2023

Annual Financial Statements

for the year ended 30 September 2023

QUANTUM FOODS

Salient features

	2023	2022
Revenue	**R6 953 million**	R6 021 million
Operating (loss)/profit	**(R36 million)**	R33 million
Operating (loss)/profit (before items of a capital nature)*	**(R35 million)**	R37 million
Headline earnings (loss)/profit	**(R35 million)**	R28 million
Earnings per share (loss)/profit	**(17.8 cents)**	12.0 cents
Headline earnings (loss)/profit per share	**(17.4 cents)**	14.1 cents
Total dividend per share	**Nil**	8 cents

* *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, the profit on disposal of interest in associate and the impairment of goodwill.*

Commentary

Joint report of the Chairman and CEO

The animal feeds business did very well. The layer farms recovered well and were on track for much improved performance prior to the highly pathogenic avian influenza (“HPAI”) outbreaks of April 2023 in the Western Cape and August and September 2023 in the Gauteng and North West provinces. Zambia delivered a strong operational performance and Bergvlei Chicks started coming into its own. The egg business has entered an upward pricing cycle but volumes were affected by the outbreak of HPAI.

Performance at a glance

The animal feeds business has been able to grow volumes while managing costs tightly through a long and continued upward feed price cycle (compounded annual growth rate of raw material cost increases c. 14.8% since 2018). The Malmesbury feed mill is running at full capacity.

The eggs business returned to profitability in the last few months and benefitted from a focused approach following the operational restructure that expanded value chain control.

The Hartbeespoort broiler hatchery expansion was completed, but broiler performance was under pressure.

Layer farming showed significant performance improvements with promising cross-border opportunities but was severely affected by HPAI outbreaks.

The African businesses came under pressure with much higher feed costs impacting demand for day-old livestock and feed.

A perspective on load shedding impacts and mitigation

Interrupted electricity supply has direct and indirect impacts on Quantum Foods' operations. We delayed further investment in renewable energy this year to address urgent energy requirements during longer load shedding periods. Although we used less electricity from the grid due to less availability, the cost to the business is evident. These include R52 million in additional diesel cost to run generators and R35 million investment in additional generators.

Quantum Foods has a fleet of more than 115 generators, enabling all operations to continue during load shedding. However, the lifespan of the equipment is impacted by the substantial increase in required hours of operation and as generators require more frequent maintenance and replacement, lead times increased. We had to invest in additional generator capacity to be deployed in case of emergency.

The birds on our farms require electricity to regulate ambient temperature and to ensure airflow, water and feed. In environmentally controlled closed poultry houses, birds cannot survive for more than a few hours if there is no electricity available. We are committed to protecting our flock's welfare and have invested in additional protection measures this year.

We have plans in place to mitigate against the risk of total grid failure. This includes securing diesel with enough storage capacity, planning to continue farming manually and using satellite connectivity for communication.

Another year of devastating disease

HPAI has had a severe impact on Quantum Foods and is currently regarded as our most severe risk for poultry farming, eggs and indirectly for animal feeds. Following outbreaks in 2017, 2018, 2021 and 2022, HPAI was again identified at the Lemoenkloof farm in the second half of April 2023, which is the third time this farm has been affected. Lemoenkloof supplies about 13% of Quantum Foods' eggs and was repopulated in July 2022 after culling c. 400 000 hens during the previous outbreak.

Towards the end of the financial year, multiple further outbreaks at Quantum Foods farms in Gauteng and the North-West province were detected. The value of biological assets (layer hens and breeding stock) written off during FY2023 amounted to R155 million. This excludes the further cost of feed and eggs that had to be destroyed as well as the direct cost of destroying birds and disinfecting facilities. Additional costs to move eggs to areas impacted by HPAI had to be incurred and we lost the potential income from selling birds and eggs.

HPAI outbreaks have become endemic in South Africa. It can result in operations shutting down between six and nine months and impacts the entire value chain.

