

RAINBOW



RAINBOW  **W** TM

Annual Report 2008

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Our Brands

Rainbow will drive mass appeal differentiated offerings to all South Africans.

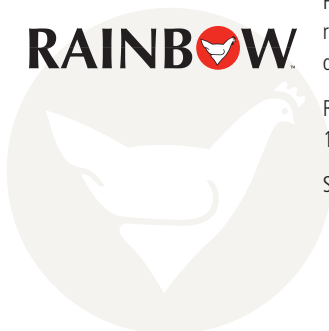
“Grade A Quality, Grade A Taste”

Fresh, frozen or processed, with more than 50 products in our versatile range, when it comes to variety, value and quality, look no further than delicious and nutritious Rainbow Chicken.

Rainbow Simply Chicken, one of our sub-brands, offers our consumers 100% meat with the benefits of no pork or soya.

Simply delicious, Simply nutritious, Simply Chicken

RAINBOW



Farmer Brown will become the chicken brand of choice for middle and upper income South Africans. This will be delivered through consumer-driven innovation, superior quality and brand building.

For mouth-watering quality, taste and freshness, you can't beat Farmer Brown, South Africa's favourite premium quality fresh chicken brand.

Farmer Brown offers a tempting selection of succulent whole chickens and portions as well as a number of prepared and convenience choices.

All Farmer Brown chicken is hand trimmed of excess fat, skin and bone – look out for the special trim labels on all packs.



Rainbow FoodSolutions are “the chicken experts” providing consistent quality and innovative solutions to the Foodservice industry.

“The Chicken Experts”

A partner that can be relied on to deliver consistency and quality while always innovating to meet dynamic market challenges and new opportunities, Rainbow FoodSolutions is the leading supplier of chicken products to the foodservice industry in South Africa.

Rainbow FoodSolutions dominates the quick service restaurant (QSR) sector with tailored chicken solutions for leading customers including KFC, Nando's, Chicken Licken and Famous Brands.

Rainbow FoodSolutions also offers its high quality products and reliable service to national contract caterers, a number of independent fast food outlets, industrial caterers, mines, restaurants, hotels, clubs, hospitals, schools and various state institutions.

All Rainbow FoodSolutions products are produced from 100% Rainbow Grade A chicken. Because Rainbow controls its entire supply chain, customers are guaranteed “farm to fork” quality assurance, giving them total peace of mind regarding the high standards of our products.



The Chicken Experts.



Rainbow at a Glance

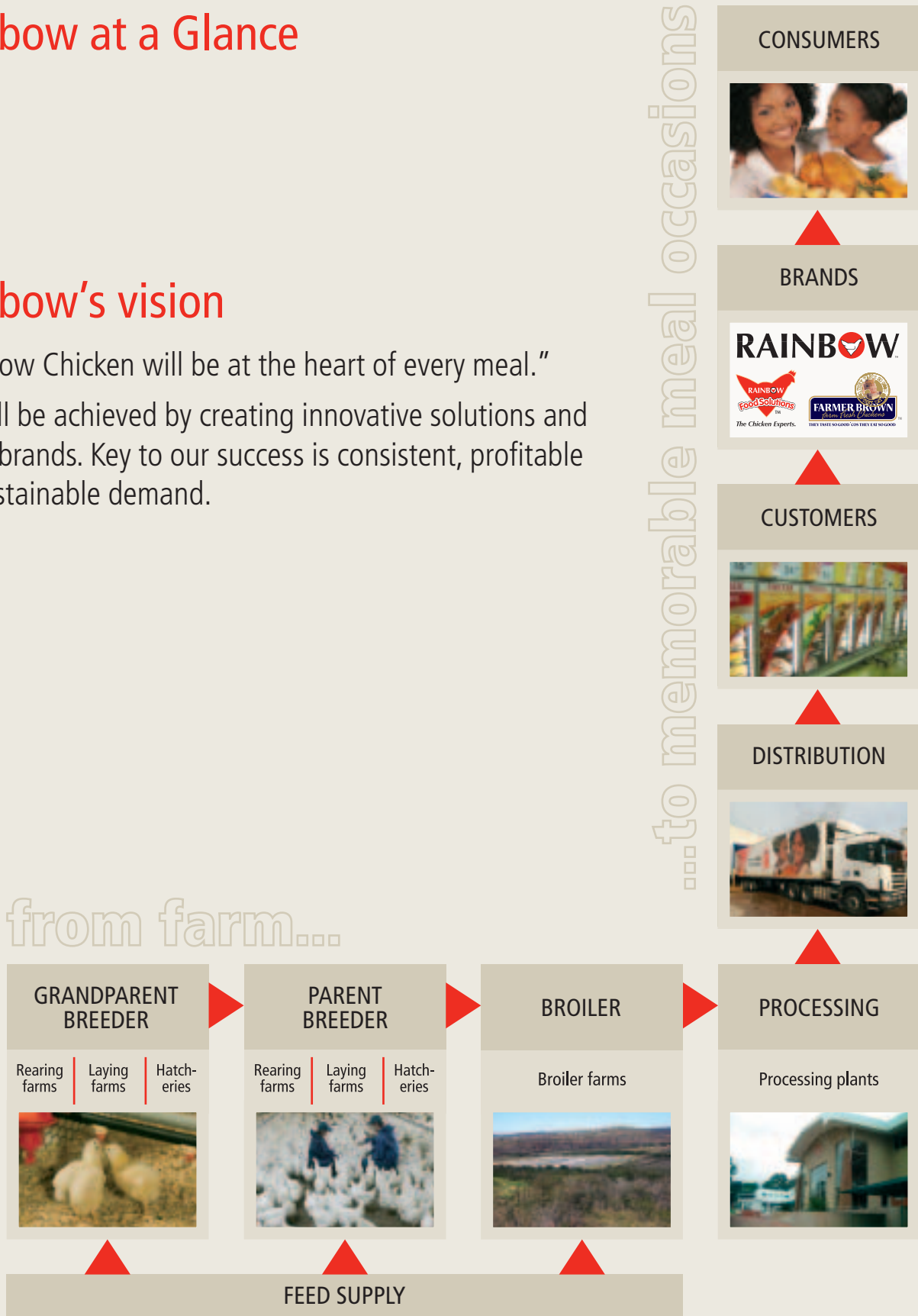
Rainbow's vision

"Rainbow Chicken will be at the heart of every meal."

This will be achieved by creating innovative solutions and strong brands. Key to our success is consistent, profitable and sustainable demand.

...to memorable meal occasions

from farm...

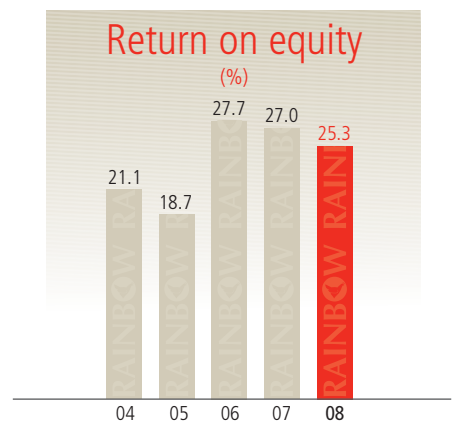
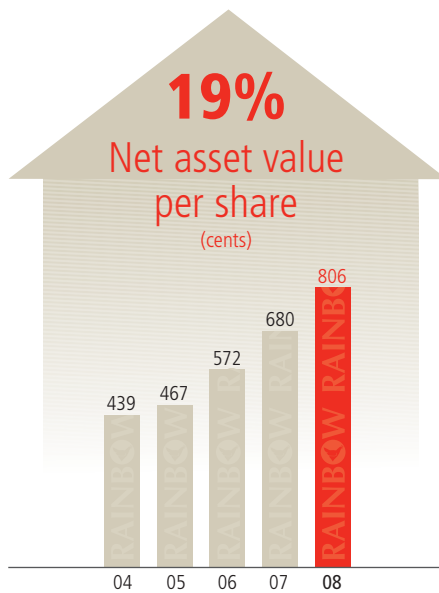
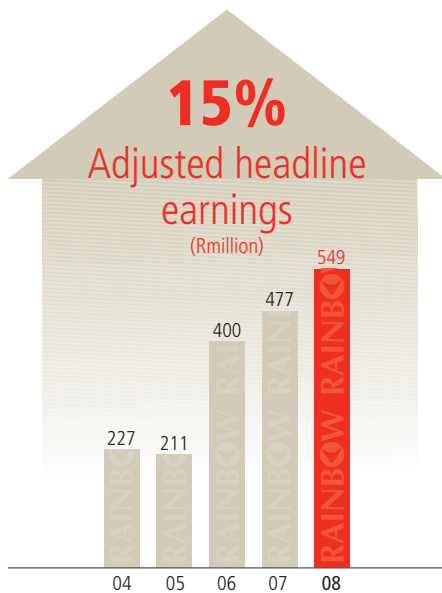
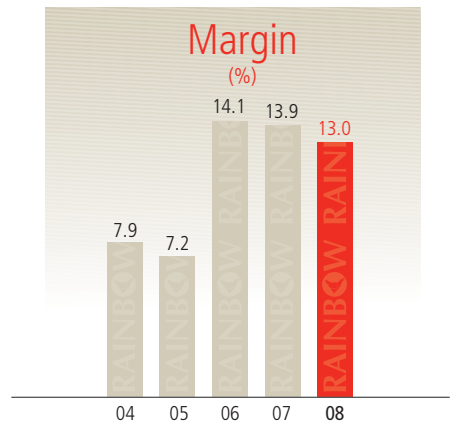
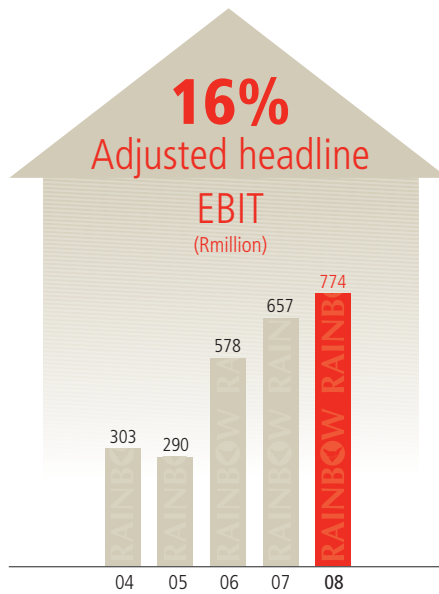
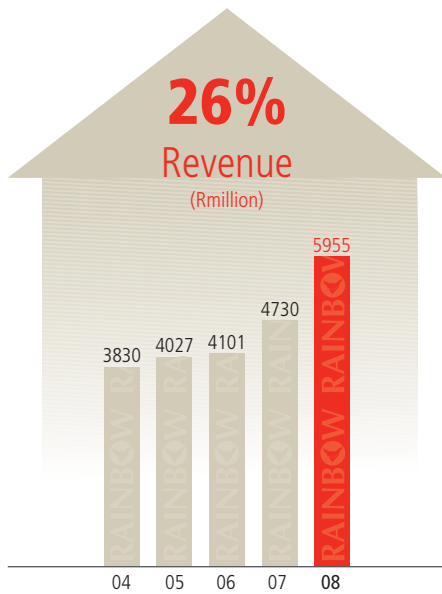


South Africa's largest processor and marketer of chicken

	Hatcheries	Farms	Feed mills	Processing plants	Distribution facilities
KwaZulu-Natal	3	53	1	2	4
Western Cape	2	37	1	1	5
North West	1	31	1	1	
Gauteng	1	17	2		5
Mpumalanga	1	9			1
Eastern Cape	1	1	1		3
Free State					3
Namibia					1
Total	9	148	6	4	22



Financial Highlights



Six-year Review

R'000	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004	SA GAAP 2003
GROUP BALANCE SHEETS						
ASSETS						
Property, plant and equipment	1 243 670	1 054 124	962 194	850 318	589 953	567 976
Trademarks			404	1 205	2 005	2 807
Goodwill	287 444	287 444	287 444	287 444		
Deferred taxation		15 285		16 023		
Current assets	2 302 110	1 738 724	1 495 747	1 047 016	1 239 858	1 075 218
Total assets	3 833 224	3 095 577	2 745 789	2 202 006	1 831 816	1 646 001
EQUITY AND LIABILITIES						
Ordinary shareholders' equity	2 337 130	1 920 889	1 595 901	1 286 706	1 181 625	974 740
Preference share capital					500	500
Deferred taxation	240 041	179 606	168 519	180 082	165 201	89 533
Retirement benefit obligations	80 862	75 535	69 683	63 677	33 596	30 131
Finance lease liability – long-term			116	651	1 694	3 469
Current liabilities	1 175 191	919 547	911 570	670 890	449 200	547 628
Total equity and liabilities	3 833 224	3 095 577	2 745 789	2 202 006	1 831 816	1 646 001
GROUP INCOME STATEMENTS						
Revenue	5 955 327	4 730 363	4 101 454	4 026 998	3 830 032	3 748 520
Operating profit before non-recurring items, depreciation and amortisation	925 808	772 315	687 588	393 298	366 967	311 121
Feed claim recovery	40 000					
BEE expense	(49 368)					
Operating profit before depreciation and amortisation	916 440	772 315	687 588	393 298	366 967	311 121
Depreciation and amortisation	(136 426)	(118 181)	(109 744)	(78 036)	(63 742)	(59 159)
Trademark impairment						(21 064)
Operating profit	780 014	654 134	577 844	315 262	303 225	230 898
Finance costs	(2 566)	(2 714)	(2 351)	(1 126)	(658)	(1 585)
Finance income	34 248	25 179	9 930	28 146	37 839	15 139
Profit before taxation	811 696	676 599	585 423	342 282	340 406	244 452
Taxation	(272 730)	(202 354)	(186 578)	(111 959)	(112 764)	(82 549)
Profit after taxation	538 966	474 245	398 845	230 323	227 642	161 903
Preference dividends					(62)	(62)
Attributable profit	538 966	474 245	398 845	230 323	227 580	161 841

Definitions, Ratios and Statistics

SHAREHOLDERS' RATIOS

Basic earnings per share	Attributable profit divided by the weighted average ordinary shares in issue
Basic earnings per share – diluted	Attributable profit divided by the diluted weighted average ordinary shares in issue
Headline earnings per share	Headline earnings divided by the weighted average ordinary shares in issue
Headline earnings per share – diluted	Headline earnings divided by the diluted weighted average ordinary shares in issue
Diluted dividend cover	Diluted 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

INCOME STATEMENT INFORMATION

Headline EBITDA margin	Earnings before interest, taxation, depreciation and amortisation and headline earnings adjustments (before taxation) expressed as a percentage of revenue
Operating profit margin	Operating profit expressed as a percentage of revenue

BALANCE SHEET INFORMATION

Total assets	Non-current and current assets
Total liabilities	Non-current and current liabilities
Net assets	Total assets less total liabilities

SOLVENCY AND LIQUIDITY

Return on total assets	Profit before taxation expressed as a percentage of total assets
Return on equity	Attributable profit expressed as a percentage of the average total equity
Return on net assets	Operating profit expressed as a percentage of net assets
Net asset turn	Revenue divided by net assets

SHARE INFORMATION

PE ratio	Market share price at year-end divided by headline earnings per share
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		IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	SA GAAP 2004	SA GAAP 2003
SHAREHOLDERS' RATIOS							
Basic earnings per share	cents	186.5	168.5	143.9	84.2	85.2	62.5
Basic earnings per share – diluted	cents	184.6	163.5	139.7	81.9	82.5	60.2
Headline earnings per share	cents	182.8	169.5	144.5	77.2	85.2	70.8
Headline earnings per share – diluted	cents	180.8	164.4	140.2	75.0	82.4	68.3
Adjusted headline earnings per share*	cents	190.0	169.5	144.5	77.2	85.2	70.8
Adjusted headline earnings per share – diluted*	cents	188.0	164.4	140.2	75.0	82.4	68.3
Dividends per share	cents	68.0	68.0	57.0	30.5	29.0	24.0
Diluted dividend cover	times	2.7	2.4	2.5	2.5	2.8	2.8
Net asset value per share	cents	805.9	679.5	571.6	467.1	438.6	371.0
INCOME STATEMENT INFORMATION							
Headline EBITDA margin	%	15.1	16.4	16.8	9.2	9.6	8.9
Operating profit margin	%	13.1	13.8	14.1	7.8	7.9	6.2
Headline earnings	Rmillion	528.1	477.0	400.3	211.0	227.5	183.4
Adjusted headline earnings*	Rmillion	549.0	477.0	400.3	211.0	227.5	183.4
BALANCE SHEET INFORMATION							
Total assets	Rmillion	3 833	3 096	2 746	2 202	1 832	1 646
Total liabilities	Rmillion	1 496	1 175	1 150	915	650	671
Net assets	Rmillion	2 337	1 921	1 596	1 287	1 182	975
Number of employees at year-end		7 653	7 223	6 686	6 375	5 239	5 561
SOLVENCY AND LIQUIDITY							
Return on total assets	%	21.2	21.9	21.3	15.5	18.6	14.9
Return on equity	%	25.3	27.0	27.7	18.7	21.1	17.7
Return on net assets	%	33.4	34.1	36.2	24.5	25.7	23.7
Net asset turn	times	2.5	2.5	2.6	3.1	3.2	3.8
SHARE INFORMATION							
Number of ordinary shares							
– weighted average in issue	'000	288 951	281 393	277 096	273 387	266 973	259 106
– diluted weighted average in issue	'000	292 028	290 118	285 558	281 275	275 891	268 658
– at year-end	'000	290 004	282 712	279 222	275 449	269 384	262 709
Market share price							
– at year-end	cents	1 435	1 660	950	650	545	325
– highest	cents	2 000	1 690	1 030	795	550	398
– lowest	cents	1 401	920	610	495	325	210
Number of shares traded	'000	73 154	71 345	44 200	57 696	64 234	26 076
Value of shares traded	Rmillion	1 121.5	899.1	372.3	359.0	268.5	77.4
Total transactions	'000	7 633	9 224	5 248	5 897	4 160	2 977
Volume of shares traded as a % of issued shares	%	25.2	25.2	15.8	20.9	23.8	9.9
PE ratio		7.9	9.8	6.6	8.4	6.4	4.6

* 2008 figures adjusted for non-recurring items being feed claim recovery and BEE expense.

Chairman's Report



The benefits of Rainbow's differentiated strategy are evident in the current period's results

PERFORMANCE

Rainbow's results for the year ended 31 March 2008 reflect a good performance in a very difficult trading environment. Rainbow's cost of production has been significantly impacted by the current commodity crisis, where maize, soya and oil have all been trading at record highs. Capacity expansion in the local industry is placing additional pressure on pricing and consequently margins are reducing.

The benefits of Rainbow's differentiated strategy are evident in the current period's results. Key features of the trading year have been continued above-average volume growth in the Quick Service Restaurant (QSR) sector, pleasing value-added growth assisting further product mix improvements in key retail and wholesale customer accounts.

BEE TRANSACTION

During March 2008 shareholders approved a broad-based black economic empowerment (BEE) transaction. The BEE partners, made up of the Imbewu Consortium, Ikamva Labantu, Rainbow employees and Mrs M Nhlanhla, a non-executive director of Rainbow, acquired an effective 15% of Rainbow's entire issued share capital through a vendor-financed structure.

This BEE ownership transaction was an important step in Rainbow's transformation process. Details of the transaction are disclosed in the Chief Executive's Review and notes to the financial statements.

CORPORATE GOVERNANCE

The Board maintains high standards of corporate governance. Rainbow endorses the principles of integrity, accountability, transparency and social responsibility and complies with the JSE Listings Requirements and King II.

There have been no changes to the directorate since the last reporting date.

SUSTAINABILITY

Rainbow remains committed to the three pillars of sustainability covering economic, social and environmental practices. Sustainability also enables Rainbow to identify and manage risks and deliver value to all stakeholders. Steady progress continues to be made in ensuring that Rainbow addresses the expectations of all stakeholders and that targets are met.

The detailed Sustainability Report is included on pages 33 to 51.

