



Quantum Foods Holdings Ltd  
 Incorporated in the Republic of South Africa  
 Registration number: 2013/208598/06  
 Tax registration number: 9095455193  
 Share code: QFH  
 (ISIN code: ZAE000193686)  
 ("Quantum Foods" or "the Group" or "the Company")

## SUMMARY AUDITED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018

### HIGHLIGHTS

	2018	2017	% change
Revenue	<b>R4 122 million</b>	R4 052 million	2
Operating profit (before items of a capital nature)*	<b>R472 million</b>	R149 million	216
Operating profit	<b>R473 million</b>	R170 million	178
Headline earnings	<b>R361 million</b>	R112 million	222
Earnings per share	<b>164.3 cents</b>	55.7 cents	195
Headline earnings per share	<b>163.9 cents</b>	49.0 cents	234
Total dividend per share	<b>90.0 cents</b>	34.0 cents	165

\* Income or expenditure of a capital nature in the statement of comprehensive income, i.e. all profit or loss items that are excluded in the calculation of headline earnings per share. The principal items excluded under this measurement are profits or losses on disposal of property, plant and equipment.

### Enquiries:

Quantum Foods: +27 21 864 8600, [info@quantumfoods.co.za](mailto:info@quantumfoods.co.za)

Hennie Lourens: [hennie.lourens@quantumfoods.co.za](mailto:hennie.lourens@quantumfoods.co.za)

André Muller: [andre.muller@quantumfoods.co.za](mailto:andre.muller@quantumfoods.co.za)

PSG Capital – Willie Honeyball: +27 21 887 9602, [willieh@psgcapital.com](mailto:willieh@psgcapital.com)

# COMMENTARY

## INTRODUCTION

The financial performance of 2018 was truly exceptional, supported by significant tailwinds experienced by the egg business. The year was characterised by the impact of the highly pathogenic Avian Influenza ("AI") outbreaks in South Africa, which caused a substantial increase in egg prices. These outbreaks further increased biosecurity and logistics costs and resulted in a significant reduction in the feed volumes required by the Group's internal layer farms.

The effects of the AI outbreak in 2017 continued into 2018. These effects included a nationwide egg shortage, which had a significant impact on the egg industry generally and on the Group in particular.

Due to the outbreak, the commercial layer population in South Africa declined from a high of approximately 24.4 million hens during 2017 to a low of approximately 21 million in 2018. The resultant lower supply of eggs caused egg prices to increase by 23.7% year on year.

The Group experienced a further outbreak of AI early in the 2018 financial year. While management expertise gained from the 2017 outbreak was effectively applied to reduce the impact, additional costs were incurred throughout the business to mitigate the risk of further AI outbreaks. These costs included additional biosecurity measures on farms, in the feed mills as well as the egg packing stations.

The South African economy remains under pressure and fell into a recession during the year. It is particularly concerning that South Africa has suffered from a per capita income decline since 2013. Per capita income growth is the most important driver of protein consumption.

## OPERATIONAL OVERVIEW

The main cost drivers that impact Quantum Foods' operations are maize and soybean meal prices. Fortunately, raw material costs were lower during the year due to the good South African maize and soybean meal harvests in 2017.

Although the maize crop in 2018 was not as large as in 2017, sufficient maize was produced for domestic consumption. Maize prices, however, started to increase from February 2018.

Soybean meal prices were more volatile and traded between US\$300 to US\$380 per ton during the year. This instability not only resulted in an increased risk of procuring key raw materials at sub-optimal price points, but also led to increased difficulty in managing margins. This was particularly evident in the feed business.

For the egg business, a longer maize position was held by utilising lower maize prices on SAFEX earlier in the year. This further contributed to the business's profit.

Overall, operational costs in the Group were well managed given the additional costs incurred following the AI outbreak.

## SEGMENTAL OVERVIEW

Nova Feeds' profit declined in the year under review. External sales volumes grew by 6.1%, margins came under pressure and the business felt the impact of reduced tons of feed supplied to the Group's *Nulaid* farms as a result of the AI outbreaks in 2017 and early in 2018. Generally, the feed industry remains highly competitive. Despite this, the Nova Feeds business continues to perform well and additional capital was allocated to increase capacity in 2019.

The broiler farming business performed well on commercial level and record-high productivity levels were achieved. Unfortunately, the excellent performance by parent breeder operations seen in previous years was not repeated.

