Astral

Audited Summary Consolidated Results
and Dividend Declaration
30 September 2018

Revenue

5%

Operating profit

79%

Headline earnings per share

94%

Final dividend

1 050
cents per share

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000	% change
Revenue	**12 978 561**	12 416 949	4.5
Cost of sales	**(9 304 535)**	(9 838 374)	
Gross profit	**3 674 026**	2 578 575	42.5
Administrative expenses	**(817 013)**	(714 222)	
Distribution costs	**(733 738)**	(673 805)	
Marketing expenditure	**(185 404)**	(168 944)	
Other income	**15 441**	61 788	
Other (losses)/gains	**(11 751)**	3 186	
Profit before interest and tax (note 6)	**1 941 561**	1 086 578	78.7
Finance income	**62 903**	5 088	
Finance costs	**(10 376)**	(19 927)	
Profit before tax	**1 994 088**	1 071 739	86.1
Tax expense	**(559 738)**	(310 982)	
Profit for the year	**1 434 350**	760 757	88.5
Other comprehensive income			
Items that will not be reclassified to profit or loss			

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000
Cash operating profit	**2 156 086**	1 436 336
Changes in working capital	**(425 201)**	(71 629)
Cash generated from operations	**1 730 885**	1 364 707
Tax paid	**(516 236)**	(310 259)
Cash generated from operating activities	**1 214 649**	1 054 448
Cash used in investing activities	**(254 708)**	(145 256)
Purchases of property, plant and equipment	**(346 551)**	(157 606)
Costs incurred on intangibles	**(11 391)**	(22 492)
Proceeds on disposal of property, plant and equipment	**331**	1 510
Payment received on receivable in respect of investment sold	**40 000**	
Cost incurred with disposal of investment		(624)
Government grant received		28 868
Finance income	**62 903**	5 088
Cash flows used in financing activities	**(729 577)**	(152 349)
Dividends paid	**(729 752)**	(108 429)
Proceeds from shares issued	**5 288**	7 506
Finance expense	**(5 113)**	(16 140)
Repayment of borrowings		(35 286)
Net inflow of cash and cash equivalents	**230 364**	756 843
Effects of exchange rate changes	**5 627**	476
Cash and cash equivalent balances at beginning of year	**552 575**	(204 744)
Cash and cash equivalent balances at end of year (note 9)	**788 566**	552 575

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000
Balance beginning of year	**3 038 832**	2 372 534
Profit for the year	**1 434 350**	760 757
Other comprehensive (loss)/income for the year, net of tax	**(10 836)**	6 409
Dividends to the company's shareholders	**(730 216)**	(108 441)
Proceeds on shares issued	**5 288**	7 506
Option value of share options granted		67
Balance at end of period	**3 737 418**	3 038 832

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000	% change
Revenue			
Poultry	**10 603 727**	9 916 172	6.9
Feed	**6 198 202**	6 583 184	(5.8)
Other Africa	**410 787**	426 530	(3.7)
Inter-group	**(4 234 155)**	(4 508 937)	
Feed	**(4 028 914)**	(4 330 843)	
Poultry	**(205 241)**	(178 094)	
	12 978 561	12 416 949	4.5
Operating profit			
Poultry	**1 452 762**	637 877	127.7
Feed	**456 622**	391 376	16.7
Other Africa	**32 177**	26 775	20.2
Profit on sale of investment		30 550	
	1 941 561	1 086 578	78.7
Capital expenditure			
Poultry	**318 019**	132 481	140.0
Feed	**27 621**	15 860	74.2
Other Africa	**9 904**	1 949	408.2
Corporate office	**407**	18	
	355 951	150 308	136.8
Depreciation, amortisation and impairment			

		Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000
6.	**Profit before interest and tax**		
	The following items have been accounted for in profit before interest and tax:		
	Directors remuneration	**65 329**	61 256
	Biological assets – fair value gain	**5 149**	2 856
	Amortisation of intangible assets	**6 048**	5 243
	Depreciation on property, plant and equipment	**145 714**	143 490
	(Loss)/profit on sale of property, plant and equipment	**(417)**	753
	Assets scrapped	**10 891**	3 572
	Insurance recoveries	**1 324**	13 476
	Foreign exchange gain on financial instruments		3 681
	Breeding and egg stock written off		53 512
	Profit on sale of investment		30 550
7.	**Reconciliation to headline earnings**		
	Net profit attributable to shareholders	**1 431 076**	760 249
	Loss/(profit) on sale of property, plant and equipment (net of tax)	**301**	(549)
	Loss on assets scrapped (net of tax)	**7 859**	2 575
	Profit on sale of investment (net of tax)		(20 627)
	Insurance payments received in respect of assets written off (net of tax)		(481)
	Headline earnings for the period	**1 439 236**	741 167
8.	**Borrowings**		
	Current		
	Bank overdrafts	**33 277**	114 692
9.	**Cash and cash equivalents per cash flow statement**		
	Bank overdrafts (included in current borrowings)	**(33 277)**	(114 692)
	Cash at bank and in hand	**821 843**	667 267
	Cash and cash equivalents per cash flow statement	**788 566**	552 575
10.	**Capital commitments**		
	Capital expenditure approved not contracted	**1 267 807**	30 101
	Capital expenditure contracted not recognised in financial statements	**127 012**	117 764
	Cost on intangibles contracted not recognised in financial statements	**6 252**	426
	Raw material contracted amounts not recognised in the statement of financial position	**1 090 415**	1 254 312
11.	**Effect of re-assessment of certain sales transactions**		
	Increase in revenue		65 824
	Increase in trade and other receivables		65 824
	Increase on cost of sales		57 707
	Decrease in inventories		(57 707)
	Increase in gross profit and operating profit		8 117
	Increase in tax expense		2 273
	Increase in profit after tax, earnings and headline earnings		5 844
	Increase in earnings per share and headline earnings per share – cents per share		15
	Impact on cash generated from operations		nil
12.	**Related party transactions**		
	Purchases of goods		232 563
	Outstanding receivables		3 346
	Outstanding payables		26 250

Financial overview

External revenue for the group increased by 4.5% to R13.0 billion (2017: R12.4 billion) supported by higher poultry selling prices as well as higher volumes across all divisions. This together with materially lower feed raw material costs, were the main drivers of profitability for the year. Operating profit increased by 78.7% to a record level of R1 942 million (2017: R1 086 million), resulting in an operating profit margin of 15.0% (2017: 8.7%).

The improvement in profitability for the year (after tax) to R1 434 million resulted largely from an increase in the poultry operating profit from R638 million to R 1 453 million. The feed division posted an increase of 16,7% in operating profit to R457 million. Contributions from the other Africa operations continued to improve, reflecting a R5 million increase in operating profit to R32 million, which in the group context is not a significant contribution to the overall results. Net interest income of R52 million was reported against a net finance cost of R15 million for the prior year.

Working capital increased towards the end of the year due a build-up of poultry finished goods stock, higher biological assets on hand to support higher weekly slaughter volumes, and payments from trade receivables that were only received after month-end, falling over a weekend.

Capital expenditure of R356 million is relatively high compared to prior years. This includes amongst others, R113 million spent on automation of certain lines in the processing plants, costs incurred on additional water sources in the Western Cape, and costs to mitigate risks associated with Listeria and bird flu. Capital commitments of R1 401 million includes capacity expansion projects at poultry processing plants, breeder and broiler farms and a feed mill expansion.

The impact of the improvement in profitability was also seen in the cash flow for the year which in spite of an increase in working capital, higher capital expenditure and increased dividends, resulted in a net inflow of R230 million for the year. Surplus cash at the end of the year at R789 million put the group in a favourable position to fund the final dividend, as well as part of the capacity expansion capital program over the next three years.

