



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 2019

SALIENT FEATURES

	2019	2018	% change
Revenue	R4 418 million	R4 122 million	7
Operating profit (before items of a capital nature)*	R245 million	R472 million	(48)
Operating profit	R245 million	R473 million	(48)
Headline earnings	R189 million	R361 million	(48)
Earnings per share	92.6 cents	164.3 cents	(44)
Headline earnings per share	92.3 cents	163.9 cents	(44)
Total dividend per share	33.0 cents	90.0 cents	(63)

* 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.

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Commentary

COMMENTARY

Quantum Foods' financial results were satisfactory considering the sluggish economy and challenging industry conditions. Limited economic growth put pressure on consumers and negatively impacted their ability to purchase eggs and chicken meat. Continuing electricity challenges further weighed heavily on the Group's ability to provide affordable protein to consumers. In particular, load shedding impacted the production capacity of Quantum Foods' feed mills. This made it necessary for the Group to buy feed from other suppliers during the year, which impacted cost recovery and the cost of feed.

OPERATING ENVIRONMENT

No further outbreaks of Avian Influenza ("AI") were reported during fiscal 2019, positively impacting the South African layer population. According to the South African Poultry Association, the layer flock peaked at 24.4 million pre-AI and declined to 21 million following the outbreaks in 2017 and 2018. The latest expectation is that the South African layer flock will reach 28.6 million in December 2019. Egg prices followed an inverse trend and decreased to below pre-AI levels towards the end of 2019.

Raw material costs increased during the year. Maize production declined by c.10.5% (approximately 1.3 million tons) due to dry conditions in maize growing regions. Accordingly, the price of yellow maize on SAFEX increased by 25.5% compared to 2018. The price of other key feed raw material inputs, such as bran and hominy chop, followed maize prices. Bran and hominy chop prices increased by 19% and 31% respectively. The price of soybean meal increased marginally by 2% due to a decline in international prices. However, the full benefit of this was offset by a 10% weakening of the Rand against the US dollar.

SEGMENTAL OVERVIEW

Nova Feeds again performed well. Internal feed volumes lost due to the outbreak of AI were recovered in the second half of the year. External volumes grew by 3.8% on a comparative basis. Margins, however, remained under pressure and declined due to a less favourable product mix and the competitive environment. Costs were well managed and increases in cost per unit were maintained below inflation. The capital investment in the Pretoria and Paterson plants was well

executed and the benefits from these two projects should commence in 2020.

The performance of the commercial broiler farms remained excellent. Efficiency challenges at breeder level are being addressed. However, given the nature of the biological and genetic selection process, it will take up to two years for real progress to be seen. In the interim, management changed certain farming practices to enhance performance. This resulted in a steady improvement in hatchability during the year. The broiler farming business continues to grow, supported by a 7.2% increase in broiler chicks produced in 2019. This increase was mainly driven by the expansion of the Hartbeespoort hatchery that was completed in 2018.

The layer farming business performed well, strengthening its profitability and improving commercial layer productivity by more than 6%. Layer breeders exceeded the Lohmann standard again. The sale of day-old layer chicks declined by 2.0% due to additional rearing placements on own farms. However, this resulted in point-of-lay sales increasing by 5.3%.

The eggs business delivered a strong operational and satisfactory financial performance, with volumes increasing by 5.5%. Supply in the egg market increased and egg prices declined by 14.3% due to South Africa's layer stock being replenished. Most importantly, the business continued to improve its operational efficiency. Costs were well managed and increases on a nominal and per unit basis were maintained below inflation.

Quantum Foods' other African businesses performed satisfactorily. Raw material prices increased in all jurisdictions. The maize harvest in Zambia was poor and prices reached record highs amid fears that maize might need to be imported for the first time since 2004. These high prices resulted in small farmers being unable to afford layer and broiler day-old chicks. The current capex cycle for Zambia was concluded following the completion of the *Mega Eggs* expansion.

Feed raw material prices in Uganda were higher than the previous year, and closer to the long-term average. The breeder farm was depopulated for maintenance and cleaning, with breeders housed at the Masindi farm. Against this backdrop, local management did well to maintain profitability and operational efficiency.



Mozambique delivered a satisfactory operational and financial performance. The dynamics of the South African egg market influenced the Mozambican market. Despite these challenges, the business remains cash positive.

