



Audited Summarised Consolidated Results

for the year ended 30 September 2020



Astral Foods Limited
Incorporated in the Republic of South Africa
Registration number: 1978/003194/06
Share code: ARL
ISIN: ZAE000029757

2020

Highlights

Revenue
increase **↑5%**

Operating profit
decrease **↓5%**

Earnings per share
decrease **↓13%**

Headline earnings per
share decrease **↓14%**

Final dividend
775 cents per share

Commentary

Financial overview

Revenue reported for the year ended 30 September 2020 was R14.1 billion, an increase of 4.6% compared to the prior year at R13.5 billion. The Poultry Division contributed 79%, Feed Division 17% and Other Africa Division 4% to total revenue. The increase in revenue of R619 million was primarily attributable to the broiler operations in the Poultry division contributing R384 million, which was as a result of a 3.8% increase in broiler sales. The other major contributions to the increase in revenue were from external feed sales of R147 million, and an increase in external breeder and hatching eggs sales of R86 million.

Gross profit increased by 5.9% to R2.8 billion (2019: R2.6 billion) resulting in the gross profit margin improving from 19.5% (2019) to 19.7%. Operating profit for the year under review decreased by 5.0% to R838 million mainly due to the limited increase in revenue not being able to sufficiently cover all the cost increases. This resulted in the operating margin declining from 6.5% (2019) to 5.9%.

The Group successfully managed the impact of the Covid-19 hard lockdown period. The cash saved by not having to pay an interim dividend greatly assisted the Group and this, together with the well managed funding resources, allowed Astral to remain in a cash positive position at all times during the financial year. The net surplus cash at the end of the year was R546 million, marginally down on the prior year's R555 million.

The Festive processing plant capacity expansion project has been completed and the Group's liquidity is therefore well positioned to fund the declared dividend of R7.75 per share. The total dividend for the year amounts to a dividend cover of 1.9 times relative to the headline earnings.

Operational overview

Poultry Division

Revenue increased by 4.3% to R11.3 billion (F2019: R10.9 billion) supported by higher broiler sales realisations whilst sales volumes remained flat, together with improved sales of broiler day-old chicks and parent stock in the external market.

Broiler slaughter volumes increased by 3.5% benefiting from four weeks of the Festive expansion volumes before these were withdrawn in response to the impact that the Covid-19-related lockdown had on the market. In addition, production cutbacks on the back of the Standerton water crisis in the prior year had a negative impact on that period. Sales volumes decreased by 0.2% for the year under review (1 026 tons).

Trading conditions reflected a distinct difference between the two halves of the financial year. The hard lockdown implemented from 26 March 2020 had a significant impact on the South African poultry market. The complete shutdown of hospitality services, restaurants and Quick Service Restaurants (QSR), accounting for 20% of local poultry consumption, together with slower fresh sales, led to a substantial oversupply of chicken in the frozen categories.

Excessive finished good stock levels in the second half of the reporting period, necessitated extraordinary price cutting from producers in an effort to reduce stock at well below the cost of production. Changes in product mix and the negative impact on realisations brought about by the lockdown had a negative impact on profitability over the second half of Astral's financial year (indirect impact estimated at R140 million). Deep cut promotional activity by retailers on the back of an oversupply of frozen chicken in the market, resulted in higher sales volumes for Astral over the last quarter of the reporting period, reducing stock to more acceptable levels by year-end.

Broiler feed prices increased by 7.7% versus the prior year due to higher raw material costs, negatively affecting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 65% of the live cost of a broiler. A further improvement in the feed conversion efficiency of the broilers, partially offsetting the higher feed prices experienced during the year.

Operating profit for the poultry division decreased by 20.5% to R295 million (F2019: R371 million). Non-feed expenses in the division increased year-on-year, negatively impacted by the direct cost of Covid-19 (R39 million), as well as water and electricity supply interruptions during the year under review (at a cost of R62 million), with the operating profit margin reducing to 2.6% (F2019: 3.4%).

Feed Division

Revenue increased by 6.2% to R7.0 billion (F2019: R6.6 billion) as a direct result of higher selling prices on the back of the increase in raw material costs. SAFEX yellow maize prices increased to an average of R2 748 per ton for the year under review (F2019: R2 639 per ton), up R109 per ton year-on-year. Soya meal prices also increased from an average of R5 727 per ton in F2019 to R 6 617 per ton in F2020, further exacerbating the price of feed.

