

Arl - Astral Foods - Audited Annual Financial Results And Dividend Declaration

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30 September 2008

ASTRAL FOODS

Incorporated in the Republic of South Africa

Registration no 1978/003194/06

Share code: ARL

ISIN: ZAE000029757

AUDITED ANNUAL FINANCIAL RESULTS AND DIVIDEND DECLARATION

30 September 2008

Highlights

- Operating profit decrease 32%
- Earnings per share decrease 38%
- Dividend unchanged
- Cash from operating activities increased 43%

Condensed Group Income Statement

Audited

Audited

			Year ended 30 Sept 2008	Change	Year ended 30 Sept 2007
R`000	%	R`000			
Revenue			8 184 205	29	6 329 311
Operating profit (note 5)			547 786	(32)	808 238
Net finance costs			(49 401)		(1 591)
Profit before income tax			498 385	(38)	806 647
Income tax expense			(164 159)		(261 089)
Profit for the year			334 226	(39)	545 558
Attributable to:					
Equity holders of the parent company			327 261	(39)	537 858
Minority interests			6 965	(10)	7 700
Profit for the year			334 226	(39)	545 558
Earnings per share (cents)					
- basic			858	(38)	1 387
- diluted			858	(38)	1 385
Additional information					
Headline earnings (R`000)			320 385	(40)	535 521
Headline earnings per share (cents)					
- basic			840	(39)	1 381
- diluted			840	(39)	1 379
Dividend per share (cents)					
- declared out of earnings for the year			700	-	700
Ordinary shares					
- Issued net of treasury shares			38 047 708		38 459 792
- Weighted-average			38 134 718		38 789 127
- Diluted weighted-average			38 157 365		38 825 141
Net asset value per share (Rand)			34,24	2	33,47
Condensed Group Balance Sheet					
				Audited	Audited
Year ended		Year ended			
				30 Sept	30 Sept
				2008	2007
				R`000	R`000
Assets					
Non-current assets				1 614 525	1 416 775

Property, plant and equipment	1 462 364	1 254 028
Intangible assets	12 251	15 718
Goodwill	124 802	123 548
Investments and loans	13 184	2 873
Derivative financial instruments	-	15 549
Deferred income tax asset	1 924	5 059
Current assets	1 542 689	1 449 933
Inventories	300 124	249 368
Biological assets	318 218	282 308
Trade and other receivables	723 128	772 490
Current income tax assets	33 924	22 318
Derivative financial instruments	7 201	16 555
Cash and cash equivalents	160 094	106 894
Total assets	3 157 214	2 866 708
Equity		
Capital and reserves attributable to equity holders of the parent company	1 302 887	1 287 063
Issued capital	736	6 184
Treasury shares	(204 435)	(211 231)
Reserves	1 506 586	1 492 110
Minority interest in equity	25 263	20 450
Total equity	1 328 150	1 307 513
Liabilities		
Non-current liabilities	390 223	327 014
Borrowings	19 757	6 228
Deferred income tax liability	301 756	256 326
Retirement benefit obligations	68 710	64 460
Current liabilities	1 438 841	1 232 181
Trade and other liabilities	1 102 500	958 115
Current income tax liabilities	9 471	14 651
Borrowings	326 870	259 415
Total liabilities	1 829 064	1 559 195
Total equity and liabilities	3 157 214	2 866 708
Condensed Group Cash Flow Statement		
Audited	Audited	

Year ended	Year ended
30 Sept	30 Sept
2008	2007

R`000	R`000		
Cash operating profit	660 736	913 454	
Working capital changes	111 433	(221 711)	
Cash generated from operating activities	772 169	691 743	
Income tax paid	(133 138)	(243 790)	
Cash flows from operating activities	639 031	447 953	
Net cash used in investing activities	(269 803)	(336 550)	
Cash generated for the year	369 228	111 403	
Cash used in financing activities	(382 249)	(385 129)	
Proceeds from issuance of shares	441	4 736	
Shares repurchased	(59 146)	(114 871)	
Interest paid	(68 827)	(23 307)	
Dividends paid to the company's shareholders	(266 738)	(240 818)	
Payments to minority interest holders	(2 331)	(8 289)	
Increase/(decrease) in borrowings	14 352	(2 580)	
Net decrease in cash and cash equivalents	(13 021)	(273 726)	
Effects of exchange rate changes	3 512	(1 912)	
Cash and cash equivalent from acquisition of subsidiary	(2 621)	5 974	
Cash and cash equivalent balances at beginning of year	(150 041)	119 623	
Cash and cash equivalent balances at end of year	(162 171)	(150 041)	
Condensed Group Segment Information			

