



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

UNAUDITED INTERIM RESULTS

for the six months ended 31 March 2017



REVENUE DECREASE

↓1%

OPERATING PROFIT DECREASE

↓51%

EARNINGS PER SHARE DECREASE

↓55%

HEADLINE EARNINGS DECREASE

↓54%

INTERIM DIVIDEND PER SHARE

180c

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
Revenue	5 794 696	5 872 631	(0,5)	11 953 970
Cost of sales	(4 853 542)	(4 696 368)	(10 085 108)	(10 085 108)
Gross profit	941 154	1 126 263	(16,4)	1 968 762
Administrative expenses	(310 574)	(301 558)	(650 706)	(650 706)
Distribution costs	(311 757)	(319 291)	(691 425)	(691 425)
Marketing expenditure	(90 737)	(84 202)	(1 74 663)	(1 74 663)
Other income	3 889	7 683	15 862	15 862
Profit before interest and tax (note 4)	211 975	428 785	(50,6)	548 850
Finance costs – net	(15 970)	(4 154)	(21 995)	(21 995)
Finance income	343	909	5 219	5 219
Finance costs	(16 313)	(5 063)	(27 214)	(27 214)
Share of loss from associate	–	(18)	(642)	(642)
Profit before income tax	196 005	424 613	(53,8)	526 213
Tax expense	(59 399)	(123 934)	(154 046)	(154 046)
Profit for the period	136 606	300 679	(54,7)	372 167
Other comprehensive income				
Items that will not be reclassified to profit or loss	–	–	–	651
Remeasurement of post-employment benefit obligations (net of deferred tax)	–	–	–	651
Items that may be subsequently reclassified to profit or loss	–	–	–	–
Foreign currency gain/(loss) on investments	2 857	–	(9 688)	(9 688)
Foreign currency translation adjustments	(1 524)	7 733	9 091	9 091
Total comprehensive income for the period	137 399	308 412	(55,4)	372 221
Profit attributable to:				
Equity holders of the holding company	136 448	300 531	(54,6)	372 972
Non-controlling interests	(32)	148	(388,1)	(805)
Total comprehensive income for the period	137 399	308 412	(55,4)	372 167
Comprehensive income attributable to:				
Equity holders of the holding company	137 769	307 780	(55,2)	373 257
Non-controlling interests	(370)	632	(1 038)	(90)
Total comprehensive income for the period	137 399	308 412	(55,4)	372 221
Earnings per share (cents)				
– basic	353	777	(54,6)	964
– diluted	352	776	(54,6)	964

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
ASSETS				
Non-current assets	2 221 219	2 236 543		2 229 776
Property, plant and equipment	2 037 796	2 043 999		2 052 284
Intangible assets	44 544	27 515		38 613
Goodwill	136 135	136 135		136 135
Investment in associates	–	25 450		–
Investments and loans	2 744	2 744		2 744
Current assets	2 626 619	2 871 683		2 724 533
Biological assets	718 981	731 065		734 956
Current tax liabilities	832 713	911 312		716 951
Trade and other receivables	989 918	1 022 221		1 103 569
Current tax asset	32 141	9 052		32 754
Cash and cash equivalents	51 866	198 992		138 401
Assets held for sale	24 826	–		24 826
Total assets	4 871 664	5 107 126		4 979 135
EQUITY				
Capital and reserves attributable to equity holders of the parent company	2 467 166	2 448 016		2 362 542
Issued capital	79 450	73 696		73 957
Treasury shares	(204 435)	(204 435)		(204 435)
Reserves	2 592 151	2 578 785		2 493 020
Non-controlling interest	9 622	11 020		9 992
Total equity	2 476 788	2 459 036		2 372 534
LIABILITIES				
Non-current liabilities	630 976	581 670		645 631
Borrowings (note 6)	–	11 656		–
Deferred tax liability	481 047	422 828		473 572
Employment benefit obligations	149 929	147 186		171 959
Current liabilities	1 763 900	2 066 420		1 961 070
Trade and other liabilities	1 540 579	1 611 155		1 578 178
Current tax liabilities	6 961	21 044		4 541
Borrowings (note 6)	214 431	429 357		376 431
Shareholders for dividend	1 929	1 864		1 920
Total liabilities	2 394 876	2 648 090		2 606 601
Total equity and liabilities	4 871 664	5 107 126		4 979 135