The introduction of new Cobb500 male line genetics resulted in commercial broilers performing well in terms of growth (with fewer mortalities and improved feed consumption). There were, however, negative impacts. These included reduced egg production and hatchability at breeder level. The Group subsequently made several changes to the management of the parent flock and breeder productivity began to improve toward the end of the 2018 financial year. Hatchery capacity was successfully enhanced and the Group achieved a 6% increase in day-old chick volumes.

The productivity of the layer farming business continued to improve. The layer breeders outperformed the Lohmann breed standards again and, commercially, all short-term productivity indicators are improving. The productivity index for commercial layers improved by nearly 2%.

The sales volume of day-old layer chicks increased by 61.8%. However, due to a large rearing farm being affected by AI, point-of-lay sales declined by 22.5%. Additional commercial layer capacity was successfully created during the year to mitigate the production losses caused by the AI outbreak.

The egg business delivered a strong performance on the back of favourable industry conditions. Due to AI, egg prices increased by 23.7% and volumes declined by 7.4% year on year. This price movement was a significant contributor to, and positively impacted, the profitability of the egg business. The business improved its operational efficiencies and compares well with similar operations globally. A further success was the change in customer mix in the northern part of South Africa, whereby the quantity of graded eggs supplied to the formal market reduced and the quantity of ungraded eggs supplied directly from farms increased. This resulted in improved efficiencies in both channels.

The Group ensured that all key customers' egg volume requirements were met during the year, with only one significant customer being out of stock for a short period during the initial AI outbreak. The geographical spread of the Group's egg farms throughout South Africa mitigates the disease risk, however, distributing eggs to the Western Cape from the Gauteng/North West layer farms created a logistical challenge. This challenge was managed exceptionally well by the egg business, which is now being led by a much stronger management team than two years ago.

Quantum Foods' other Africa businesses performed well. Macro-economic factors in all three countries were more favourable during the past year than in 2017.

Uganda experienced a complete turnaround year on year. This was partly due to a substantial decline in 2018 maize prices following a good harvest after two previously dry seasons. The financial benefits of the Masindi egg farm investment also commenced.

In Zambia, the Mega Eggs business performed well and earnings from the Lusaka breeder farm started to improve towards the end of the financial period. The investment in a new feed mill at the Lusaka farm was completed in September 2018.

The Mozambican business posted its maiden profit. The characteristics of the South African egg market

influence the Mozambican market and egg prices increased while feed prices decreased. The business was able to sell a larger percentage of eggs to the formal retail market. Capital was successfully invested to ensure better protection at chicken houses during periods of extreme heat, which negatively impacted the business's layer flock in 2017.

## FINANCIAL OVERVIEW

Group revenue increased by 1.7% to R4 122 million, with a 1.4% increase of R52 million in South African operations and 8.7% increase of R18 million in Other African operations. Revenue from other African operations contributed 5.4% to Group revenue for 2018 (2017: 5.0%).

Revenue from South African operations:

- Decreased by R25 million for the feed segment. This is a result of the adjustment to selling prices in response to lower average raw material costs, while volumes sold increased by 6.1%.
- Decreased by R78 million for the farming segment. Similar to the feed segment, broiler selling prices were reduced as a result of lower average feed costs, while the layer farming business had less volumes to sell.
- Increased by R155 million for the eggs segment, where an average price increase of 23.7% and a volume decline of 7.4% was achieved.

Cost of sales decreased by 2.1% to R3 188 million. Cost of sales include the fair value adjustments of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income. These fair value adjustments for the year ended 30 September 2018 amounted to R418 million (2017: R165 million), with the increase mostly reflective of the improved margins in the layer farming and egg businesses. Gross profit, excluding these fair value adjustments, increased by R394 million to R1 353 million at a margin of 32.8% (2017: 23.7%).

Cash operating expenses increased by 8.3% in 2018. Factors contributing to this increase ahead of inflation include:

- additional AI risk mitigation measures that were implemented;

- increased operational costs of the Western Cape broiler farms owned by the Group following the exit of some contract producers during the previous year; and
- increased short-term incentive benefits payable to qualifying management.

Operating profit, before items of a capital nature, increased by 216% to R472 million for the period under review.