The Board has declared a final dividend of 1 050 cents per share which brought the total dividend to be paid to 2 050 cents per share out of the F2018 earnings.

Operational overview
Poultry Division

Revenue increased by 6.9% to R10.6 billion (2017: R9.9 billion) impacted predominantly by an increase in poultry sales realisations of 7.1%, largely attributable to the favourable trading conditions experienced in the first half of the year.

Sales volumes were marginally up by 0.2% (811 tons), notwithstanding an increase in broiler weights and higher broiler production numbers for the year. Trading conditions deteriorated in the second half as imports and local supply increased; whilst consumer disposable income was adversely affected by the impact of higher fuel prices and the increase in VAT. Weaker demand through the winter trading period, coupled with higher production resulted in above average poultry stock levels at year end.

Broiler feed prices decreased versus the prior year due to lower raw material costs over the reporting period. Feed costs reduced notably in the second half of F2017, and this continued throughout the period under review, contributing significantly to Astral's earnings for the full year. Feed cost remains the key driver of profitability representing approximately 67% of the live cost of a broiler.

Profit for the year	**1 434 350**	760 757	88.5
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of post employment benefit obligations (net of deferred tax)	**2 598**	3 742	
Items that may be subsequently reclassified to profit and loss			
Foreign currency gain on investment loans to foreign subsidiaries	**5**	5 747	
Foreign currency translation adjustments	**(13 439)**	(3 080)	
Total comprehensive income for the year	**1 423 514**	767 166	85.6
Profit attributable to:			
Equity holders of the holding company	**1 431 076**	760 249	88.2
Non-controlling interests	**3 274**	508	
	1 434 350	760 757	88.5
Comprehensive income attributable to:			
Equity holders of the holding company	**1 420 240**	766 636	85.3
Non-controlling interests	**3 274**	530	
	1 423 514	767 166	85.6
Earnings per share (cents)			
– basic	**3 691**	1 963	88.0
– diluted	**3 687**	1 962	88.0

SUMMARY CONSOLIDATED BALANCE SHEET

	Audited 12 months ended 30 September 2018 R'000	Audited 12 months ended 30 September 2017 (restated) R'000
Assets		
Non-current assets	**2 409 499**	2 228 052
Property, plant and equipment	**2 212 205**	2 036 033
Intangible assets	**61 159**	55 884
Goodwill	**136 135**	136 135
Current assets	**3 764 715**	3 136 327
Biological assets	**770 461**	658 047
Inventories	**836 690**	493 571
Trade and other receivables	**1 328 418**	1 286 863
Current tax asset	**7 303**	30 579
Cash and cash equivalents	**821 843**	667 267
Total assets	**6 174 214**	5 364 379
Equity		
Capital and reserves attributable to equity holders of the parent company	**3 726 922**	3 028 310
Issued capital	**86 751**	81 463
Treasury shares	**(204 435)**	(204 435)
Reserves	**3 844 606**	3 151 282
Non-controlling interests	**10 496**	10 522
Total equity	**3 737 418**	3 038 832
Liabilities		
Non-current liabilities	**649 979**	609 699
Deferred tax liabilities	**481 732**	433 469
Employment benefit obligations	**168 247**	176 230
Current liabilities	**1 786 817**	1 715 848
Trade and other liabilities	**1 360 469**	1 248 050
Employment benefit obligations	**373 195**	306 511
Current tax liabilities	**17 480**	44 663
Borrowings (note 8)	**33 277**	114 692
Shareholders for dividend	**2 396**	1 932
Total liabilities	**2 436 796**	2 325 547
Total equity and liabilities	**6 174 214**	5 364 379

