to the Companies Act effective date may at any time within two years immediately following the Companies Act effective date, without charge, file an amendment to its Memorandum and Articles of Association to bring it in harmony with the Companies Act.

Copies of the new Memorandum of Incorporation will be available for inspection by any person who has a beneficial interest in any share of the company at the registered office of the company at One The Boulevard, Westway Office Park, Westville, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

Special resolution number 3 requires the approval of at least 75% (seventy-five percent) of the voting rights of shareholders concerned exercised on the resolution, in accordance with section 65(9) of the Companies Act.

Explanatory notes to special resolution number 3

The existing Memorandum and Articles of Association of the company are to be replaced with a new Memorandum of Incorporation in order to bring the constitutional documents of the company in harmony with the Companies Act. Terms of the new Memorandum of Incorporation of the company to be adopted in terms of this special resolution which should be noted in particular are set out below:

The new Memorandum of Incorporation is consistent with the provisions of the Companies Act and also complies with the applicable provisions of the Listings Requirements and has been formally approved by the JSE.

The approach adopted in preparing the Memorandum of Incorporation, was to, as far as possible, retain the provisions of the existing Articles of Association of the company that are not inconsistent with the Companies Act, and to incorporate the new requirements of the Companies Act as well as the requirements of the Listings Requirements into the document. The Memorandum of Incorporation was prepared with a view to such document serving as a manual to the officers of the company and others when dealing with the day to day corporate issues affecting the company, without the need to consult the Companies Act and Regulations to the Companies Act on each and every point.

The following matters contained in the proposed Memorandum of Incorporation should be noted in particular:

- In terms of the 1973 Companies Act, a company had to state its main object and main business in its Memorandum of Association. This is no longer required and the company will have all the legal powers and capacity of an individual, except to the extent that a juristic person is incapable of exercising such power or having such capacity (clause 4).
- The power to increase or decrease the authorised share capital, to create any class of shares, and to determine the preferences, rights, limitations or other terms of any shares, is subject to the approval of the shareholders by way of a special resolution (clause 6.2).
- The Board may issue shares at any time, and/or grant options to subscribe for shares but only to the extent that such issue or option has been approved by the shareholders in general meeting, either by way of a general or specific authority. If such approval is in the form of a general authority, it will be valid only until the next annual general meeting of the company (clause 6.7).
- The Board may authorise the company to issue secured or unsecured debt instruments (e.g. debentures), but no special privileges associated with any such debt instruments, such as voting rights or the right to appoint directors, may be granted (clause 14).
- The company may by special resolution reduce, consolidate, subdivide, increase, convert, cancel and/or buy back its share capital (clauses 7 and 19).
- The company may provide financial assistance to any person for the purpose of the subscription of any option, or any securities, issued or to be issued by the company, or for the purchase of any such securities, subject to a general or specific approval by special resolution (clause 18).
- The quorum for a shareholders' meeting to begin, or for a matter to be considered, will be at least three shareholders entitled to attend and vote and present at the meeting, of whom one must be the holding company of the company, if any, and in addition, a shareholders' meeting may not begin until persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of the voting rights, and a matter to be decided at a shareholders' meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% (twenty-five percent) of all of the voting rights in respect of that matter (clause 21.4).
- Subject to the provisions of the Listings Requirements, if determined by the Board in its discretion, the company may conduct a shareholders' meeting entirely by electronic communication or provide for participation in a meeting by electronic communication (clause 22.1).
- A resolution that could be voted on at a shareholders' meeting may instead be submitted by the Board for consideration to the shareholders, and voted on in writing by such shareholders (clause 26).
- The Board must comprise at least four directors and not more than a number that the Board may from time to time determine (clause 27.2.1).

