

# AUDITED SUMMARY CONSOLIDATED RESULTS AND DIVIDEND DECLARATION

30 September 2015



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: ZAE00029757

↑17%

REVENUE INCREASE

↑123%

OPERATING PROFIT INCREASE

↑133%

HEADLINE EARNINGS PER SHARE INCREASE

↑575c

FINAL DIVIDEND PER SHARE

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Audited 12 months ended 30 Sept 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 |  |
|--|--|--|--|
| <b>ASSETS</b>  |  |  |  |
| <b>Non-current assets</b>  | <b>2 233 413</b>                           | 2 241 407                                  |  |
| Property, plant and equipment  | 2 054 677                                  | 2 059 143                                  |  |
| Intangible assets  | 14 889                                     | 18 601                                     |  |
| Goodwill   | 136 135                                    | 136 135                                    |  |
| Trade and other receivables  | 25 468                                     | 22 180                                     |  |
| Investments  | 2 744                                      | 3 453                                      |  |
| Deferred tax asset   | -  | 1 895                                      |  |
| <b>Current assets</b>  | <b>2 580 391</b>                           | 2 133 628                                  |  |
| Inventories  | 702 340                                    | 452 594                                    |  |
| Biological assets  | 667 540                                    | 644 590                                    |  |
| Trade and other receivables  | 882 310                                    | 893 024                                    |  |
| Current tax asset  | 9 052                                      | 12 889                                     |  |
| Cash and cash equivalents  | 319 149                                    | 130 531                                    |  |
| <b>Total assets</b>  | <b>4 813 804</b>                           | 4 375 035                                  |  |
| <b>EQUITY</b>  |  |  |  |
| <b>Capital and reserves attributable to equity holders of the parent company</b> | <b>2 360 866</b>                           | 1 929 672                                  |  |
| Issued capital   | 72 357                                     | 67 875                                     |  |
| Treasury shares  | (204 435)                                  | (204 435)                                  |  |
| Reserves   | 2 492 944                                  | 2 066 232                                  |  |
| <b>Non-controlling interests</b>   | <b>10 714</b>                              | 15 168                                     |  |
| <b>Total equity</b>  | <b>2 371 580</b>                           | 1 944 840                                  |  |
| <b>LIABILITIES</b>   |  |  |  |
| <b>Non-current liabilities</b>   | <b>616 396</b>                             | 730 818                                    |  |
| Borrowings (note 7)  | 34 501                                     | 156 000                                    |  |
| Deferred tax liabilities   | 420 192                                    | 438 035                                    |  |
| Employment benefit obligations   | 161 703                                    | 136 783                                    |  |
| <b>Current liabilities</b>   | <b>1 825 828</b>                           | 1 699 377                                  |  |
| Trade and other liabilities  | 1 480 309                                  | 1 527 007                                  |  |
| Current tax liabilities  | 2 290                                      | 22 409                                     |  |
| Borrowings (note 7)  | 341 482                                    | 148 287                                    |  |
| Shareholders for dividend  | 1 747                                      | 1 674                                      |  |
| <b>Total liabilities</b>   | <b>2 442 224</b>                           | 2 430 195                                  |  |
| <b>Total equity and liabilities</b>  | <b>4 813 804</b>                           | 4 375 035                                  |  |

