ASTRAL

A leading Southern African integrated poultry producer

UNAUDITED INTERIM RESULTS

for the six months ended 31 March 2013

- **Revenue increase 5%**
- **Operating profit decrease 80%**
- **Earnings per share decrease 47%**
- **Headline earnings per share decrease 82%**
- **No interim dividend declared**

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Audited 12 months ended 30 Sept 2012 R'000
ASSETS			
Non-current assets	**1 939 981**	1 773 066	1 840 046
Property, plant and equipment	**1 722 452**	1 615 939	1 678 976
Intangible assets	**21 717**	11 333	17 169
Goodwill	**136 135**	139 147	136 135
Investment in associates	**51 806**	–	–
Investments and loans	**7 871**	6 647	7 766
Current assets	**1 692 004**	1 655 135	1 672 894
Inventories	**323 229**	424 352	379 433
Biological assets	**572 971**	483 215#	534 806
Trade and other receivables	**758 018**	662 281#	723 569
Current tax assets	**9 850**	–	9 819
Derivative financial instruments	**–**	291	–
Cash and cash equivalents	**27 936**	84 996	25 267
Assets held for sale	**–**	156 842	51 889
Total assets	**3 631 985**	3 585 043	3 564 829
EQUITY			
Capital and reserves attributable to equity holders of the parent company	**1 565 692**	1 576 583	1 585 227
Issued capital	**2 044**	2 044	2 044
Treasury shares	**(204 435)**	(204 435)	(204 435)
Reserves	**1 768 083**	1 778 974	1 787 618
Non-controlling interests	**12 369**	11 421	10 744
Total equity	**1 578 061**	1 588 004	1 595 971
LIABILITIES			
Non-current liabilities	**606 155**	495 473	516 367
Borrowings (note 6)	**92 951**	19 045	14 859
Deferred tax liability	**415 494**	381 863	407 711
Retirement benefit obligations	**97 710**	94 565	93 797
Current liabilities	**1 447 769**	1 404 720	1 431 208
Trade and other liabilities	**1 235 086**	1 267 286#	1 307 776
Current tax liabilities	**8 766**	5 287	5 684
Borrowings (note 6)	**202 198**	132 147	116 091
Shareholders for dividend	**1 719**	–	1 657
Liabilities held for sale	**–**	96 846	21 283
Total liabilities	**2 053 924**	1 997 039	1 968 858
Total equity and liabilities	**3 631 985**	3 585 043	3 564 829

 # Restated, refer note 10

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Change %	Audited 12 months ended 30 Sept 2012 R'000
Revenue	**4 234 057**	4 038 214#	5	8 160 078
Operating profit (note 4)	**63 847**	323 541	(80)	477 149
Profit on sale of interest in joint venture (note 9)	**79 426**	–		35 972
Profit before interest and tax	**143 273**	323 541	(56)	513 121
Finance income	**538**	3 070		6 396
Finance costs	**(12 541)**	(11 387)		(24 371)
Share of profit of associates	**1 806**	–		–
Profit before income tax	**133 076**	315 224	(58)	495 146
Tax expense	**(25 688)**	(113 975)		(162 646)
Profit for the period	**107 388**	201 249	(47)	332 500
Other comprehensive income				
Foreign currency translation adjustments	**2 224**	(5 663)		102
Total comprehensive income for the period	**109 612**	195 586	(44)	332 602
Profit attributable to:				
Equity holders of the parent company	**105 970**	199 245	(47)	329 335
Non-controlling interests	**1 418**	2 004	(29)	3 165
	107 388	201 249	(47)	332 500
Comprehensive income attributable to:				
Equity holders of the parent company	**107 987**	193 733	(44)	329 473
Non-controlling interests	**1 625**	1 853	(12)	3 129
	109 612	195 586	(44)	332 602
Earnings per share (cents)				
– basic	**278**	523	(47)	865
– diluted	**278**	523	(47)	864

 # Restated, refer note 10

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Audited 12 months ended 30 Sept 2012 R'000
Balance at beginning of the period	**1 595 971**	1 585 632	1 585 632
Total comprehensive income for the period	**109 612**	195 586	332 602
Dividends to the company's shareholders	**(127 882)**	(192 205)	(320 086)
Payments to non-controlling interest holders	**–**	(1 869)	(3 829)
Option value of share options granted	**360**	860	1 652
Balance at end of the period	**1 578 061**	1 588 004	1 595 971