Commentary (continued)

Feed sales volumes in the division decreased marginally by 0.7%, as the internal requirement for broiler feed decreased by 1.5% due to an improved broiler feed conversion rate, with higher external sales volumes of 0.7% reported due to increased feed sales to the ruminant sector, despite all livestock markets coming under pressure from higher feed prices.

The operating profit for this division increased by 3.8% to R508 million (F2019: R490 million), with a decrease in the operating profit margin to 7.3% (F2019: 7.4%). Net Rand per ton margins increased year-on-year with the division benefited from containing total operating expenses (excluding the raw material cost impact) to an increase of 1.5% year-on-year, as well as from effective raw material cost recoveries. The direct cost of Covid-19 to the Feed Division was R2 million.

Other Africa Division

Revenue for the division increased by 0.6% to R482 million (2019: R480 million). Average selling prices increased by 9.9% whilst sales volumes decreased by an average of 8.5%, with the operating profit increasing to R35 million (2019: R22 million). Profitability improved across all countries as a recovery in regional poultry markets was experienced following a devastating drought and crop failures in 2019.

Outlook

The following factors are considered by management to have an impact on the near future business and poultry sector prospects:

- Unprecedented unemployment rate following the hard lockdown, and resultant financial impact on business and the economy at large.
- Consumer disposable income severely constrained, with a very slow recovery out of the lockdown as expected by most economists.
- With an above average maize crop for the 2020/21 season, prices unexpectedly increased due to global weather concerns, international coarse grain demand (China) and a rally in prices, leading to higher feed prices into 1H2021.
- Exchange rate effect on input costs, with the Rand cost of imported soya negatively impacted.
- Higher costs due to Covid-19 as risk management strategies continue, and global lockdowns possibly impact supply chains leading to higher input costs.
- It is still unclear if higher import tariffs on frozen bone-in portions announced in March 2020, will discourage unfair trade (dumping).
- Reopening of the local hospitality and restaurant sector with QSR volumes returning to the sales mix, with a net market share gain in this sector for Astral.
- Production efficiency, product mix and volume growth opportunities following final commissioning of the Festive expansion project adding significant flexibility.
- Progressive genetic improvement of the Ross broiler breed will continue to support the Group's best cost strategy.
- Astral expected to maintain a strong and resilient balance sheet.

Declaration of Ordinary Dividend Number 38

The Board has approved a final dividend of R7.75 per ordinary share (gross) in respect of the year ended 30 September 2020.

The dividend will be subject to Dividends Tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Limited (JSE) Listings Requirements the following information is disclosed:

- The dividend has been declared out of income reserves;
- The local Dividends Tax is 20% (twenty per centum);
- The gross local dividend is R7.75 per ordinary share for shareholders exempt from the Dividends Tax;
- The net local dividend is R6.20 per ordinary share for shareholders liable to pay Dividend Tax;
- Astral Foods Limited has currently 42 922 235 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary and 114 500 held in terms a forfeitable share scheme); and
- Astral Foods Limited's income tax reference number is 9125190711.

Shareholders are advised of the following dates in respect of the final dividend:

Last date to trade <i>cum</i> -dividend	Tuesday, 12 January 2021
Shares commence trading <i>ex</i> -dividend	Wednesday, 13 January 2021
Record date	Friday, 15 January 2021
Payment of dividend	Monday, 18 January 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 January 2021 and Friday, 15 January 2021, both days inclusive.

On behalf of the Board

T Eloff
Chairman

CE Schutte
Chief Executive Officer

Pretoria

11 November 2020

Independent Auditor's Report on the Summarised Consolidated Financial Statements

To the Shareholders of Astral Foods Limited

Opinion

The Summarised Consolidated Financial Statements of Astral Foods Limited, set out on pages 5 to 11 of the Audited Summarised Consolidated Results for the year ended 30 September 2020, which comprise the Summarised Consolidated Balance Sheet as at 30 September 2020, the Summarised Consolidated Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and related notes, are derived from the Audited Consolidated Financial Statements of Astral Foods Limited for the year ended 30 September 2020.