Year ended	Year ended	Audited		Audited
		30 Sept	Change	30 Sept
		2008	%	2007
		R`000		R`000
Revenue				
Animal Nutrition		5 138 064	46	3 530 610
- South Africa		4 825 052	44	3 347 738
- Other Africa		313 012	71	182 872
- Intergroup		(1 774 073)		(1 324 106)
Poultry				
- South Africa and Swaziland		5 099 284	16	4 382 651
- Inter group		(279 070)		(259 844)
8 184 205	29	6 329 311		
Operating profit				
Animal Nutrition		384 922	16	332 707
- South Africa		339 052	15	294 752
- Other Africa		45 870	21	37 955
Poultry				
- South Africa and Swaziland		162 864	(66)	475 531
		547 786	(32)	808 238
Assets				
Animal Nutrition		1 172 300	27	923 615
- South Africa		1 010 086	22	826 690
- Other Africa		162 214	67	96 925
Poultry				
- South Africa and Swaziland		2 235 666	7	2 097 183
Inter group		(250 752)		(154 090)
		3 157 214	10	2 866 708
Liabilities				
Animal Nutrition		596 545	(13)	686 724
- South Africa		519 444	(19)	640 684
- Other Africa		77 101	67	46 040
Poultry				
- South Africa and Swaziland		1 483 271	44	1 026 561
Inter group		(250 752)		(154 090)
		1 829 064	17	1 559 195

Condensed Group Statement of Changes in Equity		Audited	Audited
		Year ended	Year ended
		30 Sept	30 Sept
		R`000	R`000
2008	2007		
		1 307 513	1 120 954
Balance beginning of year		334 226	545 558
Profit for the year		8 789	(1 633)
Movement in currency translation		(266 905)	(240 852)
difference during the year		(2 331)	(8 289)
Dividends to the company`s shareholders		(59 146)	(114 871)
Payments to minority interest holders		441	4 736
Decrease in equity as result of share repurchases		5 563	503
Shares issued		-	1 407
Option value of share options granted		1 328 150	1 307 513
Minority interest in subsidiary acquired			
Balance at end of year			

Notes

1. Basis of preparation

The condensed consolidated financial information announcement is based on the audited financial statements of the group for the year ended 30 September 2008 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Listings Requirements of the JSE Limited and the South

African Companies Act (1973), as amended.

2. Accounting policies

The accounting policies applied in these condensed consolidated financial statements comply with IFRS and IAS 34 and are in agreement with those applied in the preparation of the group's annual financial statements for the year ended 30 September 2008, and consistent with those applied in previous years, except for the adoption of IFRS 7. The adoption of IFRS 7 impacted disclosures made in the financial statements. The adoption of the standard had no impact on the reported profits or financial position of the group.

3. Independent audit by the auditors

These condensed consolidated results have been audited by our auditors PricewaterhouseCoopers Inc. who have performed their audit in accordance with the International Standards on Auditing. A copy of their unqualified audit report is available for inspection at the registered office of the company.

4. Trading weeks

The reporting period for the poultry segment ends on the last Saturday of the financial year, resulting in a 52 week reporting period for 2008 (2007: 53 weeks).

The extra trading week in 2007 yielded additional revenue and operating profit of R78 million and R6 million respectively.

Year ended	Year ended	Audited	Audited
		30 Sept	30 Sept
		2008	2007
		R`000	R`000

5. Operating profit

The following items have been accounted for in the operating profit:

Auditors` remuneration	4 455	3 902
Directors` remuneration	9 058	13 929
Cash settled share based payments	2 439	36 349
Equity call options - fair value loss	22 121	760
Biological assets - fair value gain	1 231	2 557
Amortisation of intangible assets	4 744	4 475
Depreciation on property, plant and equipment	84 191	101 818
Profit on disposal of property, plant and equipment	8 609	746
Foreign exchange profit	338	83
6. Reconciliation to headline earnings		
Earnings for the year	327 261	537 858
Profit on sale of property, plant and equipment	(7 371)	(503)
Impairment of assets	495	-
Investment previously written off now reversed	-	(714)
Excess fair value over cost of investment in business	-	(1 120)
Headline earnings for the year	320 385	535 521

7. Share capital

In terms of the share buy back programme - 450 000 shares were acquired during the period under review at a total cost of R59 146 000.