Layer farms and breeders are more at risk than commercial broilers, as layer and breeder flocks remain on farms much longer. HPAI causes sudden drops in demand for animal feed and necessitates layoff agreements with employees. Although this will enable employees to return to work once the farms are operational again, it has a negative financial impact on them and their families.

The South African Government has in principle approved the use of vaccination to mitigate against the risk of HPAI infection. Approving a feasible protocol for vaccination is an important and urgent next step in ensuring the sustainability of the poultry industry in South Africa

Segmental performance summaries

Animal feeds

Revenue
R3 359 million
+24.9% from FY2022

Adjusted operating profit
R104 million
(FY2022: R93 million)

Total volumes
0.9% up
from FY2022

Highlights	Areas of concern/improvement
• Load shedding risk mitigated by installing generators at all plants • Efficiency improvements • Good price-volume-management • External volume growth achieved	• Load shedding had a negative financial impact • Product mix shifts impacted efficiencies • Customers relying more on external feed consultants • Increased supply chain challenges impacted costs, resources and efficiencies

The animal feeds business performed very well in a difficult environment, increasing revenue by 25% to R3 359 million. External volumes increased by 6.7%, but the segment experienced lower internal demand for layer feed due to shrinking the layer bird flock and the impact of HPAI.

Generators were installed at all our mills between December 2022 and June 2023. While we still had to deal with load shedding during the period, we continued serving customers by transporting feed between the mills. This added cost pressure but demonstrated our commitment to keep customers satisfied.

Whereas c. 70% of maize was delivered to the Malmesbury mill by rail seven years ago, we now deliver more than 80% via road due to the failing rail infrastructure in the country. This had a significant impact on transport costs over time.

We maintained margins through careful price/volume management.

Volumes increased through a combination of new customers and additional volumes taken up by a few bigger customers. This was despite also losing customers that closed down due to HPAI outbreaks. Volumes remained well balanced between different species.

A major challenge this year was the supply of hominy chop and wheat bran, which are by-products from wheat and maize processing. Irregular supply caused by load shedding and market disruptions resulted in higher-cost alternatives being included in feed products. This brought further complexity, such as formula adaptations and operational adjustments, due to a change in the physical composition of feeds.

Both the Malmesbury and Paterson feed mills were running at full capacity.

Farming

Revenue
R1 829 million
+15.2% from FY2022

Adjusted operating loss
R80 million
that includes a HPAI biological asset write-off of R155 million (FY2022: R15 million)

Total volumes
Day-old pullet volumes
down 6.1%
Day-old broiler chick volumes
up 1.1%

Highlights

Broiler farming

- Opening of expanded and upgraded Hartbeespoort hatchery
- Genetic conversion from Cobb500 to Ross 308
- Significant improvement in chicks per hen housed
- Hatchability improvements
- Gas use management and improvement in efficiency

Layer farming

- Repositioned Bergvlei Chicks
- Significant cost savings achieved
- Good selection of point-of-lay customers
- Reduced breeder flocks' size to be in line with hatching egg supply requirement
- Implementation of a proactive pricing model
- Volume targets for day-old pullets and point-of-lay hens achieved
- Improvement of layer feed conversion ratio

Areas of concern/improvement

Broiler farming

- Broiler performance below target with a negative impact on profitability
- Outbreak of HPAI at North West province breeder operation in September 2023

Layer farming

- Lack of opportunities for parent exports following border closures
- Targeted margins for day-old pullets and point-of-lay hens not achieved
- Decline in domestic market share
- HPAI outbreaks in the Western Cape in April and in Gauteng/North West provinces in August and September
- Higher level of 2nd grade eggs at some farms

Broiler farming

Broiler farming revenue increased by 19.3% to R1 641 million in a year of significant change for the segment. We expanded and upgraded the hatchery at Hartbeespoort and transitioned from Cobb500 to the Ross 308 breed.

