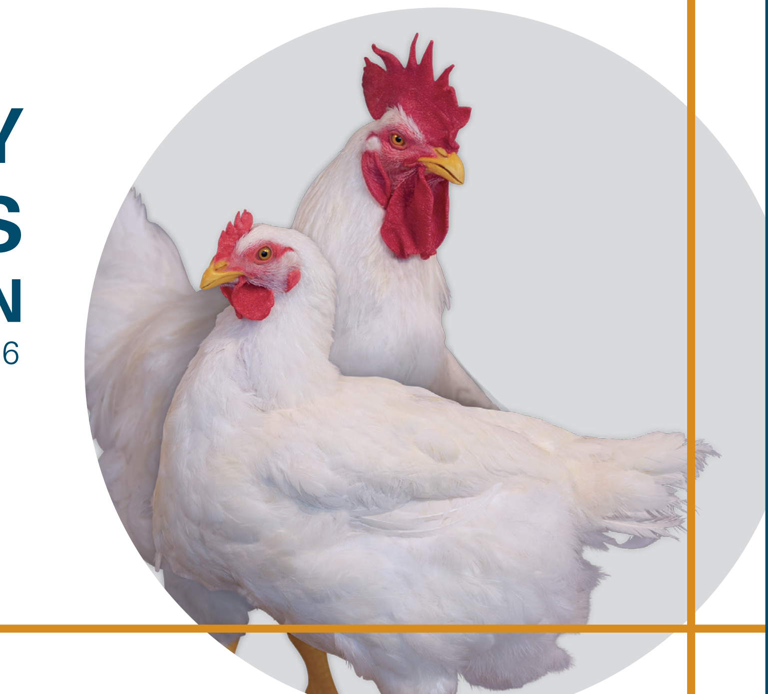
A leading Southern African integrated poultry producer

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

AUDITED SUMMARY CONSOLIDATED RESULTS AND DIVIDEND DECLARATION

30 September 2016



REVENUE INCREASE ↑6,1%

OPERATING PROFIT DECREASE ↓50,1%

HEADLINE EARNINGS PER SHARE DECREASE ↓52,1%

FINAL DIVIDEND PER SHARE 100c

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000	Change %
Revenue	**11 953 870**	11 265 962	6,1
Cost of sales	**(10 085 108)**	(8 747 521)	
Gross profit	**1 868 762**	2 518 441	(25,8)
Administrative expenses	**(509 706)**	(653 157)	
Distribution costs	**(651 405)**	(593 985)	
Marketing expenditure	**(174 663)**	(174 653)	
Other income	**23 079**	16 618	
Other losses	**(7 217)**	(12 780)	
Profit before interest and tax (note 5)	**548 850**	1 100 484	(50,1)
Finance income	**5 219**	12 810	
Finance costs	**(27 214)**	(22 988)	
Share of (loss)/profit from associate	**(642)**	3 288	
Profit before income tax	**526 213**	1 093 594	(51,9)
Tax expense	**(154 046)**	(313 655)	
Profit for the year	**372 167**	779 939	(52,3)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of post–employment benefit obligations (net of deferred tax)	**651**	791	
Items that may be subsequently reclassified to profit and loss			
Change in the value of available-for-sale financial assets		(709)	
Foreign currency loss on investment loans to foreign subsidiaries	**(9 688)**	(2 905)	
Foreign currency translation adjustments	**9 091**	(34 398)	
Total comprehensive income for the year	**372 221**	742 718	(49,9)
Profit attributable to:			
Equity holders of the holding company	**372 972**	778 126	(52,1)
Non-controlling interests	**(805)**	1 813	(144,4)
	372 167	779 939	(52,3)
Comprehensive income attributable to:			
Equity holders of the holding company	**373 257**	741 612	(49,7)
Non-controlling interests	**(1 036)**	1 106	(193,7)
	372 221	742 718	(49,9)
Earnings per share (cents)			
– basic	**964**	2 013	(52,1)
– diluted	**964**	2 009	(52,0)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000
ASSETS		
Non-current assets	**2 229 776**	2 233 413
Property, plant and equipment	**2 052 284**	2 054 677
Intangible assets	**38 613**	14 389
Goodwill	**136 135**	136 135
Investment in associates		25 468
Investments and loans	**2 744**	2 744
Current assets	**2 724 533**	2 580 391
Biological assets	**734 958**	667 540
Inventories	**716 851**	702 340
Trade and other receivables	**1 103 569**	882 310
Current tax asset	**32 754**	9 052
Cash and cash equivalents	**136 401**	319 149
Assets held for sale	**24 826**	
Total assets	**4 979 135**	4 813 804
EQUITY		
Capital and reserves attributable to equity holders of the parent company	**2 362 542**	2 360 866
Issued capital	**73 957**	72 357
Treasury shares	**(204 435)**	(204 435)
Reserves	**2 493 020**	2 492 944
Non-controlling interests	**9 992**	10 714
Total equity	**2 372 534**	2 371 580
LIABILITIES		
Non-current liabilities	**645 531**	616 396
Borrowings (note 7)		34 501
Deferred tax liabilities	**473 572**	420 192
Employment benefit obligations	**171 959**	161 703
Current liabilities	**1 961 070**	1 825 828
Trade and other liabilities	**1 439 526**	1 187 561
Employment benefit obligations	**138 652**	292 748
Current tax liabilities	**4 541**	2 290
Borrowings (note 7)	**376 431**	341 482
Shareholders for dividend	**1 920**	1 747
Total liabilities	**2 606 601**	2 442 224
Total equity and liabilities	**4 979 135**	4 813 804