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Audited 12 months ended 30 Sept 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 | Change % |
|--|--|--|----------|
| <b>Revenue</b>   | <b>11 265 962</b>                          | 9 602 376                                  | 17       |
| <b>Profit before interest and tax (note 5)</b>                             | <b>1 100 484</b>                           | 492 939                                    | 123      |
| Finance income   | 12 810                                     | 651  |          |
| Finance costs  | (22 988)                                   | (25 929)                                   |          |
| Share of profit from associate   | 3 288                                      | 2 240                                      |          |
| <b>Profit before income tax</b>  | <b>1 093 594</b>                           | 469 901                                    | 133      |
| Tax expense  | (313 655)                                  | (128 835)                                  |          |
| <b>Profit for the year</b>   | <b>779 939</b>                             | 341 066                                    | 129      |
| <b>Other comprehensive income</b>  |  |  |          |
| Remeasurement of post-employment benefit obligations (net of deferred tax) | 791  | 4 281                                      |          |
| Change in the value of available-for-sale financial assets                 | (709)                                      | 1 367                                      |          |
| Foreign currency loss on investment loans to foreign subsidiaries          | (2 905)                                    | (859)                                      |          |
| Foreign currency translation adjustments                                   | (34 398)                                   | 1 113                                      |          |
| <b>Total comprehensive income for the year</b>                             | <b>742 718</b>                             | 346 968                                    | 114      |
| <b>Profit attributable to:</b>   |  |  |          |
| Equity holders of the holding company                                      | 778 126                                    | 337 518                                    | 131      |
| Non-controlling interests  | 1 813                                      | 349  | (49)     |
|  | <b>779 939</b>                             | 341 066                                    | 129      |
| <b>Comprehensive income attributable to:</b>                               |  |  |          |
| Equity holders of the holding company                                      | 741 612                                    | 343 128                                    | 116      |
| Non-controlling interests  | 1 106                                      | 3 840                                      | (71)     |
|  | <b>742 718</b>                             | 346 968                                    | 114      |
| <b>Earnings per share (cents)</b>  |  |  |          |
| - basic  | 2 013                                      | 884  | 128      |
| - diluted  | 2 009                                      | 884  | 127      |

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Audited 12 months ended 30 Sept 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 |  |
|--|--|--|--|
| <b>Cash operating profit</b>                                     | <b>1 436 184</b>                           | 671 225                                    |  |
| Changes in working capital                                       | (440 638)                                  | 32 897                                     |  |
| <b>Cash generated from operating activities</b>                  | <b>995 546</b>                             | 704 122                                    |  |
| Income tax paid  | (344 325)                                  | (100 232)                                  |  |
| <b>Cash flows from operating activities</b>                      | <b>651 221</b>                             | 603 890                                    |  |
| <b>Cash used in investing activities</b>                         | <b>(185 821)</b>                           | (382 645)                                  |  |
| Capital expenditure  | (202 819)                                  | (394 982)                                  |  |
| Finance income   | 12 810                                     | 651  |  |
| Repayment of loan  | -  | 3 262                                      |  |
| Proceeds on disposal of property, plant and equipment            | 4 188                                      | 8 424                                      |  |
| <b>Cash flows from financing activities</b>                      | <b>(458 321)</b>                           | (110 822)                                  |  |
| Net (decrease)/increase in borrowings                            | (119 889)                                  | 24 099                                     |  |
| Proceeds from shares issued                                      | 4 482                                      | 65 831                                     |  |
| Interest paid  | (22 268)                                   | (37 495)                                   |  |
| Dividends paid   | (320 646)                                  | (163 257)                                  |  |
| <b>Net movement in cash and cash equivalents</b>                 | <b>7 079</b>                               | 110 423                                    |  |
| Effects of exchange rate changes                                 | (12 885)                                   | (4)  |  |
| Cash and cash equivalent balances at beginning of year           | 32 391                                     | (78 028)                                   |  |
| <b>Cash and cash equivalent balances at end of year (note 8)</b> | <b>26 585</b>                              | 32 391                                     |  |

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Audited 12 months ended 30 Sept 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 |  |
|--|--|--|--|
| Balance beginning of year                    | 1 944 840                                  | 1 694 820                                  |  |
| Total comprehensive income for the period    | 742 718                                    | 346 968                                    |  |
| Dividends to the company's shareholders      | (315 159)                                  | (160 615)                                  |  |
| Payments to non-controlling interest holders | (5 560)                                    | (2 617)                                    |  |
| Proceeds on shares issued                    | 4 482                                      | 65 831                                     |  |
| Option value of share options granted        | 259  | 453  |  |
| <b>Balance at end of period</b>              | <b>2 371 580</b>                           | 1 944 840                                  |  |