Top technology for Hartbeespoort hatchery

We opened the new state-of-the-art Bellevue Chix hatchery at Hartbeespoort on 25 May 2023. The hatchery was expanded at a cost of R72 million to double its floor size and now has the capacity to handle 690 000 eggs per week. It applies the latest incubation technology, including automated egg turning. Strict hygiene and biosecurity controls are enforced, and the hatchery is regularly fumigated against pathogens, viruses and moulds. It also has spray vaccination capabilities. The chick holding room features low-level dark blue lighting that has a calming influence on the birds, preserving their energy. The chicks are placed on farms on the day of hatching, allowing them early access to feed and water.

Previously, the broiler farming business imported grandparent stock of the Cobb500 breed. From September 2022, we purchased day-old parent chicks of the world-leading Ross 308 breed locally.

At the breeder level, we transitioned 100% of chicks and will have fully phased in the new breed by October 2023. The last Cobb500 chicks will exit the broiler farms in January 2024. We developed standard operating procedures for the transition and trained employees to assist in managing the breed transition.

We are seeing early benefits with breeder egg numbers ahead of forecast, with good fertility and feed conversion rates. The licence for distributing the Ross 308 breed in South Africa is held by Astral Foods.

We faced challenges with the transition at the commercial broiler level as we had different breeds at the same facilities, with different environmental and feeding requirements. This affected the quality and performance of the broiler business, which, despite improving from FY2022, performed below expectation. We did not meet benchmark performance indicators. Interventions started delivering the desired results by September 2023.

Overall hatchability improved compared to the previous year and day-old chick volumes increased by 1.1%, with higher volumes sold from the Hartbeespoort and Bulhoek hatcheries. The total weight of live broilers sold increased by 1.8%, due to a slight increase in the average weight of broilers produced.

Layer farming

Layer farming revenue decreased by 11.7% to R187 million in a difficult year. Producers faced significant cash flow challenges due to rising input costs. The strategic decisions to change our operational structure and reduce production worked to our advantage.

Bergvlei Chicks now includes the layer grandparent operation, layer parent breeding operation and layer point-of-lay farms dedicated to producing layer hens for the external market.

Farm closures and decommissioning of some poor-performing layer houses at other farms were successfully completed. This reduced the cost burden.

With a smaller layer livestock business, we targeted key customers based on the efficiency and soundness of their businesses, which reduced fluctuations in demand. Planning and forecasting were more accurate, and production was based on firm orders.

The layer segment improved margins by introducing a proactive pricing model based on feed price movements. Market demand declined during the year but still exceeded supply, which supported the pricing strategy.

Although demand is expected to increase going forward, HPAI impacts will likely limit layer flock availability. We plan to capitalise on the market opportunities that will open for egg producers who can increase their supply in the future.

Day-old chick exports have done exceptionally well this year. Growth in volumes to three countries was based on the quality of the birds and an agent well-versed in local languages. Export volumes assist in diluting our cost base.

However, exports are at risk of border closures due to HPAI outbreaks. Zambia, Uganda and Namibian borders closed for imports from South Africa during the year, whereas the Botswana border remained open for exports.

Eggs

Revenue
R1 322 million
-2.1% from FY2022

Adjusted operating loss
R42 million
(FY2022: R42 million)

Volumes
14.4% down
from FY2022

Highlights	Areas of concern/improvement
• Packing station efficiencies at high level • Improvement in farm and packing station interaction • Informal market sales target reached	• Financial performance at some pack stations disappointed

Following the implementation of a new operating model that allows the egg business better control of its value chain, efficiencies and quality focus improved markedly. Operational focus are, *inter alia,* determined by returns in the egg business and drive increasing volumes of first-grade eggs to the market.

Revenue for eggs decreased by 2.1% to R1 322 million. Egg prices increased by 13.8% on average, and volumes decreased by 14.4% due to lower availability.

In the past year, there was a deliberate reduction in our layer flock to adjust to lower demand, secure efficiencies, and improve margins before entering the next growth cycle. Profitability has been under pressure for a number of years. As the flock in South Africa declines, and with the correction in supply, margins for egg producers like Quantum Foods, who endured through the bottom curve of the cycle, should improve.

Formal retail egg prices increased substantially from April 2023, and feed prices started to decline. With these benefits, the egg business returned to profitability on a monthly basis from May 2023.

