Astral

Audited summary consolidated results

Audited

and dividend declaration

for the year ended 30 September 2019



Summary consolidated statement

of comprehensive income

for the year ended 30 September 2019

	Audited	Audited	
	12 months	12 months	
	ended	ended	
	30 September	30 September	
	2019	2018	
	R'000	R′000	% change
Revenue	13 485 475	12978561	4
Cost of sales	(10 856 468)	(9304535)	
Gross profit Administrative expenses Distribution costs Marketing expenditure Other net income and gains	2 629 007 (723 290) (833 734) (201848) 12 144	3 674 026 (817 013) (733 738) (185 404) 3 690	(28)
Profit before interest and tax (note 5) Finance costs – net	882 279 30 372	1941561 52527	(55)
Finance income Finance costs	41 286 (10 914)	62903 (10376)	
Profit before income tax Tax expense	912 651 (265 116)	1994088 (559738)	(54)
Profit for the period Other comprehensive income Items that will not be reclassified to profit or loss Remeasurement of post-employment benefit obligations (net of deferred tax) Items that may be subsequently reclassified to profit or loss Foreign currency (loss)/gain on investment loans to foreign subsidiaries Foreign currency translation	647 535 (2 178) (414)	1434350 2598 5	(55)
adjustments	1292	(13 439)	
Total comprehensive income for the period	646235	1 423 514	(55)
Profit attributable to: Equity holders of the holding company Non-controlling interests	643 653 3 882	1 431 076 3 274	(55) 19
	647 535	1434350	(55)
Comprehensive income attributable to:			
Equity holders of the holding company Non-controlling interests	642353 3882	1 420 240 3 274	(55) 19
	646235	1 423 514	(55)
Earnings per share (Rand) – basic – diluted	R16.59 R16.58	R36.91 R36.87	(55) (55)

Summary consolidated balance sheet

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Assets Non-current assets	2658236	2409499
Property, plant and equipment Intangible assets Goodwill	2 462 918 59 183 136 135	2 212 205 61 159 136 135
Current assets	3 5 8 0 8 8 3	3764715
Biological assets Inventories Trade and other receivables Current tax asset Cash and cash equivalents	758 721 691 058 1512 398 19 717 598 989	770 461 836 690 1 328 418 7 303 821 843
Total assets	6 239 119	6174214
Equity Capital and reserves attributable to equity		

Capital and reserves attributable to equity		
holders of the parent company	3784227	3726922
Issued capital Treasury shares Reserves	90 400 (204 435) 3 898 262	86751 (204435) 3844606
Non-controlling interest	11 408	10 496
Total equity	3795635	3 737 418
Liabilities Non-current liabilities	705 600	649979
Deferred tax liability Employment benefit obligations	539 421 166 179	481732 168247
Current liabilities	1737884	1786817
Trade and other liabilities Employment benefit obligations Current tax liabilities Borrowings (note 7) Shareholders for dividend	1 411 135 254 107 25 772 44 115 2 755	1360469 373195 17480 33277 2396
Total liabilities	2443484	2436796
Total equity and liabilities	6 239 119	6174214

Summary consolidated segmental analysis

for the year ended 30 September 2019

for the year ended 50 September 2015			
	Audited	Audited	
	12 months	12 months	
	ended	ended	
	30 September	30 September	
	2019	2018	
	R'000	R'000	% change
Revenue			
Poultry	10 877 135	10 603 727	3
Feed	6573738	6198202	6
Other Africa	479 645	410 787	17
Inter-group	(4 4 4 5 0 4 3)	(4234155)	
	13 485 475	12978561	4
Operating profit			
Poultry	370 977	1452762	(74)
Feed	489 483	456 622	7
Other Africa	21 819	32177	(32)
	882279	1941561	(55)
Capital expenditure			
Poultry	372 081	318 019	17
Feed	56 617	27 621	105
Other Africa	3 3 8 1	9904	(66)
Corporate office	64	407	(84)
	432143	355 951	21
Depreciation, amortisation and			
impairment			
Poultry	148 223	124 620	19
Feed	22 6 2 3	21659	4
Other Africa	5288	5288	0
Corporate office	96	195	(51)
	176 230	151762	16
Inventory			
Poultry	337 220	532113	(37)
Feed	291179	255 002	14
Other Africa	62 659	49 575	26
	691058	836 690	(17)
Trade receivables			
Poultry	904 469	980644	(8)
Feed	224 107	203997	10
Other Africa	23 785	19 612	21
	1152361	1204253	(4)

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 13 November 2019.