## ADDITIONAL INFORMATION

|   | Audited 12 months ended 30 Sept 2015 | Audited 12 months ended 30 Sept 2014 | Change % |
|---|--------------------------------------|--------------------------------------|----------|
| Headline earnings (R'000) - (note 6)                                | 779 649                              | 329 740                              | 136      |
| Headline earnings per share (cents)                                 |                                      |                                      |          |
| - basic   | 2 016                                | 864                                  | 133      |
| - diluted   | 2 013                                | 864                                  | 133      |
| Dividends per share (cents) - declared out of earnings for the year |                                      |                                      |          |
| - Final dividend for the year                                       | 575                                  | 240                                  | 140      |
| - Total dividend for the year                                       | 1 150                                | 440                                  | 161      |
| Number of ordinary shares   |                                      |                                      |          |
| - Issued net of treasury shares                                     | 38 672 708                           | 38 634 108                           |          |
| - Weighted-average  | 38 663 740                           | 38 171 021                           |          |
| - Diluted weighted average  | 38 734 021                           | 38 176 737                           |          |
| Net debt (borrowings less cash and cash equivalents) (R'000)        | 56 834                               | 173 756                              |          |
| Net debt to equity percentage                                       | 2.4                                  | 8.9                                  |          |
| Net asset value per share (Rand)                                    | 61.05                                | 49.95                                |          |

## SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

|  | Audited 12 months ended 30 Sept 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 | Change % |
|--|--|--|----------|
| <b>Revenue</b>                                   | <b>8 739 488</b>                           | 6 966 716                                  | 25       |
| Poultry  | 6 235 955                                  | 5 506 079                                  | 13       |
| Feed   | 493 508                                    | 499 278                                    | (1)      |
| Other Africa                                     | (4 202 989)                                | (3 369 697)                                |          |
| Inter-group                                      |  |  |          |
| Feed to poultry                                  | (3 996 814)                                | (3 201 796)                                |          |
| Other  | (206 175)                                  | (167 901)                                  |          |
|  | <b>11 265 962</b>                          | 9 602 376                                  | 17       |
| <b>Operating profit</b>                          | <b>661 002</b>                             | 104 400                                    | 533      |
| Poultry  | 422 885                                    | 353 728                                    | 20       |
| Feed   | 16 597                                     | 34 811                                     | (52)     |
| Other Africa                                     |  |  |          |
|  | <b>1 100 484</b>                           | 492 939                                    | 123      |
| <b>Capital expenditure</b>                       | <b>147 293</b>                             | 286 329                                    | (49)     |
| Poultry  | 36 745                                     | 98 732                                     | (63)     |
| Feed   | 5 140                                      | 19 020                                     | (73)     |
| Other Africa                                     | 191  | 135  |          |
| Corporate office                                 |  |  |          |
|  | <b>189 969</b>                             | 404 216                                    | (53)     |
| <b>Depreciation, amortisation and impairment</b> | <b>113 823</b>                             | 105 211                                    | 8        |
| Poultry  | 28 980                                     | 17 847                                     | 62       |
| Feed   | 10 288                                     | 11 080                                     | (7)      |
| Other Africa                                     | 232  | 354  |          |
| Corporate office                                 |  |  |          |
|  | <b>153 323</b>                             | 134 492                                    | 14       |
| <b>Total assets</b>                              | <b>3 376 553</b>                           | 3 137 235                                  | 8        |
| Poultry  | 1 683 422                                  | 1 533 958                                  | 10       |
| Feed   | 211 539                                    | 253 104                                    | (16)     |
| Other Africa                                     | 342 212                                    | 150 309                                    | 128      |
| Corporate office                                 | (799 922)                                  | (699 571)                                  |          |
| Set-off of intra-group balances                  |  |  |          |
|  | <b>4 813 804</b>                           | 4 375 035                                  | 10       |
| <b>Total liabilities</b>                         | <b>1 882 581</b>                           | 1 630 061                                  | 15       |
| Poultry  | 821 385                                    | 1 048 002                                  | (22)     |
| Feed   | 96 880                                     | 94 917                                     | 2        |
| Other Africa                                     | 441 300                                    | 356 786                                    | 24       |
| Corporate office                                 | (799 922)                                  | (699 571)                                  |          |
| Set-off of intra-group balances                  |  |  |          |
|  | <b>2 442 224</b>                           | 2 430 195                                  | -        |