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOW

	Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000
Cash operating profit	**546 544**	1 436 184
Changes in working capital	**(46 103)**	(440 638)
Cash generated from operations	**500 441**	995 546
Tax paid	**(122 251)**	(344 325)
Cash generated from operating activities	**378 190**	651 221
Cash used in investing activities	**(160 748)**	(185 821)
Capital expenditure	**(145 410)**	(201 491)
Costs incurred on intangibles	**(28 585)**	(1 328)
Proceeds on disposal of property, plant and equipment	**8 028**	4 188
Finance income	**5 219**	12 810
Cash flows from financing activities	**(447 008)**	(458 321)
Dividends paid	**(373 143)**	(320 646)
Proceeds from shares issued	**1 600**	4 482
Finance expense	**(26 449)**	(22 268)
Decrease in borrowings	**(49 016)**	(119 889)
Net (outflow)/inflow of cash and cash equivalents	**(229 566)**	7 079
Effects of exchange rate changes	**(1 763)**	(12 885)
Cash and cash equivalent balances at beginning of year	**26 585**	32 391
Cash and cash equivalent balances at end of year (note 8)	**(204 744)**	26 585

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000
Balance beginning of year	**2 371 580**	1 944 840
Profit for the year	**372 167**	779 939
Other comprehensive income for the year, net of tax	**54**	(37 221)
Dividends to the company's shareholders	**(373 316)**	(315 159)
Other	**314**	(5 560)
Proceeds on shares issued	**1 600**	4 482
Option value of share options granted	**135**	259
Balance at end of period	**2 372 534**	2 371 580

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000	Change %
Revenue			
Poultry	**9 128 645**	8 739 488	4,5
Feed	**7 189 614**	6 235 955	15,3
Other Africa	**515 346**	493 508	4,4
Inter-group	**(4 879 735)**	(4 202 989)	
Feed	**(4 700 315)**	(4 038 156)	
Poultry	**(179 420)**	(164 833)	
	11 953 870	11 265 962	6,1
Operating profit			
Poultry	**58 900**	661 002	(91,1)
Feed	**484 967**	422 885	14,7
Other Africa	**4 983**	16 597	(70,0)
	548 850	1 100 484	(50,1)
Capital expenditure			
Poultry	**139 092**	147 293	(5,6)
Feed	**27 018**	36 745	(26,5)
Other Africa	**2 837**	5 140	(44,8)
Corporate office	**432**	191	126,2
	169 379	189 369	(10,6)
Depreciation, amortisation and impairment			
Poultry	**112 852**	113 823	(0,9)
Feed	**23 918**	28 980	(17,5)
Other Africa	**6 630**	10 288	(35,6)
Corporate office	**287**	232	23,7
	143 687	153 323	(6,3)
Inventory			
Poultry	**313 825**	425 069	(26,2)
Feed	**361 612**	244 756	47,7
Other Africa	**41 414**	32 515	27,4
	716 851	702 340	2,1
Trade receivables			
Poultry	**751 652**	559 847	34,3
Feed	**225 258**	212 695	5,9
Other Africa	**21 159**	13 759	53,8
	998 069	786 301	26,9

ADDITIONAL INFORMATION

	Audited 12 months ended 30 Sept 2016	Audited 12 months ended 30 Sept 2015	% Change
Headline earnings (R'000) – (note 6)	**373 305**	779 649	(52,1)
Headline earnings per share (cents)			
– basic	**965**	2 016	(52,1)
– diluted	**964**	2 013	(52,1)
Dividends per share (cents) – declared out of earnings for the year			
– Final dividend for the year	**100**	575	(82,6)
– Total dividend for the year	**490**	1 150	(57,4)
Number of ordinary shares			
– Issued net of treasury shares	**38 687 308**	38 672 708	
– Weighted-average	**38 683 748**	38 663 740	
– Diluted weighted-average	**38 705 090**	38 734 021	
Net debt (borrowings less cash and cash equivalents)(R'000)	**240 030**	56 834	
Net debt to equity percentage	**10,1**	2,4	
Net asset value per share (Rand)	**61,07**	61,05	

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 16 November 2016.