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
Cash operating profit	281 579	558 713		546 544
Changes in working capital	(38 607)	(352 893)		(46 103)
Cash generated from operating activities	242 972	205 820		500 441
Income tax paid	(49 949)	(100 455)		(122 251)
Cash flows from operating activities	193 323	105 365		378 190
Cash used in investing activities	(67 899)	(64 714)		(160 748)
Capital expenditure	(60 810)	(57 591)		(145 410)
Costs incurred on intangibles	(8 094)	(1 209)		(28 585)
Proceeds from disposal of property, plant and equipment	945	7 493		8 028
Finance income	–	909		5 219
Cash flows from financing activities	(71 118)	(248 964)		(447 008)
Dividends paid	(38 697)	(22 435)		(373 143)
Proceeds from shares issued	5 439	1 309		1 620
Finance expense	(14 147)	(3 863)		(26 449)
Decrease in borrowings	(23 497)	(23 975)		(49 016)
Net movement in cash and cash equivalents	54 306	(208 323)		(229 566)
Effects of exchange rate changes	(338)	(899)		(1 763)
Cash and cash equivalent balances at beginning of year	(204 744)	26 585		26 585
Cash and cash equivalent balances at end of period (note 7)	(150 776)	(182 637)		(204 744)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
Balance at beginning of year	2 372 534	2 371 580		2 371 580
Profit for the period	136 066	300 679		372 167
Other comprehensive income for the period, net of tax	1 333	7 733		54
Dividends to the company's shareholders	(38 706)	(22 435)		(373 316)
Proceeds on shares issued	5 439	1 309		1 620
Option value of share options granted	68	170		135
Other	–	–		314
Balance at end of period	2 476 788	2 459 036		2 372 534

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
Revenue	4 455 856	4 436 029	0,4	9 128 645
Poultry	3 448 115	3 460 793	(0,4)	7 189 614
Feed	215 612	253 227	(16,5)	515 348
Other Africa	(2 324 888)	(2 332 418)		(4 679 735)
Inter-group	5 794 696	5 822 631	(0,5)	11 953 970
Operating profit				
Poultry	22 301	194 137	(88,5)	58 900
Feed	184 404	233 276	(21,0)	484 967
Other Africa	5 270	1 372	284,1	4 383
Total	211 975	428 785	(50,6)	548 850

ADDITIONAL INFORMATION

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change	Audited 12 months ended 30 Sept 2016
	R'000	R'000	%	R'000
Headline earnings (R'000) – (note 5)	137 645	299 367	(54,0)	373 305
Headline earnings per share (cents)	355	774	(54,0)	965
– basic	355	774	(54,0)	964
– diluted	355	773	(54,1)	964
Dividends per share (cents)	180	390		490
Number of ordinary shares	–	–	–	–
– Issued net of treasury shares	38 739 308	38 684 308		38 687 308
– Weighted average	38 705 146	38 682 687		38 683 748
– Diluted weighted average	38 732 173	38 705 309		38 705 590
Net debt – cash and cash equivalents less borrowings (R'000)	162 565	242 081		240 030
Net debt to equity percentage	6,6	9,8		10,1
Net asset value per share (Rand)	63,69	63,28		61,07

