QUANTUM FOODS

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

Summary audited consolidated financial statements

For the year ended 30 September 2022

Salient features

	2022	2021	% change
Revenue	**R6 021 million**	R5 401 million	11
Operating profit (before items of a capital nature)*	**R37 million**	R144 million	(74)
Operating profit	**R33 million**	R148 million	(78)
Headline earnings	**R28 million**	R102 million	(73)
Earnings per share	**12.0 cents**	53.9 cents	(78)
Headline earnings per share ("**HEPS**")	**14.1 cents**	52.2 cents	(73)
Total dividend per share	**8.0 cents**	Nil	

* *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 HEPS. The principal items excluded under this measurement are profits or losses on disposal of property, plant and equipment, the profit on disposal of interest in associate and the impairment of goodwill.*

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Commentary

The Group experienced exceptionally challenging trading conditions during the financial year ended 30 September 2022 ("FY2022"). The Group's performance was principally impacted by a number of industry-level factors including, *inter alia*, (i) a significant increase in feed raw material costs; (ii) curtailed egg selling prices in a weak consumer environment resulting in lower margins for the Egg business and lower demand for layer livestock; (iii) further outbreaks of highly pathogenic avian influenza ("HPAI") in South Africa; (iv) significant increases in the cost of electricity, gas, fuel and Eskom load shedding cycles; and (v) extreme weather conditions experienced in the Western Cape.

In addition to the abovementioned industry-level factors, performance was also negatively impacted by the labour unrest during the current financial year at the Kaalfontein layer farm in Gauteng ("Kaalfontein Farm"), partially offset by improved operational efficiencies from the Group's South African operations.

Factors that had a major impact on Group performance

Margin closure

The Company was unable to recover the further and significant increases in the cost of feed raw material and other operating costs from customers, especially in the layer farming, eggs and Ugandan businesses. This contributed to the significant decline in Group earnings for FY2022.

The devastating impact of HPAI

The HPAI outbreak in January 2022 at the Lemoenkloof layer farm ("Lemoenkloof Farm") in the Western Cape affected operations for the remainder of the financial year. Repopulation of the farm commenced in July 2022. The farm supplies about 13% of the total production of eggs, and approximately 400 000 layer hens had to be culled.

The Company also experienced false positive tests for HPAI on two of the farms in Gauteng and the North West, which resulted in the quarantine of layer hens, which still had to be fed, at a higher cost, beyond their normal age of depopulation. The disruption of the normal flow of birds from layer-rearing farms to layer farms contributed to a higher cost of rearing.

Commentary (continued)

Impact of increased load shedding

FY2022 was impacted by a significant increase in the severity and number of hours of load shedding. This affected the Group's South African operations. Costs increased due to, *inter alia*, additional overtime costs, increased fuel usage, having to transport products over increased distances and some previously planned raw materials not being available for feed production.

The Kaalfontein Farm labour unrest

Employees at the Kaalfontein Farm initiated an unprotected strike in October 2021 which disrupted operations and had a significant cost impact. The Kaalfontein Farm provides approximately 15% of Quantum Foods' South African egg production.

The strike followed a disciplinary process that was launched against an employee suspected of sabotage. This labour action, unfortunately, resulted in 40 employees being dismissed and the Company had to contract additional security and employ temporary labour at short notice while starting a process to fill these positions. This change of staff, together with a maintenance backlog resulting from the labour action, resulted in much higher operational costs and hampered production efficiencies at the farm.

Segmental performance summaries

Animal feeds

The combination of a substantial increase in raw material costs, financial pressures being felt by customers, HPAI outbreaks and certain customers investing in their own feed milling capacity, resulted in a decrease in external sales volumes compared to the financial year ended 30 September 2021 ("FY2021"). Volumes transferred to the internal poultry business, which is not included in revenue, increased.

The negative financial effect of lower sales volumes was partially offset by well-executed operational efficiencies and the increase in volumes transferred to the internal poultry business. The negative impact of increased hours under load shedding had a significant effect on the feed business, leading to above-target cost increases and higher production costs due to, *inter alia*, the restricted availability of some previously planned raw material components.