Notice to shareholders continued

- Directors shall be nominated and elected by the shareholders, and, save as provided for in clauses 27.3.6 and 30 of the MOI referred to below, the company shall have only elected directors (not appointed or ex officio directors) (clause 27.3.1).
- The Board may appoint or co-opt any person as director, to fill any vacancy on a temporary basis, or as additional director, provided that such appointment must be confirmed by the shareholders at the next annual general meeting (clause 27.3.6).
- The retirement of directors by rotation is as provided for in the company's existing articles of association (clause 27.4.3).
- The directors may elect a chairperson and up to two deputy chairpersons (to act in the absence of the chairperson) of their meetings and determine the period for which each is to hold office, which shall not be longer than five years (clause 28.2).
- The chairperson of the Board may call a meeting of the Board at any time, and the company secretary, upon the request of any director, shall at any time call a meeting of the Board (clause 28.3).
- The Board may consider any matter and/or adopt any resolution other than at a meeting and any decision that could be voted on at a meeting of the Board may instead be adopted by the written consent of a majority of the directors, provided that each director has received notice of the matter to be decided (clause 28.4.1).
- The Board may determine the manner, form, and number of days' notice to be given of its meetings, provided that an agenda of the matters to be discussed at the meeting shall be given to each director, together with the notice of the meeting (clause 28.4.3).
- A majority of the directors must be present at a meeting before a vote may be called at any meeting of the directors (clause 28.5.2).
- Each director has one vote on a matter before the Board (clause 28.5.3).
- A majority of the votes cast in favour of a Board resolution is sufficient to approve that resolution (clause 28.5.4). In the case of a tied vote the chairperson shall not have a second or casting vote (clause 28.5.5).
- The company may pay remuneration to the directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years (clause 29.1). This approval is not required for the salaries of executive directors.
- The directors may from time to time appoint (1) managing and other executive directors (provided that such appointment must be confirmed by the shareholders at the next annual general meeting of the company) and (2) any director to any other executive office with the company, as the directors shall think fit, for a period as the directors shall think fit, and may from time to time remove or dismiss such persons from office and appoint another or others in his or their place or places (clause 30.1).
- The company shall (1) advance expenses to a director or directly or indirectly indemnify a director in respect of the defence of legal proceedings, as set out in section 78(4) of the Companies Act, (2) indemnify a director in respect of liability as set out in section 78(5) of the Companies Act, and/or (3) purchase insurance to protect the company or a director as set out in section 78(7) of the Companies Act (clause 31). The aforementioned provisions also apply in respect of any prescribed officer or member of any committee of the Board, including the Audit Committee, as far as such provisions apply thereto, or any former director.
- The business and affairs of the company will be managed by the Board (clause 32.1).
- The directors may from time to time borrow for the purposes of the company such sums as they think fit, and secure the payment or repayment of any such sums, or any other sum, as they think fit, provided that the total amount owing by the company in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by the company's listed holding company (clause 33).
- The Board may appoint committees of directors and delegate to any such committee any of the authority of the Board (clause 34).
- The Board must appoint a company secretary (clause 36.1).
- The directors may declare dividends. The directors may from time to time pay to the shareholders such interim dividends as the directors consider to be appropriate (clause 38).

- Distributions or any other sum payable in cash to any holder of the company's shares shall be paid by way of an electronic funds transfer only, unless agreed to otherwise at the discretion of the company, into the selected bank account of the shareholder (clause 38.7).
- All unclaimed dividends shall be held by the company in trust for the benefit of the company until lawfully claimed, and dividends that remain unclaimed for a period of three years from the date on which they became payable may be declared forfeited by the directors for the benefit of the company. All unclaimed monies, other than dividends, that are due to a shareholder shall be held by the company in trust for the benefit of the company for an indefinite period until lawfully claimed by such shareholder or, if determined by the directors, until the shareholder's claim to such distribution has prescribed in terms of the applicable laws of prescription (clause 38.6)].
- The Memorandum of Incorporation may only be altered or amended (including any alteration or amendment that changes the name of the company) by way of a special resolution of the shareholders, except if such amendment is in compliance with a Court order (clause 43).
- In terms of the Listings Requirements the company is prohibited from making, amending or repealing any governance rules (clause 44).

4. IMPLEMENTATION OF CONDITIONAL SHARE PLAN

Special resolution number 4.1 – Authority to issue options and shares to directors/prescribed officers and related persons
 The Board of the company is hereby authorised, pursuant to section 41(1) of the Companies Act, No 71 of 2008, as amended, to issue any shares in the capital of the company or to grant any options to subscribe for or acquire shares in the capital of the company to any executive director, prescribed officer, or person related or inter-related to the company for the purpose of, or in connection with the Conditional Share Plan ("CSP").

Additional information in respect of special resolution number 4.1

The reason for special resolution number 4.1 will be to ensure compliance with the requirements of section 41 of the Act. The effect of this resolution will be an approval, authorising the Board to issue any shares in the company or to grant options to subscribe for/ acquire shares in the company, as required from time to time and will enable the company to give effect to the CSP where necessary.

The percentage of voting rights required for special resolution number 4.1 to be adopted: at least 75 % (seventy-five percent) of the voting rights exercised on the resolution.

Special resolution number 4.2 – Authority to provide financial assistance for subscription of securities

The Board of the company is hereby authorised, pursuant to section 44 of the Companies Act, No 71 of 2008, as amended, to provide any direct or indirect financial assistance as contemplated in section 44 of the Act, to any person for the purpose of, or in connection with, the Conditional Share Plan ("CSP"), subject to the requirements that:

1. the recipient/s of such financial assistance, and the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the rules of the CSP as approved by the Board, from time to time;
2. the Board satisfies itself that the requirements of section 44 of the Act are complied with (save for the requirement that this resolution be passed) in relation to the financial assistance to be provided;
3. such financial assistance complies with the Act, the JSE Listings Requirements and any other applicable laws that may exist from time to time; and
4. no such financial assistance may be provided at any time, in terms of this authority, after the expiry of two years from the date of the adoption of this special resolution.