FINANCIAL OVERVIEW

Group revenue increased by 7% to R4 418 million, with a 7.2% increase of R279 million in the South African operations and a 7.4% increase of R16 million in the other African operations. Revenue from the other African operations contributed 5.4% to Group revenue for 2019 (2018: 5.4%).

Revenue from the South African operations:

- Increased by R298 million for the feeds segment: This is a result of adjusted selling prices in response to higher average raw material costs and a 7.3% increase in volumes sold.
- Increased by R92 million for the farming segment: Similar to the feeds segment, broiler selling prices increased as a result of higher average feed costs being used to determine selling prices. Volumes increased in the layer and broiler farming businesses.
- Decreased by R111 million for the eggs segment, with an average price decrease of 14.3% and a volume increase of 5.5% achieved.

Cost of sales increased by 6.5% to R3 395 million. Cost of sales includes 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 2019 amounted to R147 million (2018: R418 million). The decrease was mostly reflective of the decreased margins in the egg business. Excluding these fair value adjustments, gross profit decreased by R183 million to R1 170 million at a margin of 26.5% (2018: 32.8%).

Cash operating expenses were well managed and increased by 2.5% in 2019.

Operating profit, before items of a capital nature, decreased by 48% to R245 million for the year under review.

The Group's South African operations recorded a 47% decrease of R215 million to achieve a profit of R240 million at a margin of 5.7% (2018: 11.7%).

The feeds and farming segments improved by R20 million and R14 million respectively, and the eggs segment weakened by R248 million. Feeds, profit benefited from higher volumes. This included external sales volumes and volumes required by the internal layer farming business. Farming profit benefited from higher volumes and there was no reoccurrence of the AI incidents that affected the Western Cape layer farm operations in 2018. Eggs profit was supported by an increase in sales volumes. However, the supply of eggs to the market increased, resulting in a decline in selling prices that negatively affected profit. The Group's other African operations recorded a decrease in profits of R17 million, which resulted in a profit of R14 million. Profit decreased in all three countries due to higher raw material costs than the previous year and more challenging operating conditions.

Headline earnings per share ("HEPS") decreased to 92.3 cents from 163.9 cents per share in 2018.

Cash inflow from operations amounted to R163 million for the reporting period. This includes an increased investment of R109 million in working capital.

Capital expenditure for the period amounted to R153 million. In addition to maintenance capital, other key items included:

- a project to increase capacity at the Mega layer farm in Zambia;
- expansion of the Masindi layer farm and Kampala hatchery in Uganda;
- expansion of the feed mills in Pretoria and Paterson;
- expansion of the layer hatchery in Bronkhorstspuit; and
- the upgrade of an egg grader at the Pinetown packing station.

Cash and cash equivalents decreased from R422 million at 30 September 2018 to R220 million at 30 September 2019. The decrease includes R163 million in dividends paid, R35 million in shares repurchased and cancelled and R27 million in treasury shares were acquired.

The Group had minimal borrowings at 30 September 2019. This comprised an arrangement to purchase electricity generated from solar panels, which was 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 declaring a total gross final dividend of 25 cents per share, the Board further considered the cash generated by Quantum Foods and the healthy cash position of the Group at 30 September 2019.

Full year dividend at a HEPS cover of four times	23 cents
Special dividend due to 2019 cash position (2018: 49 cents per share)	10 cents
Total dividend (2018: 90 cents per share)	33 cents
Less interim dividend declared	(8 cents)
Total final dividend	25 cents

The normal and special dividend will be subject to a local dividend withholding tax rate of 20% for those shareholders who are not exempt from dividend withholding tax. Accordingly, for those shareholders not exempt from paying dividend withholding tax, the net normal dividend will be 12 cents per share and the net special dividend will be 8 cents per share. Such tax will be withheld unless beneficial owners of the dividend provide the necessary documentation to the relevant regulated intermediary to indicate that they are exempt therefrom or entitled to a reduced rate as a result of the double tax agreement between South Africa and their country of domicile.

During the year under review, Quantum Foods bought back and cancelled 10 505 000 shares at a cost of R35.2 million, equating to an average price per share of R3.35. In addition, a subsidiary of Quantum Foods repurchased 8 083 426 shares at a cost of R27.4 million, equating to an average price per share of R3.39. These shares are held as treasury shares. The issued share capital at 30 September 2019 is 200 024 716 shares. The Board intends to continue with the repurchase of shares.