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 condensed interim financial statements for the six months ended 31 March 2017 have been prepared in accordance with International Reporting Standards ("IFRS"), IAS 34 – Interim Financial Reporting, the Listings Requirements of the JSE Limited and the South African Companies Act (2008). These condensed interim financial statements have been prepared under the supervision of the financial director, Dr Ferreira CA(SA).
These condensed interim financial statements have not been reviewed or audited by the Group's auditors.
 - Accounting policies**
The accounting policies applied in this 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 2016.
- | | Unaudited six months ended 31 March 2017 | Unaudited six months ended 31 March 2016 | Audited 12 months ended 30 Sept 2016 |
|---|--|--|--------------------------------------|
| | R'000 | R'000 | R'000 |
| 4. Operating profit | | | |
| The following items have been accounted for in the operating profit: | | | |
| Amortisation of intangible assets | 2 119 | 2 607 | 4 401 |
| Depreciation on property, plant and equipment | 70 776 | 72 141 | 139 286 |
| (Loss)/profit on sale of property, plant and equipment | (1 574) | 1 604 | 2 034 |
| Foreign exchange profits/(losses) | 2 302 | (3 046) | (6 746) |
| Biological assets – fair value (loss)/gain | (3 951) | 671 | (17 190) |
| 5. Reconciliation to headline earnings | | | |
| Net profit attributable to shareholders | 136 448 | 300 531 | 372 972 |
| Loss/(profit) on sale of property, plant and equipment (net of tax) | 1 197 | (1 164) | (1 475) |
| Loss on assets scrapped (net of tax) | – | – | 1 808 |
| Headline earnings for the period | 137 645 | 299 367 | 373 305 |
| 6. Borrowings | | | |
| Non-current | – | 957 | – |
| Secured loans | – | 58 457 | 35 286 |
| Unsecured loans | 11 789 | – | – |
| Less: Portion payable within 12 months included in current liabilities | (11 789) | (47 788) | (35 286) |
| | – | 11 656 | – |
| Current | | | |
| Bank overdrafts | 202 642 | 381 569 | 341 145 |
| Portion of non-current secured loans payable within 12 months | 11 789 | 47 788 | 35 286 |
| | 214 431 | 429 357 | 376 431 |
| 7. Cash and cash equivalents per cash flow statement | | | |
| Bank overdrafts (included in current borrowings) | (202 642) | (381 569) | (341 145) |
| Cash at bank and in hand | 51 866 | 198 992 | 138 401 |
| Cash and cash equivalents per cash flow statement | (150 776) | (182 637) | (204 744) |
| 8. Capital commitments | | | |
| Capital expenditure approved not contracted | 46 886 | 32 049 | 37 967 |
| Capital expenditure contracted not recognised in financial statements | 60 735 | 70 943 | 66 813 |
| Raw material contracted amounts not recognised in the statement of financial position | 1 386 663 | 2 156 370 | 1 804 973 |

FINANCIAL OVERVIEW

The headline earnings for the six months ended 31 March 2017 at R138 million was down on the R299 million for the previous year's first six months due to lower volumes and the impact of drought-related cost increases, in particular on the profitability of the poultry businesses.

Revenue decreased marginally by 0,5% to R5 795 million, as result of lower sales volumes by both divisions compared to the comparative period.

The Group's operating profit decreased by 50,6% to R212 million. The Poultry division's contribution of R22 million was substantially down on its prior period's reported operating profit of R184 million, whilst the Feed division's profits at R184 million was 21,0% down on the profit for the comparative period. The other Africa division's contribution to profits at R5 million, although an improvement on the prior period's R1 million, was still low and a reflection of ongoing difficult trading conditions in those regions.

The net finance cost at R16 million is higher than the comparative year, reflecting the general higher level of borrowings following the lower profitability during this reporting period.

Cash inflow from operating activities at R243 million was an improvement on the prior period's inflow of R206 million as result of the lower outflow to working capital of R39 million, compared to the working capital outflow of R353 million for the comparative period. Capital expenditure of R69 million reflected normalised ongoing expenditure. The net movement in cash and cash equivalents, including the payment of the 2016 final dividend, was an inflow of R54 million. The net debt of R163 million was down on the net debt at 30 September 2016, and equates to a net debt to equity ratio of 6,6%.

The board has declared an interim dividend of 180 cents per share. The distribution will be accommodated within the liquidity capabilities of the Group.

OPERATIONAL OVERVIEW

The period under review includes a number of key factors that distort comparison to the same period in the prior year, mainly brought about by the new broiler regulations, which impacted the Group's poultry product mix, sales volumes and average sales realisations.