Corporate office	**407**	18	
	355 951	150 308	136.8
Depreciation, amortisation and impairment			
Poultry	**124 620**	120 483	3.4
Feed	**21 659**	22 325	(3.0)
Other Africa	**5 288**	5 702	(7.3)
Corporate office	**195**	223	(12.6)
	151 762	148 733	2.0
Inventory			
Poultry	**532 113**	258 418	105.9
Feed	**255 002**	185 498	37.5
Other Africa	**49 575**	49 655	(0.2)
	836 690	493 571	69.5
Trade receivables			
Poultry	**980 644**	893 547	9.7
Feed	**203 997**	202 850	0.6
Other Africa	**19 612**	18 954	3.5
	1 204 253	1 115 351	8.0

ADDITIONAL INFORMATION

	Audited 12 months ended 30 September 2018	Audited 12 months ended 30 September 2017 (restated)	% change
Headline earnings (R'000) – (note 7)	**1 439 236**	741 167	94.2
Headline earnings per share (cents)			
– basic	**3 712**	1 914	93.9
– diluted	**3 708**	1 913	93.9
Dividends per share (cents) – declared out of earnings for the year			
– Interim dividend for the year	**1 000**	180	455.6
– Final dividend for the year	**1 050**	875	20.0
– Total dividend for the year	**2 050**	1 055	94.3
Number of ordinary shares			
– Issued net of treasury shares	**38 798 808**	38 752 208	
– Weighted-average	**38 774 025**	38 724 902	
– Diluted weighted-average	**38 809 443**	38 753 283	
Net cash - cash and cash equivalents less borrowings (R'000)	**788 566**	552 575	
Net asset value per share (Rand)	**96,06**	78,15	

NOTES

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 summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary 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 financial statements have been prepared by the Chief Financial Officer, DD Ferreira CA(SA), and were approved by the board on 14 November 2018.
3. **Accounting policies**
   The accounting policies applied in these summary consolidated financial statement 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 2017.
4. **Restatement of comparative amounts for prior periods**
   Following a re-assessment of management's judgement of the nature of certain sales transactions it was concluded that the risks and rewards of certain goods delivered during September 2017 have passed on to a customer who thereby acted as a principal as opposed to an agent. The revenue related to these transactions should have been recognised in the 2017 financial year.

   Revenue, cost of sales and tax have been restated with the corresponding adjustments to inventory and trade receivables.

   Details of the impact of the prior period restatement is set out in note 11.
5. **Independent audit by the auditors**
   These summary consolidated financial statements for the year ended 30 September 2018 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

   A copy of the auditor's report on the summary consolidated financial statements and the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

   The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Broiler feed prices decreased versus the prior year due to lower raw material costs over the reporting period. Feed costs reduced notably in the second half of F2017, and this continued throughout the period under review, contributing significantly to Astral's earnings for the full year. Feed cost remains the key driver of profitability representing approximately 67% of the live cost of a broiler.

On-farm bird performances again delivered improved results during the period, with considerably less feed being used to achieve the targeted broiler slaughter weights, due to further improved feed conversion efficiency. This contributed to a substantial reduction in the total feeding cost (a combination of feed price and feed conversion efficiency).

Operating profit for the poultry division increased by 127.7% to R1 453 million (2017: R638 million). Non-feed expenses in the division increased year-on-year by 6.2%, with an operating profit margin improvement to 13.7% (2017: 6.4%).

Poultry imports into the country continued unabated, with imports from the European Union (EU) reducing considerably due to the outbreak of highly pathogenic bird flu in those exporting countries; with a swing in imports towards Brazil and the USA. On average the monthly total poultry imports for the period under review equalled approximately 45% of local production at approximately 8.6 million birds per week.

The devastating bird flu outbreak during 2017 impacted most poultry producers, however with various contingency plans Astral was able continue producing just over 5 million broilers per week, still in line with the requirements of the business. The local poultry industry has not seen any incidents of bird flu since May 2018, and Astral experienced no losses due to the disease during the period under review.

Astral was not directly affected by the Listeriosis outbreak in South Africa. During this period the company strengthened its food safety management systems, ensuring that its hygiene and quality management protocols manage the risk of food-borne pathogens within Astral's processing plants.