The applicable dates are as follows:

Finalisation date	Tuesday, 7 January 2020
Last date of trading cum dividend	Tuesday, 14 January 2020
Trading ex dividend commences	Wednesday, 15 January 2020
Record date	Friday, 17 January 2020
Dividend payable	Monday, 20 January 2020

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

As in the past, Quantum Foods is in the process of obtaining South African Reserve Bank approval for the special dividend. The approval is expected to be received well in advance of the finalisation date of 7 January 2020. Should it not be obtained by this date shareholders will be advised of revised dates in respect of the special dividend.

OUTLOOK

While the decline in egg prices was slower than anticipated, by the end of the financial year prices dropped to below the pre-AI levels of June 2017. We therefore expect severe pressure on the egg business for the next 24 to 36 months. The farming and feed businesses should continue to perform well, and both are less exposed to raw material price dynamics. Trading conditions for the other African businesses will be challenging in the upcoming period. Should raw material prices soften in the second half of 2020, these businesses are well positioned to benefit and deliver a solid performance.

We anticipate that South Africa's summer rainfall regions will receive normal levels of rainfall. This should result in sufficient maize to meet domestic demand. Globally, stock levels of maize and soybean remain sufficient. The Rand to US dollar exchange rate remains unpredictable and will influence all raw material prices. In particular, a weak Rand will lead to an increase in all major feed raw material prices.

The next period is expected to be more challenging than the past two financial years. However, Quantum Foods' investments made to increase production capacities in the less cyclical feeds, farming and other African businesses, as well as the investments made to improve efficiencies in the eggs business, have equipped the Group to navigate through the anticipated headwinds successfully.

By order of the Board

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

28 November 2019



Summary consolidated statement of financial position

	Audited 30 September 2019 R'000	Audited 30 September 2018 R'000
ASSETS		
Non-current assets	1 181 521	1 091 867
Property, plant and equipment	1 160 768	1 071 869
Intangible assets	7 722	10 637
Investment in associate	8 998	8 789
Trade and other receivables	3 356	–
Deferred income tax	677	572
Current assets	1 332 808	1 422 816
Inventories	288 029	240 396
Biological assets	379 596	332 058
Trade and other receivables	433 280	425 424
Derivative financial instruments	4 658	–
Current income tax	7 651	2 477
Cash and cash equivalents	219 594	422 461
Total assets	2 514 329	2 514 683
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	1 837 412	1 854 391
Share capital	1 465 069	1 500 248
Treasury shares	(23 947)	(1 541)
Other reserves	(210 432)	(226 402)
Retained earnings	606 722	582 086
Total equity	1 837 412	1 854 391
Non-current liabilities	256 790	234 405
Interest-bearing liability	6 021	6 128
Deferred income tax	242 843	220 559
Provisions for other liabilities and charges	7 926	7 718
Current liabilities	420 127	425 887
Trade and other payables	420 019	424 661
Derivative financial instruments	–	1 127
Interest-bearing liability	108	99
Total liabilities	676 917	660 292
Total equity and liabilities	2 514 329	2 514 683



Summary consolidated statement of comprehensive income

	Notes	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
Revenue	3	4 417 674	4 121 901
Cost of sales		(3 395 377)	(3 187 855)
Gross profit		1 022 297	934 046
Other income		9 915	33 148
Other gains/(losses) – net	4	149 517	420 072
Sales and distribution costs		(251 995)	(232 391)
Marketing costs		(13 278)	(15 205)
Administrative expenses		(126 517)	(118 196)
Other operating expenses		(544 706)	(548 195)
Operating profit		245 233	473 279
Investment income		15 102	24 919
Finance costs		(3 959)	(1 116)
Share of profit of associate company		209	706
Profit before income tax		256 585	497 788
Income tax expense		(67 390)	(135 561)
Profit for the year		189 195	362 227
Other comprehensive income for the year			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value adjustments to cash flow hedging reserve		(1 227)	4 982
For the year		26 178	23 627
Deferred income tax effect		(1 426)	(18)
Current income tax effect		(5 903)	(6 598)
Realised to profit or loss		(27 883)	(16 707)
Deferred income tax effect		18	568
Current income tax effect		7 789	4 110
Movement on foreign currency translation reserve			
Currency translation differences		13 080	(36 299)
Total comprehensive income for the year		201 048	330 910
Profit for the year attributable to owners of the parent		189 195	362 227
Total comprehensive income for the year attributable to owners of the parent		201 048	330 910
Earnings per ordinary share (cents)	5	93	164
Diluted earnings per ordinary share (cents)	5	91	163