PROSPECTS

Consumer spending is expected to soften over the next six months as a consequence of the higher inflation and interest rate environment. Maize and soya prices are likely to remain at the current higher levels translating into significantly higher feed input costs than the 2008 financial year. Other costs like fuel, gas, coal, electricity and packaging have also been significantly impacted by inflationary and supply pressures. As in 2008, sales realisations are unlikely to fully recover all the anticipated production cost pressures. As a result earnings for the 2009 financial year on a pre and post IAS 39 basis are likely to be lower than 2008. In light of the above and the difficult trading environment anticipated for the year ahead, the Board has decided to maintain the current year dividend at the prior year level.

DIVIDEND DECLARATION AND POLICY

The Board declared dividends totalling 68.0 cents per ordinary share in respect of the twelve months ended 31 March 2008. The diluted headline earnings per share dividend cover is 2.7 times (2007: 2.4 times). It is intended that the Group's dividend policy will take into account the performance, cash flow and future prospects and investment requirements of the business whilst maintaining an appropriate level of dividend cover.

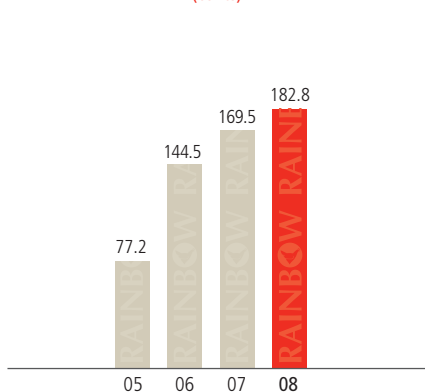
ACKNOWLEDGEMENTS

We have set and to a large extent met high standards across the business ensuring stringent financial disciplines are maintained. None of these activities or the recent good performance would have been possible without the dedication and support at every level of the business from directors, management and staff. I thank each one of you and look forward to your continued support.

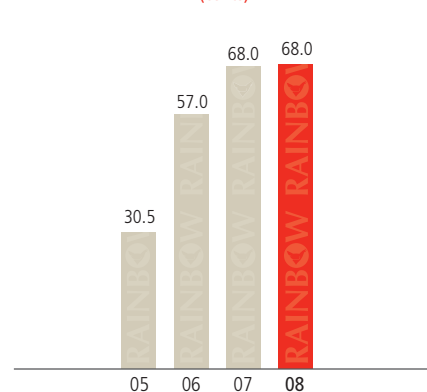


M H Visser
Non-executive Chairman

HEADLINE EARNINGS PER SHARE (cents)



DIVIDENDS PER SHARE (cents)



Chief Executive's Review

Consistent focus on seeking differentiation in the marketplace and improving service delivery through a more integrated supply chain

OVERVIEW

This has been another successful year for Rainbow during which a number of important objectives have been achieved.

Rainbow's strategy continues to be refined but the consistent focus on seeking differentiation in the marketplace and improving service delivery through a more integrated supply chain has translated into this year's credible financial performance. Significant input cost pressures continue to challenge the poultry industry both locally and internationally. Increasing inflation and interest rates add further cost pressure on the business and ultimately affect consumer demand, factors which reinforce Rainbow's strategic focus.

A significant development this year for Rainbow has been the BEE transaction, announced during February. The transaction gives a broad-based consortium a 15% shareholding in Rainbow.

Rainbow's performance has been impacted by the dramatic increase in feed cost which has not been fully recovered in chicken realisations. Feed prices have increased 36% over the past financial year and with commodity prices currently at record levels a further significant increase is expected in the 2009 financial year.

Rainbow's revenue has grown to R6.0 billion, up 25.9% over the previous year largely as a function of the higher chicken and feed realisations and Vector's higher external volumes.

Headline earnings, adjusted for the effects of the non-recurring feed claim recovery and BEE expense, as well as the impact of applying IAS 39, grew by 7.7%, representing a compound annual growth of 23.4% over a five-year period.

STRATEGIC FRAMEWORK

Rainbow's vision of "Rainbow Chicken will be at the heart of every meal" will be achieved by creating innovative solutions and strong brands. Key to our success is consistent, profitable and sustainable demand. Rainbow's strategy continues to be underpinned by the five pillars reflected in the "strategy house" opposite.

During the year Rainbow embarked on a strategic alignment journey involving the leadership team to take the company from "Good to Great". In the appropriate form this will be rolled out to the business.

Each year the Rainbow Board and management define and agree the detailed strategic action plans that are necessary to enable achievement of the overall company strategy. Capacity continues to be built in the organisation in the form of people, brands and assets. Putting strategy into action has empowered management to achieve the aspirational targets as well as deal with the challenging situation faced by the poultry industry.

Vision

Rainbow Chicken

will be at the heart of every meal

This will be achieved by creating innovative solutions and strong brands.
Key to our success is consistent, profitable and sustainable demand.

Consumers



the heart of our business

The single reason we exist

Insight into consumers' needs inspires innovative solutions, sustained by our strong brands, that delight and satisfy

Customers



creating win-win partnerships

Our partners in reaching our consumers

Our brands will be within easy reach of our consumers, and we will make the chicken category exciting to customers and their shoppers

Supply chain



delivering excellence

Excellence gives us fuel for growth

An integrated supply chain will deliver service excellence by converting the right birds, at the lowest cost, at the right time into the optimal mix

Sustainability



investing for future growth

Investing responsibly for growth

To ensure sustainability and future growth we will continue to invest responsibly with all stakeholders in mind

Culture



doing things inspirationally

The right team

Build a community of inspirational people with a common purpose, seeing and doing things differently

Chief Executive's Review continued



New Farmer Brown TV ad

REVIEW OF OPERATIONS

Supply chain

Agriculture experienced some challenges this year, particularly in the winter months. Despite this and the higher than normal incidence of disease in the industry, agricultural performance was improved on last year. This can be attributed to the continued investment in upgrading facilities, good husbandry and bio-security practices.

The feed operation has performed well during the period despite significant cost increases in all commodities. Operating costs have been well managed and external business through the Epol brand has grown over last year. The year ahead poses a significant challenge in sourcing reasonably priced raw materials with prices of most commodities at record levels. Despite the forecast of a good crop locally, with the current state of the international market, it is unlikely that local prices will ease meaningfully in the near-term, which will place additional pressure on Rainbow's cost of production.

Processing's performance was a highlight of the year with an improved mix delivered and costs well contained.

Vector's Multi-Temperature Contract Distribution model with Spur and Nando's and the Vector Cold Storage facilities are performing well. The new business unit, Vector Primary Transport, was launched in August 2007 following the award of the McCain primary transport contract. Vector has since also successfully taken over the management of Rainbow's primary transport service. The primary transport model is operating effectively and is a growth opportunity for Vector in the future.

Brands

Rainbow has continued to support and invest in its brands via TV advertising and various consumer activations. The Farmer Brown brand was reintroduced to consumers on national TV for the first

time in 20 years with a new TV ad that has refreshed the brand's image while still maintaining the heritage of the original Farmer Brown campaign.

Rainbow's focus on innovation, differentiation and communication continues to prove successful. Rainbow now has a reasonable sized value-added portfolio with a credible base among consumers and our customers. This will provide a strong platform for future value-added growth. The level of innovation is planned to step up in calendar 2008, with focus on upper and middle income consumer brackets and consequently, three new ranges were launched in March 2008. These are the Farmer Brown Tenderbreasts range of frozen breasts, a Farmer Brown Fully Cooked range of flavoured frozen drums and thighs and a range of flavoured frozen chicken pieces, called Grill & Braai under the Rainbow brand.

Rainbow FoodSolutions leads the "Out of Home Consumption" category through strong customer relationships, product innovation and the implementation of a Customer Service Excellence initiative.

The Further Processing Plant, commissioned in late 2005, represented a significant investment and commitment to our strategy to deliver innovative, differentiated products to our consumers and customers. The new plant has enabled us to deliver against our QSR customer expectations, enabled increased consumer demand and has also realised considerable success in the highly competitive retail market. The Rainbow Simply Chicken range of polonies and viennas, which is different from competitor products in that it is made up of 100% chicken only, has shown phenomenal growth to 5.4% of the Chilled Processed Meats market in volume share and 6.5% in value share, in a market worth R1.7 billion.

IT infrastructure

Rainbow has made good progress with the implementation of its IT and Enterprise Resource Planning (ERP) strategy. A significant focus has been placed on supply chain excellence and customer service initiatives. Effective Sales and Operational Planning (S&OP) processes will provide the framework for supporting these strategies. The leveraging of our information systems remains a key enabler within the business.

BEE TRANSACTION

On 18 March 2008, shareholders approved a broad-based black economic empowerment (BEE) transaction. The participants in the BEE transaction are Imbewu Consortium, Ikamva Labantu Empowerment Trust (a Corporate and Social Investment Community Trust), the Rainbow employee trust and Mrs M Nhlanhla, a non-executive director of Rainbow (collectively the BEE partners).

Our employees, who are central to Rainbow's future ambitions are the largest shareholder in the newly formed BEECo and hold a 42.7% interest through the Rainbow employee trust which will benefit all Rainbow employees (excluding senior management who participate in the existing Rainbow share incentive trust) on a non-discriminatory basis. Imbewu Consortium is an established black owned and controlled private equity and investment holding company in KwaZulu-Natal and hold a 40.0% share of BEECo. Ikamva Labantu holds 16.7% and is a non-profit, non-government organisation that seeks to redress the damages of Apartheid and support the budding South African democracy by providing educational means, economic empowerment and self-sufficiency to South Africa's township communities.

The BEE partners acquired an effective 15% of Rainbow's entire issued share capital for R915.6 million. The purchase price will be settled by issuing variable rate (CPIX plus 6%) cumulative redeemable preference shares in BEECo to Rainbow. Dividends received by BEECo on its investment in Rainbow will be used to fund the preference dividend, service the

debt and repay the principal sum over the ten-year life of the transaction.

The BEE shares will be subject to restrictions on alienation and encumbrance for a period of 10 years commencing on the subscription date of the BEECo preference shares. Should BEECo 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 equalling the outstanding redemption amount.

The BEE shares will be issued during June 2008, after the payment of the final dividend to existing Rainbow shareholders. For accounting purposes, the effective date of the transaction is 18 March 2008 which is the date of shareholder approval. When the shares have been issued, Gcina Zondi, CEO of Imbewu Capital Partners will be appointed to the Rainbow Chicken Limited Board.

CHANGE IN EXECUTIVE MANAGEMENT TEAM

The following changes have been made to the executive management team during the current year.

Stephen Heath was appointed HR Director following the retirement of Patrick September in the prior year and Bonga Mavume was appointed Breed Director. Phil Tozer, after a lengthy association with the business, resigned and his role of Customer Director has been assumed by Scott Pitman, the current Marketing and FoodSolutions Director. I would like to thank Phil for his loyal service and contribution to the business over the years.

CONCLUSION

I would like to record my appreciation to our employees for their immense effort throughout the year and to our valued customers and shareholders for their ongoing support. We are committed to realising all aspects of our strategy for the benefit of all Rainbow's stakeholders.



M Dally
Chief Executive Officer

Putting strategy into action has empowered management to achieve the aspirational targets as well as deal with the challenging situation faced by the poultry industry

Financial Review

The local chicken market is estimated to have grown by 17.7% in calendar 2007 to R16.1 billion

FINANCIAL HIGHLIGHTS		2008	2007	%
Revenue	Rmillion	5 955.3	4 730.4	25.9
Headline EBITDA	Rmillion	901.0	775.1	16.2
Finance income	Rmillion	31.7	22.5	40.9
Effective tax rate	%	33.6	29.9	(3.7)
Headline earnings	Rmillion	528.1	477.0	10.7
Adjusted headline earnings	Rmillion	549.0	477.0	15.1
Headline earnings per share	cents	182.8	169.5	7.8
Adjusted headline earnings per share	cents	190.0	169.5	12.1
Diluted headline earnings per share	cents	180.8	164.4	10.0
Capital expenditure	Rmillion	315.5	214.1	47.4
Return on equity	%	25.3	27.0	(1.7)
Cash generated by operations	Rmillion	617.2	821.5	(24.9)
Dividends per share	cents	68.0	68.0	

OVERVIEW AND MARKET CONDITIONS

Local economy

South Africa enjoyed robust growth in calendar 2007, supported by still healthy, if somewhat dampened consumer demand and a marked acceleration in fixed investment spending. While private sector spending remained strong the most rapid acceleration was in the public sector. Despite these positive developments and after four years of expanding at a rate in excess of 5%, GDP growth is expected to slow to around 4% in the 2008 calendar year.

Inflation impacts are being felt by virtue of the continuing higher food and energy prices which resulted in the Monetary Policy Committee (MPC) imposing further interest rate hikes to contain inflationary pressures. A further deterioration in the near-term inflation outlook is expected. Consumer demand will be impacted by these factors.

Chicken industry

The local chicken market is estimated to have grown by 17.7% in calendar 2007 to R16.1 billion (6.0% volume and 11.7% realisation growth).

Total chicken imports (excluding turkey and mechanically deboned meat) have only increased by 0.3% to March 2008, largely due to the weakening

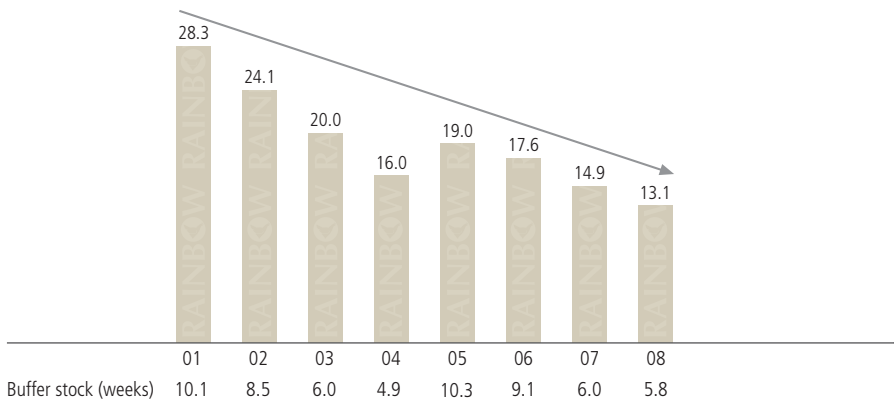
of the rand and speculative trading by exporters into other more profitable markets. Chicken imports currently represent 13.2% of the local market.

The poultry industry has submitted a petition to oppose ITAC's proposed scrapping of the US anti-dumping tariff. This issue arose unexpectedly following judgement in a Supreme Court case of similar protection in the printing industry. It is uncertain what the likely ruling will be but by virtue of its potential devastating impact on the local industry, it is being treated as a high priority.

Feed raw material procurement

For a second year in a row feed raw material prices have escalated and are currently at record levels. Increased demand with production lagging behind has resulted in low international and local stock levels, especially for maize. The usage of maize in ethanol production increased, placing additional pressure on stock levels. The low stock levels and hence high prices for maize and wheat forced soya prices to their current high levels as the crops all compete for the same land. A similar situation exists with plant oils where demand is outstripping supply. These factors coupled with the increase in crude oil prices resulted in record prices for most commodities.

MAIZE GLOBAL STOCKS TO USAGE RATIO



For a second year in a row raw material feed prices have escalated and are currently at record levels

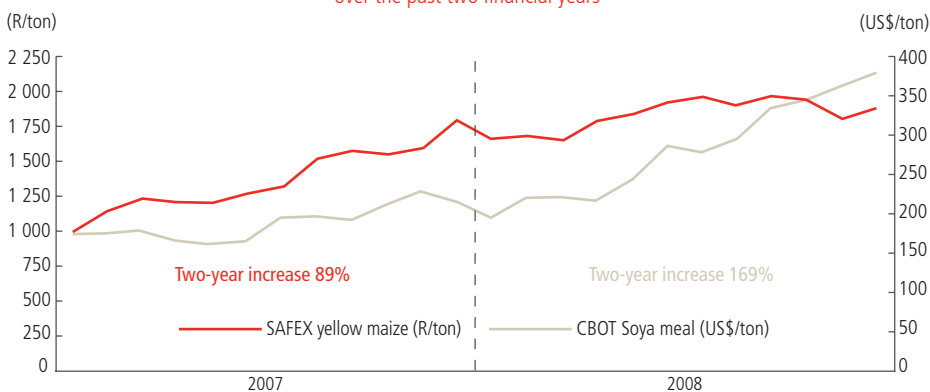
The tightening global stock to usage ratio on both maize and soyabeans will create increased price volatility and price sensitivity to weather conditions. Prices for other protein (sunflower oilcake) will follow the lead of Hipro soyabean meal, particularly in the local market. Soya oil prices have followed the increase in crude oil prices and there have been dramatic increases in all plant based oils. Volatility and high prices are expected to continue until crude oil prices drop meaningfully.

Local yellow maize prices of R1 877 per ton at 31 March 2008 are 4.2% (2007: 79.5%) higher than last year despite the good crop expectation of

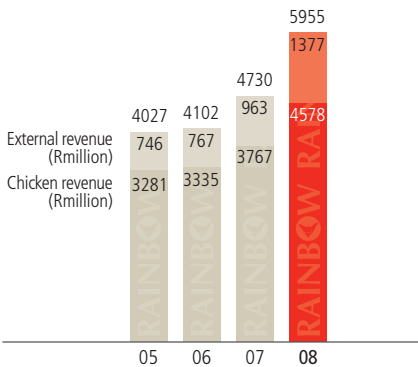
approximately 11 million tons (2007: 7 million). Soyabean meal prices have increased substantially to R4 128 per ton being 88.8% higher than March 2007 (2007: 39.7%).

The graph below depicts the SAFEX yellow maize and soya prices over Rainbow's past two financial years. It reflects the significant volatility in the market and consequent challenge faced by the business in procuring maize and soya cost effectively. Rainbow's procurement of maize and soya makes use of financial instruments, is never speculative but rather for use and as such generally results in a long strategy.

YELLOW MAIZE AND SOYA MEAL PRICES over the past two financial years



Financial Review continued



INCOME STATEMENT

Revenue

Chicken revenue for the year was 21.5% higher than the previous year. Rainbow's average price realisation, including mix improvement, increased by 15.0%. Overall chicken volumes increased by 6.5%, including five extra trading days (2.0% impact), with the Quick Service Restaurants (QSR) sector, targeted customers and branded products all showing pleasing growth.

Group revenue increased by 25.9% to R6.0 billion (2007: R4.7 billion) largely a function of the higher chicken and feed realisations and Vector's higher external volumes.

Headline EBIT

The graph below depicts headline EBIT adjusted for the effects of the non-recurring feed claim recovery and BEE expense. As previously disclosed, the impact of applying IAS 39 (Financial Instruments: Recognition and Measurement) is also reflected.

During the current period, the feed contamination claim against the responsible supplier was settled and R40.0 million was paid to Rainbow.

The cost of the BEE transaction to Rainbow's shareholders, calculated using an option pricing model, is R79.3 million. The current year expense of R49.4 million comprises R45.5 million in respect of the BEE partners and R3.9 million of transaction

costs. The portion relating to the Rainbow employee share trust will be expensed over 10 years commencing 1 April 2008.

Reporting the financial effects of certain financial instruments used in the feed raw material procurement strategy in accordance with IAS 39 introduces volatility to the Group's financial results. For this reporting period the pre-taxation impact of applying IAS 39 on the Group's results is a positive R34.4 million (2007: R14.2 million negative).

The decline in headline EBIT margin is in line with the forecast made at the previous year-end and reflects the higher feed raw material costs not being entirely recovered in chicken pricing.

Finance income

Net finance income increased by R9.2 million due to the higher cash balances during the year.

Effective taxation rate

The effective taxation rate of 33.6% (2007: 29.9%) was impacted by the non-deductible BEE expense and higher STC charge, offset by the impact of the reduction in the tax rate on the closing deferred taxation balance (29% versus 28%) and last year's Strategic Investment Programme (SIP) allowance of R21.8 million granted on the new Further Processing Plant.