Egg supply was negatively impacted by HPAI, which usually results in a supply interruption of between six and nine months.

Volumes handled by our pack stations decreased, but volumes sold in informal markets increased. We serve the informal market by delivering directly to wholesalers from the farms. This is a cash market where prices are negotiated almost daily. By serving both the formal and informal markets, we build on a more responsive model that captures opportunities and enables us to manage margin risk better.

Packing station efficiencies remained high, and cost management was well executed. The engineering team automated the process to label and scan boxes and designed an automated egg carry pack machine in collaboration with a supplier. These innovations improved efficiency.

Other African countries

Revenue
R443 million
+12.3% from FY2022

Adjusted operating profit/loss
R1 million loss
(FY2022: profit of R19 million)

Egg volumes
up 5.1%

Day-old chick volumes
down 18.3%

Highlights	Areas of concern/improvement
• Commercial egg production and sales in Zambia improved • High-quality senior appointments • Improvement in layer breeder production in Uganda	• Record-high feed costs in all three countries • Disease challenges in Copperbelt and Kampala breeder farm • Significant cost increases in energy and workforce • Very low demand for day-old chicks in Zambia and Uganda • Weak commercial egg production in Uganda

Performance in Zambia and Mozambique was strong this year, but Uganda disappointed. Overall revenue increased by 12.3% to R443 million.

Mega Eggs continued to be the backbone of the Zambian business. Trade is cash-based of which a large component is US Dollar-priced, with almost half of the sales in the Copperbelt area at the Democratic Republic of Congo border. Although the business performed well, the Kwacha/Dollar exchange rate impacted costs as some salaries are pegged to the Dollar and constitute a significant cost element.

Maize costs increased by 43% compared to last year despite a record maize harvest and remain speculative in nature. Day-old chick sales dropped significantly as the market contracted due to high maize costs.

In Uganda, the landscape changed following the substantial increase in maize cost last year. We had to shrink the business significantly over this period. Demand for day-old chicks picked up towards the end of the current financial year, but we made a strategic decision not to grow. We need to improve efficiency and address disease challenges first. The farm in Kampala, which is at risk due to urban sprawl, continued to be impacted by disease challenges and a decision was made to terminate broiler breeder production at the farm.

The operational performance of the Mozambique egg business improved from last year but remained subject to the same input cost and pricing challenges as eggs in South Africa.

Outlook

Prior to the HPAI outbreak in August and September 2023, the outlook for Quantum Foods improved compared to the preceding year and even the preceding six months. The upward curve in egg prices is expected to positively impact profitability, complemented by a decline in raw material input prices, which reduces the pressure on margins. Unfortunately, the further HPAI outbreaks towards the end of the financial year clouded performance prospects for the next year.

Strategic investment decisions in the next year include the following opportunities:

- The animal feeds business is at a point where it needs to increase capacity, with opportunities in more specialised feeds. The Board approved an expansion project at the Malmesbury feed mill that will increase our national production capacity by 13%.
- In the broiler business, we anticipate the benefits from the hatchery investment to start yielding better efficiencies and margins in the next year.
- Layer livestock farming is well positioned to increase cross-border sales activities and prospects will be determined by the availability of fertile hatching eggs and export restrictions.
- In the layer farming business, our key focus will be on recovering our layer flock, which was impacted by the outbreak of HPAI, and increase egg supply to the egg business to benefit from recovered margins.
- In Zambia, we invested in expanding the feed mill this year and look forward to the benefits from the automation and added silo capacity. We are also increasing pelletising capacity.

The HPAI outbreak continued to affect Company farms at the start of FY2024 with further flocks testing positive for the disease. This will delay the planned recovery of poultry flocks and continue to impact financial performance with further biological asset write-offs, lost production and costs to clean and prepare the farms for repopulation being incurred.

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

CFO Report

Financial performance picked up towards the end of the financial year as raw material costs decelerated and egg prices started increasing. All this changed in the last two months of the year when farms in the Gauteng and North West provinces experienced HPAI outbreaks.