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 2015.

4. **Independent audit by the auditors**

These summary consolidated financial statements for the year ended 30 September 2016 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 of 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.

		Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000
5.	**Profit before interest and tax**		
	The following items have been accounted for in the operating profit before interest and tax:		
	Directors remuneration	**36 478**	53 102
	Biological assets – fair value (loss)/gain	**(7 190)**	9 049
	Amortisation of intangible assets	**4 401**	5 353
	Depreciation on property, plant and equipment	**139 286**	147 803
	Profit on sale of property, plant and equipment	**2 034**	1 593
	Assets scrapped	**2 505**	4 046
	Foreign exchange losses	**6 746**	(10 327)
	Insurance recoveries	**9 152**	2 991
6.	**Reconciliation to headline earnings**		
	Net profit attributable to shareholders	**372 972**	778 126
	Profit on sale of property, plant and equipment (net of tax)	**(1 475)**	(1 399)
	Loss on assets scrapped (net of tax)	**1 808**	2 922
	Headline earnings for the period	**373 305**	779 649
7.	**Borrowings**		
	Non-current		
	Secured loans		3 642
	Unsecured loan	**35 286**	79 777
	Less: Portion payable within twelve months included in current liabilities	**(35 286)**	(48 918)
		–	34 501
	Current		
	Bank overdrafts	**341 145**	292 564
	Portion of non-current secured loans payable within twelve months	**35 286**	48 918
		376 431	341 482
8.	**Cash and cash equivalents per cash flow statement**		
	Bank overdrafts (included in current borrowings)	**(341 145)**	(292 564)
	Cash at bank and in hand	**136 401**	319 149
	Cash and cash equivalents per cash flow statement	**(204 744)**	26 585

		Audited 12 months ended 30 Sept 2016 R'000	Audited 12 months ended 30 Sept 2015 R'000
9.	**Capital commitments**		
	Capital expenditure approved not contracted	**37 967**	43 497
	Capital expenditure contracted not recognised in financial statements	**66 813**	23 415
	Raw material contracted amounts not recognised in the statement of financial position	**1 804 973**	1 127 563
10.	**Related party transactions – with associate**		
	Sales		7 543
	Purchases	**262 770**	227 846
	Receivables	**2 932**	3 521
	Trade payables	**27 431**	23 218

FINANCIAL OVERVIEW

The decrease in headline earnings from R780 million for the previous year, to R373 million for the 2016 financial year, is attributable to a decline in poultry's profits.

External revenue increased by 6.1% to R11 954 million, driven by a 13.2% increase in external feed sales whilst poultry revenue increased by 4.5%.

The group's operating profit decreased by 50.1% to R549 million. The Poultry division's reported operating profit of R59 million, compared to the record profit of R661 million for the previous year. Higher feed cost had a major negative impact on profits. Profitability of the Feed division at R485 million represents an increase of 14.7% on the prior year. The Africa division's operating profit at R5 million is down from the R17 million reported for 2015, impacted in particular by the adverse trading environment and poor results from the operations in Mozambique.

Net finance cost at R22 million was higher than the previous year's R10 million, resulting from a negative cash outflow for the year.

Profit after tax at R372 million is 52.3% down on the previous year, following the lower reported operating profits.

An agreement in principle was reached to sell the remaining 25% interest in Provimi SSA (Pty) Ltd, and as result the investment is being disclosed as an asset held for sale.

Impairment tests were done on the carrying value of the net assets of the different business units in the group and no impairments have been recognised.

Movement in working capital consists of higher month-end trade receivables due to higher September month-end sales, increased feed raw materials stock holding for strategic reasons, and higher trade payables resulting from the raw material stock build-up together with increased costs of raw materials.

Cash generated from operations at R378 million was sufficient to finance the net investing activities of R161 million, however the outflow from financing activities of R447 million, which includes the payment of the final 2015 dividend, resulted in a negative cash flow of R230 million. The net debt position at the end of the financial year of R240 million (2015: R 57 million) represent a net debt to equity ratio of 10.1%.

The Board has declared a final dividend of 100 cents per share. The distribution will be supported by the low debt to equity level and the underlying liquidity capabilities of the group.

OPERATIONAL OVERVIEW

Poultry division

Revenue for the division was up by 4,5% to R9 129 million (2015: R8 739 million) on the back of higher sales volumes. Broiler sales volumes increased by 4,2% due to sales out of higher opening stock, despite planned production cutbacks during the period under review.