Additional information in respect of special resolution number 4.2

The reason for special resolution number 4.2 will be to ensure compliance with the requirements of section 44 of the Act. The effect of this resolution will be an approval, authorising the Board to provide financial assistance to any person, as required from time to time, for the purposes of the Conditional Share Plan ("CSP"), subject to the rules of the CSP, the requirements of the Act, the JSE Listings Requirements and other applicable laws, and is limited as required by the Act to a period of two years.

The percentage of voting rights required for special resolution number 4.2 to be adopted: at least 75 % (seventy-five percent) of the voting rights exercised on the resolution.

Notice to shareholders continued

Special resolution number 4.3 – Authority to provide financial assistance to certain categories of persons

The Board of the company is hereby authorised, pursuant to section 45 of the Companies Act No 71 of 2008, as amended, to provide any direct or indirect financial assistance as contemplated in section 45 of the Act to any related or inter-related company or corporation, as required from time to time; and/or to any director or prescribed officer of the company or of a related or inter-related company, or to any member of a related or inter-related corporation, or to any person related to any such company, corporation, director, prescribed officer or member, for the purpose of, or in connection with, the Conditional Share Plan ("CSP"), subject to the requirements that:

1. the recipient/s of such financial assistance, and the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the rules of the CSP as approved by the Board, from time to time;
2. the Board satisfies itself that the requirements of section 45 of the Act are complied with (save for the requirement that this resolution be passed) in relation to the financial assistance to be provided;
3. such financial assistance complies with the Act, the JSE Listings Requirements and any other applicable laws that may exist from time to time; and
4. no such financial assistance may be provided at any time, in terms of this authority, after the expiry of two years from the date of the adoption of this special resolution.

Additional information in respect of special resolution number 4.3

The reason for special resolution number 4.3 will be to ensure compliance with the requirements of section 45 of the Act. The effect of this resolution will be a limited approval, authorising the Board to provide financial assistance to:

1. any related or inter-related company or corporation; and/or
2. any director or prescribed officer of the company or of a related or inter-related company, or to any member of a related or inter-related corporation, or to any person related to any such company, corporation, director, prescribed officer or member,

as required from time to time for the purposes of the CSP, subject to the rules of the CSP, the requirements of the Act, the JSE Listings Requirements and other applicable laws, and is limited as required by the Act to a period of two years.

The percentage of voting rights required for special resolution number 4.3 to be adopted: at least 75% (seventy-five percent) of the voting rights exercised on the resolution.

Special resolution number 4.4 – Authority to repurchase shares

The Board of the company is hereby authorised, pursuant to section 48 of the Companies Act No 71 of 2008, as amended, to approve the purchase of its own ordinary shares by the company, and the purchase of ordinary shares in the company by any of its subsidiaries, upon such terms and conditions and in such amounts as the board may from time to time determine, but subject to the rules of the CSP, the company's MOI, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that:

1. any such repurchase of ordinary shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and/or any of its subsidiaries and the counterparty;
2. this general authority will only be valid until the company's next AGM, provided that it will not extend beyond 15 (fifteen) months from the date of passing this special resolution;
3. a press announcement will be published, giving such details as are required in terms of the JSE Listings Requirements, as soon as the company or its subsidiaries has/have repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue, prior to the repurchase pursuant to which the 3% (three percent) threshold is reached, and in respect of every 3% (three percent) thereafter. This announcement will contain full details of such repurchases;
4. the general repurchase by the company and/or any subsidiary of the company of ordinary shares in the aggregate in any one financial year does not exceed 10% (ten percent) of the company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of shares as treasury stock by a subsidiary of the company will not be effected to the extent that in aggregate more than 10% (ten percent) of the number of issued shares in the company are held by or for the benefit of all the subsidiaries of the company taken together;

5. general repurchases by the company and/or any subsidiary of the company in terms of this authority, may not be made at a price greater than 10% (ten percent) above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the repurchase of such ordinary shares by the company and/or any subsidiary of the company;
6. any such general repurchases are subject to exchange control regulations and approvals at that point in time, where relevant;
7. a resolution has been passed by the Board of the company and/or any subsidiary of the company confirming that the Board has authorised the repurchase, and that the company has satisfied the solvency and liquidity test contemplated in section 4 of the Act, and that since the application of the solvency and liquidity test there have been no material changes to the financial position of the company and its subsidiaries;
8. the company may at any point only appoint one agent to effect any repurchase(s) on its behalf; and
9. the company and/or any of its subsidiaries may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and not subject to any variation and full details of the programme have been disclosed in an announcement over SENS (the Securities Exchange News Service) prior to the commencement of the prohibited period.