Headline earnings

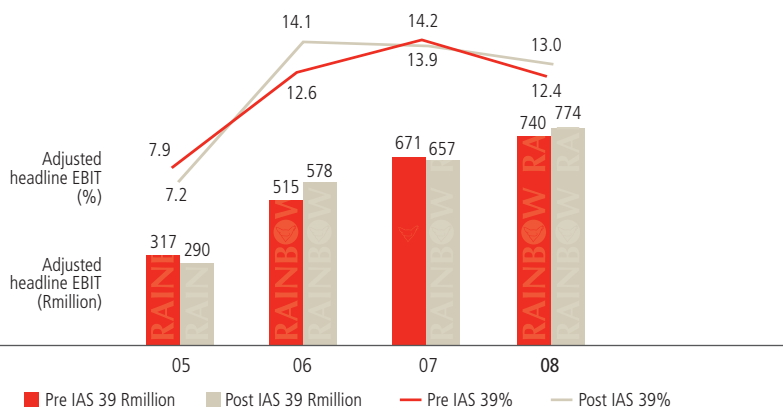
Headline earnings increased by 10.7% to R528.1 million (2007: R477.0 million) with diluted headline earnings per share improving by 10.0% to 180.8 cents per share (2007: 164.4 cents per share).

BALANCE SHEET

Non-current assets

Property, plant and equipment of R1 243.7 million (2007: R1 054.1 million), goodwill of R287.4 million (2007: R287.4 million) together represent the Group's non-current assets.

Capital expenditure was R315.5 million (2007: R214.1 million). A detailed reconciliation of the movements in property, plant and equipment is shown in note 1 on page 66. A further amount of



R94.2 million (2007: R76.0 million) has been contracted and committed, but not spent, whilst a further R119.3 million (2007: R81.7 million) has been approved, but not contracted. Depreciation has increased by 15.4% to R136.4 million as a result of the additional capital expenditure.

Rainbow Chicken Foods (Proprietary) Limited, the company owning the new Further Processing Plant, was approved by the Minister of Trade and Industry as a qualifying strategic industrial project with preferred status. The company's preferred status grants an additional tax allowance of 100% of the cost of qualifying industrial assets. The preferred status is subject to the company maintaining certain performance criteria set out in the approval, failing which the allowance will reduce to 50% of the cost. As a consequence, only 50% of the additional taxation allowance has been recognised in the determination of deferred taxation. The remaining 50% will be recognised when it is confirmed that the performance criteria for the required four-year period will be achieved.

The deferred taxation asset raised in the previous year in respect of unutilised assessed losses of Rainbow Chicken Foods has reversed to a credit in deferred taxation in the current year partially due to utilisation of the losses and temporary differences in the current period.

The detailed disclosure of the reconciliation of deferred taxation is disclosed in note 3 on page 68.

Current assets

Inventories and biological assets of R891.2 million (2007: R678.7 million) have increased mainly due to the impact of the higher feed costs on both the valuation of the live birds and finished goods stock.

Trade and other receivables are higher than last year due to higher revenue and March being a five-week month versus four weeks in the prior year. Debtors collection is a critical part of the business and is an ongoing focus area for management. Debtors days have remained consistent over the past few years.

Non-current liabilities

The deferred taxation of R240.0 million (2007: R179.6 million) arises from numerous temporary differences across the Group.

The post-retirement medical obligation of R80.9 million (2007: R75.5 million) arises from the actuarial valuation of the Group's potential liability arising from post-retirement medical aid contributions owed to 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 gain of R10.1 million (2007: R8.6 million) which arises due to differences in the actuarial assumptions from year to year. This actuarial gain will be recognised to the extent it is in excess of ten percent of the obligation over the remaining working lives of the participating employees.

Current liabilities

Trade and other payables have increased over the prior year in line with increased inventory and biological assets to R1 126.2 million (2007: R834.2 million).

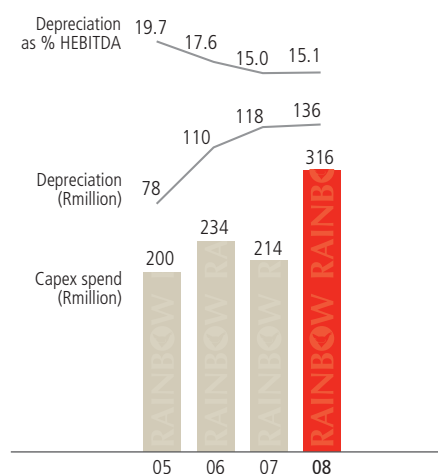
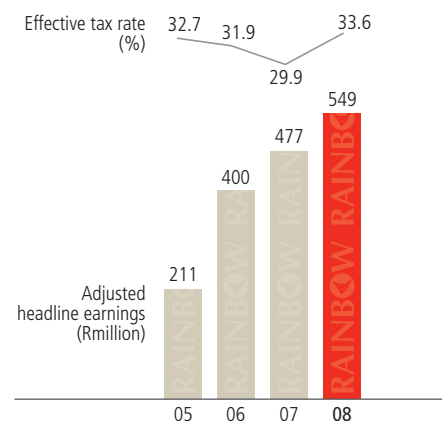
Return on equity

Return on equity decreased to 25.3% (2007: 27.0%).

CASH FLOW STATEMENT

Cash generated by operations decreased by 24.9% to R617.2 million (2007: R821.5 million) due to increased working capital requirements largely as a result of higher trade receivables in line with increased trading and the valuation of inventories which is impacted by the higher feed costs.

Cash taxation paid of R239.6 million (2007: R277.8 million) is lower than the prior year despite higher STC payments due to timing of payments in the 2007 financial year.



Financial Review continued

The Group follows a detailed process whereby operational and financial risks are identified and quantified

KEY OPERATIONAL RISKS	MITIGATING CONTROLS
Disease outbreak at farms	Bio-exclusion procedures are in place and include physical access controls, shower procedures, site clothes, foot dip tanks, vehicle sprays at key sites, insulated houses and trained employees Testing flocks every month for Avian Influenza, Newcastle disease, Salmonella and Infectious Bronchitis
Significant increase in feed raw material costs	Proven raw material procurement strategy Comparison of raw material prices to daily market prices with weekly reporting to a procurement committee Monthly raw materials meeting to discuss procurement strategy and prices Authorisation of formulation changes Succession planning for key positions
Dust explosion at a mill	Training of personnel in conditions that lead to dust explosions "Hot work" permits Good housekeeping to minimise dust Good maintenance programme
Fire in plant	Fire hydrants and sprinkler systems CO ₂ systems for electrics Fire teams and training Fire alarms and smoke detectors New panels are fire retardant Flammable substances stored separately
Significant failure of computer system for an extended period	Disaster Recovery Plan (DRP) which includes a back-up server Testing of DRP Daily and monthly backups stored off site Restricted access to server rooms Log of access to server rooms Environmental controls for server rooms

RISK MANAGEMENT

The Group follows a detailed process whereby operational and financial risks are identified and quantified. Probabilities of events taking place which result in any of these risks occurring is performed and then responsibility is assigned to the various members of the executive management team to manage these risks appropriately.

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.

Operational risks

At operational level, senior management identify critical business risks, promote awareness, introduce and maintain appropriate control environments and procedures and apply risk-monitoring techniques. Meetings are held regularly within each of the businesses' functions to update, re-assess and comment on the risks identified as well as give assurances on controls in place to mitigate the risks identified.

The key operational risks that have been identified by management are tabulated on this page.

In support of this risk management structure, the Group is working with risk management consultants to undertake regular risk control audits at all of the Group's sites. These audits include:

- Risk management organisation
- Fire defence
- Independent "Infrared Inspection of Electrical Equipment under Load" (IRIS)
- Site security
- Emergency planning
- Occupational, health safety, hygiene and environment
- Bio-security.

Financial risks

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 and commodity futures and options. Separate committees are used to manage the risks and the hedging activities of the Group. The Group does not speculate in or engage in trading of derivative instruments.

Credit risk

The granting of credit is controlled by well established criteria which are reviewed on an annual basis. Other than the external feed debtors, all trade receivables greater than R50 000 are covered by Credit Guarantee Insurance Cover (CGIC).

Liquidity risk

Liquidity risk is considered low due to the Group's conservative funding structure and its high cash generation. Its unutilised borrowing capacity is R407.0 million (2007: R590.0 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.

Market risk

Commodity price and procurement risk

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 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 transacting by the procurement team is restricted in terms of this company view, unless prior approval is obtained.

Maize procurement is a material component of Rainbow's input costs and as a consequence significant focus is placed on managing this area of the business.

Currency risk

Currency risk in the Group is actively managed using forward exchange contracts and currency option contracts in terms of the risk management policy. The currencies predominantly traded in by the Group are USD, GBP and Euro. As a result, the Group is subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

ACCOUNTING POLICIES

The Group's accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from International Financial Reporting Interpretations Committee (IFRICs) and circulars effective and their potential impacts have been disclosed on page 65. No impact has been provided in respect of Exposure Drafts as they are normally subject to material changes prior to being issued as a standard.

The accounting policies are consistent with those of the previous year. However they have been updated to include the new standards, interpretations and amendments which the Group adopted from 1 April 2007. The only impact on the results for the current period as a consequence of adopting these new standards, interpretations and amendments was in respect of the BEE transaction. There was no impact on prior year results. Various additional disclosures have been included in the financial statements, particularly in respect of IFRS 7 (Financial Instruments: Disclosures).

The Group maintains the view that the standards set the minimum requirements for financial reporting. The financial statements in this 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 informed understanding of the Group.

Directorate



Back from left to right: J B Magwaza, John Maher (Company Secretary), Deon Zwiegelaar, Dr Munro Griessel, Don Vale
Front from left to right: Rob Field, Miles Dally, Manana Nhlanhla, Thys Visser

NON-EXECUTIVE CHAIRMAN

M H (Thys) Visser (54)
CA (SA)
Appointed: January 1997

Directorships: Managing Director and Chief Executive Officer of Remgro Limited, director of British American Tobacco plc, Distell Group Limited, Kagiso Trust Investments (Proprietary) Limited, Nampak Limited, Medi-Clinic Corp Limited, Unilever South Africa Holdings (Proprietary) Limited and PGSI Limited.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr M (Munro) Griessel (69)
PhD (Animal Science)
Appointed: November 2002

Directorships: Chairman of the technology committee of the Protein Research Foundation.

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

J B (JB) Magwaza (66)
MA (UK)
Appointed: November 2002

Directorships: Chairman of Mutual and Federal, Motseng Marriott Property Services (Proprietary) Limited, Pamodzi Investment Holdings Limited and Peoples' Bank Limited, director of The Tongaat-Hulett Group Limited, Anglo American Corporation of South Africa Limited, Development Bank of Southern Africa Limited, Dorbyl Limited, Ithala Development Finance Corporation Limited, Africa Vukani Resources, Nedcor Limited and Nedcor Bank Limited.

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.

M M (Manana) Nhlanhla (55)
BSc MA (Information Science)
Appointed: May 2005

Directorships: Chairperson of Itala Development Finance Corporation Limited, director of MION Investments, Batho Bonke Limited, Trade and Investments KwaZulu-Natal, Women in Oil and Energy – South Africa and Gold Circle.

Manana is a former university lecturer in information science. Over the past ten years Manana has been involved in various businesses including Thebe Investments as a director and in 2004 as a founding member of Batho Bonke Consortium, a broad-based National Group lead by Mr Tokyo Sexwale.

D W (Don) Vale (67)
MA (Oxon), FCA (UK)
Appointed: July 2004

Don qualified in the UK as a Chartered Accountant and Chartered Management Accountant. He worked for Unilever for 26 years, principally in South Africa and the UK, latterly as the Financial Director. Don has subsequently acted as a business strategy consultant to corporate clients.

NON-EXECUTIVE DIRECTOR

D G (Deon) Zwiendelaar (62)
CA (SA)
Appointed: November 2005

Directorships: Director of M&I Group Services Limited, the service company of Remgro Limited and VenFin Limited as well as various other wholly owned unlisted investment holding and finance companies in the Remgro Group of companies.

Deon is a Chartered Accountant who qualified with Theron van der Poel in Cape Town, one of the firms who merged with the existing PricewaterhouseCoopers Inc. After several years of audit experience, he joined the Rembrandt Group as a Financial Manager in 1976. He is currently Group Financial Manager.

EXECUTIVE DIRECTORS

M (Miles) Dally (51)
Chief Executive Officer
BCom
Appointed: February 2003

Directorships: Rainbow Chicken Limited and its subsidiary companies.

Miles has over 25 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. Miles is co-Chairman of the Board of the Consumer Goods Council of South Africa (CGCSA). He is also a member of the Board of Business Against Crime South Africa – KZN.

R H (Rob) Field (36)
Chief Financial Officer
CA (SA)
Appointed: July 2004

Directorships: Rainbow Chicken Limited and its subsidiary companies.

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.

MEMBERS OF COMMITTEES

Audit Committee
D W Vale (Chairman), D G Zwiendelaar, Dr M Griessel

Remuneration Committee
M H Visser (Chairman), J B Magwaza, D W Vale

Risk Committee
D W Vale (Chairman), M Dally, R H Field, Dr M Griessel, D G Zwiendelaar

COMPANY SECRETARY

J M J (John) Maher (50)
Appointed: August 2007

Executive Management Team



Back from left to right: Charles Vauquin, Scott Pitman, Trevor Harding, Stephen Heath, Chris Creed
Front from left to right: Bonga Mavume, Michael Rogowski, Miles Dally, Wouter De Wet, Rob Field

C D (Chris) Creed (49)

Distribution Director
IMM Dip SA
Appointed: June 2005

Chris has over 20 years experience in the fast moving consumer goods industry, and served in various Trade Marketing and Sales roles within Bristol Myers Squibb and Adcock Ingram. Prior to joining Rainbow he spent five years in the international market, with the latter two years as Director of London-based Capespan plc, responsible for marketing and sales to the key supermarket groups in the UK and Europe. He was appointed FoodSolutions Director in June 2005 and Distribution Director in March 2007.

W A (Wouter) De Wet (42)

Processing 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 virtually the entire value chain. He was appointed as Processing Director in September 2006.

T J (Trevor) Harding (46)

IT Director
BCom, BSc (Hons)
Appointed: August 2005

Trevor has over 20 years business experience in information technology management. Prior to joining Rainbow, he held the positions of IT Director of Unilever South Africa and Robertsons.

S B (Stephen) Heath (52)

HR Director
BA, LLB, Grad Dip Industrial Relations,
Attorney of the High Court of South Africa
Appointed: August 2007

Stephen has spent the past 19 years with Rainbow as Group Secretary and Legal Advisor, prior to which he gained experience both as a public prosecutor in the Department of Justice and subsequently as an attorney in private practice. During the current year Stephen was appointed the HR Director.

D B (Bonga) Mavume (33)

Breed Director (Cobb)
BSc Agric (Hons) (UFH), MDP, MBA (USB)
Appointed: November 2007

After graduating from Fort Hare University in 1997, Bonga gained over 10 years technical, broiler, breeding and farm operations experience with Pioneer Foods. He joined Rainbow as Supply Chain Manager in February 2007 and was appointed Breed Director in November 2007. Bonga currently serves on the Board of the South African Agricultural Processors' Association.

D S (Scott) Pitman (45)

FoodSolutions and Marketing Director
BBus Sc
Appointed: April 2007

Scott has 17 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.

M P W (Michael) Rogowski (52)

Feed Director
BSc Food Science
Appointed: August 2001

Michael has over 25 years experience in the food manufacturing environment. Prior to joining Rainbow, he was the Operations Director of Tiger Brands Food Culinary Division, and thereafter was appointed to various directorship positions within the Rainbow Group.

P C (Phil) Tozer (49)

Sales Director Retail and Wholesale
Appointed: October 2003
Resigned: March 2008

C E (Charles) Vauquelin (46)

Agricultural Director
Agricultural Diploma (Cedara College of Agriculture)
Appointed: December 2002

Prior to joining Rainbow in November 1999, Charles spent four years as Operational Manager with County Fair Foods (Proprietary) Limited. He is currently the Vice-Chairman of the Southern African Poultry Association (SAPA) and Chairman of the Broiler Association.

Corporate Governance Statement

Rainbow subscribes to the highest standards of corporate governance in all its dealings with stakeholders

Rainbow subscribes to the highest standards of corporate governance in all its dealings with stakeholders. This means that it will be transparent and accountable to all those affected by the business.

The Board subscribes to the values of and accepts the inclusive approach to good corporate governance espoused in the King II report. 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. The Board and individual directors accept their duty and responsibility to ensure that the principles set out in the Code of Corporate Practices and Conduct as defined in the King II report are observed.

COMPLIANCE

In keeping with its commitment to corporate governance, the Board continually assesses its state of compliance with the Code of Corporate Practices and Conduct.

SUSTAINABILITY

Rainbow's corporate governance policy is aligned to ensure the three pillars of sustainability, being Economic, Social and Environmental sustainability practices are addressed in a structured manner so that the fundamentals of fairness, accountability, responsibility and transparency are apparent. The Group is committed to reporting on stakeholder issues in the most appropriate manner.

CODE OF ETHICS

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

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

- Clearly state what is an acceptable and unacceptable practice
- Guide policy by providing a set of ethical corporate standards
- Encourage ethical behaviour of the Board, managers and employees at all levels
- Guide ethical decision-making
- Make ethical infringements easy to identify
- Promote awareness of, and sensitivity to, ethical issues
- Help resolve conflicts.

There has been full compliance with the Group's code of ethics during the year under review.

CORPORATE CODE OF CONDUCT

The Group is committed to:

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

BOARD OF DIRECTORS

Composition of the Board

The Group has a unitary Board of Directors that currently comprises six non-executive directors (four of whom are independent) and two executive directors.

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 issues of strategy, budgets, performance, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance, contributing to the formulation of policy and decision-making through *inter alia* their knowledge and experience. The Board is of the view that all non-executive directors bring independent judgement to bear on material decisions of the company.

The Chairman is not independent but the roles of Chairman and Chief Executive Officer are separate and a clear division of responsibility exists. Details of the directorate are provided on page 21 of the annual report. Aside from executive directors' employment contracts, there are no other contracts of service between any of the directors and any subsidiaries within the Group.

The non-executive directors take responsibility for ensuring that the Chairman encourages proper deliberation of all matters requiring the Board's attention. 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.

The Board gives strategic direction to the Group under the Chairmanship of Mr M H Visser. The Board meets six times a year and has a formal schedule of matters reserved to it as recorded in its Board Charter. The Board retains full and effective control over the Group and monitors executive management in implementing plans and strategies.

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

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

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

The Board and its committees are supplied with full and timely information which enables them to discharge their responsibilities. They have unrestricted access to all Group information, records, documents and property. Non-executive directors have access to management and may even meet separately with management, without the attendance of executive directors. The information needs of the Board are well defined and regularly monitored. All directors have access to the advice and services of the Company Secretary and there is an agreed procedure by which directors may obtain independent professional advice at the Group's expense, should they deem this necessary.

The Group has a formal policy, established by the Board and implemented by the Company Secretary, prohibiting dealing in securities by directors, officers and other selected employees for a designated period preceding the announcement of its financial results or in any other period considered sensitive. The Chairman through the Company Secretary in any event, approves all dealings by directors during "open" periods.

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

Rainbow will be transparent and accountable to all those affected by the business

Corporate Governance Statement continued

Several committees have been established to assist the Board in discharging its responsibilities

Through the Risk Committee, the Board identifies the key risk areas and key performance indicators for the Group. The Board has a process by which these are updated regularly.

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

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

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

The record of attendance of each director at Rainbow Chicken Limited Board meetings for the financial year ended 31 March 2008 is as follows:

BOARD COMMITTEES

Several committees have been established to assist the Board in discharging its responsibilities. The committees facilitate high standards of governance. Specific responsibilities have been formally delegated to Board committees with defined terms of reference, duration and function, clearly agreed upon reporting procedures and written scope of authority documented in formal charters. There is transparency and full disclosure from the Board committees to the Board, except where mandated otherwise by the Board. Board committees are free to take independent outside professional advice as and when necessary and are subject to evaluation by the Board to ascertain their performance and effectiveness.

The principal Board committees are as follows:

Executive Committee

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

Audit Committee

Mr D W Vale chairs the Audit Committee and its other members are Dr M Griessel and

	23/05/07	31/07/07	20/09/07	20/11/07	31/01/08	19/03/08
M H Visser	✓	✓	✓	✓	✓	✓
M Dally	✓	✓	✓	✓	✓	✓
R H Field	✓	✓	✓	✓	✓	✓
Dr M Griessel	✓	✓	–	✓	✓	✓
J B Magwaza	✓	✓	✓	–	✓	✓
M M Nhlanhla	✓	✓	✓	–	✓	–
D W Vale	✓	✓	✓	✓	✓	✓
D G Zwiendelaar	✓	✓	✓	✓	✓	✓
✓ indicates attendance						
– indicates absence with apologies						

Through the Risk Committee, the Board identifies the key risk areas and key performance indicators for the Group

Mr D G Zwiigelaar. The Chief Executive Officer, Chief Financial Officer, Group Internal Audit Manager, Company Secretary and external auditors are invited to attend every meeting. Other members of the Board and management team attend as required. The Audit Committee meets separately with the external auditors and the Group Internal Audit Manager twice a year without management present.