South African operations recorded a 165% increase of R283 million to a profit of R455 million at a margin of 11.7% (2017: 4.5%). Eggs and farming improved by R240 million and R51 million respectively, while feeds weakened by R8 million. Eggs profit benefited from substantially higher margins due to the increase in selling prices, lower feed production costs and improved operational efficiency. Included in farming profits are the proceeds from an insurance claim for AI of R22 million, while the majority of the AI losses were incurred in the previous year. Feeds profit benefited from the increase in sales volumes to the external market. However, profit was negatively affected by the decline in volumes required by the internal layer farming business and lower margins achieved on external sales. Other African operations recorded an increase in earnings of R41 million, which resulted in a profit of R31 million. Earnings increased in all three countries supported by improved operating conditions.

Headline earnings per share ("HEPS") increased to 163.9 cents from 49.0 cents per share in 2017.

Cash inflow from operations amounted to R432 million for the reporting period. This includes a reduced investment of R13 million in working capital.

Capital expenditure for the period amounted to R116 million, with the main items being a project to increase capacity at the broiler hatchery in Hartbeespoort, building a new feed mill in Lusaka, expanding the Masindi layer farm in Uganda, expanding the feed mills in Pretoria and Olifantstokop, expanding the layer hatchery in Bronkhorstspuit, as well as capital expenditure to renovate previously dormant commercial layer houses in South Africa.

Cash and cash equivalents increased from R261 million at 30 September 2017 to R422 million at 30 September 2018.

The Group had minimal borrowings at 30 September 2018, which comprised an arrangement to purchase electricity generated from solar panels, capitalised as a finance lease in terms of International Financial Reporting Standards ("IFRS").

## DIVIDEND AND SHARE REPURCHASE

The Group targets a HEPS cover of approximately four times for the declaration of dividends. However, in its declaration of a total gross final dividend of 70 cents per share, the Board further considered the cash generated by, and the healthy cash position of, the Group at 30 September 2018.

Full year dividend at a HEPS cover of 4 times	41 cents
Special dividend due to 2018 cash generation	49 cents
Total dividend (2017: 34 cents per share)	90 cents
Less Interim dividend declared	(20 cents)
Total final dividend	70 cents

During the year under review, Quantum Foods bought back and cancelled 11 784 941 shares at a cost of R52.4 million. In addition, a subsidiary of Quantum Foods purchased 546 815 shares at a cost of R2.5 million. These shares are held as treasury shares. The issued share capital at 30 September 2018 is 210 529 716 shares. The Board intends to continue with the repurchase of shares.

The applicable dates are as follows:

Last date of trading	
cum dividend	Tuesday, 15 January 2019
Trading ex dividend commences	Wednesday, 16 January 2019
Record date	Friday, 18 January 2019
Dividend payable	Monday, 21 January 2019

Share certificates may not be dematerialised or materialised between Wednesday, 16 January 2019 and Friday, 18 January 2019, both days inclusive.

## PROSPECTS

There is uncertainty about the size of the maize crop that will be planted for the 2019 season. However, given the surplus maize stock harvested in 2018, there should be

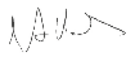
an adequate supply of maize domestically. Globally, stock levels of maize and soybean meal remain sufficient.

A major uncertainty for the Group going forward is the rand to US dollar exchange rate. Volatility in exchange rates directly impact maize and soybean meal prices.

The current dynamics experienced in the egg market are significantly different to what Quantum Foods experienced 12 months ago. Sufficient layer hens have been placed in South Africa to ensure that supply will exceed demand. The Group expects egg prices to decrease in 2019 – a testimony to the cyclical nature of the egg business. However, the egg business is in a much stronger position to navigate the expected headwinds. This includes, for example, improved management and operational efficiency, assisted by the replacement of egg grading and packing equipment


in the Group's largest packing stations. The broiler and feed businesses have further demonstrated their resilience through their strong contributions to the Group's profitability. The other African businesses have experienced management teams and that, together with investments made to expand capacity, should result in improved resilience from these businesses going forward.