## NOTES

- 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.
- 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 11 November 2015.
- Accounting policies**  
The accounting policies applied in these summary 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 2014.
- Independent audit by the auditors**  
These summary consolidated financial statements for the year ended 30 September 2015 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 2015 R'000 | Audited 12 months ended 30 Sept 2014 R'000 |
|---|--|--|
| <b>5. Operating profit</b>  |  |  |
| The following items have been accounted for in the operating profit:        |  |  |
| Directors' remuneration   | 53 102                                     | 30 555                                     |
| Biological assets - fair value gain   | 9 049                                      | 2 725                                      |
| Amortisation of intangible assets   | 5 353                                      | 9 848                                      |
| Depreciation on property, plant and equipment                               | 147 803                                    | 124 797                                    |
| Profit on sale of property, plant and equipment                             | 1 593                                      | 5 225                                      |
| Assets scrapped   | 4 046                                      | 8 585                                      |
| Foreign exchange (losses)/profits   | (10 327)                                   | 1 109                                      |
| Reversal of impairment charge on property, plant and equipment (net of tax) | -  | 153  |
| Insurance recoveries  | 2 991                                      | 15 977                                     |
| <b>6. Reconciliation to headline earnings</b>                               |  |  |
| Net profit attributable to shareholders                                     | 778 126                                    | 337 518                                    |
| Profit on sale of property, plant and equipment (net of tax)                | (1 399)                                    | (3 981)                                    |
| Loss on assets scrapped (net of tax)  | 2 922                                      | 6 157                                      |
| Insurance recovery on damaged assets (net of tax)                           | -  | (6 441)                                    |
| Reversal of impairment charge on property, plant and equipment (net of tax) | -  | (110)                                      |
| Adjustment to prior year tax provision on sale of investment                | -  | (3 403)                                    |
| <b>Headline earnings for the period</b>                                     | <b>779 649</b>                             | 329 740                                    |
| <b>7. Borrowings</b>  |  |  |
| <b>Non-current</b>  |  |  |
| Secured loans   | 3 642                                      | 16 945                                     |
| Unsecured loan  | 79 777                                     | 189 202                                    |
| Less: Portion payable within 12 months included in current liabilities      | (48 918)                                   | (50 147)                                   |
|   | <b>34 501</b>                              | 156 000                                    |
| <b>Current</b>  |  |  |
| Bank overdrafts   | 292 564                                    | 98 140                                     |
| Portion of non-current secured loans payable within 12 months               | 48 918                                     | 50 147                                     |
|   | <b>341 482</b>                             | 148 287                                    |
| <b>8. Cash and cash equivalents per cash flow statement</b>                 |  |  |
| Bank overdrafts (included in current borrowings)                            | (292 564)                                  | (98 140)                                   |
| Cash at bank and in hand  | 319 149                                    | 130 531                                    |
| <b>Cash and cash equivalents per cash flow statement</b>                    | <b>26 585</b>                              | 32 391                                     |
| <b>9. Capital commitments</b>   |  |  |
| Capital expenditure approved not contracted                                 | 43 497                                     | 12 956                                     |
| Capital expenditure contracted not recognised in financial statements       | 23 415                                     | 43 521                                     |
| <b>10. Related party transactions - with associate</b>                      |  |  |
| Sales   | 7 543                                      | 7 874                                      |
| Purchases   | 227 846                                    | 206 357                                    |
| Receivables   | 3 521                                      | 6 395                                      |
| Trade payables  | 23 218                                     | 25 508                                     |