In our opinion, the accompanying Summarised Consolidated Financial Statements are consistent, in all material respects, with the Audited Consolidated Financial Statements, in accordance with the JSE Limited's (JSE) Listings Requirements for preliminary reports, as set out in note 2 to the Summarised Consolidated Financial Statements, and the requirements of the Companies Act of South Africa as applicable to Summarised Financial Statements.

Summarised Consolidated Financial Statements

The Summarised Consolidated Financial Statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to Annual Financial Statements. Reading the Summarised Consolidated Financial Statements and the Independent Auditor's Report thereon, therefore, is not a substitute for reading the Audited Consolidated Financial Statements and the Independent Auditor's Report thereon.

The Audited Consolidated Financial Statements and our Report thereon

We expressed an unmodified audit opinion on the Audited Consolidated Financial Statements in our report dated 13 November 2020. That Report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Audited Consolidated Financial Statements of the reporting period.

Director's Responsibility for the Summarised Consolidated Financial Statements

The directors are responsible for the preparation of the Summarised Consolidated Financial Statements in accordance with the JSE's Listings Requirements for preliminary reports, set out in note 2 to the Summarised Consolidated Financial Statements, and the requirements of the Companies Act of South Africa as applicable to Summarised Financial Statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the Summarised Consolidated Financial Statements are consistent, in all material respects, with the Audited Consolidated Financial Statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summarised Financial Statements.

The signed version of this opinion is available for inspection at the registered office.

PricewaterhouseCoopers Inc.

Director: EJ Gerryts

Registered Auditor

Johannesburg

13 November 2020

Summarised Consolidated Statement of Comprehensive Income

for the year ended 30 September 2020

	Audited 12 months ended 30 September 2020 R'000	% change	Audited 12 months ended 30 September 2019 R'000
Revenue	14 104 281	4.6	13 485 475
Cost of sales	(11 321 550)		(10 856 468)
Gross profit	2 782 731	5.8	2 629 007
Administrative expenses	(706 625)		(723 290)
Distribution costs	(1 034 573)		(833 734)
Marketing expenditure	(236 234)		(201 848)
Other net income and gains and losses	32 813		12 144
Profit before interest and tax (note 4)	838 112	(5.0)	882 279
Finance costs – net	(56 268)		30 372
Finance income	28 279		41 286
Finance costs	(84 547)		(10 914)
Profit before income tax	781 844	(14.3)	912 651
Tax expense	(220 610)		(265 116)
Profit for the year	561 234	(13.3)	647 535
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency loss on investment loans to foreign subsidiaries	(2 718)		(414)
Foreign currency translation adjustments	(19 830)		1 292
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations (net of deferred tax)	8 798		(2 178)
Changes in fair value of equity instruments	(34 286)		
Total comprehensive income for the year	513 198	(20.6)	646 235
Profit attributable to:			
Equity holders of the holding company	556 267	(13.6)	643 653
Non-controlling interests	4 967	27.9	3 882
	561 234	(13.3)	647 535
Comprehensive income attributable to:			
Equity holders of the holding company	508 231	(20.9)	642 353
Non-controlling interests	4 967	27.9	3 882
	513 198	(20.6)	646 235
Earnings per share (Rand)			
– basic	R14.35	(13.5)	R16.59
– diluted	R14.32	(13.6)	R16.58

Summarised Consolidated Balance Sheet

as at 30 September 2020

	Audited 12 months ended 30 September 2020 R'000	Audited 12 months ended 30 September 2019 R'000
Assets		
Non-current assets	3 796 280	2 658 236
Property, plant and equipment	2 946 643	2 462 918
Intangible assets	55 421	59 183
Right-of-use assets	537 061	
Goodwill	136 135	136 135
Financial assets at fair value through other comprehensive income	121 020	–
Current assets	3 534 766	3 580 883
Biological assets	851 252	758 721
Inventories	861 241	691 058
Trade and other receivables	1 218 097	1 512 398
Current tax asset	30 595	19 717
Cash and cash equivalents	573 581	598 989
Total assets	7 331 046	6 239 119
Equity		
Capital and reserves attributable to equity holders of the parent company	4 107 265	3 784 227
Issued capital	90 400	90 400
Treasury shares	(228 111)	(204 435)
Reserves	4 244 976	3 898 262
Non-controlling interest	15 055	11 408
Total equity	4 122 320	3 795 635
Liabilities		
Non-current liabilities	1 146 168	705 600
Deferred tax liability	639 482	539 421
Employee benefit obligations	140 730	166 179
Leases	365 956	–
Current liabilities	2 062 558	1 737 884
Trade and other liabilities	1 556 294	1 411 135
Employee benefit obligations	263 757	254 107
Current tax liabilities	6 158	25 772
Leases	206 057	–
Borrowings (note 6)	27 453	44 115
Shareholders for dividend	2 839	2 755
Total liabilities	3 208 726	2 443 484
Total equity and liabilities	7 331 046	6 239 119