Good momentum in revenue growth

Group revenue increased by 15.5% to R7.0 billion (FY2022: R6.0 billion) in a year characterised by:

- Continued increases in raw material pricing up until April 2023 when a slow decline commenced.
- Lower consumer demand due to disposable income pressure resulting from increased load shedding, higher food inflation, rising interest rates and fuel costs and failing infrastructure.
- Strategic decisions to close facilities, terminate farm rental contracts and reduce our layer flock size.
- Severe outbreaks of HPAI that affected operations in the Western Cape in April and Gauteng and North West provinces in August and September.

Revenue for South African operations increased by 15.7% to R6 510 million (FY2022: R5 626 million).

Revenue from other African operations increased by 12.3% to R443 million (FY2022: R394 million). Revenue from other African operations contributed 6.4% to total revenue, marginally down from 6.6% in 2022.

Costs were well managed, but generator fuel cost was much higher

Cost of sales increased by 17.5% to R5.8 billion (FY2022: R4.9 billion) and included:

- Persistent higher feed raw material costs, which include an increase in maize and soybean meal costs when compared to FY2022.
- Higher costs resulting from HPAI outbreaks, which include R155 million for biological assets written off.

Input price shifts

Compared to the previous financial year, average prices of:

- Yellow maize on Safex increased by 2.2%
- Landed (Cape Town harbour) soya meal increased by 26.1%
- Bran increased by 27.7%
- Sunflower increased by 33.4%

Accordingly, the weighted average comparative cost of layer and broiler feed increased by 15% and 20%, respectively.

Gross profit, excluding the fair value adjustments, decreased by R3 million to R1 119 million (FY2022: R1 116 million) at a margin of 16.1% (FY2022: 18.5%).

Aggregate cash operating expenses increased by 7.4% from the previous year, driven primarily by:

- An increased number of load shedding hours and R52 million increase in generator fuel expenses for the South African operations coupled with substantial increase in generator maintenance costs.
- Above inflation increases in the cost of fuel.
- Higher costs associated with monitoring flock health, HPAI preventative measures and cleaning of farms where HPAI infected birds had to be destroyed.

Operating loss reported

Operating profit before items of a capital nature decreased to a loss of R35 million (FY2022: profit of R37 million).

South African operations recorded an operating loss of R19 million (FY2022: profit of R36 million) at a margin of (0.3)% (FY2022: 0.6%). Other African countries recorded an operating loss of R1 million (FY2022: profit of R19 million) at a margin of (0.3)% (FY2022: 4.7%). Shared services costs decreased from R18 million in FY2022 to R15 million in FY2023.

Operating loss includes the value of biological assets written off of R155 million.

Eggs entering an upward cycle

Egg selling prices increased towards the end of the financial year, supported by lower egg supply from a reduced flock as some producers either exited the market or placed fewer birds as a result of the severe financial pressure in the egg industry. Further outbreaks of HPAI also impacted the market.

Although the upward price curve signals a turnaround for the eggs business, the recovery has not yet been sufficient for the business to be profitable. There is significant uncertainty as to how a further reduction in egg supply will impact egg selling prices.

A loss for the year but cash flow turned around

Headline earnings per share decreased to a loss of 17.4 cents from the profit of 14.1 cents in FY2022.

Cash flow from operating activities amounted to R276 million (FY2022: R78 million) and includes a decreased investment in working capital of R53 million (FY2022: increase of R87 million). The decrease in the investment in working capital for FY2023 includes the benefit of lower raw material costs, adjusted vendor payment terms for a key maize supplier and effective credit control. The write-off of biological assets was a non-cash flow item. Future cash flow will be affected by the investment required to restock poultry farms with birds.

Total inventory on hand decreased to R416 million (FY2022: R464 million). Total trade and other receivables decreased by R63 million to R691 million, and total trade and other payables increased by R24 million to R628 million.

Cash flow from investing activities includes capital expenditure on property, plant and equipment and intangible assets amounting to R143 million (FY2022: R125 million). In addition to maintenance capital, the main projects included the broiler hatchery expansion in the North-West province, the investment in additional generator backup capacity, and the upgrade of the feed mill in Lusaka. Capital expenditure on intangible assets amounted to R4 million (FY2022: R11 million) incurred on the project to implement Sage X3 as the Group's new enterprise resource planning system.