3. Accounting policies

The accounting policies applied in these condensed interim 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 2018, except for the mandatory adoption of the following:

IFRS 15 Revenue

Due to the nature of the group's sales contracts with its customers the adoption of IFRS 15 resulted in no change in revenue recognition.

IFRS 9

The group adopted an expected credit loss model for impairments of financial assets using the modified retrospective approach.

		Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
7.	Borrowings Current – Bank overdrafts	44 115	33277
8.	Cash and cash equivalents per cash flow statement Bank overdrafts (included in current borrowings) Cash at bank and in hand	(44 115) 598 989	(33 277) 821 843
	Cash and cash equivalents per cash flow statement	554 874	788566
9.	Commitments Capital expenditure approved not contracted Capital expenditure contracted not recognised	191 153	1267807
	in financial statements Cost on intangibles contracted not recognised in financial statements Raw material contracted amounts not	342 646 2 906	127 012 6 252
	recognised in the statement of financial position	1376 532	1090415

2019

Financial overview

Group revenue increased by 3.9% to R13.5 billion (2018: R13.0 billion), with contributions to the increase mainly as a result of increased poultry sales volumes and increases in the selling prices for feed driven by higher raw material prices.

Lower profits from the Poultry division, down by R1 082 million resulted in the decrease of the group's operating profit to R882 million, which is well below the previous year's R1941 million. The Feed division increased its profits by R33 million for a total contribution to the group's profit of R489 million. Contribution from the Other Africa operations of R22 million was below the previous year's R32 million.

Capital expenditure for the year increased to R658 million, which includes progress payments in respect of the major capacity expansion at Festive processing plant and the upgrade of the silo complex at the Meadow Feeds Standerton mill

A cash inflow from working capital is reported with the biggest contribution from lower finished goods at year-end, with smaller contributions from lower trade receivables and higher trade payables.

Dividend payments at R594 million was relatively high compared to the cash generated from the current year's profits as it includes the final dividend for 2018, which was a record profit year

Net cash movement for the year was negative at R232 million, however, the end of year balance was a surplus of R555 million. The group remains in a position to be able to fund its future capital expenditure programme and dividend payments from existing resources.

The board has declared a final dividend of 425 cents per share which brings the total dividend from the 2019 financial year's earnings to 900 cents per share.

Operational overview

Poultry Division

Revenue increased by 2.6% to R10.9 billion (2018: R10.6 billion) impacted by higher broiler sales volumes, together with improved sales of broiler day-old chicks and parent stock in the external market

Broiler slaughter volumes remained relatively flat despite production cutbacks as a result of the Standerton water crisis. Sales volumes increased by 2.6% (11 438 tons), largely due to sales out of stock in the second half of the reporting period.

Trading conditions remained weak for most of the year, as poultry imports remained high and consumer buying power was constrained. Deep cut promotional activity by retailers resulted in higher sales volumes over the second half of the reporting period, reducing stock to more acceptable levels.