Feed Division
Revenue declined by 5.8% to R6.2 billion (2017: R6.6 billion) as a direct result of lower selling prices on the back of significantly lower raw material costs. Volumes increased by 6.1% due to higher inter-group volumes as a result of increased broiler production numbers, and higher external sales volumes following a general improvement in the commercial animal feed market.

Operating profit increased by 16.7% to R457 million (2017: R391 million) with an improvement in the operating profit margin to 7.4% (2017: 5.9%). Rand per ton margins increased relative to the prior year due to the improved recovery of fixed costs through higher volumes.

Expense increases were contained to 4.7% year-on-year across all feed mills. Efficiencies from the Standerton feed mill again supported the group's focussed efforts towards continuous poultry live cost improvement.

During 2016 / 2017 South Africa harvested a record maize crop of 16.8 million tons followed by an above average crop in 2018 of 12.9 million tons. High stock levels of maize resulted in lower local maize prices in a global market characterised by an adequate supply of coarse grains, which was beneficial to the cost of animal feed.

Other Africa Division
Revenue for the division decreased by 3.7% to R411 million (2017: R427 million) due to lower selling prices attributable to a decrease in feed raw material costs. Sales volumes improved by an average of 4.0% across all countries, with the operating profit increasing to R32 million (2017: R27 million). This was largely driven by a good performance from National Chicks Swaziland and a turnaround in the profits of the Mozambican operations, albeit a small contribution to group profitability.

Outlook

Astral's view on the near-term prospects can be regarded as a mixed bag of both negative and positive factors, which could potentially have an influence on its business performance.

- Raw material prices are on an upward trend and will impact Astral's largest input cost, namely feed making up 67% of broiler live cost.
- The negative impact of high fuel prices on consumer disposable income, with continued pressure on poultry selling prices over the short term.
- The impact of the proposed minimum wage legislation will increase poultry production costs, however as a consequence this could positively support higher levels of consumer discretionary spend.
- High levels of poultry imports from Brazil and the USA, the major exporters to South Africa at present, are expected to continue.
- The on-going risk of bird flu is continuously monitored, and prevention strategies are in place to manage this threat albeit at additional associated costs.
- Policy uncertainty around land expropriation without compensation, and the potential negative impact on property rights and further capital investment.
- A more "business friendly" environment in South Africa is being experienced, with key government departments engaging with the poultry industry.
- The European Partnership Agreement (EPA) safeguard duty finally imposed on poultry imports into South Africa from the EU is a positive development.
- Progressive genetic improvement of the Ross broiler breed will continue to support the group's best cost strategy.
- Expansion in Astral's poultry production capacity (an estimated 20% increase on current production levels) over the next three years for an approved capital expenditure amount of R1.1 billion, supports the President's investment drive and stimulus plan announced during the year.

Astral remains committed to its strategy of being the best cost integrated poultry producer, embarking on capital projects which will support this strategy, as well as organic growth and efficiency improvement opportunities.

DECLARATION OF ORDINARY DIVIDEND No 35

The board has approved a final dividend of 1 050 cents per ordinary share (gross) in respect of the year ended 30 September 2018.

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 Listings Requirements, the following information is disclosed:
– The dividend has been declared out of income reserves;
– The local Dividend Tax rate is 20% (twenty per centum);
– The gross local dividend is 1 050 cents per ordinary share for shareholders exempt from the Dividend Tax;
– The net local dividend is 840 cents per ordinary share for shareholders liable to pay Dividend Tax;
– Astral Foods Limited has currently 42 887 385 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary); 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 cum-dividend	Tuesday, 15 January 2019
– Shares commence trading ex-dividend	Wednesday,16 January 2019
– Record date	Friday, 18 January 2019
– Payment of dividend	Monday, 21 January 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 16 January 2019 and Friday, 18 January 2019, both days inclusive.

On behalf of the board

T Eloff
Chairman

C E Schutte
Chief Executive Officer

Pretoria
14 November 2018

More than just feed

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