Profitability and cash flows were under pressure for the first seven months but improved from May. Non-cash flow write-offs of biological assets infected by HPAI in August and September resulted in a loss reported for the financial year.

Cash and cash equivalents increased from a net overdraft of R11 million as at 30 September 2022 to a positive balance of R71 million as at 30 September 2023.

The Rand value of the Group's investment in the other African countries segment decreased by R50 million from 30 September 2022. The Rand appreciated against the Zambian Kwacha when measured at the reporting date. This decrease 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 2023 comprised mainly lease liabilities as accounted for in terms of IFRS 16 – Leases.

Dividend declaration

The Board resolved not to declare a final dividend for FY2023.

A Muller
Chief financial officer

QUANTUM FOODS

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Directors' responsibility

In accordance with the requirements of the Companies Act, No. 71 of 2008, as amended ("Companies Act"), the board of directors ("Board") is responsible for the preparation of the annual financial statements, which includes the Company financial statements of Quantum Foods Holdings Ltd ("Quantum Foods" or the "Company") and the consolidated financial statements of Quantum Foods and its subsidiaries (the "Group"). These conform to International Financial Reporting Standards ("IFRS") and fairly present the financial position, changes in equity, results of operations and cash flows of the Group at the reporting date.

It is the responsibility of the independent external auditors to report on the fair presentation of the financial statements.

The Board is ultimately responsible for the internal control processes of the Group. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of financial records and the financial statements, as well as to adequately safeguard, verify and maintain accountability for the Group's assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates are applied on a consistent and going concern basis. Systems and controls include the proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties.

Based on the information and assurances given by management and the internal auditors, the Board is of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the Group's assets and liabilities.

The directors confirm that the Company is in compliance with the provisions of the Companies Act, specifically relating to its incorporation, and operates in compliance with its Memorandum of Incorporation.

Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss, has occurred during the financial year and up to the date of this report. The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

A copy of the annual financial statements of the Group is available on the Company's website. The directors are responsible for the maintenance and integrity, including implementing controls and security, of statutory and audited information on the Company's website.

The annual financial statements which appear on pages 3 to 100 and the supplementary information set out on pages 101 to 102 were approved by the Board on 29 November 2023 and are signed on its behalf by:

WA Hanekom
Chairman

HA Lourens
Chief Executive Officer

Responsibility statement of chief executive officer and chief financial officer

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 3 to 100 fairly present in all material respects the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Company and the Group and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company and the Group;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have remediated the deficiencies; and
- we are not aware of any fraud involving directors.

HA Lourens
Chief Executive Officer

AH Muller
Chief Financial Officer

Company secretary certificate

In accordance with section 88(2)(e) of the Companies Act, for the year ended 30 September 2023, it is hereby certified that the Company and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns and notices that are required of a public company in terms of the Companies Act and that such returns and notices are true, correct and up to date.

ZP Wakashe
Company Secretary

Audit and risk committee report

The audit and risk committee ("ARC" or "the committee") is constituted in terms of a charter which outlines the statutory duties in terms of the relevant provisions of the Companies Act, the JSE Ltd Listings Requirements ("JSE Listings Requirements") and responsibilities highlighted in the King IV Report on Corporate Governance™ for South Africa, 2016[(1)] ("King IV").

Audit and risk committee charter

The committee is guided by formal terms of reference. An annual work plan serves as a guideline for the committee in the execution of its mandate. Both the charter and work plan are reviewed annually and amended as necessary.

The committee's role and responsibilities outlined in the charter include both the statutory duties and responsibilities as required by the relevant provisions of the Companies Act, JSE Listings Requirements as well as those highlighted in King IV.

Members of the audit and risk committee

As at 30 September 2023, the committee comprised three independent non-executive directors, namely Mr GG Fortuin, Mr LW Riddle and Ms TJA Golden.