The average selling price of poultry decreased by 0,6% for the period under review. Selling prices were under pressure throughout the period, due to an imbalance in the supply and demand of poultry, as a result of record high imports. The decrease in selling prices is in stark contrast to food price inflation, which rose significantly over the past year.

On account of the severe drought affecting the country, poultry feed prices increased by 17,4% per ton year-on-year. This resulted in a higher feeding cost driving the production cost of poultry up, which could not be recovered through the selling price to the end user. As a result profitability deteriorated by 91,1% to R59 million (2015: R661 million) with a disappointing net margin of 0,7% for the period under review (2015: 7,6%).

Total poultry imports reached record levels during the reporting period, with a peak at 57 673 tons in March 2016 (equivalent to approximately 10,3 million birds per week). South Africa is often referred to as a "least protected market" around the globe due to an absence of quantitative restrictions, and the lack of enforcement of sanitary and phytosanitary measures on poultry imports.

A significant increase in imports of bone-in portions from the European Union (EU), particularly from the Netherlands has been reported. This situation, notwithstanding the permanent EU anti-dumping duties imposed on Germany, the Netherlands and the United Kingdom in 2015, and a significant depreciation in the South African currency, confirms the classic dumping of poultry products in South Africa.

The full impact of poultry imports under the Africa Growth and Opportunities Act (AGOA) agreement has not yet materialised, as imports for the nine months ending September 2016 equalled 33% of the quota that could be imported exempt of the US anti-dumping duty.

Feed division

Revenue increased by 15,3% to R7 190 million (2015: R6 236 million) due to the higher average selling price of animal feed. Sales volumes decreased by 2,3%, negatively affected by lower inter-group volumes (down 2,6%) as a result of planned cutbacks as well as improved feed conversion efficiencies. Lower external sales volumes (down 1,9%) were experienced as other livestock production sectors came under similar pressure to the poultry industry.

Despite the lower volumes, expense increases per ton were contained to only 1% year-on-year across all feed mills, as efficiency improvements made in the older feed mills yielded benefits. The Standerton feed mill produced on average 29 200 tons of poultry feed per month for the period under review (capacity utilisation of 73%).

The operating profit improved to R485 million (2015: R423 million) with a consistent operating profit margin at 6,8% (2015: 6,8%). Rand per ton margins improved year-on-year, supported by the successful recovery of inflationary costs, well-positioned raw material costs relative to SAFEX market prices and cost improvement through benefits attributable to efficiency advances in the division.

Other Africa division

Revenue increased by 4,4% to R515 million (2015: R494 million) supported by higher feed selling prices, despite lower volumes across the division as economic conditions in Zambia and Mozambique deteriorated year-on-year.

Operating profit decreased to R5 million (2015: R17 million). For the period under review, losses were recorded in the Mozambican feed and poultry operations, which were severely impacted by a sharp depreciation of the Meticais resulting in foreign currency losses on import creditors.

The Zambian operations faced on-going power cuts during the year and incurred a considerable cost in operating standby generators.

OUTLOOK

- The weakened state of consumer spending is unlikely to improve due to poor economic growth and higher unemployment which will continue to constrain an increase in the per capita consumption of poultry.
- The new brining regulations will negatively impact total kilograms sold at the revised brining level of 15% on IQF product.
- High maize and feed prices will continue for at least the first half of 2017 on the back of the severe drought.
- The safeguard duty recommended by ITAC against the EU is not expected to significantly curb poultry import levels.
- The consensus amongst weather forecasters is that normal rainfall can be expected over the next South African maize growing season, which should lead to lower SAFEX maize prices from May 2017.
- Poultry production efficiencies are expected to remain good on the back of the inherent genetic potential of the Ross 308 breed.
- Contraction in local production due to cutbacks, resizing and closures could result in an improved balance between supply and demand.

DECLARATION OF ORDINARY DIVIDEND No 31

– The board has approved a final dividend of 100 cents per ordinary share (gross) in respect of the year ended 30 September 2016.

– 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 is 15% (fifteen per centum);

– The gross local dividend is 100 cents per ordinary share for shareholders exempt from the Dividend Tax;

– The net local dividend is 85 cents per ordinary share for shareholders liable to pay Dividend Tax;

– Astral Foods Limited currently has 42 775 885 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 interim dividend:

Last date to trade *cum*-dividend	Tuesday, 17 January 2017
Shares commence trading *ex*-dividend	Wednesday, 18 January 2017
Record date	Friday, 20 January 2017
Payment of dividend	Monday, 23 January 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 January 2017 and Friday, 20 January 2017, both days inclusive.

On behalf of the board

T Eloff
Chairman

C E Schutte
Chief Executive Officer

Pretoria
16 November 2016

More than just feed

More than just feed

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