The percentage of voting rights required for special resolution number 4.4 to be adopted: at least 75% (seventy-five percent) of the voting rights exercised on the resolution.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 5 contained in this notice requires the approval of more than 50% (fifty percent) of the voting rights exercised on the resolution by members present or represented by proxy at the annual general meeting.

Ordinary resolution number 6 contained in this notice requires the approval of more than 75% (seventy-five percent) of the voting rights exercised on the resolution by members present or represented by proxy at the annual general meeting.

Special resolutions numbers 1 to 4 contained in this notice requires the approval of more than 75% (seventy-five percent) of the voting rights exercised on the resolutions by members present or represented by proxy at the annual general meeting.

ATTENDANCE AND VOTING BY MEMBERS OR PROXIES

Ordinary members 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 member may appoint a proxy/proxies to attend, speak and vote in their stead (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, PO Box 2734, Westway Office Park, 3635, or lodged with the transfer secretaries of the company, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg, 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, so as to arrive not less than 48 hours before the time fixed for the meeting.

Any forms of proxy not received by this time must be handed to the Chairman of the annual general meeting immediately prior to the annual general 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 members who have dematerialised their ordinary shares other than with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

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

Notice to shareholders continued

PROOF OF IDENTIFICATION REQUIRED

The Companies Act requires that any person who wishes to attend or participate in a shareholders' meeting must present reasonably satisfactory identification at the meeting. Any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted as sufficient identification.

By order of the Board



JMJ Maher
Company Secretary

Registered Office

One The Boulevard
Westway Office Park
Westville
3629

Form of proxy

This form of proxy is only for use by:

1. Registered members who have not yet dematerialised their ordinary shares
2. Registered members who have already dematerialised their ordinary shares and registered them in their own name*

* See explanatory note 3 overleaf

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 (see instruction 1 overleaf)

1. _____ or failing him/her
2. _____ or failing him/her
3. the Chairman of the annual general meeting,

as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company to be held at One The Boulevard, Westway Office Park, Westville, KwaZulu-Natal on Tuesday 20 November 2012 at 08:30 and at any adjournment thereof as follows:

	In favour	Against	Abstain
Ordinary resolutions			
1. Adoption of annual financial statements			
2. Election and re-election of directors			
2.1 Mr CM van den Heever			
2.2 Mr M Dally			
2.3 Mr RH Field			
2.4 Dr M Griessel			
2.5 Mr JB Magwaza			
3. Re-appointment of external auditors			
4. Election of members of the Audit Committee			
4.1 Dr M Griessel			
4.2 Mr NP Mageza			
4.3 Mr RV Smither			
5. Control of authorised but unissued shares			
6. Implementation of conditional share plan			
Special resolutions			
1. Financial assistance to related or inter-related companies or other legal entities			
2. Approval of non-executive directors' remuneration			
3. Adoption of new Memorandum of Incorporation			
4. Implementation of conditional share plan			
4.1 Authority to issue options and shares to directors/prescribed officers and related persons			
4.2 Authority to provide financial assistance for subscription of securities			
4.3 Authority to provide financial assistance to certain categories of persons			
4.4 Authority to repurchase shares			

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

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

Signed this

day of

2012.

Signature

(Please read the notes and instructions overleaf)

Notes to the form of proxy

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. Satisfactory identification must be presented by any person wishing to attend the annual general meeting, as set out in the notice.
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, each member shall be entitled to one vote in respect of each ordinary share held in the company by him/her.
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 uncertified shares are to be registered in the electronic sub-register 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 the member, in the appropriate spaces provided overleaf. Failure to do so shall 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 2734, Westway Office Park 3635, or lodged with the transfer secretaries of the company, Computershare Investor Services Proprietary Limited at 70 Marshall Street, Johannesburg 2001, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, so as to arrive not less than 48 hours before the time fixed for the meeting.
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 the annual general meeting.
6. The completion and lodging of this form of proxy shall 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 provisions of the Companies Act in relation to the revocation of the appointment of a proxy apply. A member may accordingly revoke a proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of such revocation to the proxy and the company.
9. The Chairman of the annual general meeting may reject or 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.

Corporate information

Company registration number	1966/004972/06
JSE share code	RBW
ISIN code	ZAE000019063
Registered office/street address	One The Boulevard Westway Office Park Westville 3629
Postal address	PO Box 2734 Westway Office Park 3635
Transfer secretaries	Computershare Investor Services Proprietary Limited 70 Marshall Street Johannesburg 2001 PO Box 61051 Marshalltown 2107
Company Secretary	JMJ Maher
Auditors	PricewaterhouseCoopers Incorporated
Listing	JSE Securities Exchange South Africa
Sector	Food Producers
Sponsor	RAND MERCHANT BANK (a division of FirstRand Bank Limited)
Bankers	ABSA Bank Limited
Website	www.rainbowchicken.co.za

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