By order of the Board



**WA Hanekom**

Chairman



**HA Lourens**

Chief Executive Officer

29 November 2018

# SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 30 September 2018 R'000	Audited 30 September 2017 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 091 867</b>	1 076 838
Property, plant and equipment	1 071 869	1 051 259
Intangible assets	10 637	13 304
Investment in associate	8 789	8 083
Deferred income tax	572	4 192
<b>Current assets</b>	<b>1 422 816</b>	1 177 817
Inventories	240 396	201 789
Biological assets	332 058	299 345
Trade and other receivables	425 424	411 395
Derivative financial instruments	–	1 876
Current income tax	2 477	1 943
Cash and cash equivalents	422 461	261 469
<b>Total assets</b>	<b>2 514 683</b>	2 254 655
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves attributable to owners of the parent</b>	<b>1 854 391</b>	1 691 645
Share capital	1 500 248	1 552 670
Treasury shares	(1 541)	–
Other reserves	(226 402)	(200 991)
Retained earnings	582 086	339 966
<b>Total equity</b>	<b>1 854 391</b>	1 691 645
<b>Non-current liabilities</b>	<b>234 405</b>	237 034
Interest-bearing liability	6 128	6 227
Deferred income tax	220 559	223 199
Provisions for other liabilities and charges	7 718	7 608
<b>Current liabilities</b>	<b>425 887</b>	325 976
Trade and other payables	424 661	321 549
Derivative financial instruments	1 127	–
Current income tax	–	4 336
Interest-bearing liability	99	91
<b>Total liabilities</b>	<b>660 292</b>	563 010
<b>Total equity and liabilities</b>	<b>2 514 683</b>	2 254 655

# SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
Revenue		4 121 901	4 051 890
Cost of sales		(3 187 855)	(3 257 803)
Gross profit		934 046	794 087
Other income		33 148	19 775
Other gains/(losses) – net	3	420 072	199 910
Sales and distribution costs		(232 391)	(215 953)
Marketing costs		(15 205)	(12 056)
Administrative expenses		(118 196)	(108 643)
Other operating expenses		(548 195)	(507 005)
Operating profit		473 279	170 115
Investment income		24 919	8 066
Finance costs		(1 116)	(1 665)
Share of profit of associate company		706	1 095
Profit before income tax		497 788	177 611
Income tax expense		(135 561)	(49 994)
<b>Profit for the year</b>		<b>362 227</b>	<b>127 617</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		4 982	4 039
For the year		23 627	(12 096)
Deferred income tax effect		(18)	(568)
Current income tax effect		(6 598)	3 955
Realised to profit or loss		(16 707)	17 706
Deferred income tax effect		568	(47)
Current income tax effect		4 110	(4 911)
Movement on foreign currency translation reserve			
Currency translation differences		(36 299)	2 340
<b>Total comprehensive income for the year</b>		<b>330 910</b>	<b>133 996</b>
Profit for the year attributable to owners of the parent		362 227	127 617
Total comprehensive income for the year attributable to owners of the parent		330 910	133 996
Earnings per ordinary share (cents)	4	164	56
Diluted earnings per ordinary share (cents)	4	163	56

# SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
<b>Share capital and treasury shares</b>	<b>1 498 707</b>	1 552 670
Opening balance	<b>1 552 670</b>	1 581 402
Shares repurchased and cancelled	<b>(52 422)</b>	(28 732)
Ordinary shares acquired by subsidiary	<b>(2 520)</b>	–
Ordinary shares transferred – share appreciation rights	<b>979</b>	–
<b>Other reserves</b>	<b>(226 402)</b>	(200 991)
Opening balance	<b>(200 991)</b>	(211 432)
Other comprehensive income for the year	<b>(31 317)</b>	6 379
Recognition of share-based payments	<b>6 633</b>	4 062
Ordinary shares transferred – share appreciation rights	<b>(727)</b>	–
<b>Retained earnings</b>	<b>582 086</b>	339 966
Opening balance	<b>339 966</b>	226 178
Profit for the year	<b>362 227</b>	127 617
Dividends paid	<b>(119 855)</b>	(13 829)
Ordinary shares transferred – share appreciation rights	<b>(252)</b>	–
<b>Total equity</b>	<b>1 854 391</b>	1 691 645



# SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
<b>Cash flow from operating activities</b>	<b>431 555</b>	257 688
Cash profit from operating activities	547 802	200 373
Working capital changes	12 889	115 232
Cash effect of hedging activities	8 884	3 413
Cash generated from operations	569 575	319 018
Income tax paid	(138 020)	(61 330)
<b>Cash flow from investing activities</b>	<b>(87 355)</b>	(32 745)
Additions to property, plant and equipment	(115 749)	(72 227)
Additions to intangible assets	(283)	(812)
Proceeds on disposal of property, plant and equipment	3 758	32 228
Interest received	24 919	8 066
Cash surplus	344 200	224 943
<b>Cash flow from financing activities</b>	<b>(175 320)</b>	(43 709)
Repayment of interest-bearing liability	(91)	(84)
Shares repurchased	(52 422)	(28 732)
Treasury shares acquired by subsidiary	(2 520)	–
Interest paid	(554)	(1 073)
Dividends paid to ordinary shareholders	(119 733)	(13 820)
Increase in cash and cash equivalents	168 880	181 234
Effects of exchange rate changes	(7 888)	724
Cash and cash equivalents at beginning of year	261 469	79 511
<b>Cash and cash equivalents at end of year</b>	<b>422 461</b>	261 469