Summary consolidated statement of changes in equity

	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
Share capital and treasury shares	1 441 122	1 498 707
Opening balance	1 498 707	1 552 670
Shares repurchased and cancelled	(35 179)	(52 422)
Ordinary shares acquired by subsidiary	(27 368)	(2 520)
Ordinary shares transferred – share appreciation rights	4 962	979
Other reserves	(210 432)	(226 402)
Opening balance	(226 402)	(200 991)
Other comprehensive income for the year	11 853	(31 317)
Recognition of share-based payments	8 090	6 633
Ordinary shares transferred – share appreciation rights	(3 973)	(727)
Retained earnings	606 722	582 086
Opening balance	582 086	339 966
Adjustment to opening retained earnings*	(795)	–
Profit for the year	189 195	362 227
Dividends paid	(162 775)	(119 855)
Ordinary shares transferred – share appreciation rights	(989)	(252)
Total equity	1 837 412	1 854 391

* Refer to note 2 for details regarding the restatement of the opening balance of retained earnings on 1 October 2018.



Summary consolidated statement of cash flows

	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
CASH FLOW FROM OPERATING ACTIVITIES	162 706	431 555
Cash profit from operating activities	329 847	547 802
Working capital changes	(109 244)	12 889
Cash effect of hedging activities	(6 736)	8 884
Cash generated from operations	213 867	569 575
Income tax paid	(51 161)	(138 020)
CASH FLOW FROM INVESTING ACTIVITIES	(140 946)	(87 355)
Additions to property, plant and equipment	(152 587)	(115 749)
Additions to intangible assets	(4)	(283)
Proceeds on disposal of property, plant and equipment	3 271	3 758
Advance of non-interest-bearing loan	(6 728)	–
Interest received	15 102	24 919
Cash surplus	21 760	344 200
CASH FLOW FROM FINANCING ACTIVITIES	(225 941)	(175 320)
Repayment of interest-bearing liability	(98)	(91)
Shares repurchased	(35 179)	(52 422)
Treasury shares acquired by subsidiary	(27 368)	(2 520)
Interest paid	(724)	(554)
Dividends paid to ordinary shareholders	(162 572)	(119 733)
(Decrease)/increase in cash and cash equivalents	(204 181)	168 880
Effects of exchange rate changes	1 314	(7 888)
Cash and cash equivalents at beginning of year	422 461	261 469
Cash and cash equivalents at end of year	219 594	422 461



Segmental analysis

	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
SEGMENT INFORMATION		
Segment revenue	4 417 674	4 121 901
Eggs	1 095 195	1 206 489
Farming	1 325 152	1 232 798
Animal feeds	1 758 627	1 460 387
Other African countries	238 700	222 227
Segment results – excluding items of a capital nature	244 611	472 350
Eggs	38 341	286 669
Farming	112 087	98 464
Animal feeds	89 100	69 413
Other African countries	14 226	31 036
Head office costs	(9 143)	(13 232)
Items of a capital nature per segment included in other gains/(losses) – net		
Profit/(loss) on disposal of property, plant and equipment before income tax	622	929
Eggs	(96)	1 943
Farming	1 053	(504)
Animal feeds	(426)	(510)
Other African countries	91	–
Segment results	245 233	473 279
Eggs	38 245	288 612
Farming	113 140	97 960
Animal feeds	88 674	68 903
Other African countries	14 317	31 036
Head office costs	(9 143)	(13 232)
A reconciliation of the segment results to operating profit before income tax is provided below:		
Segment results	245 233	473 279
<i>Adjusted for:</i>		
Investment income	15 102	24 919
Finance costs	(3 959)	(1 116)
Share of profit of associate company	209	706
Profit before income tax per statement of comprehensive income	256 585	497 788



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, apart from the adoption of the new and amended standards, as set out below.

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.