The Audit Committee meets three times a calendar year and is responsible for reviewing the interim and final financial statements, internal financial control procedures, accounting policies, compliance and regulatory matters, recommending the appointment of external auditors and other related issues. All members of the Audit Committee have the required financial knowledge and experience to oversee and guide the Board and the Group in respect of the audit and corporate governance disciplines.

The Audit Committee has written terms of reference that deal adequately with its membership, authority and duties. The Audit Committee considers whether adequate and appropriate internal financial controls are in place to meet the current and future needs; that significant statutory and financial risks have been identified and are being monitored and managed; and that appropriate standards of governance, reporting and compliance are in operation. The Audit Committee advises the Board on issues ranging from the application of accounting standards to published financial information. Interim and annual results of the Group are reviewed and revised by the Audit Committee before submission to the Board for approval.

The Audit Committee has a responsibility to recommend to the Board, for its consideration and acceptance by shareholders, the appointment of external auditors. The Audit Committee approves the external auditors' engagement letter and terms, nature and scope of the audit function and the audit fee. The Audit Committee continually monitors the independence and objectivity of the external auditors. The Audit Committee reviews the nature and quantum of non-audit projects undertaken by the external auditors. The auditors are required, on an annual basis, to provide a summary of

relationships that they consider may have a bearing on their independence and objectivity.

The record of attendance at Rainbow Chicken Limited Audit Committee meetings for the financial year ended 31 March 2008 is as follows:

	22/05/07	19/09/07	20/11/07
D W Vale	✓	✓	✓
Dr M Griessel	n/a	✓	✓
D G Zwiigelaar	✓	✓	✓
M H Visser	*	*	*
M Dally	*	*	*
R H Field	*	*	*

✓ indicates attendance
 * indicates attendance by invitation of the Audit Committee Chairman
 n/a indicates not a member at that meeting date

Risk Committee

Mr D W Vale chairs the Risk Committee and its other members are Messrs M Dally, R H Field, D G Zwiigelaar and Dr M Griessel. The Group Internal Audit Manager and Company Secretary are invited to attend every meeting.

The Risk Committee reviews the Group's risk profile on a regular basis. The risk register provides an effective means of measuring and monitoring the businesses financial and operational risks.

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

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

Corporate Governance Statement continued

Rainbow makes every effort to ensure that information is distributed through an appropriate range of communication channels

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

In addition to the Group's other compliance and enforcement activities, the Risk Committee recognises the need for a confidential reporting process ("whistle-blowing") covering fraud and other risks. This "whistle-blowing hotline" continues to function effectively. Staff and other parties may anonymously report concerns. Procedures are in place for the independent investigation of matters reported and for appropriate follow-up action.

The record of attendance at Rainbow Chicken Limited Risk Committee meetings for the financial year ended 31 March 2008 is as follows:

	19/09/07	18/03/08
D W Vale	✓	✓
M Dally	✓	✓
R H Field	✓	✓
Dr M Griessel	✓	✓
D G Zwiegelhaar	n/a	✓

✓ indicates attendance
n/a indicates not a member at that meeting date

Remuneration Committee

The Remuneration Committee consists of three non-executive directors. The Chairman of the Group, Mr M H Visser, is the Chairman of the Remuneration Committee. The other members during the year were Messrs J B Magwaza and D W Vale. The Remuneration Committee meets at least twice a year. The committee is responsible for the assessment and approval of the Board 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 philosophy 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 Chief Executive Officer and HR Director attend meetings of the Remuneration Committee but are excluded from the review of their own remuneration.

A schedule setting out directors' remuneration and equity interest appears in the Remuneration Report.

The record of attendance at Rainbow Chicken Limited Remuneration Committee meetings for the financial year ended 31 March 2008 is as follows:

	22/05/07	30/07/07	19/09/07	20/11/07
M H Visser	✓	✓	✓	✓
J B Magwaza	✓	✓	✓	–
D W Vale	n/a	✓	✓	✓
M Dally	*	*	*	*
S B Heath	*	*	*	*

✓ indicates attendance
– indicates absence with apologies
* indicates attendance by invitation of the Remuneration Committee Chairman
n/a indicates not a member at that meeting date

Nomination Committee

The Board as a whole acts as the Nomination Committee. The Board considers its composition, retirements and appointments of additional and replacement directors.

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

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

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

GOING CONCERN

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

ACCOUNTABILITY AND AUDIT

Auditing and accounting

The Board is of the opinion that the auditors observe the highest level of business and professional ethics and that their independence is not in any way impaired. The Group aims for efficient audit processes using its external auditors in combination with the internal audit function and management encourages unrestricted consultation between external and internal auditors. The co-ordination of efforts involves periodic meetings to discuss matters of mutual interest, management letters and reports, and a common understanding of audit techniques, methods and terminology.

Internal financial 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 businesses are reliable.

Internal audit function

The internal audit department is an independent appraisal function whose primary mandate is to

examine and evaluate the effectiveness of the applicable operational activities, the attendant business risks, including those that arise subsequent to the year-end, and the systems of internal financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit Committee, external auditors and operational management for resolution.

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

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

The purpose, authority and responsibility of the internal audit activity is formally defined in an Internal Audit Charter, which is approved by the Board, and which is consistent with the Institute of Internal Auditors' definition of internal auditing. The activities of the internal audit function are co-ordinated by the Group Internal Audit Manager who has unrestricted access to the Audit Committee and its Chairman. The Group Internal Audit Manager reports at all Audit Committee meetings. The Group Internal Audit Manager reports administratively to the Chief Executive Officer.

The internal audit function co-ordinates with external auditors to ensure proper coverage and to minimise duplication of effort. The external auditors also review reports issued by internal audit. Internal audit plans are tabled annually to take account of changing business needs. Follow-up audits are conducted in areas where weaknesses are identified.

The internal audit plan, approved by the Audit Committee, is based on risk assessments, which is of a continuous nature so as to identify not only existing and residual risks, but also emerging risks and issues highlighted by the Audit Committee and senior management.

Relations with shareholders

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

Rainbow makes every effort to ensure that information is distributed through an appropriate range of communication channels to ensure the security and integrity of the information and that critical financial information reaches all shareholders simultaneously.

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

Remuneration Report

REMUNERATION COMMITTEE

The Remuneration Committee operates under the delegated authority from the Rainbow Chicken Limited Board. It focuses its activities on the Group's remuneration policy, the determination of levels of remuneration and annual incentive payments. It is responsible for the approval of all grants and awards under the Rainbow Group's share incentive trust for executive directors and members of senior management.

The mandate of the Remuneration 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 grants pursuant to the Rainbow Group's share incentive trust to staff
- Approving the overall cost of remuneration increases awarded to staff
- 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, Company Secretary and human resource team assist the Remuneration Committee with analysis of external market data and trends.

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

GROUP REMUNERATION PHILOSOPHY

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

- Plays an integral part in supporting the implementation of Rainbow's business strategies
- Motivates and reinforces individual and team performance
- Integrates financial and non-financial rewards and benefits
- Is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

Rainbow's application of remuneration practices:

- Aims to be market competitive in specific labour markets 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 include membership of one of the Group's medical health care 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 or Provident Funds.

Employees' fixed remuneration is reviewed and increased annually in October by the Remuneration 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 financial, strategic and personal performance objectives.

Long-term incentive plans – Rainbow's share incentive trust

Executive directors and a limited number of executive management participate in the Rainbow share incentive trust, which is designed to recognise the contributions of senior staff to the growth in the value of the Group's financial position and performance and to retain key employees. Within the limits imposed by the company's shareholders and the JSE Limited, options are allocated to executive directors and senior staff in proportion to their contribution to the business as reflected by their seniority.

The options, which are allocated at the closing market price ruling on the trading day approved by the Remuneration Committee, vest after stipulated periods and are exercisable up to a maximum of seven or ten years from the date of allocation.

Options granted vest as follows:

- First third – two years after grant date
- Second third – three years after grant date
- Final third – four years after grant date.

On retirement the share options vest immediately. On resignation, share options which have not yet vested will lapse and share options which have vested may be taken up before the last day of service. On death, the beneficiaries have a period of six months from the date of death to exercise all options vested but not yet exercised at the date of death.

The Remuneration Committee grants share options as follows:

- When an employee is promoted or appointed to the relevant management level or position
- Supplementary share option grants are normally granted annually, as approved by the Remuneration Committee.

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 current Rainbow share incentive trust, 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 Committee recommends fees payable to the non-executive Chairman and directors for approval by the shareholders. Fees are approved for an annual period commencing on 1 April each year. The annual fees payable to non-executive directors for the period commencing 1 April 2007 were approved by the shareholders at the Annual General Meeting of members on 31 July 2007.

DIRECTORS' EMOLUMENTS

	Basic salary R'000	Bonuses* R'000	Pension contribution R'000	Other benefits** R'000	Total R'000
Executives					
2008					
M Dally	3 418	2 627	312	101	6 458
R H Field	1 657	1 044	130	57	2 888
	5 075	3 671	442	158	9 346
2007					
M Dally	3 151	2 432	286	76	5 945
R H Field	1 513	962	118	41	2 634
	4 664	3 394	404	117	8 579

* Bonuses relate to the previous financial year.

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

	2008 R'000	2007 R'000
Non-executives (for services as a director)		
Present directors		
M H Visser*	118	85
Dr M Griessel	103	65
J B Magwaza	92	65
M M Nhlanhla	75	50
D W Vale**	293	85
D G Zwiendelaar*	100	44
	781	394
Past directors		
W E Bührmann*		8
N Phillips		120
		128
	781	522

* Paid to M&I Group Services Limited.

** Increase due to additional Board committee roles relating to the Remgro minority offer and BEE transaction.

Remuneration Report continued

DIRECTORS' INTERESTS

Interests of directors of the company in share options granted

Options granted to executive directors and unexpired or unexercised as at 31 March 2008 are as follows:

	Options exercisable	Exercise price (cents)	Options at 31 March 2007	Options granted during the year	Options exercised during the year	Options at 31 March 2008	Exercise price (cents)	Gain on options exercised R'000
M Dally		345	2 473 188		(2 473 188)		1 600	31 039
		665	696 000		(232 000)	464 000	1 600	2 169
		1 039	779 211			779 211		
		1 635		1 101 317		1 101 317		
			3 948 399	1 101 317	(2 705 188)	2 344 528		33 208
R H Field		355	67 433		(67 433)		1 600	840
		510	32 205		(16 102)	16 103	1 600	175
65 911		530	197 732		(65 910)	131 822	1 600	705
		665	384 000		(128 000)	256 000	1 600	1 197
		1 039	231 491			231 491		
		1 635		573 639		573 639		
	65 911		912 861	573 639	(277 445)	1 209 055		2 917
	65 911		4 861 260	1 674 956	(2 982 633)	3 553 583		36 125

Options exercised during the year relate to the Remgro minority offer which was supported by the directors and all options which had vested at that date were exercised.

Interest of directors of the company in stated capital

The aggregate beneficial holdings as at 31 March 2008 of those directors of the company holding issued ordinary shares of the company are detailed below:

	2008		2007	
	Direct shares '000	Indirect shares '000	Direct shares '000	Indirect shares '000
Executive directors				
M Dally	1 000		600	
R H Field	250		201	
Non-executive directors				
Dr M Griessel		5		5
	1 250	5	801	5

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.

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Sustainability Report continued

KEY STATISTICS	2008	2007	2006
Economic performance indicators			
Impact on suppliers (Rmillion)			
Total paid to suppliers	3 711	2 834	2 403
Total contracted spend	1 407	785	579
Total paid to BEE suppliers	521	204	157
Major sources of suppliers:			
– Transport	258	253	217
– Contract growers	91	85	77
– Electricity	84	82	72
Impact on employees (Rmillion)			
Total payroll and benefits	928	833	739
Impact on providers of capital (Rmillion)			
Total dividends to ordinary shareholders	209	169	105
Reserves	330	424	403
Impact on public sector (Rmillion)			
Total taxes paid	672	490	452
Impact on community (Rmillion)			
Social responsibility expenditure	4	3	3
Environmental performance indicators			
Water consumption (kilolitres)	6 897 673	6 604 444	7 273 281
Energy consumption			
– Coal (tons)	25 253	36 468	35 730
– Gas (kilolitres)	32 235	28 251	21 602
– Diesel (kilolitres)	6 373	6 549	7 106
Waste and recycled products			
– Cardboard waste (tons)	105	198	228
– Coal ash (metres ³)	6 025	4 858	5 114
– Litter (metres ³)	434 979	447 824	370 876
– Plastic waste (tons)	114	186	132
– Scrap metal and timber (tons)	229	232	932
– Waste water (kilolitres)	2 699 448	2 640 893	2 710 066
Social performance indicators			
Full-time employees	7 653	7 223	6 686
Net full-time employment creation	430	537	311
Unionised employees (%)	49	47	47
Training expenditure (Rmillion)	13	8	6
Disabling incident frequency rate*	1.23	1.46	1.44

* Disabling incident is defined as any incident in which an employee is booked off work for more than a shift following the incident.

INTRODUCTION

Sustainable development is an integral and essential part of doing business locally and internationally. Rainbow seeks to inform all stakeholders on a regular basis about what is being done in terms of the three pillars of sustainability, namely Economic, Social and Environmental sustainability practices.

Rainbow uses corporate governance to underpin these practices to ensure that the fundamentals of fairness, accountability, responsibility and transparency are upheld and all stakeholders' expectations are met. Prioritising the management of all resources, scarce or not, and seeking to promote the development of previously disadvantaged groupings is a reflection of Rainbow's culture and the way it conducts business with its stakeholders.

Rainbow's sustainability report is presented annually as part of its Annual Report. The report has drawn on the Sustainability Reporting Guidelines developed by the Global Reporting Initiative (GRI), as well as the criteria of the Sustainability Reporting Index (SRI) of the JSE Limited. The criteria have been used for guidance only, with the reporting predominantly focusing on issues that are specifically material to Rainbow's business and stakeholder base.

Due to the relatively limited emphasis in this report on quantitative data, the services of an independent verification agency have not been used for this report.

The target audience for this report is all stakeholders that have an interest in the activities of Rainbow, with particular emphasis on shareholders, customers, consumers, employees, suppliers, government and our local communities.

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

The Board of directors accepts overall responsibility for the advancement of sustainable development at Rainbow. As such, the policies, strategies and targets with regards to sustainable development are reviewed and updated by the Board annually, and by the executive directors, Sustainability Committee and operational teams quarterly. The Sustainability Committee is made up of senior designated functional line management and finance managers.

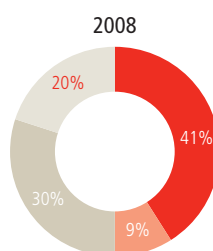
By incorporating the policies and strategies into Rainbow's operational manuals, it ensures that sustainable practices are part of the normal day-to-day operational activity, that progress against targets is monitored regularly and that Rainbow's commitment to sustainability is evidenced within the business.

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. Rainbow 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.

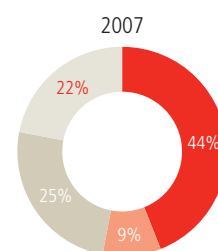
The business generated R539 million in net income during 2008, from which major stakeholders benefited in varying proportions as indicated in the value-added statement. Employees were the main beneficiaries, followed by government through taxes and shareholders through dividends.

VALUE-ADDED STATEMENT	%	2008 R'000	%	2007 R'000
Revenue		5 955 327		4 730 363
Paid to suppliers		(3 711 507)		(2 834 107)
Value-added by operations		2 243 820		1 896 256
Finance income		34 248		26 876
Total value-added		2 278 068		1 923 132
Applied as follows:				
To pay employees				
Salaries, wages and benefits	40.7	927 538	43.8	841 398
To pay providers of capital				
Interest paid	0.1	2 566	0.2	4 411
Dividends paid	9.2	208 803	8.8	168 817
Taxation				
Corporate	12.0	272 730	10.5	201 049
VAT	11.5	262 610	9.2	176 503
PAYE	5.8	132 229	5.4	104 724
Rates and taxes and RSC levies	0.2	5 003	0.6	6 221
Reinvested in the business				
Depreciation and amortisation	6.0	136 426	6.1	117 777
Retained earnings	14.5	330 163	15.7	302 232
	100.0	2 278 068	100.0	1 923 132



VALUE-ADDED

- Employees
- Shareholders
- Government
- Reinvestment



Sustainability Report continued

Broad-based black economic empowerment (BEE)

Rainbow supports the principles embodied in the Agricultural Sector Charter and has focused its management efforts on all aspects of BEE ensuring alignment with the updated Code of Good Practice on broad-based black economic empowerment. Rainbow has not been rated against the recently released final codes but has initiatives in place across all components of the scorecard that, if achieved, should result in an acceptable level of compliance.

Ownership

The company is particularly pleased with its recently announced BEE transaction, in which a 15% shareholding was made available to a broad-based consortium through a vendor financed structure. For detailed information on the transaction, please refer to the Chief Executive's Review on page 13.

Preferential procurement policy

Over the last year Rainbow has engaged a specialist consultancy to assist with the analysis and formulation of a preferential procurement policy. This review has been completed but is still to be ratified by the Board.

The preferential procurement policy primarily covers the following essential aspects to ensure it will be correctly implemented:

- Collecting of all data on suppliers and their BEE status
- Assisting suppliers to embark on a sustainable empowerment programme
- Identification of Qualifying Small Enterprises and Emerging Medium Enterprises for enterprise development initiatives
- Training of procurement managers and buyers to support the BEE process
- Ensuring that fronting does not happen within our supply base.

The preferential procurement policy is intended to bring about important transformation in our buying

BEE SPEND Rmillion	2008	2007	2006
Total contracted spend*	1 407	785	579
BEE spend	521	204	157
BEE spend %	37.0	26.0	27.0

* excludes expenditure on commodities

environment and grow and assist BEE businesses. We will continue to ensure that:

- All specifications for products and services have clear parameters and guidelines so that they can be easily understood
- Sufficient lead time is given to allow proper analysis of potential new BEE suppliers
- Potential suppliers will be audited to eliminate risk to the business
- Our BEE information across all aspects of our supply base is continually enhanced.

Contract growers

Within the context of BEE enterprise development, the Rainbow contract grower initiative 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 and feed.

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 highest 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 our 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 BEE growers and their continuing outstanding performances.

	2010 % Target BEE	2008 % BEE	2008 growers	2007 % BEE	2007 growers
CONTRACT GROWERS					
Cape	20	20.0	5	20.0	5
North	20	10.0	20	13.0	23
KwaZulu-Natal	20		1		1
	20	11.5	26	13.8	29

KEY STAKEHOLDER CONCERNS AND SUSTAINABILITY RISKS

Rainbow 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 help lines. Rainbow will continue to emphasise open and transparent

dialogue in order to anticipate trends and make changes where possible to the way it currently operates.

While shareholders are primarily concerned with value creation, government and local communities are looking to Rainbow to create direct and indirect job opportunities, improve community infrastructures and protect the environment. Rainbow's economic strength is therefore critical to all stakeholders.

Rainbow recognises that it has an important role to play in the poultry and food industry, including

technological development, avian health, improvement of manufacturing standards and over and above compliance with legislation, facilitating relevant industry self-regulation.