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
<b>SEGMENT INFORMATION</b>		
<b>Segment revenue</b>	<b>4 121 901</b>	4 051 890
Eggs	<b>1 206 489</b>	1 051 375
Farming	<b>1 232 798</b>	1 310 907
Animal feeds	<b>1 460 387</b>	1 485 255
Other African countries	<b>222 227</b>	204 353
<b>Segment results – excluding items of a capital nature</b>	<b>472 350</b>	149 496
Eggs	<b>286 669</b>	46 460
Farming	<b>98 464</b>	47 285
Animal feeds	<b>69 413</b>	77 786
Other African countries	<b>31 036</b>	(9 655)
Head office costs	<b>(13 232)</b>	(12 380)
<b>Items of a capital nature per segment included in other gains/(losses) – net</b>		
Profit/(loss) on disposal of property, plant and equipment before income tax	<b>929</b>	20 619
Eggs	<b>1 943</b>	(1 457)
Farming	<b>(504)</b>	18 422
Animal feeds	<b>(510)</b>	3 441
Other African countries	<b>–</b>	213
<b>Segment results</b>	<b>473 279</b>	170 115
Eggs	<b>288 612</b>	45 003
Farming	<b>97 960</b>	65 707
Animal feeds	<b>68 903</b>	81 227
Other African countries	<b>31 036</b>	(9 442)
Head office costs	<b>(13 232)</b>	(12 380)
<b>A reconciliation of the segment results to profit before income tax is provided below:</b>		
Segment results	<b>473 279</b>	170 115
Adjusted for:		
Investment income	<b>24 919</b>	8 066
Finance costs	<b>(1 116)</b>	(1 665)
Share of profit of associate company	<b>706</b>	1 095
<b>Profit before income tax per statement of comprehensive income</b>	<b>497 788</b>	177 611

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## 1. 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 Listing 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 accounting policies applied in the preparation of the consolidated annual financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying consolidated annual financial statements.

## 2. ACCOUNTING POLICIES

These summary consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's consolidated financial statements for the year ended 30 September 2018 and with those of previous financial years, except for the adoption of the following amendments to the published standards that became effective for the current reporting period beginning on 1 October 2017:

- *Amendment to IAS 12 – 'Income taxes'*
- *Amendments to IAS 7 – 'Cash flow statements'*

The adoption of these amendments to the standards did not have any material impact on the Group's results and cash flows for the year ended 30 September 2018 and the financial position at 30 September 2018.

## 3. OTHER GAINS/(LOSSES) – NET

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
Biological assets fair value adjustment	74 063	40 810
Unrealised – reflected in carrying amount of biological assets	(775)	17 425
Realised – reflected in cost of goods sold	74 838	23 385
Agricultural produce fair value adjustment	344 783	143 754
Unrealised – reflected in carrying amount of inventory	1 142	2 325
Realised – reflected in cost of goods sold	343 641	141 429
Foreign exchange differences	4 413	1 891
Financial instruments fair value adjustments	(1 243)	(3 563)
Foreign exchange contract cash flow hedging ineffective losses	(2 873)	(3 601)
Profit on disposal of property, plant and equipment	929	20 619
	<b>420 072</b>	<b>199 910</b>

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
<b>4. EARNINGS PER ORDINARY SHARE</b>		
<b>Basic</b>		
The calculation of basic earnings per share is based on profit for the period attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year:		
Profit for the year	<b>362 227</b>	127 617
Weighted average number of ordinary shares in issue ('000)	<b>220 468</b>	229 124
<b>Diluted</b>		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive contingent ordinary shares. Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.		
The calculation of diluted earnings per share is based on profit for the period attributable to owners of the parent divided by the diluted weighted average number of ordinary shares in issue during the period:		
Profit for the year	<b>362 227</b>	127 617
Diluted weighted average number of ordinary shares in issue ('000)	<b>222 821</b>	229 124
Headline earnings is calculated in accordance with Circular 4/2018 issued by the South African Institute of Chartered Accountants.		
<i>Reconciliation between profit for the period attributable to owners of the parent and headline earnings</i>		
Profit for the year	<b>362 227</b>	127 617
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	<b>(782)</b>	(15 314)
Gross	<b>(929)</b>	(20 619)
Tax effect	<b>147</b>	5 305
Headline earnings for the year	<b>361 445</b>	112 303
Earnings per share (cents)	<b>164</b>	56
Diluted earnings per share (cents)	<b>163</b>	56
Headline earnings per share (cents)	<b>164</b>	49
Diluted headline earnings per share (cents)	<b>162</b>	49