Farming

Layer farming

Operational efficiencies in the hatcheries improved. The number of day-old pullets sold to external customers was marginally lower in FY2022 compared to FY2021. Point-of-lay volumes sold to external customers were, as planned, much lower in FY2022 compared to FY2021, which contributed to lower earnings from the layer livestock business. The more challenging egg industry conditions resulted in lower demand from layer livestock customers, which culminated in the Group's inability to recover increased production costs in product selling prices and some customers either postponing or cancelling orders for point-of-lay hens. This resulted in point-of-lay hens being retained in the Company's farms for increased periods, further resulting in a higher cost of production and reduced margins.

Production efficiencies on commercial egg farms improved in FY2022 compared to FY2021. The labour unrest at the Kaalfontein Farm and the HPAI outbreak at the Lemoenkloof Farm resulted in significant increases in overhead costs. Egg production from the Lemoenkloof Farm was much lower in FY2022 given that the majority of the farm was not stocked with birds in the second half of FY2022 due to the HPAI outbreak, leading to the under recovery of overhead costs and reduced egg volumes being made available for sale.

The second half of FY2022 saw additional costs being incurred by the Egg business to supply customers from the Western Cape with eggs produced in both Gauteng and North West.

The Company's insurance for the HPAI outbreak on the Lemoenkloof Farm was limited to the risk associated with direct losses resulting from the culling of infected flocks and did not cover the further effect of lost production and lower sales volumes experienced. The Company received a payment of c. R20 million from the insurance provider in FY2022 for the HPAI loss on the Lemoenkloof Farm in FY2022 and the HPAI loss at the Fransrug layer rearing farm in FY2021.

Following a review of the layer farming business by the Company, a decision has been made to close the Tongaat layer rearing farm in the first quarter of the financial year ended 30 September 2023 ("FY2023"). This impending closure has resulted in once-off exit costs being incurred by the Group in FY2022. The Hekpoort layer farm will, because of the age of the equipment and cost of operation, also be closed in the first quarter of FY2023. We now have dedicated rearing and egg farms for our internal needs. We also have dedicated facilities and a management team focusing on external livestock sales opportunities.

Broiler farming

Operational efficiencies in the hatcheries improved during FY2022. Despite the closure of a major Western Cape abattoir customer in FY2021, day-old chick volumes increased by 4.2% in FY2022 compared to FY2021, with strong growth in day-old chick sales from the Hartbeespoort hatchery. The Company benefited, to a limited extent, from improved trading conditions in the broiler industry, where supply volumes were reduced and levels of consumer demand remained adequate, culminating in a higher demand for day-old broiler chicks being experienced by the Company.

The majority of revenue from the broiler farming business is generated from long-term supply agreements whereby the Company is compensated for the production risk it undertakes and is therefore not exposed to the associated broiler meat market margin fluctuations. Live bird sales volumes increased slightly in FY2022 compared to FY2021, while margins were negatively impacted by continuous increases in the cost of production and a slight reduction in efficiencies achieved on broiler farms.

Progress on the project to increase production capacity at the Hartbeespoort hatchery is on track, with the project expected to be completed by June 2023. At 30 September 2022, R48 million had been spent on this project, which expenditure is included as assets under construction in property, plant and equipment. The project to repurpose the Bulhoek Farm, previously used for broiler grandparent farming, to a broiler parent farm is progressing well and has provided the Group

Commentary (continued)

with the opportunity to purchase parent stock, as opposed to importing grandparent stock, as the starting point of the Company's broiler value chain. The process of converting from Cobb 500 to Ross 308 genetics has a long lead time due to the genetic cycle of bird stock.

Eggs

Egg selling prices increased by 8.4% on average during FY2022, with volumes increasing by 0.7% compared to FY2021.

Higher production costs, arising from increased feed raw material costs and overhead costs, could not be recovered in the final product selling prices in FY2022.

Packing station efficiencies further improved in FY2022 and cost management was well executed.

The relatively large South African layer flock, together with the current depressed consumer environment, have created an imbalance in the supply and demand of eggs. The resultant pressure on egg selling prices as well as higher production costs resulted in significant margin pressures and losses incurred in the Egg business.