Consumers

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

KEY STAKEHOLDERS	DIALOGUE CHANNELS AND FORMS OF ENGAGEMENT
Shareholders and other providers of capital	Annual General Meeting Investor relations Bi-annual results announcements Trading updates SENS announcements Annual Report Website
Business partners and customers	Face-to-face interventions Regular meetings and workshops Advertising campaigns in print and media Market, customer and in-store surveys
Local community	Selected projects as part of corporate social investment Regular meetings with municipalities and civic organisations
Government and regulators	Corporate affairs, legal and investor relations functions
Industry	Southern African Poultry Association (SAPA), Consumer Goods Council of South Africa (CGCSA)
Consumers	Consumer careline Consumer and product surveys Consumer immersions
Staff and unions	Confidential hotline through "Tip-Offs Anonymous" Roadshows Intranet Staff meetings and training Performance reviews and career planning Management and union meetings
Suppliers	Direct relationships with suppliers to enable partnerships Face-to-face interventions Regular meetings and workshops



Sustainability Report continued

KEY AREA	WHAT DO WE DO?
Consumer health and safety	<p>Certified meat inspectors, processing and engineering personnel ensure safe products complying with defined specifications</p> <p>Quality assurance teams verify processing, food safety, legal and quality compliance by conducting audits</p> <p>Total Integrated Management System (TIMS) tools 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</p> <p>Cold chain maintenance during processing</p> <p>Ensuring that raw materials (chickens), ingredients and packaging materials are traceable and mock recalls are conducted</p>
Locally produced	Rainbow products are produced from 100% South African reared chickens
Labelling	<p>Conforms to the Foodstuffs, Cosmetics and Disinfectant Act No 154 of 1972</p> <p>Supports the Consumer Goods Council of South Africa (CGCSA) and Global Standards (GS1) in listing of all products with GS1</p> <p>Labelling of all saleable units with EAN-13 barcodes and cartons with ITF-14 barcodes</p> <p>Carton label reflects production batch number, case number, production date and sell by date</p> <p>Suppliers of packaging material with pre-printed barcodes are obliged to comply with GS1 standards</p>
Farming practices	
<i>Animal welfare</i>	Rainbow subscribes to the British Poultry Council's Assured Chicken Production Programme that sets the highest standards for the nutrition and welfare of poultry
<i>Bird housing</i>	<p>Birds are reared in environmentally controlled houses or temperature controlled and ventilated open-sided houses</p> <p>Birds are able to roam around with free access to feed and water within the houses</p> <p>By housing the birds Rainbow mitigates the risk of the birds coming into contact with any wild birds and their faeces, both of which could be carriers of disease</p> <p>Stocking density of each house on a farm is determined by the floor space of the house and the equipment within the house</p> <p>Access to all farms and houses are regulated by strict bio-security measures that include:</p> <ul style="list-style-type: none"> • Use of security personnel to control access to farms • Fences around all farms and chicken houses • Personnel shower on entry and exit and wear company garments and gumboots <p>Footbaths are present at all doors to houses</p>
<i>Feed</i>	<p>Feed raw materials are controlled by the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act No 36 of 1947</p> <p>Feed raw materials are mainly maize and soya based ingredients with vitamins and proteins added to ensure the development of healthy flocks</p> <p>Feed formulations are specified by internal nutritionists</p>

KEY AREA**WHAT DO WE DO?**

Farming Practices continued

Animal health and safety

Flock treatment is controlled by the Medicines and Related Substances Control Act No 101 of 1965
Medication, dosages and method of application may only be prescribed by Rainbow veterinarians and withdrawal periods are strictly monitored
Rainbow maintains a "human list" of medicines to eliminate use of human medicines for flock health to protect consumer health
Strict bio-security practices are maintained
Notifiable disease management teams ensure maintenance and verification of the notifiable disease prevention and action programme
Animal welfare audits are conducted
SPCA regularly inspects the processing plants to ensure that the processes and practices are humane

Halaal status

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

Marketing and product development teams ensure that Rainbow develop and market competitive brands at competitive prices
Rainbow keeps abreast of national and international trends, through research and consumer interactions within a variety of target markets

Consumer and customer service

Rainbow uses the national complaints system to receive feedback from consumers and customers, covering complaints, queries and compliments. Rainbow provides a care line for all Rainbow products. All details are centrally logged and e-mails are forwarded daily to the National Quality Assurance 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.

CARE LINE STATISTICS	2008	2007
Prank calls	10	4
Queries	56	23
Compliments	2	5
Complaints	932	704
Total calls	1 000	736
% of complaints versus total calls	93	96

The website at www.rainbowchicken.co.za received on average 7 779 visits per month for the 2008 financial year (2007: 4 100).



Spar trade show

Sustainability Report continued

Business partners

Our customers are managed by multi-disciplinary teams of staff, from sales and marketing, research and development through to finance, who ensure that our relationships with the parties are managed in the most efficient, professional and ethical manner.

Independent accredited auditors conduct customer announced and unannounced audits bi-annually at all processing facilities to verify compliance to food safety, product specifications and quality. Customer audits include, but are not limited to compliance to the following customer's requirements:

- KFC
- Nando's
- Steers
- Wimpy
- Pick 'n Pay
- Woolworths
- Spar.

Rainbow received the following customer recognition awards during the past financial year:

- Yum! (KFC) awards
Star Achievers Award 2007 – for suppliers achieving more than 85% on the Supplier

Tracking and Assessment Recognition (STAR) audit system. Rainbow processing plants achieved more than 90%.

- Woolworths
National Supplier Key Product Indicators and Quality System Award for the second year running – Rainbow Worcester processing plant.
- Metcash
Supplier of the Quarter (September 2007).

These achievements are a tribute to all at Rainbow and demonstrate commitment to food safety, quality and service.

KEY AREA

Total Integrated Management System (TIMS) manages risks associated with feed safety, flock health and flock welfare, food safety, product quality and adherence to specifications, service delivery, effect on the environment, and occupational health and safety

WHAT DO WE DO?

International Standards Organisation (ISO) principles are embedded in the TIMS across the supply chain to exceed customer satisfaction, to build customer trust, to reap commercial benefits and to drive sustainability in a changing environment

Reviewed by executive management bi-annually to determine suitability and effectiveness

Various skills development and communication strategies to ensure employee awareness

Internal and external audits by independent bodies verify compliance to feed safety, quality and legal requirements

Contingency programmes, planned preventative maintenance programmes and disaster recovery programmes are maintained and tested across the supply chain

Maintenance of integrity of the cold chain is managed by distribution centres with satellite hubs, as well as primary and secondary distribution fleets

Any product that is identified as being challenged within the cold chain, is isolated, tested and destroyed if necessary

Regulatory bodies

State veterinarians and health inspectors concerned with consumer protection have 24 hour a day, 7 days a week access to our processing plants to verify legal compliance

Non-compliance, prosecutions and fines

There were no incidents of non-compliance, prosecution or fines during the review period

Management systems

Succeeded in the implementation and certification of specific ISO Management Systems as planned
External audits are performed to verify compliance
National Risk Control Manager appointed

Suppliers

Suppliers are managed to predetermined standards to ensure product quality and safety.

Raw materials for feed are supplied by reputable accredited suppliers only. New materials are fully tested prior to being approved for use. Internal raw material analysis verifies the Certification of Analysis (COAs) or Certification of Conformance (COCs) submitted by suppliers with each batch of raw materials delivered to the feed mills. Raw material microbial status is verified for each batch and salmonella free feed is supplied. Raw material traceability is tested by conducting mock recalls.

Contract growers and other outsourced service providers are managed by Rainbow to ensure both legal compliance and that Rainbow's standards and service level agreements are adhered to.

All packaging and ingredient suppliers to the processing plants are approved and are managed by Rainbow's Supplier Assessment Towards Excellence (SATE) Programme. This system enables Rainbow to build beneficial partnerships and to recognise supplier performance.

Regulators and compliance

As a participant in the food industry, Rainbow complies with the strictest standards and continuous monitoring by internal and external parties to verify that these standards are adhered to.

ISO Management Systems have been implemented as follows:

ISO OR SANS	OPERATION	2008	2007
ISO 22000/9001	Rainbow National office	Yes	*
ISO 22000/9001	Rainbow Chicken Foods further processing plant	Yes	*
ISO 22000/9001	Rustenburg and Worcester primary processing plants	Yes	Yes
ISO 22000/9001	Hammarisdale primary processing plant	Yes	*
ISO 22000/9001/14000	Feed mills	Yes	Yes
ISO 22000/14000	Agricultural operations	*	n/a
ISO 17025	Laboratories	Yes	Yes
SANS 10330	Distribution centres	Yes	Yes

* in progress of being certified

n/a not applicable at that time

Industry

Rainbow has active representation on the following industry bodies:

ORGANISATION	CAPACITY
Consumer Goods Council of South Africa (CGCSA)	Rainbow's CEO is Co-chairman Various personnel participate in sub-committees
Southern African Poultry Association (SAPA)	Rainbow's Agricultural Director is Vice-chairman of SAPA and Chairman of the Broiler Association Various personnel participate in sub-committees
South African Agricultural Processor's Association (SAAPA)	Rainbow's Breed Director serves on the Board of SAAPA
Animal Feed Manufacturers Association (AFMA)	Member
Council of Logistics Management	Member
Logistics SA	Member
SABS	Rainbow's National Quality Assurance Manager is a member of the South Africa National Standards Technical Committee

Staff

Rainbow recognises the importance of its people and is focused on building a community of inspirational people who have a common purpose. Specific focus areas include:



Sustainability Report continued

KEY AREA	WHAT DO WE DO?
Talent management	<p>Currently implementing a formal and integrated performance review process with all non-unionised employees</p> <p>Facilitated discussions with line management regarding the quality of unionised resources</p>
Remuneration	<p>Continually enhancing recruitment and remuneration strategies to attract and retain talented people</p> <p>Remuneration of exceptional performance through a variable pay component</p> <p>Bargaining unit employees negotiate remuneration on an annual basis</p> <p>Committed to fair and equitable labour practices, and encourage healthy dialogue between workers and management</p> <p>Strive to maintain a good relationship with recognised unions (FAWU and FoodBev)</p>
Resourcing	<p>Looking for people that are energised and driven and able to lead inspirationally in a challenging business environment</p> <p>E-recruitment system, which was implemented in 2007, has been successful in growing a national database of talent for advertised vacancies</p> <p>Continue to utilise all appropriate methods of accessing the wider labour market, like print media and agencies where appropriate</p>
Employment equity	<p>Embracing diversity and committed to transformation</p> <p>Employment equity approach provides for equal opportunity and fair treatment in employment, whilst enabling compliance with South African employment equity legislation</p> <p>Emphasis on diversity to maximise talent pool, strengthen capacity and increase innovation by introducing different ways of thinking</p>
Developing people <i>Leadership development</i>	<p>Management employees joining Rainbow complete psychometric assessments prior to joining the business</p> <p>Allows recruiting team to understand competency, strengths and development areas of each individual and enables a development plan that clearly addresses the needs of the individual</p> <p>Living Leadership Programme focuses on the development of leadership skills in the employees at all levels of the organisation</p> <p>Supervisory development programme reduces the high rate of absenteeism</p> <p>Business Fundamentals Programme (feeder programme) of further formal education enables individuals to advance within the business</p>
<i>Learnerships</i>	<p>Sponsorship of unemployed learnerships in addition to our existing employed learnerships in commercial poultry production which enable learners to graduate with a National Certificate in Poultry Production</p> <p>In 2007, 23 employed learners graduated with their National Certificates in Poultry Production at Elsberg College</p>

KEY AREA**WHAT DO WE DO?**

Developing people continued

Apprenticeships

Elected to participate in a partnership between FoodBev and AgriSETA (Sectoral Education Training Authority) to train 55 apprentices over the next two years (investment of R2.5 million)

Staff health and safety

National Health and Safety Policy 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 healthcare infrastructure with accredited service providers to provide best practice

Health and safety risks are mitigated by having:

- 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
- 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

Substantial improvements achieved in safety performance and external audit ratings in the last year with a resulting decrease in the DIFR to 1.23 compared to the previous years 1.46

Road safety

Training programme for drivers

Drivers at two of the three major Vector hubs completed the National Certificate in Professional Driving Learnership

Employee wellness and HIV/AIDS

Study conducted in 2005 indicated that the organisation had a prevalence rate of 13.8%

Implementing a workplace programme in a phased approach:

- In 2006 implemented a national behaviour change programme driven through peer education, training 248 peer educators
- In 2007 embarked on a national voluntary counselling and testing campaign with 73% of all employees participating and learning their status

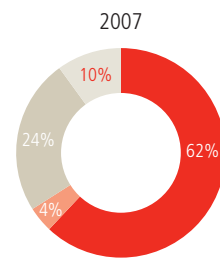
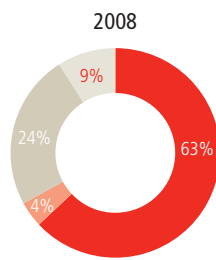
Spending in excess of R3 million a year on HIV/AIDS initiatives

Sustainability Report continued

Rainbow recognises the importance of its people and is focussed on building a community of inspirational people

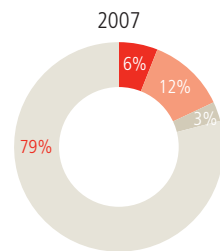
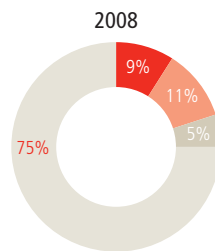


EMPLOYEE PROFILE



- African
- Indian
- Coloured
- White

MANAGEMENT PROFILE



- African
- Indian
- Coloured
- White

RECONCILIATION OF EMPLOYEE MOVEMENTS FOR THE YEAR

	2008	2007
Employees at the beginning of the year	7 223	6 686
Add: Recruitment	1 301	1 187
Less: Deaths	(64)	(56)
Discharges	(329)	(242)
Disability	(23)	(22)
Resignations	(361)	(260)
Retirements	(94)	(70)
Employees at the end of the year	7 653	7 223

EMPLOYMENT STATISTICS

2008	African		Indian		Coloured		White		Total		Total
	M	F	M	F	M	F	M	F	M	F	
Executive directors	1		6	2			11		12		12
Senior managers	1						65	8	72	10	82
Middle managers	19	3	19	3	12	1	80	43	130	50	180
Total management (number)	21	3	25	5	12	1	156	51	214	60	274
Total management (%)	7.7	1.1	9.1	1.8	4.4	0.4	56.9	18.6	78.1	21.9	100.0
Senior staff/supervisory	205	65	93	33	97	31	210	124	605	253	858
Other	2 644	1 832	130	49	827	884	51	104	3 652	2 869	6 521
Total (number)	2 870	1 900	248	87	936	916	417	279	4 471	3 182	7 653
Total (%)	37.5	24.8	3.2	1.1	12.2	12.0	5.5	3.7	58.4	41.6	100.0

2007

Executive directors							11	1	11	1	12
Senior managers	2		6	1	1		69	8	78	9	87
Middle managers	11	3	22	2	5	1	86	31	124	37	161
Total management (number)	13	3	28	3	6	1	166	40	213	47	260
Total management (%)	5.0	1.2	10.8	1.2	2.3	0.3	63.8	15.4	81.9	18.1	100.0
Senior staff/supervisory	186	61	76	25	91	24	219	118	572	228	800
Other	2 471	1 747	121	47	794	827	20	136	3 406	2 757	6 163
Total (number)	2 670	1 811	225	75	891	852	405	294	4 191	3 032	7 223
Total (%)	37.0	25.1	3.1	1.0	12.3	11.8	5.6	4.1	58.0	42.0	100.0

TRAINING AND SKILLS DEVELOPMENT

2008

ABET	39	23	1						40	23	63
Specific skills	2 439	2 843	293	109	1 037	1 115	603	259	4 372	4 326	8 698
LDP/SDP/MDP	27	12	9	8	3	5	6	5	45	30	75
Total (number)	2 505	2 878	303	117	1 040	1 120	609	264	4 457	4 379	8 836
Total (%)	28.3	32.6	3.4	1.3	11.8	12.7	6.9	3.0	50.4	49.6	100.0
Total spend (Rmillion) excluding skills levy											13.2
Total spend (as a % of total salaries and wages)											1.4

2007

ABET	106	57	5	2					111	59	170
Specific skills	1 583	2 054	241	111	146	135	695	338	2 665	2 638	5 303
LDP/SDP/MDP	26	6	7	1	8	9	7	6	48	22	70
Total (number)	1 715	2 117	253	114	154	144	702	344	2 824	2 719	5 543
Total (%)	30.8	38.2	4.6	2.1	2.8	2.6	12.7	6.2	50.9	49.1	100.0
Total spend (Rmillion) excluding skills levy											8.2
Total spend (as a % of total salaries and wages)											1.0

Sustainability Report continued

Community

Rainbow continues to play a role in the communities in which it operates through an active corporate social investment strategy which focuses on the areas of education, HIV/AIDS and upliftment.

Corporate social investment

Corporate social investment is viewed by the business as a key pillar in the positive transformation and upliftment of communities by supporting education, health and social development. As such, Rainbow has continued to strengthen the partnerships it has with stakeholders in these areas while continuing to explore opportunities for new initiatives.

Rainbow is proud to be aligned with the Star Schools project. Run in conjunction with the Star Schools team as well as the Department of Education, learners from Grade 10 to 12 were provided with extra classes in maths, physical science and english. Many of the learners have expressed an interest in pursuing their studies in the field of engineering and food technology and owing to shortage of skills in these areas, will be a valuable future resource to Rainbow. Learners have already demonstrated this potential, with results from the Star Schools programme showing a 98% pass rate, as compared to the national pass rate of 65%.

During the year the science facilities at Sisebenzile Secondary School were upgraded to provide the scholar with a fully functioning science laboratory, conducive to improved learning.



Star schools project

ENVIRONMENTAL SUSTAINABILITY PRACTICES

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

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

Nature conservation

Rainbow supports nature conservation 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 company's 1 547 hectare Roodevaal farm near Koster in the North West, 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 diversity.

ANALYSIS OF LAND USAGE Hectares	Owned	Leased	Partners	Dormant	2008	2007
Farming operations	9 017	49	456	296	9 818	9 822
Processing and milling operations	56		4	39	99	99
Distribution and administration centres	41	1			42	42
	9 114	50	460	335	9 959	9 963

Environmental risks

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
	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

Environmental management system

During the current year Rainbow initiated the development of an Environmental Management System based on the ISO 14001 principles. Implementation is currently being piloted at the four processing facilities with completion expected during the 2009 financial year. This new system should ensure improved management of environmental risks.

Energy usage

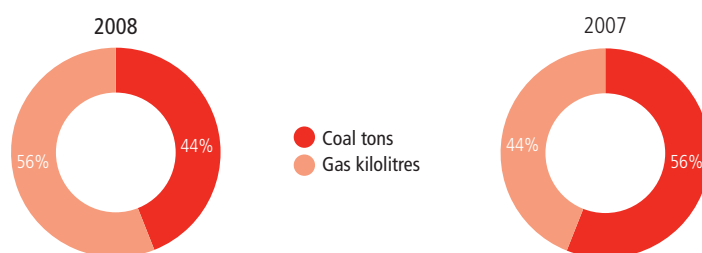
Electricity

Over the past three to four years Rainbow has been investing in energy efficient lighting systems for its poultry houses and processing plants. The majority of the poultry houses are fan-ventilated and improvements in fan technology have resulted in the ability to move air more efficiently and reduce electrical consumption on each farm. With the recent national electricity outages and the need to reduce electricity consumption while retaining power to essential systems, several new generators have been purchased with timers to ensure non-essential lighting is turned off when not necessary.

Gas

The predominant source of heat in the poultry houses is now Liquid Petroleum Gas (LPG). During the past two years, Rainbow has been converting its heating for chicken houses from coal-fired water boilers to cleaner and more efficient gas heating. Significant investment has been made to properly insulate poultry houses in order to minimise air leakage and hence limit LPG consumption.

COAL AND GAS USAGE



ENERGY USAGE ANALYSIS	Coal Tons	Gas Kilolitres	Diesel Kilolitres
2008			
Farming operations	5 309	32 235	2 601
Processing and milling operations	19 944		82
Distribution and administration centres			3 690
	25 253	32 235	6 373
2007			
Farming operations	9 294	28 251	1 822
Processing and milling operations	27 174		871
Distribution and administration centres			3 856
	36 468	28 251	6 549

ENERGY COST ANALYSIS Rmillion	Coal	Gas	Diesel	Electricity	Total
2008					
Farming operations	2.4	97.3	17.5	30.9	148.1
Processing and milling operations	13.8		26.1	43.3	83.2
Distribution and administration centres			26.0	9.9	35.9
	16.2	97.3	69.6	84.1	267.2
2007					
Farming operations	2.7	72.7	10.1	28.8	114.3
Processing and milling operations	10.7		22.3	44.3	77.3
Distribution and administration centres			22.7	8.6	31.3
	13.4	72.7	55.1	81.7	222.9

Sustainability Report continued

Poor water quality is a significant potential risk to the business

Water usage

Poor water quality is a significant potential risk 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 both 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 the effluent water. Measuring wastage enables early detection of system defects that can be rectified to minimise potential losses and impact on the environment.