In terms of the Group's share incentive scheme, 37 916 shares were issued in respect of share options exercised during the period under review.

8. Capital commitments

Capital expenditure approved not contracted	84 856	72 782
Capital expenditure contracted not recognised in financial statements	24 417	83 893

9. Contingent liabilities

- A referral was made to the Competition Tribunal regarding alleged anti-competitive conduct by Astral Operations Limited and Elite Breeding Farms. The

group is opposing the referral.

- Profile Feeds (Pty) Limited and Paarl Poultry Farms (Pty) Limited instituted claims against Astral Operations Limited on the basis of purported cancellation of a long term feed agreement in the sum of R42 million, alternatively R21 million, alternatively R3,7 million. The prospects for success of these claims are regarded as being remote and any possible financial loss has been estimated and provided for in the financial statements.

Financial Overview

Profit for the year fell by 39% to R334 million from last year's R545 million. The South African poultry industry came under pressure during the year following the reduction in consumer spending early in 2008 which led to an over supply situation developing. This, together with a substantial further increase in input costs, squeezed poultry margins severely.

Revenue increased by 29% from R6,329 million to R8,184 million driven largely by input costs, but operating profit was 32% lower at R548 million (2007: R808 million). While Animal Nutrition operating profit improved by 16%, Poultry operating profit was down 66%. The group's operating margin of 6,7% was down on last year's 12,8%.

Net interest paid for the year of R49,4 million compares to last year's R1,6 million.

Earnings per share decreased by 38% from 1 387 cents to 858 cents.

Cash from operating activities for the year of R639 million was 43% higher than the R448 million generated in 2007.

Net debt for the year increased by R28 million to R187 million representing a debt to equity ratio of 14%.

A final dividend of 440 cents per share has been declared, resulting in a total dividend for the year of 700 cents, the same as last year. The distribution is justified by our robust underlying cash flow and strong balance sheet.

Operational Overview

Animal Nutrition Division

Revenue improved by 46% to R5,138 million (2007: R3,531 million) driven by high agricultural input commodities prices. Volumes for the period increased by 2%. Operating profits increased by 16% to R385 million but margins came under pressure and reduced from last year's 9,4% to 7,5%. Operating costs were well contained in a difficult environment. Operating profit of other Africa operations increased by a healthy 21%.

Poultry Division

Revenue increased by 16% to R5,099 million (2007: R4,383 million) but operating profit fell by 66% to R163 million and operating margins dropped from 10,8% to 3,2%. The demand for poultry products was under pressure due to reduced consumer spending. Sales volumes increased by 11% mainly due to the poultry expansion projects coming into full production and the selling price of poultry meat increased by 8% but was totally insufficient to compensate for the 29% increase in feed prices. The average live cost to produce a broiler increased by 23%.

Prospects

Due to the global economic crisis together with forecast normal summer weather season, prices of agricultural commodities have already eased. This, together with lower imports of poultry products, should result in improved earnings for next year.

Declaration of Ordinary Cash Dividend No. 16

Notice is hereby given that a final cash dividend (no.16) of 440 cents per ordinary share (excluding any withholding or dividend tax) has been declared in respect of the year ended 30 September 2008.

Salient dates

	2009
Last date to trade cum dividend	Friday, 9 January
Shares commence trading ex dividend	Monday, 12 January
Record date	Friday, 16 January
Payment of dividend	Monday, 19 January

Share certificates may not be dematerialised or rematerialised between Monday, 12 January 2009 and Friday, 16 January 2009, both days inclusive.

On behalf of the board

J J Geldenhuys

N C Wentzel

Chairman

Chief Executive Officer

Pretoria

13 November 2008

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*C E Schutte, C G van Veyeren, M Macdonald,

T C C Mampane, Dr T Eloff, Dr N Tsengwa

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