CONDENSED GROUP SEGMENTAL ANALYSIS

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Change %	Audited 12 months ended 30 Sept 2012 R'000
Revenue				
Poultry	**2 952 420**	2 878 255	3	5 834 816
As previously reported		2 919 451#		5 914 483
Re-allocation to Other Africa		(41 196)*		(79 667)*
Feed	**2 396 820**	2 175 309	10	4 327 012
As previously reported		2 167 244#		4 309 636
Re-allocation from Services and ventures		8 065*		17 376*
Other Africa	**203 303**	161 479	26	341 308
As previously reported		120 283		261 641
Re-allocation from Poultry		41 196*		79 667*
Services and ventures	**30 246**	147 062	(79)	222 620
As previously reported		155 127		239 996
Re-allocation to Feed		(8 065)*		(17 376)*
Inter-Group	**(1 348 732)**	(1 323 891)		(2 565 678)
Feed to Poultry	**(1 333 609)**	(1 275 795)#		(2 413 486)
Services and Ventures to Poultry and Feed	**(15 123)**	(48 096)		(152 192)
	4 234 057	4 038 214#	5	8 160 078
Operating profit				
Poultry	**(116 619)**	139 705	(183)	137 438
As previously reported		144 188		144 893
Re-allocation to Other Africa		(4 483)*		(7 455)*
Feed	**156 201**	153 895	1	288 808
As previously reported		151 069		283 135
Re-allocation from Services and ventures		2 826*		5 673*
Other Africa	**19 593**	19 675		37 677
As previously reported		15 192		30 222
Re-allocation from Poultry		4 483*		7 455*
Services and ventures	**4 672**	10 266	(54)	13 226
As previously reported		13 092		18 899
Re-allocation to Feed		(2 826)*		(5 673)*
	63 847	323 541	(80)	477 149

** Following changes in internal reporting provided to the chief operating decision-maker, certain comparative amounts have been re-allocated.*
 # Restated, refer note 10

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Audited 12 months ended 30 Sept 2012 R'000
Cash operating profit	**122 232**	388 565	596 964
Changes in working capital	**(89 100)**	(86 067)	(118 852)
Cash generated from operating activities	**33 132**	302 498	478 112
Income tax paid	**(14 950)**	(111 196)	(142 072)
Cash flows from operating activities	**18 182**	191 302	336 040
Cash used in investing activities	**(52 706)**	(81 157)	(116 583)
Capital expenditure	**(104 431)**	(85 780)	(209 274)
Finance income	**538**	3 070	6 396
Proceeds on disposal of business unit – net	**47 552**	1 553	83 161
Proceeds on disposal of property, plant and equipment	**3 635**	–	3 134
Cash flows to financing activities	**(58 532)**	(212 365)	(349 848)
Net increase/(decrease) in borrowings	**85 190**	(5 808)	409
Interest paid	**(15 902)**	(12 623)	(26 508)
Dividends paid	**(127 820)**	(193 934)	(323 749)
Net movement in cash and cash equivalents	**(93 056)**	(102 220)	(130 391)
Effects of exchange rate changes	**562**	1 928	(206)
Reclassification to assets held for sale	**–**	(12 839)	–
Cash and cash equivalent balances at beginning of the period	**(61 181)**	69 416	69 416
Cash and cash equivalent balances at end of the period (note 7)	**(153 675)**	(43 715)	(61 181)

ADDITIONAL INFORMATION

	Unaudited six months ended 31 March 2013	Unaudited six months ended 31 March 2012	Change %	Audited 12 months ended 30 Sept 2012
Headline earnings (R'000) (note 5)	**35 948**	198 739	(82)	299 723
Headline earnings per share (cents)				
– basic	**94**	522	(82)	787
– diluted	**94**	521	(82)	787
Dividends per share (cents)	**nil**	336		672
Number of ordinary shares				
– issued net of treasury shares	**38 060 308**	38 060 308		38 060 308
– weighted-average	**38 060 308**	38 060 308		38 060 308
– diluted weighted-average	**38 069 482**	38 111 641		38 096 321
Net debt (borrowings less cash and cash equivalents) (R'000)	**267 213**	66 196		105 683
Net asset value per share (Rand)	**41,14**	41,42		41,65

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 condensed interim financial statements for the six months ended 31 March 2013 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 by the financial director, DD Ferreira CA(SA).

These financial statements have not been reviewed or audited by the Group's auditors.

3. Accounting policies

The accounting policies applied in this interim financial statements comply with IFRS and IAS 34 and are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 September 2012.