Water recycling at the three primary processing plants involves flocculating out the solids and proteins from the water, before reducing both the Biological Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) to acceptable levels. Some of the recycled water is used as grey water for cleaning and the balance is discharged to municipal water sewers for further recycling.

Rainbow recognises water as a valuable resource and as such further capital expenditure has been allocated to install and or upgrade water meters on all farms to enable a more accurate measurement by chicken house.



WATER USAGE Kilolitres	Borehole	Municipal	Water Board	Third party	Total
2008					
Farming operations	184 891	1 879 447	942 383	277 074	3 283 795
Processing and milling operations	29 395	3 301 518	138 953		3 469 866
Distribution and administration centres	240	143 772			144 012
	214 526	5 324 737	1 081 336	277 074	6 897 673
2007					
Farming operations	161 027	1 776 810	960 856	171 426	3 070 119
Processing and milling operations	29 017	3 164 159	167 037		3 360 213
Distribution and administration centres	240	173 633	239		174 112
	190 284	5 114 602	1 128 132	171 426	6 604 444

Rainbow has targeted the following usages for its operations:

OPERATION		TARGET (litres)
Farming operations		
Rearing farms		
– Drinking and cooling systems	litre/bird/week	1.6
– House washing	litre/bird placed	1.9
Laying farms		
– Drinking and cooling systems	litre/bird/week	3.5
– House washing	litre/bird placed	2.8
Hatchery	litre/chick	2.2
Broiler farms		
– Drinking and cooling systems	litre/bird/week	6.8
– House washing	litre/bird placed	0.8
Processing and slaughter	litre/bird	14.0



Demolition of old broiler houses

Waste and recycled products

Rainbow 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.

Currently 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.

Rainbow is conducting a life-cycle audit of all packaging to first understand and then improve the management of any potential environmental impacts.

Emissions to air

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

Additional management process changes have taken place within the 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.

While there is currently no legislation governing vehicle emissions, Rainbow 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.

Environmental Impact Assessment (EIA)

Rainbow conducts Environmental Impact Assessments as required by the Department of Agriculture and Environmental Affairs when considering investment in new or upgrading existing facilities.

This process allows for comments and input from all interested stakeholders and affected parties. An Environmental Management Plan (EMP) is established for the construction phase of these projects, to serve as a guide to assist in minimising the potential environmental impact of the project activities.

CONCLUSION

Due to the nature of its activities Rainbow has the potential to make a valuable contribution to sustainability through the management of direct impacts as well as through indirect impacts arising from the influence the business has on consumers and suppliers. Consumers and investors are increasingly expecting companies to demonstrate concern for their employees, to minimise the environmental impacts of their products, to acquire ethical performance of suppliers, and to support communities in which they operate. Rainbow believes it makes sound business sense to embrace sustainability as a strategic issue and to proactively manage and report on our sustainability performance.

Sustainability Report continued

GRI INDEX

The following table provides a summary of Rainbow'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	34	Introduction
1.2	CEO statement	11	Chief Executive's Review
Profile			
2.1 – 2.8	General organisational details	88	Corporate information
2.9	List of stakeholders	37	Key stakeholders' table
2.10 – 2.16	Details on nature and scope of the report	34	Introduction
2.17 – 2.22	Profile of the report – including implementation of GRI principles and external assurance	34	Introduction
Governance structure and management systems			
3.1 – 3.8	Structure and governance	24	Corporate governance statement
3.9 – 3.12	Stakeholder engagement issues	35	Management of sustainable development
3.13 – 3.20	Overarching policies and management systems	37	Key stakeholder concerns and sustainability risks
Economic performance indicators			
EC 1 – 2	Clients: Net sales and markets	35	Economic sustainability practices
EC 3 – 4	Suppliers: Costs of purchased goods/Payment of contracts in accordance with terms	35	Economic sustainability practices
Sustainability key statistics			
EC 5	Employees: Total payroll and benefits	35	Value-added statement
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Approval of the Annual Financial Statements for the year ended 31 March 2008

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 year.

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 31 March 2008 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 53 to 86, which have been prepared on the going concern basis, were approved by the Board of Directors on 21 May 2008 and are signed on its behalf by:



M H VISSER
Non-executive Chairman



M DALLY
Chief Executive Officer

Certificate by the Company Secretary

I hereby certify that in respect of the year ended 31 March 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of section 268 G (d) of the Companies Act of 1973 as amended, and that all such returns are true, correct and up to date.



J M J MAHER
Company Secretary

Westville
21 May 2008

Report of the Independent Auditors

TO THE MEMBERS OF RAINBOW CHICKEN LIMITED

We have audited the annual financial statements and Group annual financial statements of Rainbow Chicken Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 March 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 53 to 86.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 whether the 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 financial statements present fairly, in all material respects, the financial position of the company and of the Group as of 31 March 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc

Director: S J Ashforth

Registered Auditor

Durban

21 May 2008

Report of the Directors for the year ended 31 March 2008

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 three principal operating subsidiaries being Rainbow Farms (Proprietary) Limited, Rainbow Chicken Foods (Proprietary) Limited and Vector Logistics (Proprietary) Limited. These subsidiaries enable the Group to operate as a vertically integrated chicken producer.

STATED CAPITAL

There was no change in the authorised share capital of the company during the year under review. The issued share capital increased by 7 292 206 (2007: 3 490 105) ordinary shares during the year due to share options being exercised. At the balance sheet date, unexercised options had been granted to beneficiaries of the Rainbow share incentive trust in respect of 14 001 900 (2007: 15 403 719) shares. These options are granted at the discretion of the directors.

Shareholders will be asked to consider an ordinary resolution at the forthcoming Annual General Meeting to place the unissued shares of the company under the control of the directors until the following Annual General Meeting.

FINANCIAL RESULTS

The profit attributable to the equity holders of the company for the year ended 31 March 2008 amounted to R539.0 million (2007: R474.2 million). This translates into a headline earnings per share of 182.8 cents (2007: 169.5 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 69 amounting to R69 601 015 (24.0 cents per ordinary share) declared on 21 November 2007 and paid on 14 January 2008.

Number 70 amounting to R127 858 740 (44.0 cents per ordinary share) declared on 21 May 2008 and payable on 17 June 2008.

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

Last date to trade ordinary shares "cum" dividend	Friday, 6 June 2008
Ordinary shares trade "ex" dividend	Monday, 9 June 2008
Record date	Friday, 13 June 2008
Payment date	Tuesday, 17 June 2008

Share certificates may not be dematerialised or rematerialised between Monday, 9 June and Friday, 13 June 2008 (both dates inclusive).

MINORITY OFFER

On 20 March 2007 Remgro Limited made a firm offer to buy out the minority shareholding for R16.00 cash for each Rainbow share or 9 Remgro shares for every 100 shares in Rainbow. The scheme of arrangement was not approved by shareholders but Remgro acquired an additional 13% in Rainbow through a stand-by offer.

SUBSIDIARIES

Details of Rainbow Chicken Limited's interest in its subsidiaries are set out in note 1 on page 86. The aggregate profit after taxation, so far as concerns the interest of the company in its subsidiaries, amounts to R537.3 million (2007: R480.7 million).

HOLDING COMPANY

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

DIRECTORS AND SECRETARY

The names of the directors and Company Secretary are listed on page 21. There were no changes to the directorate during the current year and up to the date of this report. Mr J M J Maher was appointed Company Secretary on 1 August 2007.

DIRECTORS' SHAREHOLDING

At the date of this report, the directors in aggregate held direct beneficial interests in 1 250 000 (2007: 800 966) ordinary shares in the company and had indirect beneficial interests in 5 280 (2007: 4 680) ordinary shares. Details of directors' shareholdings are set out in the Remuneration Report on page 32.

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 31 March 2008

	Note	2008 R'000	2007 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1	1 243 670	1 054 124
Intangible assets	2	287 444	287 444
Deferred taxation	3		15 285
		1 531 114	1 356 853
Current assets			
Inventories	4	521 945	409 356
Biological assets	5	369 224	269 278
Trade and other receivables	6	862 591	464 539
Derivative financial instruments	7	16 768	2 969
Taxation receivable		21 688	2 246
Cash and cash equivalents		509 894	590 336
		2 302 110	1 738 724
Total assets		3 833 224	3 095 577
EQUITY			
Stated capital	8	1 157 092	1 127 285
Share-based payments reserve	9	78 519	22 248
Retained earnings		1 101 519	771 356
Total equity		2 337 130	1 920 889
LIABILITIES			
Non-current liabilities			
Deferred taxation	3	240 041	179 606
Retirement benefit obligations	10	80 862	75 535
		320 903	255 141
Current liabilities			
Trade and other payables	11	1 126 210	834 153
Provisions	12	43 251	40 687
Finance lease liability	13	177	389
Derivative financial instruments	7	1 394	16 970
Taxation payable		4 159	27 348
		1 175 191	919 547
Total liabilities		1 496 094	1 174 688
Total equity and liabilities		3 833 224	3 095 577

Group Income Statement for the year ended 31 March 2008

	Note	2008 R'000	2007 R'000
Revenue		5 955 327	4 730 363
Operating profit before non-recurring items, depreciation and amortisation		925 808	772 315
Feed claim recovery		40 000	
BEE expense	14	(49 368)	
Operating profit before depreciation and amortisation		916 440	772 315
Depreciation and amortisation	15	(136 426)	(118 181)
Operating profit	16	780 014	654 134
Finance costs	17	(2 566)	(2 714)
Finance income	18	34 248	25 179
Profit before taxation		811 696	676 599
Taxation	19	(272 730)	(202 354)
Profit for the year attributable to the equity holders of the company		538 966	474 245
Earnings per share (cents)	20		
– basic		186.5	168.5
– diluted		184.6	163.5

Group Statement of Changes in Equity for the year ended 31 March 2008

	Stated capital R'000	Share-based payments reserve R'000	Retained earnings R'000	Total R'000
Balance at 1 April 2006	1 115 747	14 226	465 928	1 595 901
Profit for the year attributable to the equity holders of the company			474 245	474 245
Ordinary dividends paid			(168 817)	(168 817)
Employee share option scheme:				
Proceeds from shares issued	11 538			11 538
Value of employee services		8 022		8 022
Balance at 1 April 2007	1 127 285	22 248	771 356	1 920 889
Profit for the year attributable to the equity holders of the company			538 966	538 966
Ordinary dividends paid			(208 803)	(208 803)
BEE share-based payments charge		45 468		45 468
Employee share option scheme:				
Proceeds from shares issued	29 807			29 807
Value of employee services		10 803		10 803
Balance at 31 March 2008	1 157 092	78 519	1 101 519	2 337 130

Group Cash Flow Statement for the year ended 31 March 2008

	Note	2008 R'000	2007 R'000
Cash flows from operating activities			
Cash generated by operations	A	617 234	821 494
Finance costs		(2 566)	(2 714)
Finance income		34 248	25 179
Taxation paid	B	(239 641)	(277 836)
Cash available from operating activities		409 275	566 123
Dividends paid		(208 803)	(168 817)
Net cash inflow from operating activities		200 472	397 306
Cash flows from investing activities			
Replacement property, plant and equipment		(196 362)	(99 458)
Expansion property, plant and equipment		(119 137)	(114 595)
Proceeds on disposal of property, plant and equipment		4 990	1 587
Net cash outflow from investing activities		(310 509)	(212 466)
Cash flows from financing activities			
Issue of shares		29 807	11 538
Decrease in finance lease liability		(212)	(425)
Net cash inflow from financing activities		29 595	11 113
Net movement in cash and cash equivalents		(80 442)	195 953
Cash and cash equivalents at the beginning of the year		590 336	394 383
Cash and cash equivalents at the end of the year		509 894	590 336

Notes to the Group Cash Flow Statement for the year ended 31 March 2008

	2008 R'000	2007 R'000
A. CASH GENERATED BY OPERATIONS		
Operating profit	780 014	654 134
Adjusted for:		
Depreciation and amortisation	136 426	118 181
Loss on disposal of property, plant and equipment	269	2 759
Net asset impairment provision released	(15 732)	
Movement in retirement benefit obligations	5 327	5 852
Movement in provisions	2 564	9 916
Share-based payments – BEE charge	45 468	
Share-based payments – employee share option scheme	10 803	8 022
	965 139	798 864
Working capital changes:		
Movement in inventories	(112 589)	(88 936)
Movement in biological assets	(99 946)	(27 079)
Movement in trade and other receivables	(398 052)	52 903
Movement in derivative financial instruments	(29 375)	33 389
Movement in trade and other payables	292 057	52 353
	(347 905)	22 630
	617 234	821 494
B. TAXATION PAID		
Unpaid at the beginning of the year	(25 102)	(96 386)
Charged to the income statement	(197 010)	(206 552)
Normal taxation	(174 989)	(184 264)
Prior year over/(under) provision	2 339	(1 186)
Secondary taxation on companies	(24 360)	(21 102)
(Paid in advance)/unpaid at the end of the year	(17 529)	25 102
	(239 641)	(277 836)

Accounting Policies for the year ended 31 March 2008

BASIS OF PREPARATION

The Group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the South African Companies Act 1973, as amended, and the Listings Requirements of the JSE Limited. The financial statements have been prepared using the historical cost convention except for financial assets and derivatives at fair value through the income statement and biological assets. The accounting policies are consistent with those of the previous year. However, they have been updated to include the following new standards, interpretations and amendments which the Group adopted from 1 April 2007: IFRS 7 (Financial Instruments: Disclosures), AC 503 (Accounting for Black Economic Empowerment (BEE) transactions), International Financial Reporting Interpretations Committee (IFRIC) 8 (Scope of IFRS 2), IFRIC 9 (Reassessment of Embedded Derivatives), IFRIC 10 (Interim Financial Reporting and Impairment), IFRIC 11 (IFRS 2 Group and Treasury Share Transactions) and IAS 1 (Capital Disclosures). The only impact on the results for the current period as a consequence of adopting these new standards, interpretations and amendments was in respect of the BEE transaction. There was no impact on prior year results. The remaining new standards, interpretations and amendments impact only on disclosures.

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 company'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 64.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued, liabilities and contingent liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Dividend income from subsidiaries is recognised when the right to receive payment is established.

Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively controls the entity.

The accounting policies of subsidiary companies conform to the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less impairment losses.

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. All other repairs and maintenance are charged to the income statement 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 an estimated residual value over the expected useful life 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 income statement.

Depreciation is calculated over the following estimated useful lives:

Buildings	25 – 50 years
Plant and machinery	10 – 30 years
Vehicles	3 – 8 years
Furniture	10 – 20 years

Land is not depreciated.

INTANGIBLE ASSETS

Trademarks

Trademarks are recognised at cost. They have a finite useful life 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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the subsidiary at the date of acquisition. It is reported in the balance sheet as a non-current asset, tested annually for impairment and carried at cost less accumulated impairment losses. It is allocated to cash-generating units for the purpose of impairment testing. Any impairment is recognised immediately in the income statement 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.

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 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

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

Biological assets are measured at their 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.

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 charged to the income statement in the year in which they arise.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life 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. Where options are exercised the proceeds net of any directly attributable transaction costs are credited to stated capital.

CURRENT AND DEFERRED TAXATION

The current taxation 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.

Deferred taxation is calculated using taxation rates that have been enacted or substantially enacted at the balance sheet date and that are expected to apply to the period when the liability is settled or asset realised. Deferred taxation 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 taxation assets are raised only to the extent that their recoverability is probable.

Deferred taxation 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 taxation 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 taxation 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.

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

Accounting Policies for the year ended 31 March 2008 continued

EMPLOYEE BENEFITS

Retirement funds

The Group provides defined benefit and defined contribution plans for the benefit of employees, the assets of which 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.

For the defined benefit plan, the pension accounting costs are assessed every three years by qualified actuaries, using the projected unit credit method. A liability is recognised in the balance sheet in respect of defined benefit pension plans if the present value of the defined benefit obligation at the balance sheet date is less than the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The pension obligation is measured as the present value of the estimated future cash outflows using the interest rates of government securities that have terms to maturity approximating the terms of the related liability.

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

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

Post-retirement medical benefits

For employees engaged pre-October 2003, 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.

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

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 Committee.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the grant date. 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 shares that will eventually vest. Fair value is measured by use of a binomial model excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

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

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 income statement 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 income statement on a straight-line basis over the period of the lease.

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-taxation 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

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured. Revenue includes the invoiced price of goods sold, after the deduction of incentive rebates and settlement discounts. Value added taxation and intercompany transactions are not included in the determination of revenue.

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 payments 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 the income statement 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 assets at fair value through the income statement

A financial asset is recognised at fair value through the income statement if acquired principally for selling in the short-term. Derivatives are categorised as held for trading and are classified as current assets.

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. 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 in the balance sheet.

Financial assets (or a portion thereof) are de-recognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition the difference between the carrying amount of the financial asset and proceeds receivable is included in the income statement.

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

The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair value of the financial instruments not traded in an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risk existing at balance sheet date, including independent appraisals and discounted cash flow methods. Fair values represent an approximation of possible value that may differ from the value that will be finally realised.

Derivative instruments

Derivative instruments include forward exchange contracts, SAFEX options and futures contracts and derivatives embedded in procurement contracts. Derivatives are measured at fair value. Any gain or loss as a result of fair value adjustments is recognised in the income statement. 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 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 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. When a trade receivable is uncollectible it is written-off against the provision account for trade receivables. Subsequent recoveries of amounts previously written-off are credited in the income statement.

Accounting Policies for the year ended 31 March 2008 continued

Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprises cash on hand and deposits held on call with banks.

Trade and other payables

Trade and other payables are measured at amortised cost.

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 presentation and functional currency.

Transactions and balances

Transactions in foreign currencies are translated to the functional currency 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 income statement.

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.

Secondary taxation on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

INCOME STATEMENT LINE ITEMS

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

- Operating profit before non-recurring items, depreciation and amortisation, being the trading income of the Group excluding the non-recurring feed claim recovery and BEE expense, depreciation and amortisation
- Feed claim recovery, being the recovery in terms of the feed contamination claim against a supplier
- BEE expense, being the fair value of instruments granted in terms of the non-recurring portion of the BEE transaction and related transaction costs.

Critical Accounting Judgements

There are a number of areas where judgement is applied in the financial statements. A critical judgement area at the balance sheet date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is impairment of 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 present value of future cash flows. Management estimate discount rates using pre-taxation 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 Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Impact of Future Amendments

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:

STANDARDS

IFRS 8 Operating Segments (effective from 1 January 2009)

IFRS 8 specifies how an entity should report information about its operating segments in annual financial statements and, as a consequential amendment to IAS 34 Interim Financial Reporting, requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customers. The adoption of this standard may only impact the format and extent of disclosures presented.

IAS 1 Presentation of Financial Statements – revised (effective from 1 January 2009)

The revised IAS 1 requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from "non-owner" changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

IFRS 3 Business Combinations (effective from 1 July 2009)

The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through the income statement. Goodwill may be calculated based on the parent company's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

IAS 27 Consolidated and Separate Financial Statement – revised (effective from 1 July 2009)

The revised IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement.

IAS 23 Borrowing Costs – revised (effective from 1 January 2009)

The revised IAS 23 removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to be brought into use.

INTERPRETATIONS

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

AMENDMENTS

IFRS 2 Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

This amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IAS 32 and IAS 1 Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009)

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- puttable financial instruments
- instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

Additional disclosures are required about the instruments affected by the amendments.