Following a review of the Egg business, a decision was taken to close the East London packing station in August 2022, resulting in the exit of some unprofitable distribution routes and the incurrence of once-off exit costs in FY2022.

Other African countries

Trading conditions remained favourable for egg businesses in Zambia. However, compared to FY2021, feed raw material costs were higher and production efficiencies were weaker due to a disease challenge affecting the industry in the Copperbelt province, resulting in lower volumes of eggs available for sale. These factors contributed to lower earnings in local currency. The strengthening of the Zambian Kwacha against the Rand during FY2022 resulted in increased earnings in Rands, the Group's reporting currency.

The Ugandan business was negatively affected by record-high raw material costs and subdued egg selling prices following restrictions on the normal export trading pattern of eggs, which resulted in an imbalance in the local supply and demand for eggs. These factors also resulted in much lower demand for, and earnings from the sales of, layer livestock. By contrast, day-old broiler chick volumes increased.

Production efficiencies in the Mozambican business improved. However, this business is similarly exposed to the profit drivers experienced by the South African egg business and margins remained under pressure during FY2022.

Costs were well managed in all three countries and contributed to margins in our other African businesses continuing to outperform South Africa.

No HPAI outbreaks were experienced in the other African businesses.

Financial overview

Group revenue increased by 11.5% to R6.0 billion, with a 10.7% increase of R545 million in the South African operations and a 23.2% increase of R74 million in the operations of the other African countries. Revenue from other African countries contributed 6.6% of the Group's revenue for FY2022 (FY2021: 5.9%).

Revenue from South African operations:

- Increased by R248 million for the feeds segment. This increase of 10.1% is due to the adjustment of selling prices for higher input costs. External volumes sold decreased by 3.0%.
- Increased by R176 million for the farming segment. Broiler farming revenue increased due to (i) higher selling prices, with selling prices adjusted for higher input costs; (ii) an increase of 4.2% in the volume of day-old chicks produced; and (iii) an increase of 3.7% in the weight of broilers sold. Layer farming revenue decreased by R8 million as a result of decreased volumes of both day-old pullets and point-of-lay hens sold.
- Increased by R121 million for the eggs segment, where an average price increase of 8.4% and a volume increase of 0.7% were achieved.

Cost of sales increased by 13.2% to R4.9 billion (FY2021: R4.3 billion) and included:

- Significantly higher feed raw material costs, including an increase of 15% in maize costs and 15% in soybean costs.
- Higher costs resulting from the labour unrest at the Kaalfontein Farm and the outbreak of HPAI at the Lemoenkloof Farm.
- Fair value adjustments to the value of R6 million (FY2021: R87 million) of biological assets (livestock) and agricultural produce (eggs) that were realised and included in other gains and losses in the statement of comprehensive income.

Gross profit, excluding the fair value adjustments, decreased by R33 million to R1 116 million (FY2021: R 1 149 million) at a margin of 18.5% (FY2021: 21.3%).

Cash operating expenses increased by 10.2% from the previous year, driven primarily by:

- Significant increases in energy and distribution costs.
- The increased number of hours under load shedding.
- Expenses for the Helderfontein broiler farm (acquired on 31 January 2021) being included for the full period.
- Higher costs associated with the labour unrest at the Kaalfontein Farm and the outbreak of HPAI at the Lemoenkloof Farm.

Operating profit before items of a capital nature decreased by 74.5% to R37 million (FY2021: R144 million).

South African operations recorded a 72.5% decrease in operating profit to R36 million (FY2021: R130 million) at a margin of 0.6% (FY2021: 2.6%). Other African countries recorded a 39.5% decrease in operating profit to R19 million (FY2021: R31 million) at a margin of 4.7% (FY2021: 9.6%). Shared services costs increased from R17 million in FY2021 to R18 million in FY2022.

Commentary (continued)

Operating profit includes a R5.4 million impairment of goodwill originating from the acquisition of the Olifantskop feed mill in 2016.

The effective tax rate of the Group decreased and includes the effect of a credit of R9 million due to the remeasurement of deferred tax liabilities in accordance with the lower corporate tax rate applicable in South Africa from FY2023.

HEPS decreased to 14.1 cents from 52.2 cents in FY2021.