Broiler feed prices increased by 7.7% versus the prior year due to higher raw material costs over the reporting period. Feed costs were higher throughout the period under review, negatively affecting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 66% of the live cost of a broiler

On-farm bird performance during the period was in line with expectations, and an improvement in the feed conversion efficiency at a broiler level was achieved. This benefit slightly offset the higher feed prices seen during the year

Operating profit for the Poultry Division decreased by 74.5% to R371 million (2018: R1453 million). Non-feed expenses in the division increased year-on-year, negatively acted by amongst others the uptions to Goldi ir the period under review (at a cost of R93 million), with the operating profit margin reducing to 3.4% (2018: 13.7%)

Summary consolidated statement

of cash flows

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Cash operating profit Changes in working capital	936 440 257 308	2156086 (425201)
Cash generated from operations Income tax paid	1 193 748 (213 907)	1730885 (516236)
Cash flows from operating activities Cash used in investing activities	979 841 (615 982)	1214649 (254708)
Purchases of property, plant and equipment Costs incurred on intangibles Proceeds on disposal of property, plant and equipment Finance income Payment received on investment sold during previous year	(653 444) (4 141) 317 41 286	(346 551) (11 391) 331 62 903 40 000
Cash flows used in financing activities	(595 871)	(729 577)
Dividends paid Proceeds from shares issued Finance expense	(594 367) 3 649 (5 153)	(729752) 5288 (5113)
Net movement in cash and cash equivalents Effects of exchange rate changes Cash and cash equivalent balances at beginning of year	(232 012) (1 680) 788 566	230364 5627 552575
Cash and cash equivalent balances at end of year (note 8)	554 874	788566

Summary consolidated statement

of changes in equity

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Balance at beginning of year Change in accounting policy: adoption of expected credit loss model for impairments Profit for the period Other comprehensive income/(loss) for the period, net of tax Dividends to shareholders	3 737 418 3 059 647 535 (1 300) (594 726)	3 038 832
Proceeds on shares issued Balance at end of period	3649	3737418

Additional information

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019	Audited 12 months ended 30 September 2018	% change
Headline earnings (note 6) (R'000) Headline earnings per share	649 638	1439236	(55)
- basic - diluted Dividends per share - declared out of earnings for the period	R16.74 R16.74	R37.12 R37.08	(55) (55)
– Interim dividend – Final dividend – Total dividend Number of ordinary shares	R4.75 R4.25 R9.00	R10.00 R10.50 R20.50	(53) (60) (56)
 Issued net of treasury shares Weighted-average Diluted weighted-average Net cash/(debt) - cash and cash 	38 833 658 38 806 070 38 816 916	38798808 38774025 38809443	
equivalents less borrowings (R'000) Net asset value per share	554 874 R97.45	788566 R96.06	

The impact on the fin tements is a credit to the retained earnings opening balance of R3 059 000. This insignificant impact is as result of the group's historically low bad debts and successful credit control procedures. The interim results for the six months ending March 2019 was not adjusted with the impact of the change in calculation of the provision for possible impairment losses

The classifications of trade receivables and cash and bank changed from "Loans and receivables" to "Amortised costs". The measurement at amortised costs as required by IFRS 9, remained unchanged from the previous year.

4. Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Astral Foods Limited

Opinion

The summary consolidated financial statements of Astral Foods Limited, contained in the accompanying preliminary report, which comprise the summary consolidated balance sheet as at 30 September 2019, the summary consolidated statements of comprehensive income, changes in equity and 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 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements

Summary Consolidated Financial Statements

The summary 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 summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our 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 15 November 2019. 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 consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated **Financial Statements**

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary 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 Summary Financial Statements.

Other matter

We have not audited the information contained within the Financial Overview, Operational Overview, Outlook or Declaration of Ordinary Dividend no 37 and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc **Director: EJ Gerryts**

Registered Audito Johannesburg 15 November 2019

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

		Audited	Audited
		12 months	12 months
		ended	ended
		30 September	30 September
		2019	2018
		R'000	R'000
5.	Profit before interest and tax		
	The following items have been accounted for in		
	the profit before interest and tax:		
	Biological assets – fair value loss/(gain)	3108	(5149)
	Amortisation of intangible assets	6 0 9 2	6048
	Depreciation on property, plant and equipment	170 138	145 714
	(Profit)/loss on sale of property, plant and		
	equipment	(74)	417
	Foreign exchange (gains)/ losses	(1161)	443
	Assets scrapped	8364	10 891
	Insurance recoveries Fair value adjustments to outstanding	3894	1324
	receivables and payables	6 016	
	receivables and payables	6016	
6.	Reconciliation to headline		
	earnings		
	Net profit attributable to shareholders	643 653	1431076
	(Profit)/loss on sale of property, plant and		
	equipment (net of tax)	(38)	301
	Loss on assets scrapped (net of tax)	6 0 2 3	7859
	Headline earnings for the period	649 638	1439236