	Unaudited six months ended 31 March 2013 R'000	Unaudited six months ended 31 March 2012 R'000	Audited 12 months ended 30 Sept 2012 R'000
4. Operating profit			
The following items have been accounted for in the operating profit:			
Biological assets – fair value (loss)/gain	**(521)**	1 673	(752)
Amortisation of intangible assets	**1 621**	1 208	2 405
Depreciation on property, plant and equipment	**58 868**	59 380	116 296
Impairment of goodwill	**–**	–	3 012
Impairment of property, plant and equipment	**–**	–	970
Profit on sale of property, plant and equipment	**2 703**	703	885
Foreign exchange loss	**–**	(830)	(1 744)
Provision for Competition Commission settlement	**–**	17 000	–
5. Reconciliation to headline earnings			
Earnings for the period	**105 970**	199 245	329 335
Profit on sale of property, plant and equipment (net of tax)	**(2 174)**	(506)	(1 705)
Profit on disposal of interest in joint venture (net of tax)	**(67 848)**	–	–
Profit on disposal of business unit (net of tax)	**–**	–	(29 646)
Insurance recovery on damaged assets (net of tax)	**–**	–	(3 044)
Impairment of goodwill	**–**	–	3 012
Loss on assets scrapped (net of tax)	**–**	–	1 073
Impairment of assets (net of tax)	**–**	–	698
Headline earnings for the period	**35 948**	198 739	299 723
6. Borrowings			
Non-current			
Secured loans	**113 538**	22 481	28 348
Less: Portion payable within 12 months included in current liabilities	**(20 587)**	(3 436)	(13 489)
	92 951	19 045	14 859
Current			
Bank overdrafts	**181 611**	128 711	102 602
Portion of non-current secured loans payable within 12 months	**20 587**	3 436	13 489
	202 198	132 147	116 091
7. Cash and cash equivalents per cash flow statement			
Bank overdrafts	**(181 611)**	(128 711)	(102 602)
Cash at bank and in hand	**27 936**	84 996	25 267
Cash and cash equivalents classified as held for sale	**–**	–	16 154
Cash and cash equivalents per cash flow statement	**(153 675)**	(43 715)	(61 181)
8. Capital commitments			
Capital expenditure approved not contracted	**134 467**	340 306	254 845
Capital expenditure contracted not recognised in financial statements	**119 576**	33 662	17 055

9. Profit on sale of interest in joint venture

The Group successfully concluded the sale of 25% interest in the Nutec SA (Pty) Limited ("Nutec") joint venture after it had been classified as assets and liabilities held for sale at 30 September 2012. The remaining 25% interest is now recognised as interest in an associate.

The comparative number relates to the profit on sale of the entire interest in the East Balt bakery.

10. Restatement of the 31 March 2012 amounts

The disclosure of sales to contract growers for the period to 31 March 2012 have been restated in line with the disclosure applied for the 30 September 2012 financial year reported results.

Sales of day-old chicks and feed to contract growers have been regarded as third party sales in the past and have been recognised in revenue. The outstanding amount of these sales was disclosed as trade receivables. This disclosure reflects the legal right of ownership of the goods transferred and the risks for quality and quantity carried by the contract growers.

The interpretation of the above transactions was re-assessed at the September 2012 reporting period in conjunction with the Group's external auditor's technical department and a conclusion was reached that the contract growers should be regarded as suppliers rather than customers of the Group. The impact of this revised interpretation is that, on transfer of goods to the contract growers no sale should be recognised in revenue, and outstanding amounts in respect of these transfers should as a result be disclosed as biological assets and not as trade receivables.

There was no impact on prior period reported profits or cash flows as the adjustment to revenue is offset by an adjustment to cost of sales, and the adjustment to trade receivables was offset by adjustments to biological assets and trade payables.

Effect of reclassification of sales to contract growers:

March 2012	Revenue R'000	Biological assets R'000	Trade and other receivables R'000	Trade and other payables R'000
As previously disclosed	4 885 288	362 156	743 563	(1 227 509)
Reclassification	(847 074)	121 059	(81 282)	(39 777)
Restated	4 038 214	483 215	662 281	(1 267 286)

FINANCIAL OVERVIEW

Headline earnings for the period decreased by 82% to R36 million from R199 million for the same period last year as a result of losses by the poultry operations.

Earnings per share decreased by 47% from 523 cents to 278 cents, and headline earnings per share decreased by 82% from 522 cents to 94 cents.

Group revenue increased by 5% from R4 038 million to R4 234 million due to higher selling prices driven by increased input costs.