Cash flow from operating activities amounted to R77.8 million (FY2021: R24.3 million) and includes an increased investment in working capital of R87.1 million (FY2021: increase of R259.3 million). The increase in the investment in working capital for FY2022 included the benefit of adjusted vendor payment terms for key suppliers of maize and soya meal.

Cash flow from investing activities includes capital expenditure on property, plant and equipment and intangible assets amounting to R125.2 million (FY2021: R108.6 million). In addition to maintenance capital, the main projects included the broiler hatchery expansion in the North West province, the implementation of Sage X3 as the new enterprise resource planning system for the Group and the refurbishment of the Kaalfontein Farm.

Cash and cash equivalents decreased from R73 million as at FY2021, to a net bank overdraft of R11 million as at FY2022.

The Rand value of the Group's investment in the other African countries segment increased by R86 million from FY2021, due to movements in the exchange rate, disclosed as part of the movement in the foreign currency translation reserve. The Rand depreciated against the Zambian Kwacha, Ugandan Shilling and Mozambican Metical since the end of FY2021. This increase in the foreign currency translation reserve is included in other comprehensive income for the current reporting period.

The Group's borrowings as at 30 September 2022 comprised mainly of lease liabilities as accounted for in terms of International Financial Reporting Standards ("IFRS") 16 – Leases.

Dividend declaration

The Board declared an interim dividend of 8 cents per share in May 2022.

The Board resolved to not declare a final dividend for FY2022.

Outlook

The cost of raw materials is expected to remain high in all the countries where we operate, challenging us to improve margins in especially the eggs and other African businesses.

Customers and consumers are likely to remain under pressure due to economic conditions and global uncertainty which are leading to higher interest rates and inflation. This has a negative effect on the ability of the Company to recover cost increases.

We expect egg selling prices to be supported by lower supply resulting from a reduced South African flock size as producers place fewer hens in response to challenging egg industry conditions. Despite this, margin recovery is expected to be contained by lower consumer spending power.

With no end in sight to load shedding in South Africa, we are investing to mitigate against potentially higher energy supply constraints. Generator installation at the Group's largest feed mill in Malmesbury is in progress.

Layer farming efficiencies are expected to improve further given measures implemented to support proactive management and control.

Diligent cost management and efficiency will be key drivers of success and sustainability in the next year.

A further factor that could have a significant impact in FY2023 is the possibility of further HPAI outbreaks. Europe has experienced an increase, while sporadic outbreaks in South Africa have continued.

The COVID-19 pandemic, although having minimal impact on the Company in FY2022, remains an uncertainty which, if the virus spreads again significantly, could impact the recovery of trading patterns and operations.

The continued decline of the South African economy remains a concern. High levels of unemployment and poverty have the potential to lead to increased social unrest, with a concomitant risk to business.

Quantum Foods remains a solid business with good risk management and attractive future opportunities. The Board continues to support the executive team by considering the longer-term drivers of growth and how to ensure we capture value. We are committed to protecting earnings, safeguarding our assets and developing our people.

By order of the Board

WA Hanekom	*HA Lourens*
Chairman	Chief Executive Officer

25 November 2022

Summary consolidated statement of financial position

	Audited As at 30 September 2022 R'000	Audited As at 30 September 2021 R'000
ASSETS		
Non-current assets	**1 416 940**	1 360 639
Property, plant and equipment	**1 322 700**	1 243 120
Right-of-use assets	**67 601**	95 108
Intangible assets	**11 633**	7 098
Investment in associates	**10 130**	10 310
Trade and other receivables	**3 312**	4 033
Deferred income tax	**1 564**	970
Current assets	**1 713 853**	1 423 865
Inventories	**463 765**	383 450
Biological assets	**433 910**	403 308
Trade and other receivables	**750 558**	562 933
Derivative financial instruments	**53**	23
Current income tax	**1 722**	840
Cash and cash equivalents	**63 845**	73 311
Total assets	**3 130 793**	2 784 504
EQUITY AND LIABILITIES		
Capital and reserves attributable to owners of the parent	**2 100 788**	1 999 802
Share capital	**1 465 069**	1 465 069
Treasury shares	**(1 390)**	(8 315)
Other reserves	**20 962**	(65 769)
Retained earnings	**616 147**	608 817
Total equity	**2 100 788**	1 999 802
Non-current liabilities	**322 165**	360 101
Lease liabilities	**56 021**	85 155
Deferred income tax	**257 178**	266 590
Provisions for other liabilities and charges	**8 966**	8 356
Current liabilities	**707 840**	424 601
Trade and other payables	**603 631**	396 740
Current income tax	**2 553**	2 639
Lease liabilities	**25 598**	23 860
Provisions for other liabilities and charges	**1 150**	1 362
Bank overdraft	**74 908**	–
Total liabilities	**1 030 005**	784 702
Total equity and liabilities	**3 130 793**	2 784 504