1.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- IFRS 9 – Financial Instruments; and
- IFRS 15 – Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other new or amended standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

1.2 Impact of standards issued but not yet effective

IFRS 16 – Leases was issued in January 2016. It will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the Group's operating leases. The Group leases various poultry houses, warehouses, machinery, equipment and vehicles under operating lease agreements. As at the reporting date, the Group has non-cancellable operating lease commitments of R52.5 million.

The Group expects to recognise right-of-use assets of approximately R62.5 million on 1 October 2019, and lease liabilities of R77.0 million.

The Group expects that net profit after tax will increase by approximately R0.5 million for 2020 as a result of adopting the new rules. Earnings before interest, taxation, depreciation and amortisation (EBITDA) is expected to increase by approximately R27.6 million, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.



1. BASIS OF PREPARATION (continued)

1.2 Impact of standards issued but not yet effective (continued)

The difference between the non-cancellable operating lease commitments and lease liability on 1 October mainly relates to leases which have extension clauses management has determined it highly probable that extensions will be done.

The Group intends to apply the modified retrospective transition approach and will not restate comparative information.

2. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers on the Group's annual financial statements. It also discloses the new accounting policies that have been applied from 1 October 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position as at 30 September 2018 but are recognised in the opening statement of financial position on 1 October 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)	30 September 2018 As originally presented R'000	IFRS 9 impact R'000	1 October 2018 R'000
ASSETS			
Non-current assets	1 091 867	11	1 091 878
Deferred income tax	572	11	583
Current assets	1 422 816	(1 009)	1 421 807
Trade and other receivables	425 424	(1 009)	424 415
Total assets	2 514 683	(998)	2 513 685
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent	1 854 391	(795)	1 853 596
Retained earnings	582 086	(795)	581 291
Non-current liabilities	234 405	(203)	234 202
Deferred income tax	220 559	(203)	220 356
	660 292	(203)	660 089
Total liabilities	2 514 683	(998)	2 513 685
Total equity and liabilities			

There was no impact on the statement of comprehensive income.



(b) IFRS 9 – Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 – Financial Instruments from 1 October 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements (refer to note 2(a) adjacent). In accordance with the transitional provisions in IFRS 9(7.2.15), comparative figures have not been restated.

There has been no change to the classification and measurement of financial assets and financial liabilities of the Group, except for the impact of the new impairment requirements. IFRS 9 did not result in significant changes to accounting policies.

(i) Derivatives and hedging activities

The foreign currency forwards in place as at 30 September 2018 qualified as cash flow hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore treated as continuing hedges.

For foreign currency forwards, the Group only designates the spot component of the change in fair value in cash flow hedge relationships. The spot component is determined with reference to the relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as forward points. It is discounted, where material. Changes in the fair value related to forward points were recognised in the statement of profit or loss prior to 1 October 2017. The Group continues to recognise this cost of hedging (forward points) immediately in profit and loss.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to IFRS 9's new expected credit loss ("ECL") model:

- trade receivables for sales of inventory;
- other receivables; and
- cash and cash equivalents.

The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table alongside. While cash and cash equivalents and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to such trade receivable and the economic environment. Forward-looking information includes expected economic growth and employment rates and the potential impact thereof on our customers. Trade receivables have been grouped together based on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer. The calculation of the ECL takes into account the insurance cover in place.

The Group has a history of minimal bad debt write-offs and has credit insurance in place over a large portion of its trade debtors.

2. CHANGES IN ACCOUNTING POLICIES (continued)

The loss allowances for trade receivables as at 30 September 2018 reconcile to the opening loss allowances on 1 October 2018 as follows:

	Trade receivable – impairment provision R'000
At 30 September 2018 – calculated under IAS 39	21 873
Amount restated through opening retained earnings	1 009
Opening loss allowance as at 1 October 2018 – calculated under IFRS 9	22 882

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due and/or when the legal process has not enabled recovery.

(c) IFRS 15 – Revenue from Contracts with Customers – Impact of adoption

The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer. IFRS 15 establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Group's revenue consists mostly of the sale of eggs, animal feed and live birds, delivered to customers at the customers' premises. There are no material changes to the revenue recognition for revenue from sale of goods under IFRS 15.