Summarised Consolidated Statement of Cash Flows

for the year ended 30 September 2020

	Audited 12 months ended 30 September 2020 R'000	Audited 12 months ended 30 September 2019 R'000
Cash operating profit	1 231 706	936 440
Changes in working capital	(74 117)	257 308
Cash generated from operating activities	1 157 589	1 193 748
Income tax paid	(153 280)	(213 907)
Cash flows from operating activities	1 004 309	979 841
Cash used in investing activities	(580 976)	(615 982)
Purchases of property, plant and equipment	(453 931)	(653 444)
Costs incurred on intangibles	(2 049)	(4 141)
Proceeds on disposal of property, plant and equipment	2 031	317
Finance income	28 279	41 286
Equity instruments acquired	(155 306)	–
Cash flows to financing activities	(441 736)	(595 871)
Dividends paid	(166 278)	(594 367)
Proceeds from shares issued	–	3 649
Finance expense on borrowings	(5 855)	(5 153)
Treasury shares acquired in terms of forfeitable share plan	(23 676)	–
Lease payments – principal element	(177 966)	–
Finance costs on lease contracts	(67 961)	–
Net movement in cash and cash equivalents	(18 403)	(232 012)
Effects of exchange rate changes	9 657	(1 680)
Cash and cash equivalent balances at the beginning of the year	554 874	788 566
Cash and cash equivalent balances at the end of the year (note 7)	546 128	554 874

Summarised Consolidated Statement of Changes in Equity

for the year ended 30 September 2020

	Audited 12 months ended 30 September 2020 R'000	Audited 12 months ended 30 September 2019 R'000
Balance at the beginning of the year	3 795 635	3 740 477
Profit for the year	561 234	647 535
Other comprehensive loss for the year, net of tax	(44 511)	(1 300)
Dividends to shareholders	(166 362)	(594 726)
Treasury shares acquired in terms of forfeitable share plan	(23 676)	–
Proceeds on shares issued	–	3 649
Balance at the end of the year	4 122 320	3 795 635

Additional Information

for the year ended 30 September 2020

	Audited 12 months ended 30 September 2020	%	Audited 12 months ended 30 September 2019
		change	
Headline earnings (R'000) (note 5)	558 287	(14.1)	649 638
Headline earnings per share (Rand)			
– basic	R14.41	(13.9)	R16.74
– diluted	R14.38	(14.1)	R16.74
Dividends per share (Rand) – declared out of earnings for the year			
– Interim dividend	nil		R4.75
– Final dividend	R7.75	82.4	R4.25
– Total dividend	R7.75	(13.9)	R9.00
Number of ordinary shares			
– Issued net of treasury shares	38 719 158		38 833 658
– Weighted-average	38 755 135		38 806 070
– Diluted weighted-average	38 833 658		38 816 916
Net asset value per share (Rand)	R106.08		R97.45

Summarised Consolidated Segmental Analysis

for the year ended 30 September 2020

	Audited 12 months ended 30 September 2020 R'000	% change	Audited 12 months ended 30 September 2019 R'000
Revenue			
Poultry	11 343 231	4.3	10 877 135
Feed	6 979 422	6.2	6 573 738
Other Africa	482 420	0.6	479 645
Inter-group	(4 700 792)		(4 445 043)
	14 104 281	4.6	13 485 475
Operating profit			
Poultry	295 015	(20.5)	370 977
Feed	508 091	3.8	489 483
Other Africa	35 006	60.4	21 819
	838 112	(5.0)	882 279
Capital expenditure			
Poultry	667 396	79.4	372 081
Feed	17 422	(69.2)	56 617
Other Africa	5 772	70.7	3 381
Corporate office	12	(81.3)	64
	690 602	59.8	432 143
Depreciation, amortisation and impairment			
Poultry	230 373	55.4	148 223
Feed	165 719	632.5	22 623
Other Africa	5 036	(4.8)	5 288
Corporate office	2 337	2 334.4	96
	403 465	128.9	176 230
Inventory			
Poultry	497 235	47.5	337 220
Feed	316 771	8.8	291 179
Other Africa	47 157	(24.7)	62 659
	861 163	24.6	691 058
Trade receivables			
Poultry	894 512	(1.1)	904 469
Feed	211 436	(5.7)	224 107
Other Africa	19 786	(16.8)	23 785
	1 125 734	(2.3)	1 152 361