Notes to the Group Financial Statements for the year ended 31 March 2008

1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant, machinery and furniture R'000	Vehicles R'000	Capitalised leased assets: plant R'000	Capitalised leased assets: vehicles R'000	Capital work-in- progress R'000	Total R'000	
2008								
Cost								
At the beginning of the year	786 219	1 133 477	177 635	281	1 754	48 822	2 148 188	
Additions	62 302	145 150	25 022			83 025	315 499	
Disposals	(2 324)	(9 929)	(13 703)		(1 157)		(27 113)	
At the end of the year	846 197	1 268 698	188 954	281	597	131 847	2 436 574	
Accumulated depreciation								
At the beginning of the year	352 433	640 382	99 578	281	1 390		1 094 064	
Disposals	(671)	(9 261)	(10 952)		(970)		(21 854)	
Net asset impairment release	(6 485)	(9 247)					(15 732)	
Depreciation	23 595	97 985	14 168			678	136 426	
At the end of the year	368 872	719 859	102 794	281	420	678	1 192 904	
Net book amount	477 325	548 839	86 160		177	131 169	1 243 670	
2007								
Cost								
At the beginning of the year	742 054	1 029 196	160 725	281	2 215	38 975	1 973 446	
Additions	48 901	133 598	21 659		48	9 847	214 053	
Disposals	(4 736)	(29 317)	(4 749)		(509)		(39 311)	
At the end of the year	786 219	1 133 477	177 635	281	1 754	48 822	2 148 188	
Accumulated depreciation								
At the beginning of the year	335 735	580 315	93 322	266	1 614		1 011 252	
Disposals	(3 898)	(26 191)	(4 367)		(509)		(34 965)	
Depreciation	20 596	86 258	10 623	15	285		117 777	
At the end of the year	352 433	640 382	99 578	281	1 390		1 094 064	
Net book amount	433 786	493 095	78 057		364	48 822	1 054 124	
							2008	2007
							R'000	R'000
Depreciation expense charged in:								
Cost of sales							109 862	93 045
Selling and marketing expenses							2 711	2 850
Administration expenses							17 548	16 325
Distribution expenses							6 305	5 557
							136 426	117 777
Capital commitments								
Contracted and committed							94 165	76 008
Approved but not contracted							119 258	81 685
							213 423	157 693

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

1. PROPERTY, PLANT AND EQUIPMENT *continued*

The Group carries out a review of the recoverable amounts of its dormant sites each year. During the year the Group brought back into use previously dormant sites, principally farms, and as a consequence a net impairment release of R15.7 million (2007: Rnil) was recognised in administration expenses in the income statement.

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 used in the current or prior periods.

Capitalised leased assets, with a book value of R0.2 million (2007: R0.4 million), are encumbered as security for the secured finance lease obligations (refer to note 13).

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

2. INTANGIBLE ASSETS

2008

Opening net book amount

Amortisation charge

Closing net book amount

At 31 March 2008

Cost

Accumulated amortisation and impairment

Net book amount

2007

Opening net book amount

Amortisation charge

Closing net book amount

At 31 March 2007

Cost

Accumulated amortisation and impairment

Net book amount

	Trademarks R'000	Goodwill R'000	Total R'000
		287 444	287 444
		287 444	287 444
	50 500	287 444	337 944
	(50 500)		(50 500)
		287 444	287 444
	404	287 444	287 848
	(404)		(404)
		287 444	287 444
	50 500	287 444	337 944
	(50 500)		(50 500)
		287 444	287 444

Trademarks

Finite life/indefinite life

Amortisation period

Method of amortisation

Is intangible title restricted in any way

Net book amount pledged as security

	2008	2007
	Finite life	Finite life
	15 years	15 years
	Straight-line	Straight-line
	No	No
	Nil	Nil

Trademarks comprise Farmer Brown, Bonny Bird, FarmFare and Epol, all of which were acquired on acquisition of Bonny Bird Farms (Proprietary) Limited and Epol (Proprietary) Limited in 1991.

Notes to the Group Financial Statements for the year ended 31 March 2008

2. INTANGIBLE ASSETS continued

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.

	2008 R'000	2007 R'000
Key assumptions used in the goodwill impairment test:		
Discount rate (%)	18.8	18.0
Perpetuity growth rate (%)	5.0	5.0
Period (years)	5	5
The perpetuity growth rate is consistent with long-term inflation forecasts. The pre-taxation 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:		
Assumptions:		
Discount rate (%)		
– Movement	+5	+5
– Impairment	Nil	Nil
Perpetuity growth rate (%)		
– Movement	-5	-5
– Impairment	Nil	Nil
3. DEFERRED TAXATION		
Deferred taxation asset movement		
At the beginning of the year	(15 285)	
Charge for the year	15 285	(15 285)
At the end of the year		(15 285)
Deferred taxation asset comprises		
Trademarks, property, plant and equipment		15 059
Taxation losses utilised		(30 011)
Provisions		(215)
Other		(118)
		(15 285)
Deferred taxation liability movement		
At the beginning of the year	179 606	168 519
Charge for the year	60 435	11 087
At the end of the year	240 041	179 606
Deferred taxation liability comprises		
Trademarks, property, plant and equipment	184 717	156 406
Intangibles	(2 116)	
Inventories and biological assets	109 037	81 426
Taxation losses recognised	(12 886)	
Provisions	(65 145)	(59 028)
Derivative financial instruments	15 991	4 688
Other	10 443	(3 886)
	240 041	179 606

3. DEFERRED TAXATION *continued*

Rainbow Chicken Foods (Proprietary) Limited, the company owning the new Further Processing Plant, was approved by the Minister of Trade and Industry as a qualifying strategic industrial project with preferred status. The company's preferred status grants an additional taxation allowance of 100% of the cost of qualifying industrial assets. The preferred status is subject to the company maintaining certain performance criteria set out in the approval, failing which the allowance will reduce to 50% of the cost. As a consequence, only 50% of the additional taxation allowance has been recognised in the determination of deferred taxation. The remaining 50% will be recognised when it is confirmed that the performance criteria for the required four-year period will be achieved.

The Group does not have any unutilised STC credits.

	2008 R'000	2007 R'000
4. INVENTORIES		
Finished goods	246 199	209 692
Raw materials	245 778	174 914
Consumables	29 968	24 750
At the end of the year	521 945	409 356
Cost of inventory written down to net realisable value	10 674	9 080
5. BIOLOGICAL ASSETS		
Breeding stock		
At the beginning of the year	159 822	143 314
Gain arising from cost inputs	575 560	418 223
Decrease due to harvest	(526 380)	(403 852)
Fair value adjustment	3 313	2 137
At the end of the year at fair value	212 315	159 822
Broiler stock		
At the beginning of the year	109 456	98 885
Gain arising from cost inputs	2 810 293	2 115 663
Decrease due to harvest	(2 774 593)	(2 114 189)
Fair value adjustment	11 753	9 097
At the end of the year at fair value	156 909	109 456
Total at the end of the year at fair value	369 224	269 278

Notes to the Group Financial Statements for the year ended 31 March 2008

	2008 R'000	2007 R'000
6. TRADE AND OTHER RECEIVABLES		
Trade receivables	793 026	450 709
Less: provision for impairment of trade receivables	(18 622)	(25 654)
Net trade receivables	774 404	425 055
Prepayments	6 360	2 769
Other receivables	81 827	36 715
At the end of the year	862 591	464 539
Movement on the provision for impairment of trade receivables is as follows:		
At the beginning of the year	25 654	20 672
Receivables impaired	4 324	12 573
Impairments utilised	(904)	(973)
Unused amounts reversed	(10 452)	(6 618)
At the end of the year	18 622	25 654
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	86 796	120 717
Over 90 days	5 659	8 581
	92 455	129 298
The individually impaired receivables relate mainly to customers in unexpected difficult economic situations. It was assessed that a portion of the receivables are expected to be recovered. The ageing of these receivables is as follows:		
Current	7 254	6 749
30 to 90 days	11 306	18 905
Over 90 days	62	
	18 622	25 654
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.		
7. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets		
Forward exchange contracts	9 784	2 653
Currency options	6 984	
Sunflower and soya options		316
At the end of the year	16 768	2 969
Derivative financial liabilities		
Forward exchange contracts	73	19
Soya options	1 321	
Maize options		16 951
At the end of the year	1 394	16 970
Asset/(liability) at the end of the year	15 374	(14 001)

		2008 R'000	2007 R'000
8. STATED CAPITAL			
Authorised			
575 525 772 (2007: 575 525 772) ordinary shares of no par value.			
Issued ordinary shares of no par value			
	Number of shares		
At the beginning of the year	282 712 022	1 127 285	1 115 747
Shares issued in terms of share option scheme	7 292 206	29 807	11 538
At the end of the year	290 004 228	1 157 092	1 127 285

The unissued ordinary shares are under the control of the directors until the forthcoming Annual General Meeting.

Details of share options issued in terms of the Rainbow share incentive trust are as follows:

Exercise price (cents)	Date options granted	Options at 31 March 2007	Options granted during the year	Options exercised during the year	Options forfeited during the year	Options at 31 March 2008	Options exercisable at 31 March 2008
94	22 May 2000	209 000		(209 000)			
210	16 May 2001	104 202		(104 202)			
285	27 February 2002	861 177		(861 177)			
345	28 January 2003	123 321		(123 321)			
345	1 February 2003	2 473 188		(2 473 188)			
355	19 May 2003	1 289 500		(1 289 500)			
510	21 May 2004	1 486 528		(867 476)	(115 706)	503 346	
530	1 August 2004	197 732		(65 910)		131 822	65 911
690	6 December 2004	50 300		(8 766)		41 534	20 767
665	19 May 2005	3 897 500		(1 289 666)	(380 500)	2 227 334	
825	1 August 2005	350 000				350 000	116 666
1 039	25 May 2006	4 222 794			(506 192)	3 716 602	
1 011	1 September 2006	138 477				138 477	
1 660	1 April 2007		312 650			312 650	
1 635	1 August 2007		6 517 785		(149 747)	6 368 038	
1 659	23 November 2007		173 872			173 872	
1 915	7 January 2008		38 225			38 225	
		15 403 719	7 042 532	(7 292 206)	(1 152 145)	14 001 900	203 344

The company has an equity-settled share option scheme for certain employees of the Group. The exercise price of the granted options is the market price on the date of the grant. Options are exercisable in three equal tranches from years two, three and four after the grant date. Options granted to employees have a ten-year contractual life for those issued prior to 31 March 2005 and a seven-year contractual life for those issued thereafter. The options are forfeited if not exercised before termination of employment subject to the discretion of the trustees.

Notes to the Group Financial Statements for the year ended 31 March 2008

8. STATED CAPITAL continued

Expected volatility 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.

The weighted average fair value of options granted during the year was R3.61 (2007: R2.71). The weighted average share prices were as follows:

	2008 R'000	2007 R'000
Weighted average share price (R)	16.72	11.58
Weighted average price at date exercised (R)	16.00	11.14
Weighted average price – shares granted (R)	16.36	10.38
Weighted average price – shares exercised (R)	4.09	3.37
Weighted average price – shares forfeited (R)	9.38	7.62
These fair values were calculated using the binomial options pricing model.		
The inputs into the model were as follows:		
Expected volatility (%)	26.5 – 27.4	26.9 – 30.6
Risk-free rate (%)	7.8 – 9.1	7.3 – 7.4
Expected dividend yield (%)	4.8	4.3
Contractual life (years)	7 or 10	7 or 10
Weighted average contractual life (years)	5.6	5.8

9. SHARE-BASED PAYMENTS RESERVE

Employee share scheme

Balance at the beginning of the year	22 248	14 226
Value of employee services expensed during the year	10 803	8 022
At end of the year	33 051	22 248

BEE transaction

Balance at the beginning of the year		
Non-employee portion – non-recurring	45 468	
At end of the year	45 468	
Total at the end of the year	78 519	22 248

	2008 R'000	2007 R'000
10. RETIREMENT BENEFIT OBLIGATIONS		
Balance sheet obligations for:		
Post-retirement medical benefits	80 862	75 535

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 dates were 31 March 2008 for both Rainbow and Vector. The unfunded liability for post-retirement medical aid benefits is determined actuarially each year and comprises:

	2008 R'000	2007 R'000
At the beginning of the year	75 535	69 683
Recognised as an expense in the current year	7 901	7 988
Interest costs	5 474	5 128
Current service costs	2 811	3 023
Actuarial gains recognised	(384)	(163)
Benefits paid	(2 574)	(2 136)
At the end of the year	80 862	75 535
Unrecognised actuarial gains	(10 149)	(8 550)
Balance per actuarial valuation	70 713	66 985
The principal actuarial assumptions are:		
Discount rate (%)	9.0	7.5
Expected rates of return of planned assets (%)	9.0	7.5
Healthcare cost inflation (%)	7.25	5.75
Mortality – Actuarial Society of South Africa Tables	SA56-62	SA56-62
– Pre-retirement	SA56-62	SA56-62
– Post-retirement	PA 90	PA 90
Impact of 1% change in healthcare inflation rate	11 541	9 964
Expected contributions for the year ending 31 March 2009	2 913	2 575

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 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 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 the Rainbow Pension Fund during the current year. The approval for the Rainbow Provident Fund was received during the prior year.

Notes to the Group Financial Statements for the year ended 31 March 2008

10. RETIREMENT BENEFIT OBLIGATIONS *continued*

Defined benefit pension fund scheme

The Rainbow Pension Fund is a hybrid scheme. This scheme is actuarially valued at intervals of not more than three years using the projected unit credit method. The last statutory valuation of the scheme was at 31 March 2005 and the fund was found to be in a sound financial position. The 31 March 2008 valuation is currently being performed. An actuarial valuation of liabilities, based on the existing benefits, showed the present value of obligations to be adequately covered by the fair value of the scheme assets.

	2008 R'000	2007 R'000
Details of the valuation are as follows:		
Fair value of scheme assets	18 272	13 349
Less: present value of obligation	14 577	11 669
	3 695	1 680

Defined contribution pension and provident fund schemes

There are four defined contribution schemes as listed below. During the prior year, Vector employees previously part of the I&J Retirement and Provident Funds, were merged with the Rainbow Pension and Provident Funds. The latest audited financial information of these schemes all reflect a satisfactory state of affairs. Amounts charged to the income statement are as follows:

	2008 R'000	2007 R'000
Defined benefit pension scheme	483	494
Defined contribution pension and provident schemes:		
Rainbow Pension Fund	15 177	11 722
Rainbow Provident Fund	38 305	32 926
Epol Pension Fund	32	1 676
Namflex Pension Fund	264	250
	54 261	47 068

11. TRADE AND OTHER PAYABLES

Trade payables	726 688	611 364
Accruals	256 793	163 272
Other payables	142 729	59 517
At the end of the year	1 126 210	834 153

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

12. PROVISIONS

	*Legal disputes R'000	Onerous lease agreements R'000		
At the beginning of the year	40 136	551	40 687	30 771
Provisions raised	4 244		4 244	13 309
Provisions utilised	(1 129)	(551)	(1 680)	(3 393)
At the end of the year	43 251		43 251	40 687

* Litigation is in progress against the Group. The information required by IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), is not disclosed on the grounds that it can be expected to prejudice the outcome of the litigation.

	2008 R'000	2007 R'000
13. FINANCE LEASE LIABILITY		
Total finance lease liabilities	177	389
Less: amount payable within one year disclosed under current liabilities	(177)	(389)
Present value of finance lease liabilities:		
One year	177	389
Two to five years	177	389
Secured over assets with a book value of:		
Vehicles	177	364
Finance leases have varying interest rates between 15% and prime-linked escalations. The carrying amount of short-term finance leases approximates fair value. No limit has been placed in the Articles of Association on the borrowing powers of the Group.		
14. BEE EXPENSE		
Non-employee portion	45 468	
Transaction costs	3 900	
	49 368	

The Rainbow employee share trust portion of the BEE charge (R33.8 million) will be accounted for over 10 years commencing 1 April 2008.

	2008 R'000	2007 R'000
15. DEPRECIATION AND AMORTISATION		
Buildings	23 595	20 596
Plant, machinery and furniture	97 985	86 258
Vehicles	14 168	10 623
Capital work-in-progress	678	
Capitalised leased assets: plant		15
Capitalised leased assets: vehicles		285
Total depreciation	136 426	117 777
Amortisation		404
Total depreciation and amortisation	136 426	118 181

Notes to the Group Financial Statements for the year ended 31 March 2008

	2008 R'000	2007 R'000
16. OPERATING PROFIT		
Revenue	5 955 327	4 730 363
Cost of sales	(3 871 552)	(2 929 874)
Gross profit	2 083 775	1 800 489
Administration expenses	(480 381)	(454 200)
Selling and marketing expenses	(151 807)	(139 290)
Distribution expenses	(676 596)	(467 802)
Other income/(expenses)	5 023	(85 063)
Operating profit	780 014	654 134
Disclosable items – income:		
Fair value adjustment on biological assets	3 832	2 174
Foreign exchange gains	34 210	2 785
Fair value adjustments on derivatives	21 377	
Net asset impairment provision release	15 732	
Land and buildings	6 485	
Plant, machinery and furniture	9 247	
Disclosable items – expense:		
Operating lease charges	20 868	13 904
Land and buildings	8 368	4 977
Plant and machinery	8 106	5 044
Vehicles		79
Other	4 394	3 804
Arrangements containing an operating lease*	349 769	338 478
Contract grower fees	91 390	85 207
Outsourced transport	258 379	253 271
Technical consultants' fees	12 122	13 359
Fair value adjustments on derivatives		6 215
Foreign exchange losses	20 177	2 595
Loss on disposal of property, plant and equipment	269	2 759
Directors' remuneration	10 127	9 101
Staff costs	927 538	840 763
Salaries and wages	811 436	745 030
Share-based payments	10 803	8 022
Retirement benefit costs	54 261	47 068
Other post-employment benefits	5 327	5 852
Other	45 711	34 791
Administration fee paid to Group holding company	4 006	3 744
Auditors' remuneration	4 339	4 722
Fees for the audit	3 645	3 986
Prior year overprovision	(125)	
Disbursements	90	75
Fees for other services	729	661

* 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.

	2008 R'000	2007 R'000
17. FINANCE COSTS		
Interest paid on overdraft		257
Interest paid other	2 566	2 386
Interest paid on finance leases		71
	2 566	2 714
18. FINANCE INCOME		
Call funds with Group company		12 157
Call funds with financial institutions	34 248	13 022
	34 248	25 179
19. TAXATION		
Current taxation	172 650	185 450
South African	174 989	184 264
Prior year (over)/under provision	(2 339)	1 186
Deferred taxation	75 720	(4 198)
South African	84 069	13 244
Foreign	(605)	(283)
Change in rate	(8 581)	
Prior year under/(over) provision	837	(17 159)
Secondary taxation on companies	24 360	21 102
	272 730	202 354
Reconciliation of taxation rate:		
Normal rate of taxation	29.0	29.0
Adjusted for:		
Secondary taxation on companies	2.9	3.1
Change in rate	(1.0)	
Prior year (over)/under provision – current	(0.3)	0.2
Prior year under/(over) provision – deferred	0.1	(2.5)
Non-deductible items	2.9	0.1
Effective rate of taxation	33.6	29.9

Notes to the Group Financial Statements for the year ended 31 March 2008

20. 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 diluted weighted average shares in issue. Dilution is due to shares offered, but not paid and delivered to participants in the BEE transaction and the Rainbow share incentive trust (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.

	2008	2007
Weighted average shares – basic and headline earnings per share	288 951 183	281 393 342
Share option dilution impact	3 076 422	8 724 400
Weighted average shares – basic and headline earnings per share (diluted)	292 027 605	290 117 742
	R'000	R'000
Headline and adjusted headline earnings reconciliation:		
Profit for the year attributable to the equity holders of the company	538 966	474 245
Net asset impairment provision released (net of taxation of R4.6 million)	(11 170)	
Loss on disposal of property, plant and equipment (net of taxation of Rnil)	269	2 759
Headline earnings	528 065	477 004
Feed claim recovery (net of taxation of R11.6 million)	(28 400)	
BEE expense (net of taxation of Rnil)	49 368	
Adjusted headline earnings	549 033	477 004
Earnings per share (cents)		
– basic	186.5	168.5
– diluted	184.6	163.5
Adjusted earnings per share (cents)		
– basic	193.8	168.5
– diluted	191.7	163.5
Headline earnings per share (cents)		
– basic	182.8	169.5
– diluted	180.8	164.4
Adjusted headline earnings per share (cents)		
– basic	190.0	169.5
– diluted	188.0	164.4
Interim – paid: 24.0 cents (2007: 20.0 cents)	69 601	56 412
Final – declared: 44.0 cents (2007: 48.0 cents)	127 859	139 202
Total: 68.0 cents (2007: 68.0 cents)	197 460	195 614

21. DIVIDENDS PER SHARE

A final dividend of 44.0 cents per share was declared for the financial year ended 31 March 2008. The dividend will be paid on Tuesday, 17 June 2008. The last date to trade "cum" dividend will be Friday, 6 June 2008. The Rainbow share will commence trading "ex" dividend from the commencement of business on Monday, 9 June 2008, and the record date will be Friday, 13 June 2008.