Summary consolidated statement of comprehensive income

	Notes	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
Revenue	3	**6 020 558**	5 401 116
Cost of sales		**(4 910 916)**	(4 339 005)
Gross profit		**1 109 642**	1 062 111
Other income		**20 120**	10 201
Other gains/(losses) – net	4	**(5 870)**	72 304
Sales and distribution costs		**(288 322)**	(263 528)
Marketing costs		**(13 311)**	(15 065)
Administrative expenses		**(156 773)**	(143 972)
Net impairment losses on trade and other receivables		**(1 739)**	(9 050)
Other operating expenses		**(631 242)**	(565 412)
Operating profit		**32 505**	147 589
Investment income		**4 244**	4 747
Finance costs		**(16 301)**	(11 844)
Share of (loss)/profit of associate companies		**(180)**	1 767
Profit before income tax		**20 268**	142 259
Income tax credit/(expense)		**3 554**	(36 464)
Profit for the year		**23 822**	105 795
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**1 035**	7 993
For the year		**65 176**	57 668
Deferred income tax effect		**(17 598)**	(6)
Current income tax effect		**–**	(16 141)
Realised to profit or loss		**(64 002)**	(46 567)
Deferred income tax effect		**17 459**	(1)
Current income tax effect		**–**	13 040
Movement on foreign currency translation reserve			
Currency translation differences		**85 993**	8 651
Total comprehensive income for the year		**110 850**	122 439
Profit for the year attributable to owners of the parent		**23 822**	105 795
Total comprehensive income for the year attributable to owners of the parent		**110 850**	122 439
Earnings per ordinary share (cents)	5	**12.0**	53.9
Diluted earnings per ordinary share (cents)	5	**11.9**	53.0

Summary consolidated statement of changes in equity

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
Share capital and treasury shares	**1 463 679**	1 456 754
Opening balance	**1 456 754**	1 445 731
Ordinary shares transferred – share appreciation rights	**6 925**	11 023
Other reserves	**20 962**	(65 769)
Opening balance	**(65 769)**	(85 089)
Other comprehensive income for the year	**87 028**	16 644
Recognition of share-based payments	**6 105**	11 147
Ordinary shares transferred – share appreciation rights	**(6 402)**	(8 471)
Retained earnings	**616 147**	608 817
Opening balance	**608 817**	525 000
Profit for the year	**23 822**	105 795
Dividends paid	**(15 969)**	(19 426)
Ordinary shares transferred – share appreciation rights	**(523)**	(2 552)
Total equity	**2 100 788**	1 999 802