Feed Division

Revenue increased by 6.1% to R6.6 billion (2018: R6.2 billion) as a direct result of higher selling prices on the back of an increase in raw material costs. Volumes decreased by 3.3% due to lower inter-group volumes of 3.0% as a result of an improvement in the feed conversion ratio, together with lower external volumes of 3.7% as livestock sectors came under pressure from higher feed costs. The split between internal and external feed sales volumes remained at 60:40 for the period under review, with dairy feed making up approximately 50% of all external sales.

Operating profit increased by 7.2% to R489 million (2018: R457 million) with an operating profit margin at 7.4% (2018: 7.4%). The net Rand per ton margin increased relative to the

Expense increases were contained to a 5.9% year-on-year across all feed mills. Efficiencies from the Standerton feed mill continued to support the group's focused efforts towards continuous poultry live cost improvement.

Local maize prices increased significantly on the back of a below average South African maize harvest with lower yields due to late rainfall for the 2019 season. To an extent feed price increases were curbed with imports of maize into the Western Cape at favourable pricing levels compared to local SAFEX prices.

Other Africa Division

Revenue for the division increased by 16.8% to R480 million (2018: R411 million) due to higher selling prices and sales volumes increasing by an average of 8.3% across all countries, with the operating profit decreasing to R22 million (2018: R32 million). Profits were impacted by a significant increase in feed costs in Zambia on the back of a devastating drought and crop failure in that country for the 2019 harvest season, resulting in a margin squeeze in a highly competitive market. A provision for the expected non-recovery of various taxes owing by the Mozambican government was provided for, negatively impacting the division's performance. The results from Zambia and Mozambique were countered by a better performance from Swaziland.

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 will remain high, and continue to impact Astral's largest input cost into 1H2020, namely feed making up 66% of broiler live cost;
- Continued record level of unemployment, poor levels of economic growth and the weak purchasing power of the consumer, will continue to place pressure on poultry selling prices
- High levels of poultry imports from Brazil and the USA are expected to continue in the absence of adequate tariff measures
- Infrastructure deterioration and its impact on Astral's operations continues to add a cost burden to the business;
- The ongoing risk of bird flu is continuously monitored, and prevention strategies are in place to manage this threat;
- Higher planting intentions for maize acreage, together with improved prospects for seasonal rainfall could see an above average crop for the 2020 harvest season
- Proactive engagement from the new Ministers of DTI and DAFF with the poultry industry, is expected in line with the Poultry Sector Master Plan
- Progressive genetic improvement of the Ross broiler breed will continue to support the group's best cost strategy;
- The expansion in Astral's poultry production capacity (an estimated 16% increase in current production levels) over the next two to five years at a total approved capital expenditure of R0.9 billion

DECLARATION OF ORDINARY DIVIDEND No 37

The board has approved a final dividend of R4.25 per ordinary share (gross) in respect of the year ended 30 September 2019.

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 20% (twenty percent).
- The gross local dividend is R4.25 per ordinary share for shareholders exempt from the Dividend Tax.
- The net local dividend is R3.40 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).
- Astral Foods Limited's income tax reference number is 9125190711
- Shareholders are advised of the following dates in respect of the interim dividend:
- Tuesday, 14 January 2020 Last date to trade cum-dividend
- Shares commence trading ex-dividend Wednesday,15 January 2020
- Friday, 17 January 2020 Record date
 - Monday, 20 January 2020
 - Payment of dividend

C E Schutte Chief Executive Officer

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive

On behalf of the board

T Eloff Chairman

Pretoria 13 November 2019

Mountain Nouley County Fair Meadow LABS TIGER**Chicks MOZPINTOS** More than just feed National Chicks ROSS More than just feed

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