3. REVENUE

Disaggregation of revenue from contracts with customers:

Revenue

	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
Eggs	1 095 195	1 206 489
Layer farming*	197 058	183 901
Broiler farming**	1 128 094	1 048 897
Animal feeds	1 758 627	1 460 387
Zambia***	144 538	128 522
Uganda***	48 966	49 263
Mozambique****	45 196	44 442
	4 417 674	4 121 901

* Layer farming sales include the sale of day-old pullets and point-of-lay hens.

** Broiler farming sales include the sales of day-old broilers and live birds.

*** Includes the sale of animal feeds, commercial eggs and day-old chicks.

**** Includes the sale of commercial eggs.



	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
4. OTHER GAINS/(LOSSES) – NET		
Biological assets fair value adjustment	105 091	74 063
Unrealised – reflected in carrying amount of biological assets	790	(775)
Realised – reflected in cost of goods sold	104 301	74 838
Agricultural produce fair value adjustment	40 015	344 783
Unrealised – reflected in carrying amount of inventory	(2 891)	1 142
Realised – reflected in cost of goods sold	42 906	343 641
Foreign exchange differences	339	4 413
Financial instruments fair value adjustments	3 003	(1 243)
Foreign exchange contract cash flow hedging ineffective losses	447	(2 873)
Profit on disposal of property, plant and equipment	622	929
	149 517	420 072
5. EARNINGS PER ORDINARY SHARE		
Basic		
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 (net of treasury shares) in issue during the year:		
Profit for the year	189 195	362 227
Weighted average number of ordinary shares in issue ('000)	204 298	220 468
Diluted		
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 (net of treasury shares) in issue during the period:		
Profit for the year	189 195	362 227
Diluted weighted average number of ordinary shares in issue ('000)	207 185	222 821
Headline earnings is calculated in accordance with Circular 4/2018 issued by the South African Institute of Chartered Accountants.		

	Audited Year ended 30 September 2019 R'000	Audited Year ended 30 September 2018 R'000
5. EARNINGS PER ORDINARY SHARE (continued)		
<i>Reconciliation between profit for the period attributable to owners of the parent and headline earnings</i>		
Profit for the year	189 195	362 227
Remeasurement of items of a capital nature		
Profit on disposal of property, plant and equipment	(554)	(782)
Gross	(622)	(929)
Tax effect	68	147
Headline earnings for the year	188 641	361 445
Earnings per share (cents)	93	164
Diluted earnings per share (cents)	91	163
Headline earnings per share (cents)	92	164
Diluted headline earnings per share (cents)	91	162
6. CONTINGENT LIABILITIES		
Guarantees in terms of loans by third parties to contracted service providers	23 861	29 550

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 claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.

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 ("ZCCPC") regarding alleged violation of the Competition and Consumer Protection Act ("CCPA"). The investigation was finalised in March 2018, and Quantum Foods Zambia Ltd was found to be in contravention with certain provisions of the CCPA. An appeal was lodged at the Competition and Consumer Protection Tribunal for Zambia. The matter was settled with the ZCCPC within the reporting period and the provision previously recognised was reversed. The settlement had no adverse financial impact on the Group.

Dispute with egg contract producer

The Group has an outstanding trade receivable from a previous egg contract producer. The producer had filed a counterclaim against the Group for alleged breach of the terms of the terminated agreement. The claim was withdrawn as part of a settlement agreement. The settlement had no adverse financial impact on the Group.

7. FUTURE CAPITAL COMMITMENTS

Capital expenditure approved by the Board and contracted for amounts to R14.6 million (2018: R50.0 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R86.0 million (2018: R95.3 million).



8. EVENTS AFTER THE REPORTING PERIOD

Dividend

A final dividend of 25 cents per ordinary share has been approved and declared by the Board for the year ended 30 September 2019, on 28 November 2019. 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 20 cents per ordinary share for shareholders liable to pay dividends tax. The dividend amounts to 25 cents per ordinary share for shareholders exempt from paying dividends tax.

The number of issued ordinary shares is 200 024 716 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.

9. PREPARATION OF FINANCIAL STATEMENTS

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

10. AUDIT

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

The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditors' 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 Haneekom (Chairman)[#], PE Burton[#], GG Fortuin[#], Prof. ASM Karaan[#], N Celliers, T Golden[#], HA Lourens (CEO)*, AH Muller (CFO)*

* Executive [#] Independent

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