Summary consolidated statement of cash flows

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
CASH FLOW FROM OPERATING ACTIVITIES	**77 792**	24 348
Cash profit from operating activities	**170 625**	295 297
Working capital changes	**(87 074)**	(259 292)
Cash effect of hedging activities	**1 125**	11 076
Cash generated from operations	**84 676**	47 081
Income tax paid	**(6 884)**	(22 733)
CASH FLOW FROM INVESTING ACTIVITIES	**(118 214)**	(153 272)
Additions to property, plant and equipment	**(114 673)**	(107 095)
Additions to intangible assets	**(10 551)**	(1 507)
Proceeds on disposal of property, plant and equipment	**2 367**	1 277
Interest in associate acquired	**–**	(10 251)
Business combination	**–**	(54 682)
Proceeds on disposal of investment in associate	**–**	14 239
Repayment of loan included in other debtors	**399**	–
Interest received	**4 244**	4 747
Cash deficit	**(40 422)**	(128 924)
CASH FLOW FROM FINANCING ACTIVITIES	**(55 174)**	(51 031)
Principal elements of lease payments	**(23 963)**	(20 941)
Interest paid	**(15 249)**	(10 698)
Dividends paid to ordinary shareholders	**(15 962)**	(19 392)
Decrease in cash and cash equivalents	**(95 596)**	(179 955)
Effects of exchange rate changes	**11 222**	1 485
Cash and cash equivalents at beginning of year	**73 311**	251 781
Cash and cash equivalents at end of year (net of overdraft)	**(11 063)**	73 311
Cash at bank and on hand	**63 845**	73 311
Bank overdraft	**(74 908)**	–

Segmental analysis

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
SEGMENT INFORMATION		
Segment revenue	**6 030 053**	5 409 490
Eggs	**1 350 127**	1 228 789
Farming	**1 597 375**	1 420 004
Animal feeds	**2 688 142**	2 440 511
Other African countries	**394 409**	320 186
Less: Internal revenue	**(9 495)**	(8 374)
Farming	**(9 495)**	(8 374)
External revenue	**6 020 558**	5 401 116
Eggs	**1 350 127**	1 228 789
Farming	**1 587 880**	1 411 630
Animal feeds	**2 688 142**	2 440 511
Other African countries	**394 409**	320 186
Segment results – excluding items of a capital nature	**36 818**	144 298
Eggs	**(42 104)**	(5 003)
Farming	**(15 438)**	34 275
Animal feeds	**93 309**	100 916
Other African countries	**18 662**	30 834
Head office costs	**(17 611)**	(16 724)
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	**1 115**	(674)
Eggs	**(81)**	(13)
Farming	**1 431**	(778)
Animal feeds	**(49)**	(106)
Other African countries	**(186)**	223
Profit on disposal of interest in associate before income tax	**–**	3 965
Head office costs	**–**	3 965
Impairment of intangible assets	**(5 428)**	–
Animal feeds	**(5 428)**	–

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
SEGMENT INFORMATION (continued)		
Segment results	**32 505**	147 589
Eggs	**(42 185)**	(5 016)
Farming	**(14 007)**	33 497
Animal feeds	**87 832**	100 810
Other African countries	**18 476**	31 057
Head office costs	**(17 611)**	(12 759)
A reconciliation of the segment results (operating profit) to profit before income tax is provided below:		
Segment results	**32 505**	147 589
Adjusted for:		
Investment income	**4 244**	4 747
Finance costs	**(16 301)**	(11 844)
Share of (loss)/profit of associate companies	**(180)**	1 767
Profit before income tax per statement of comprehensive income	**20 268**	142 259

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 ("Listings Requirements") for provisional reports, and the requirements of the Companies Act, No. 71 of 2008, applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and the South African Institute of Chartered Accountants ("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 of the Company 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 2022 and with those of previous financial years.

Notes to the summary consolidated financial statements (continued)

3. Revenue

Disaggregation of revenue from contracts with customers:

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
Revenue		
Eggs	**1 602 692**	1 435 398
– included in eggs segment	**1 350 127**	1 228 789
– included in other African countries segment	**252 565**	206 609
Layer farming*	**240 958**	256 165
– included in farming segment	**211 906**	219 597
– included in other African countries segment	**29 052**	36 568
Broiler farming**	**1 436 431**	1 225 492
– included in farming segment	**1 375 974**	1 192 033
– included in other African countries segment	**60 457**	33 459
Animal feeds	**2 740 477**	2 484 061
– included in animal feeds segment	**2 688 142**	2 440 511
– included in other African countries segment	**52 335**	43 550
	6 020 558	5 401 116

* *Layer farming sales includes the sale of day-old pullets and point-of-lay hens.*
** *Broiler farming sales includes the sales of day-old broilers and live birds.*

Notes to the summary consolidated financial statements (continued)