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 30 September 2018 R'000	Audited Year ended 30 September 2017 R'000
<b>5. CONTINGENT LIABILITIES</b>		
Guarantees in terms of loans by third parties to contracted service providers	29 550	24 355

## Litigation

### *Customer claim*

The Group received a summons in the 2016 reporting period in respect of a claim for performance of day-old pullets delivered to the customer. The matter will be defended in the High Court.

Management is of the view, based on legal advice regarding the merits of the claim against the Group, that the Group will not incur any material liability in this respect.

### *Allegations of anti-competitive trade practices – Zambia*

The Group received a notice of investigation in the 2016 reporting period from the Zambian Competition and Consumer Protection Commission regarding alleged violation of the Competition and Consumer Protection Act ("the Act"). The investigation was finalised in March 2018 and Quantum Foods Zambia Ltd was found to be in contravention of certain provisions of the Act. An appeal has been lodged at the Competition and Consumer Protection Tribunal for Zambia. This previously disclosed contingent liability, meets the provision recognition criteria as per IAS 37. In accordance with IAS 37, a provision of R5.6 million was raised in this reporting period.

### *Dispute with egg contract producer*

The Group has an outstanding trade receivable from a previous egg contract producer. The producer has filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim of the Group and the counterclaim have been referred to arbitration.

Management is of the view that the Group will not incur any material liability in this regard.

## 6. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R50.0 million (2017: R23.9 million).

Capital expenditure approved by the Board, but not yet contracted for, amounts to R95.3 million (2017: R42.5 million).

## **7. EVENTS AFTER THE REPORTING PERIOD**

### *Dividend*

A gross final dividend of 70 cents per ordinary share has been approved and declared by the Board for the year ended 30 September 2018, on 28 November 2018. This will only be reflected in the statement of changes in equity in the next reporting period.

Additional information disclosed:

These dividends are declared from income reserves and qualify as a dividend as defined in the Income Tax Act, Act 58 of 1962.

Dividends will be paid net of dividends tax of 20%, to be withheld and paid to the South African Revenue Service by the Company. Such tax must be withheld unless beneficial owners of the dividend have provided the necessary documentary proof to the relevant regulated intermediary that they are exempt therefrom, or entitled to a reduced rate as result of the double taxation agreement between South Africa and the country of domicile of such owner.

The net dividend amounts to 56 cents per ordinary share for shareholders liable to pay dividends tax.

The dividend amounts to 70 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 210 529 716 as at the date of this declaration.

There have been no other events that may have a material effect on the Group that occurred after the end of the reporting period and up to the date of approval of the summary consolidated financial statements by the Board.

## **8. PREPARATION OF FINANCIAL STATEMENTS**

This summary consolidated financial statements have been prepared under the supervision of AH Muller, CA(SA), Chief Financial Officer.

## **9. AUDIT**

This summary report is extracted from audited information, but is not itself audited.

The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

The Group's auditors have not reviewed nor reported on any of the comments relating to prospects.

**Directors:** WA Hanekom (Chairman)<sup>#</sup>, PE Burton (Lead independent director)<sup>#</sup>, GG Fortuin<sup>#</sup>, Prof. ASM Karaan<sup>#</sup>, N Celliers, HA Lourens (CEO)<sup>\*</sup>, AH Muller (CFO)<sup>\*</sup>

*<sup>\*</sup> Executive <sup>#</sup> Independent*

**Company secretary:** MO Gibbons • **Email:** Marisha.Gibbons@quantumfoods.co.za

**Registered address:** 11 Main Road, Wellington, 7655, PO Box 1183, Wellington, 7654, South Africa

**Tel:** 021 864 8600 • **Fax:** 021 873 5619 • **Email:** info@quantumfoods.co.za

**Transfer secretaries:** Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa

**Tel:** 011 370 5000 • **Fax:** 011 688 5209

**Sponsor:** PSG Capital (Pty) Ltd, PO Box 7403, Stellenbosch, 7599, South Africa

**Tel:** 021 887 9602 • **Fax:** 021 887 9624