Losses reported by the poultry operations had a material impact on the Group's operating profit which, at R64 million, was 80% down on the profit for the same period for the previous year. The Feed and Other Africa operations' profits were on the same level as for the previous year. The interests in East Balt bakery and 25% of the interest in Nutec, both reported under services and ventures, have been sold, resulting in lower profits for this segment compared to the same period for the previous year. The profit on the sale of the 25% interest in Nutec, together with the revaluation of the remaining 25%, amounted to R79 million, which is included in the earnings for the period.

Net finance costs at R12 million have increased on the previous year's R8 million due to higher average level of borrowings.

A cash out flow of R93 million was reported for the period, increasing the net bank overdrafts to R154 million (30 September 2012: R61 million). Total net borrowings amount to R267 million (30 September 2012: R106 million), which includes R58 million incurred to date in respect of the new feed mill under construction. The net debt to equity ratio was 16,9% (30 September 2012: 6,6%).

The board has decided against the backdrop of the difficult trading conditions and resulting low reported profits, not to declare an interim dividend.

OPERATIONAL OVERVIEW

Poultry division

Revenue for the division was up by 3,0% to R2 952 million (2012: R2 878 million) on the back of higher chicken selling prices which improved by 6,1%. Chicken sales volumes were down by 5,8% and was largely attributable to a cutback in bird placements for the period under review.

A further increase in feed costs by 21,9% negatively impacted the operating profit of the division by R306 million, with the operating profit decreasing by 183% to a loss of R117 million (2012: R140 million profit).

The period under review was impacted by higher stock levels in the poultry industry, as poultry imports from Brazil and the European Union hit record highs during October and November 2012. Intense promotional activity followed as the industry endeavoured to clear these high stocks and resulted in lower poultry prices that were insufficient to cover increased feed input costs. The increase in feed costs, lower selling prices together with lower sales volumes, as well as costs attributable to industrial action during the period, culminated in a significant deterioration in the profitability of Astral's poultry division.

Feed division

Revenue for the division increased by 10,2% to R2 397 million (2012: R2 175 million) as a result of higher feed selling prices on the back of higher maize and soya input pricing levels. Sales volumes decreased by 5,3% due to a lower inter-group requirement for poultry feed (down 11,9%), which was partially offset by an increase in external feed sales (up 2,5%).

Other Africa division

Revenue for the division increased by 25,9 % to R203 million (2012: R161 million) as a result of higher volumes (up 15,9%) and higher sales realisations (up 10,0%).

The operating profit remained unchanged at R20 million with an operating profit margin at 9,6% (2012: 12,2%). The profitability of the division was impacted by the start-up costs of a Greenfield hatchery operation in Mozambique and lower profit margins in the Mozambican feed business.

Services and Ventures division

Revenue for the division decreased to R30 million (2012: R147 million) whilst operating profit decreased to R5 million (2012: R10 million). Excluded from the results for the period under review is the profit contribution from the East Balt SA operation, which was disposed of during 2012 and in addition only includes two months' reporting pre-disposal of half of the Group's 50% interest in Nutec. Future segmental reporting for this division will fall away.

COMPETITION COMMISSION

As previously reported, the all-inclusive agreement with the Competition Commission, which has been negotiated to settle all previous and current matters and investigations, is in the final stages of conclusion, with the settlement value of R17 million having being fully provided for in the prior financial year. This agreement still remains to be confirmed as an order by the Competition Tribunal.

LABOUR MATTERS

Industrial action experienced at the Group's Earlybird Olifantsfontein processing operation in Gauteng and the County Fair poultry farms in the Western Cape, resulted in a direct cost of R37 million for the period under review. In both instances the strikes were settled with a zero percentage increase in wages. The farm workers' minimum wage, which was legislated at R105 per day on 1 March 2013, has been introduced with an annual cost to the Group of R3,3 million.

PROSPECTS

Contrary to prior expectations, the outlook for good maize crops in South Africa and the United States is less optimistic as a result of unfavourable weather conditions, which could lead to prolonged high feed input costs, albeit with some softening in grain prices in the coming six months off the highs of the past reporting period.

The slowing level of growth in the economy and higher unemployment levels will continue to depress consumer spending. This, coupled with high levels of poultry imports, will continue to hamper the industry's ability to recover the high input costs.

An application was made by the South African Poultry Association to the International Trade Administration Commission (ITAC) for the implementation of higher general tariffs on poultry imports. This application was brought about by the large and rapid increase in the volume of extremely low-priced imported frozen poultry meat and, if successful, will go some way to improving the imbalance in the supply and demand of chicken.

On behalf of the board

JJ Geldenhuys
Chairman

CE Schutte
Chief Executive Officer

Pretoria
13 May 2013

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

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