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

	2008 R'000	2007 R'000
22. LEASE COMMITMENTS		
Operating leases		
Due within one year	12 388	11 572
Due within two to five years	18 663	22 776
Thereafter	82	36
	31 133	34 384
In respect of:		
Property	10 012	12 849
Plant and equipment	16 213	16 264
Other	4 908	5 271
	31 133	34 384
23. CONTINGENCIES		
Legal actions pending		3 724
Contract grower guarantees *	50 078	53 226
	50 078	56 950

* The Group has contingencies in respect of guarantees relating to certain contract grower arrangements. 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.

24. SEGMENTAL REPORTING

The primary reporting format of the Group is by business segment. As the company operates as a vertically integrated chicken producer, there is only one business segment as defined by IAS 14 (Segment Reporting).

25. 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, and commodity futures and options. Separate committees are 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 Management Committee which is responsible for developing and monitoring the Group's risk management policies. This 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.

Notes to the Group Financial Statements for the year ended 31 March 2008

25. FINANCIAL RISK MANAGEMENT continued

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 and cash investments.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. 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.

In the current year 76% of the Group's trade receivables have been covered by Credit Guarantee Insurance Cover (CGIC). The insurance covers 90% of outstanding debt. The credit policy requires each new customer to be analysed individually for credit worthiness before payment and delivery 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 who fail to meet the Group's benchmark credit worthiness may transact with the Group on a cash basis. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including the existence of previous financial difficulties. Customers that default on payments are closely monitored and put on "stop supply" if required.

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.

	2008 R'000	2007 R'000
Rating		
Baa1	408 748	413 144
Baa2	100 000	77 300
Aa3		99 400
Cash on hand	1 146	492
	509 894	590 336
Credit rating of counter-parties to derivative financial assets		
Rating		
Baa1	16 768	2 653
No rating		316
Chicago Board of Trade		
	16 768	2 969

Liquidity risk

The Group has minimal risk of illiquidity as it has no long-term borrowings. Its unutilised borrowing capacity is R407.0 million (2007: R590.0 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 liability, trade and other payables and finance leases are all due within one year and the impact of discounting them is not significant.

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 9.9% (2007: 7.8%).

The post-taxation impact on the income statement and equity as at 31 March 2008 for fluctuations in interest rates, with all other variables held constant, would have been as follows:

	2008 R'000	2007 R'000
Movement		
+3%	15 302	17 722

25. FINANCIAL RISK MANAGEMENT *continued*

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 R15.4 million (2007: R1.3 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 '000	Fair value of FEC R'000
USD forward exchange contracts – assets	8.19	10 997	8 275
GBP forward exchange contracts – assets	14.79	983	1 434
Euro forward exchange contracts – assets	12.41	32	75
USD forward exchange contracts – liabilities	7.66	173	57
Euro forward exchange contracts – liabilities	12.90	32	16
		Foreign option amount '000	Fair value of option R'000
USD option contracts – asset		600	6 984

The post-taxation impact on the income statement and equity as at 31 March 2008 of fluctuations in currency, with all other variables held constant, on the fair value of options, would have been as follows:

	Movement	2008 R'000	2007 R'000
USD	10%	9 008	872
GBP	10%	1 454	
Euro	10%	40	

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. 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. This 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.

The fair value at year-end of the commodity futures and options contracts based on closing prices on 31 March 2008 including options reflected in cash and cash equivalents was:

	Tons	2008 R'000	Tons	2007 R'000
Soya options – asset			62 500	316
Maize options – asset	132 800	43 175	67 200	32 801
Soya options – liability	47 700	(1 321)		
Maize options – liability			304 000	(16 951)
		41 854		16 166

Notes to the Group Financial Statements for the year ended 31 March 2008

25. FINANCIAL RISK MANAGEMENT continued

Commodity price and procurement risk continued

The post-taxation impact on the income statement and equity as at 31 March 2008 of fluctuations in market prices for maize and soya, with all other variables held constant, on the translation of financial assets and liabilities, would have been as follows:

	Movement	2008 R'000	2007 R'000
Maize	R50/ton	6 640	18 560
Soya	R50/ton	2 385	3 125

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

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 future development needs of the business. The Board monitors both the spread of shareholders and return on equity (which is defined as attributable profit expressed as a percentage of the 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 25.0%. In 2008 the return was 25.3% (2007: 27.0%).

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

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables R'000	Assets at fair value through income statement R'000	Total R'000
Assets per the balance sheet			
2008			
Derivative financial instruments		16 768	16 768
Trade and other receivables	862 591		862 591
Cash and cash equivalents	509 864		509 864
At the end of the year	1 372 455	16 768	1 389 223
2007			
Derivative financial instruments		2 969	2 969
Trade and other receivables	464 539		464 539
Cash and cash equivalents	590 336		590 336
At the end of the year	1 054 875	2 969	1 057 844
Liabilities per the balance sheet			
2008			
Derivative financial instruments		1 394	1 394
Trade and other payables	1 126 210		1 126 210
Finance leases	177		177
At the end of the year	1 126 387	1 394	1 127 781
2007			
Derivative financial instruments		16 970	16 970
Trade and other payables	834 153		834 153
Finance leases	389		389
At the end of the year	834 542	16 970	851 512

27. RELATED PARTY TRANSACTIONS

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

Company

As detailed in note 1 to the company financial statements on page 86, the company has concluded certain lending transactions with these related parties. During the prior year, cash was invested with or borrowed from M&I Group Services Limited. Finance income or costs on these investments or borrowings are disclosed in notes 17 and 18. In addition, the holding company provides strategic, management and administrative support to the Group in return for an administration fee which is based on costs incurred. This is disclosed in note 16. Included in payables is an amount owing to the holding company of Rnil (2007: in receivables owing by the holding company of R1.4 million).

Directors

Details of directors' emoluments and shareholding in the company are disclosed in the Remuneration Report as well as in the Report of the Directors.

Shareholders

Details of the major shareholders of the company appear on page 87.

28. 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 M M Nhlanhla, a non-executive director of Rainbow (collectively the BEE partners).

The BEE partners will acquire an effective 15% of Rainbow's entire issued share capital for R915.6 million. The purchase price will be settled by issuing variable rate (CPIX plus 6%) cumulative redeemable preference shares in BEECo to Rainbow.

	%
Imbewu Consortium	40.00
Ikamva Labantu Empowerment Trust	16.67
Rainbow employee trust	42.66
Mrs M M Nhlanhla (a non-executive director of Rainbow)	0.67

The BEE shares will be subject to restrictions on alienation and encumbrance for a period of ten years commencing on the subscription date of the BEECo preference shares. Should BEECo 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 equalling the outstanding redemption amount.

The BEE shares will be issued in June 2008, after the payment of the final dividend to existing Rainbow shareholders.

Accounting principles and assumptions

The terms of issuance of the BEE shares and funding thereof are deemed for accounting purposes to constitute the issuance of an option in Rainbow shares granted to BEECo, effective on 18 March 2008, when the shareholders' approval was obtained. Accordingly, the issuance of the BEE shares, and the subscription by Rainbow of the BEECo preference shares will not be recognised.

The share of 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 ten-year period. The basis of apportionment of shares to employees is set out in the trust deed and rewards longer service.

The fair value of the deemed option is R79.3 million. The option valuation is based on the Monte Carlo call option valuation technique. Various assumptions, including the price at which Rainbow's shares traded on the JSE, are taken into consideration.

	2008
Share price (R)	15.25
Expected volatility (%)	27.7
Risk-free rate (%)	9.6
Expected dividend yield (%)	5.0
Contractual life (years)	10

Expected volatility 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.

Company Balance Sheet as at 31 March 2008

	Note	2008 R'000	2007 R'000
ASSETS			
Investment in subsidiaries	1	1 136 200	1 110 567
Total assets		1 136 200	1 110 567
EQUITY			
Stated capital	2	1 157 092	1 127 285
Accumulated loss		(23 160)	(16 718)
Total equity		1 133 932	1 110 567
LIABILITIES			
Current liabilities			
Trade and other payables		2 268	
Total current liabilities		2 268	
Total equity and liabilities		1 136 200	1 110 567

Company Income Statement for the year ended 31 March 2008

	Note	2008 R'000	2007 R'000
Profit before taxation	3	202 361	166 202
Taxation			
Profit for the year attributable to the equity holders of the company		202 361	166 202

Company Cash Flow Statement for the year ended 31 March 2008

	2008 R'000	2007 R'000
Cash flows from operating activities		
Cash generated by operations	202 361	166 202
Dividends paid	(208 803)	(168 817)
Increase in trade and other payables	2 268	
Net cash outflow from operating activities	(4 174)	(2 615)
Cash flows from financing activities		
Issue of shares	29 807	11 538
Increase in investment in subsidiaries	(25 633)	(8 923)
Net cash inflow from financing activities	4 174	2 615
Net cash movement		

Company Statement of Changes in Equity for the year ended 31 March 2008

	Stated capital R'000	Accumulated loss R'000	Total R'000
Balance at 1 April 2006	1 115 747	(14 103)	1 101 644
Profit for the year attributable to the equity holders of the company		166 202	166 202
Ordinary dividends paid		(168 817)	(168 817)
Issue of shares	11 538		11 538
Balance at 1 April 2007	1 127 285	(16 718)	1 110 567
Profit for the year attributable to the equity holders of the company		202 361	202 361
Ordinary dividends paid		(208 803)	(208 803)
Issue of shares	29 807		29 807
Balance at 31 March 2008	1 157 092	(23 160)	1 133 932

Notes to the Company Financial Statements for the year ended 31 March 2008

1. INVESTMENT IN SUBSIDIARIES

	Issued share capital R	Effective holding		Shares		Indebtedness		Total	
		2008 %	2007 %	2008 R'000	2007 R'000	2008 R'000	2007 R'000	2008 R'000	2007 R'000
Directly owned									
Rainbow Farms Investments	99 900	100	100	100	100			100	100
Rainbow Farms	40 000	100	100	1 142	1 142	1 134 958	1 109 325	1 136 100	1 110 467
Rainbow Nominees	1	100	100						
Farmer Brown	1	100	100						
East End Court	1	100	100						
Bonny Bird Farms	312	100	100						
Epol	78 000	100	100						
Indirectly owned									
Vector Logistics	50	100	100						
Vector Logistics (Namibia)	100 000	100	100						
Rainbow Chicken Foods	100	100	100						
				1 242	1 242	1 134 958	1 109 325	1 136 200	1 110 567

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

None of the above companies are listed.

Attributable profit/(loss) of subsidiary companies:

Rainbow Farms	374 155	360 418
Vector Logistics	122 681	83 721
Vector Logistics (Namibia)	(1 158)	(495)
Rainbow Chicken Foods (Proprietary) Limited	41 612	37 035
	537 290	480 679

2. STATED CAPITAL

Authorised

575 525 772 (2007: 575 525 772) ordinary shares of no par value

Issued ordinary shares of no par value

	Number of shares		
At the beginning of the year	282 712 022	1 127 285	1 115 747
Shares issued in terms of share option scheme	7 292 206	29 807	11 538
At the end of the year	290 004 228	1 157 092	1 127 285

The unissued ordinary shares are under the control of the directors until the forthcoming Annual General Meeting and 14 001 900 (2007: 15 403 719) unexercised options have been granted to employees in terms of the Rainbow share incentive trust.

3. PROFIT BEFORE TAXATION

Dividends received from subsidiaries	208 803	168 817
BEE transaction costs	(3 900)	
Non-executive directors' fees	(781)	(522)
Listed company expenses	(1 761)	(2 093)
	202 361	166 202

4. 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.

Ordinary Shareholders' Information at 31 March 2008

	Number of shareholders	% of shareholders	Number of shares held	% of shares issued
DISTRIBUTION OF ORDINARY SHAREHOLDERS				
Public shareholders	5 214	99.9	74 163 932	25.6
Non-public shareholders:				
Directors of Rainbow and its subsidiaries	4	0.1	1 255 280	0.4
Remgro	1		214 584 559	74.0
Rainbow Pension Fund	1		457	
	5 220	100.0	290 004 228	100.0

	Number of shareholders	Number of shares held	% of shares issued
SHAREHOLDINGS OVER ONE PERCENT (BENEFICIAL)			
Remgro		214 584 559	74.0
Oasis		32 409 080	11.2
Investec		10 863 015	3.8
Argon		3 906 263	1.4
Prudential		2 980 830	1.0

	Number of shareholders	Number of shares held	%
SHAREHOLDER SPREAD			
1 – 1 000 shares	3 704	1 022 407	0.4
1 001 – 10 000 shares	1 217	4 348 648	1.5
10 001 – 100 000 shares	205	5 991 385	2.1
100 001 – 1 000 000 shares	79	26 183 126	9.0
1 000 001 – shares and over	15	252 458 662	87.0
	5 220	290 004 228	100.0

	Number of shareholders	% of issued shares	Number of shares	%
DISTRIBUTION OF SHAREHOLDERS				
Remgro	1		214 584 559	74.0
Mutual funds	48	0.9	26 599 165	9.2
Investment companies	14	0.3	454 597	0.2
Insurance companies	8	0.2	2 698 367	0.9
Individuals	4 610	88.3	10 415 090	3.6
Banks	15	0.3	1 787 330	0.6
Nominees and trusts	287	5.5	5 237 356	1.8
Pension funds	65	1.3	24 465 143	8.4
Private companies	87	1.6	1 274 684	0.4
Public companies	3	0.1	172 714	0.1
Other corporations	30	0.6	642 343	0.2
Endowment funds	7	0.1	999 240	0.3
Medical aid schemes	3	0.1	513 326	0.2
Close corporations	42	0.7	160 314	0.1
	5 220	100.0	290 004 228	100.0

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 Westville 3635
Transfer Secretaries:	Computershare Investor Services (Proprietary) Limited 70 Marshall Street Johannesburg 2001 PO Box 61051 Marshalltown 2107
Company Secretary:	J M J Maher
Auditors:	PricewaterhouseCoopers Inc
Listing:	JSE Limited South Africa Sector: Food Producers
Sponsor:	RAND MERCHANT BANK (a division of FirstRand Bank Limited)
Bankers:	ABSA Bank Limited
Website:	www.rainbowchicken.co.za

Shareholders' Diary

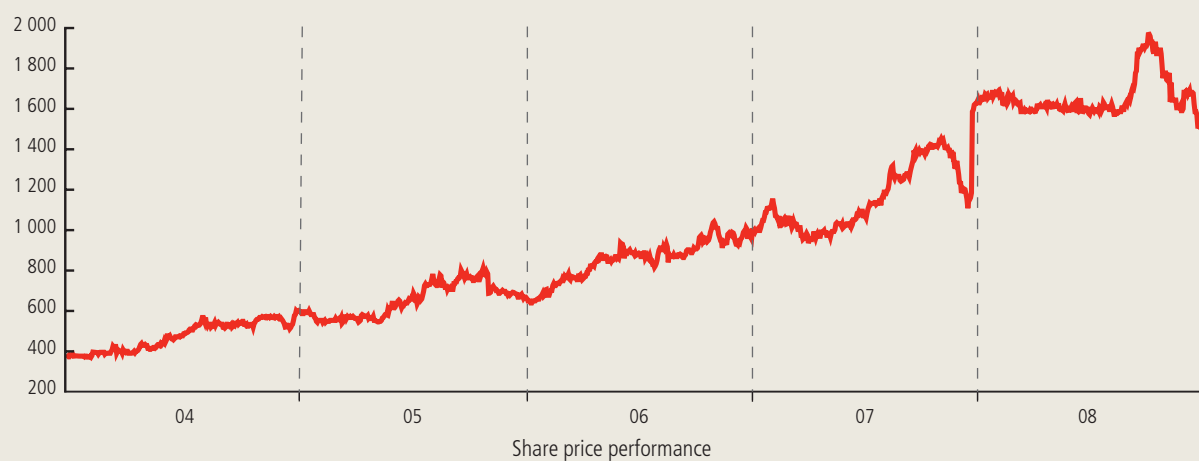
Financial year-end March
Annual General Meeting 31 July 2008

FINANCIAL REPORTS

Announcement of results for the year May
Annual financial statements posted July
Interim report for the half-year to September November

FUTURE ORDINARY DIVIDENDS

Interim dividend
Declaration November
Payment January
Final dividend
Declaration May
Payment June



Notice to Shareholders

Notice is hereby given that the 42nd Annual General Meeting of shareholders of Rainbow Chicken Limited will be held at 1 Stanley Methven Road, Hammarsdale, KwaZulu-Natal on Thursday, 31 July 2008 at 09:00 for the following business:

1. To receive and consider the company and Group annual financial statements for the year ended 31 March 2008.
2. To elect directors in place of Messrs J B Magwaza, D W Vale and Dr M Griessel, who retire by rotation in accordance with the Articles of Association and who, being eligible, offer themselves for re-election. Details of each of these retiring directors are set out on page 21 of the Annual Report.
3. To consider and, if deemed fit, to pass the following ordinary resolution with or without modification:
"Resolved that the unissued ordinary shares in the capital of the company remain under the control of the directors who shall be authorised to issue these shares at such times and on such terms as they may determine, subject to section 221 of the Companies Act, 1973 as amended, the Articles of Association of the company and the listing requirements of JSE Limited (JSE)."
4. To confirm the re-appointment of the auditors until the next Annual General Meeting and to authorise the directors to approve the amount of their remuneration for the forthcoming year.
5. To transact such other business as may be transacted at an Annual General Meeting.

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

A proxy need not be a member of the company. Forms of proxy, together with a notarially certified copy of the power of attorney (if applicable) or other instrument (if any), appointing the proxy and the authority under which it is signed (if any), must be deposited at the registered office of the company or posted to the Company Secretary, PO Box 2734, Westway Office Park, Westville 3635, or the Transfer Secretary, Computershare Investor Services (Proprietary) Limited, PO Box 61051, Marshalltown 2107, so as to arrive not less than 48 hours before the time fixed for the meeting.

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

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

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

By order of the Board



J M J MAHER
Company Secretary

Registered Office
One The Boulevard
Westway Office Park
Westville 3629

Form of Proxy

RAINBOW CHICKEN LIMITED

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



THIS FORM OF PROXY IS ONLY FOR USE BY:

1. REGISTERED MEMBERS WHO HAVE NOT YET DEMATERIALIZED THEIR ORDINARY SHARES
2. REGISTERED MEMBERS WHO HAVE ALREADY DEMATERIALIZED 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 1 Stanley Methven Road, Hammarsdale, KwaZulu-Natal on Thursday, 31 July 2008 at 09:00 and at any adjournment thereof as follows:

	In favour of	Against	Abstain
1. Consideration and receipt of annual financial statements			
2. Re-election of director – J B Magwaza			
2. Re-election of director – D W Vale			
2. Re-election of director – Dr M Griessel			
3. Control of authorised but unissued shares			
4. Re-appointment of auditors			
5. Other business			

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

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

Signed this

day of

2008

Signature

(Please read the notes overleaf.)

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a registered member of the company.
2. Every member present in person or by proxy and entitled to vote at the Annual General Meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such member holds. In the event of a poll, every member shall be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by such member bears to the aggregate amount of the nominal value of all the shares issued by the company.
3. Members registered in their own name are members who elected not to participate in the Issuer-Sponsored Nominee Programme and who appointed Computershare Custodial Services as their Central Securities Depository Participant (CSDP) with the express instruction that their 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 will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid, the completed forms of proxy must be deposited at the registered office of the company or posted to the Company Secretary, PO Box 2734, Westway Office Park, Westville 3635 or lodged with the transfer secretaries of the company, Computershare Investor Services (Proprietary) Limited at 70 Marshall Street, Johannesburg 2001, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown 2107, to be received by them not later than Friday, 18 July 2008 at 15:30 (South African time).
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.
8. The Chairman of the Annual General Meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a member wishes to vote.