Notes

for the year ended 30 September 2020

1. Nature of business

Astral is a leading South African integrated poultry producer. Key activities consist of manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and sale and distribution of various key poultry brands.

2. Basis of preparation

The Summarised Consolidated Financial Statements are prepared in accordance with the requirements of the JSE Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to Summarised Consolidated Financial Statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*.

The Summarised Consolidated Financial Statements have been prepared by the Chief Financial Officer, DD Ferreira CA(SA), and were approved by the Board on 11 November 2020.

3. Accounting policies

The accounting policies applied in these Summarised Consolidated Financial Statements comply with IFRS and are consistent with those applied in the preparation of the Group's Annual Financial Statements for the year ended 30 September 2019, except for the mandatory adoption of IFRS 16: *Leases*.

IFRS 16: *Leases*

The Group followed the modified retrospective approach with the implementation of IFRS 16 on 1 October 2019, without restating comparatives in the Annual Financial Statements. Existing contracts were not reassessed to determine whether they are leases in terms of IFRS 16, and exemption was applied to existing lease contracts with remaining terms less than 12 months on implementation date.

IFRS 16 requires that leases be recognised as right-of-use assets with corresponding lease liabilities. Lease assets are amortised, whilst lease payments are apportioned between a finance cost component, recognised as a finance charge, and a reduction of the outstanding principal amount of the lease liabilities. The impact of this change in accounting policy on the results for this financial period is an increase in the profit before interest and tax of R33 million, additional finance costs of R68 million with a reduction in the profit before income tax of R35 million, Right-of-use assets of R537 million and lease liabilities of R572 million have been recognised in the balance sheet.

	Audited 12 months ended 30 September 2020 R'000	Audited 12 months ended 30 September 2019 R'000
4. Profit before interest and tax		
The following items have been accounted for in the profit before interest and tax:		
Biological assets – fair value (gain)/loss	(5 390)	3 108
Amortisation of intangible assets	5 586	6 092
Depreciation on property, plant and equipment	184 961	170 138
Amortisation of right-of-use assets	212 918	–
Profit on sale of property, plant and equipment	7	74
Foreign exchange losses/(gains)	3 858	(1 161)
Assets scrapped	2 811	8 364
Insurance recoveries	30 138	3 894
Fair value adjustments to outstanding receivables and payables	–	6 016

	Audited 12 months ended 30 September 2020 R'000	Audited 12 months ended 30 September 2019 R'000
5. Reconciliation to headline earnings		
Net profit attributable to shareholders	556 267	643 653
Loss/(profit) on sale of property, plant and equipment (net of tax)	5	(38)
Loss on assets scrapped (net of tax)	2 015	6 023
Headline earnings for the year	558 287	649 638
6. Borrowings		
Current – bank overdrafts	27 453	44 115
7. Cash and cash equivalents per cash flow statement		
Bank overdrafts (included in current borrowings)	(27 453)	(44 115)
Cash at bank and in hand	573 581	598 989
Cash and cash equivalents per cash flow statement	546 128	554 874
8. Commitments		
Capital expenditure approved not contracted	170 157	191 153
Capital expenditure contracted not recognised in financial statements	127 682	342 646
Cost of intangibles contracted not recognised in financial statements	–	2 906
Raw material contracted amounts not recognised in the balance sheet	1 129 870	1 376 532

Corporate information

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Directors

Dr T Eloff (Chairman)
CE Schutte (Chief Executive Officer)*
GD Arnold*
AB Crocker*
DD Ferreira (Chief Financial Officer)*
DJ Fouche
S Mayet
WF Potgieter
TM Shabangu

* *Executive director*

Company Secretary

L Marupen