## FINANCIAL OVERVIEW

The increase in headline earnings from R329,7 million for the previous year, to R779,6 million for the 2015 financial year, is mainly attributable to a material improvement in poultry's profits which was well supported by increased profits from the feed segment.

Revenue increased by 17,3% to R11 266 million, mainly driven by a 25,4% increase in poultry revenue.

The group's operating profit increased by 123,2% to a record R1 100,5 million. The Poultry division's reported operating profit of R661,0 million, compared to the profit of R104,4 million for the previous year, is the main driver for the improvement in the group's operating profit. Profitability of the Feed division at R422,9 million represents an increase of 19,6% on the previous year's operating profit. The Africa division's operating profit at R16,6 million is down on the previous year's R34,8 million, impacted by the weakening in the functional currencies of those other African countries, resulting in difficult trading conditions.

Net finance cost at R10,2 million was lower than the previous year's R25,3 million. Cash flow for the year has been positive, allowing for an accelerated payment on the long-term loan incurred to finance the construction of the new Standerton feedmill.

Profit before tax at R1 093,6 million is 132,7% higher than the previous year's R469,9 million.

The cash generated from operating activities at R995,5 million represents a 41,4% increase on the previous year's R704,1 million, in spite of an outflow of R440,6 million for the increased level of working capital. Stock levels for both poultry products and feed stock were abnormally high at year-end compared to the previous reporting period. The payment terms of certain raw material creditors were also brought forward with one day to 30 September, in order to better align the cash outflow for payment of these trade payables with the cash inflow from trade receivables received on or before year-end reporting date. Capital expenditure at R202,8 million reflects normal ongoing expenditure, compared to the previous year which includes expenditure on specific major capital projects. The net movement in cash and cash equivalents was an inflow of R7,1 million for the year. The net debt equity ratio, including the funding of the new feed mill, at 2,4% is down from 8,9% as at 30 September 2014.

The board has declared a final dividend of 575 cents per share. The distribution is 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 25,4% to R8 739 million (2014: R6 967 million) supported by higher broiler volumes which increased by 12,8%. This increase was primarily due to the contribution to sales as a result of the Quantum broiler volumes (550 000 birds per week) now incorporated into Astral's Western Cape broiler operation. Improved farm production efficiencies and increased bird placements, against cutbacks in the comparable reporting period, added further volumes during the period under review.

The average selling price of poultry increased by 11,9% for the period under review, tracking food price inflation over the past year and reflects an element of recovery in poultry selling prices that was eroded in prior years. Improved production costs as a result of feed prices decreasing by 2,5% over the comparable period, coupled with the abovementioned volume increase, resulted in the operating profit for the division increasing to R661 million (2014: R104 million). The operating profit margin improved to a more normalised 7,6% for the period under review (2014: 1,5%).

The improved average selling price includes a contribution from product mix with an increase in the fresh participation of 2% driven largely by the increase in these volumes in the Western Cape through the take-on of the Quantum volumes.

Notwithstanding the permanent EU anti-dumping duties imposed on Germany, Netherlands and the United Kingdom, poultry imports remained high during the period, with a record level of total poultry product imports equating to approximately 8,6 million birds per week for the month of July 2015. Imports from the EU have switched to other countries in that region, and notwithstanding the weak South African currency, the high level of imports is clear proof that classic dumping is still taking place.

### Feed division

Revenue for the division increased by 13,3% to R6 236 million (2014: R5 506 million) as a result of higher sales volumes which increased by 12,4% year-on-year due to the contribution of volumes