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
4. Other gains/(losses) – net		
Biological assets fair value adjustment	**(8 438)**	29 663
Unrealised – reflected in carrying amount of biological assets	**(8 702)**	(18 894)
Realised – reflected in cost of goods sold	**264**	48 557
Agricultural produce fair value adjustment	**4 038**	38 195
Unrealised – reflected in carrying amount of inventory	**(2 094)**	(26)
Realised – reflected in cost of goods sold	**6 132**	38 221
Foreign exchange differences	**(1 252)**	(5 370)
Financial instruments fair value adjustments	**–**	(3)
Foreign exchange contract cash flow hedging ineffective gain/(loss)	**4 095**	6 528
Profit/(loss) on disposal of property, plant and equipment	**1 115**	(674)
Profit on disposal of interest in associate	**–**	3 965
Impairment of intangible assets^	**(5 428)**	–
	(5 870)	72 304

^ *During the annual impairment test conducted on the CGU containing goodwill, it was identified that the carrying value of the CGU exceeded its recoverable amount. The customer base of the Olifantskop feed mill is mainly situated in the Eastern Cape province. This region experienced drought conditions since 2015 and the region was declared a disaster area in October 2019. The Olifantskop feed mill selling margins were negatively impacted by this. As a result of the aforementioned a goodwill impairment of R5.4 million was recorded in the current year.*

Notes to the summary consolidated financial statements (continued)

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
5. Earnings per ordinary share		
Basic		
The calculation of basic earnings per share is based on profit for the year 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	**23 822**	105 795
Weighted average number of ordinary shares in issue ('000)	**198 755**	196 126
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.		

	2022 Number '000	2021 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	**198 755**	196 126
Adjustment for calculation of diluted earnings per share – Share appreciation rights	**1 255**	3 565
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**200 010**	199 691

Share appreciation rights issued in terms of the share incentive scheme have a potential dilutive effect on earnings per ordinary share.

Notes to the summary consolidated financial statements (continued)

5. Earnings per ordinary share (continued)

	Audited Year ended 30 September 2022 R'000	Audited Year ended 30 September 2021 R'000
The calculation of diluted earnings per share is based on profit for the year attributable to owners of the parent divided by the diluted weighted average number of ordinary shares (net of treasury shares) in issue during the year:		
Profit for the year	**23 822**	105 795
Diluted weighted average number of ordinary shares in issue ('000)	**200 010**	199 691
Headline earnings is calculated in accordance with Circular 1/2021 issued by the SAICA.		
Reconciliation between profit attributable to owners of the parent and headline earnings		
Profit for the year	**23 822**	105 795
Remeasurement of items of a capital nature		
(Profit)/loss on disposal of property, plant and equipment	**(1 137)**	453
Gross	**(1 115)**	674
Tax effect	**(22)**	(221)
Profit on disposal of interest in associate	**–**	(3 965)
Gross	**–**	(3 965)
Tax effect	**–**	–
Impairment of intangible assets	**5 428**	–
Gross	**5 428**	–
Tax effect	**–**	–
Headline earnings for the year	**28 113**	102 283
Earnings per ordinary share (cents)	**12.0**	53.9
Diluted earnings per ordinary share (cents)	**11.9**	53.0
Headline earnings per ordinary share (cents)	**14.1**	52.2
Diluted headline earnings per ordinary share (cents)	**14.1**	51.2

Notes to the summary consolidated financial statements (continued)

6. Contingent liabilities

No litigation matters or other contingent liabilities with potential material consequences exist as at the reporting date.

7. Future capital commitments

Capital expenditure approved by the Board and contracted for amounts to R31.7 million (2021: R12.3 million). Capital expenditure approved by the Board, but not yet contracted for, amounts to R104.2 million (2021: R154.7 million).

8. Events after the reporting period

Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2022 (2021: nil cents).

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

These 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 auditor's report thereon are available for inspection on the Company's website, https://quantumfoods.co.za/financial-reports/ or at the Company's registered office.

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

Directors

WA Hanekom (chairman)#, GG Fortuin (lead independent director)#, T Golden#, LW Riddle#, G Vaughan-Smith, HA Lourens (chief executive officer)*, AH Muller (chief financial officer)*

* *Executive*
\# *Independent*

Company Secretary

ZP Wakashe (appointed 20 September 2022)

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