These members will retire and avail themselves for election at the 10th annual general meeting ("AGM") of the Company in terms of section 94(2) of the Companies Act. All members are required to act objectively and independently, as described in the Companies Act and in King IV.

The chairman of the Board, chief executive officer and the chief financial officer are permanent invitees to committee meetings. In addition, relevant senior managers and external service providers are invited to attend meetings from time to time. The company secretary is the statutory secretary of the committee. The internal and external auditors attend the relevant meetings of the committee.

Meetings

The committee held five meetings during the year. Attendance of the meetings was as follows:

Name	Status	Number of meetings
GG Fortuin	Committee chairman	**5/5**
LW Riddle	Member	**5/5**
TJA Golden	Member	**5/5**

WA Hanekom, HA Lourens and AH Muller attended all the ARC meetings as invitees.

The internal and external auditors attended the committee meetings in their capacity as assurance providers.

Functions and responsibilities of the committee

During the period under review, the committee was able to discharge the following functions outlined in its charter and ascribed to it in terms of the Companies Act, JSE Listings Requirements and King IV:

- Reviewed the interim and summary results as well as the annual financial statements, culminating in a recommendation to the Board for approval. In the course of its review, the committee:
  - Reviewed the adequacy and effectiveness of the financial reporting process and the systems of internal control.
  - Ensured that appropriate financial reporting procedures exist and that those procedures are operating, which included consideration of all entities included in the consolidated annual financial statements, to ensure that it had access to all the financial information of the Company to allow the Company to effectively prepare and report on the financial statements of the Group.
  - Considered and, when appropriate, made recommendations on internal financial controls.
  - Took the necessary steps to ensure that the financial statements are prepared in accordance with IFRS and the requirements of the Companies Act.
  - Ensured that a process is in place to be informed of any reportable irregularities (as per the Auditing Profession Act, No. 26 of 2005) identified and reported by the external auditor; and relating to the accounting practices and internal audit of the Group, the content of the financial statements, the internal financial controls of the Group or any related matter during the financial year. No such material concerns and/or complaints were raised during the financial year.
  - Considered the solvency and liquidity requirement of the Companies Act in recommending proposed dividends to the Board.
- Reviewed the external audit reports on the consolidated annual financial statements.
- Reviewed the reports issued by the JSE on the proactive monitoring of financial statements.
- Oversaw the integrated reporting process. The committee considered the Group's information pertaining to its non-financial performance as disclosed in the integrated report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements.
- Reviewed and confirmed that the non-audit services provided by the external auditor were in accordance with the non-audit services policy of the Group. Any permissible non-audit services to be performed, which in the aggregate exceed R500 000 per financial year, must be approved by the committee.
- Reviewed and confirmed the suitability and independence of PricewaterhouseCoopers Inc. ("PwC") as the audit firm and Mr RJ Jacobs as the designated auditor of the Group as contemplated in paragraph 3.84(g)(iii) read with paragraph 22.15(h) of the JSE Listings Requirements.
- During the year the committee considered new external auditors for the 2024 financial year and recommended the appointment of Ernst & Young Inc. ("EY") as the external auditor and Mr P du Plessis as the designated auditor, after satisfying itself through enquiry that EY is independent as defined in section 94(8) of the Companies Act. 2024 will be Mr P du Plessis' first year as designated auditor of the Company. The appointment of EY as the recommended external auditor (with Mr P du Plessis as the designated auditor) will be presented and included as a resolution at the AGM. The committee confirmed that EY and the designated auditor are accredited by the JSE.
- The change in auditors from PwC to EY was initiated by the Board, having regard for the merits of periodic auditor rotation and on recommendation by the ARC, following a comprehensive tender process.
- Confirmed that PwC and the designated auditor are accredited by the JSE.
- Approved the external auditor's fees and terms of engagement.
- Approved the agreement with the external auditor for the provision of non-audit services.
- Confirmed and approved the internal audit charter and annual risk-based internal audit plan.
- Reviewed the internal audit risk reports and fraud hotline reports.
- Reviewed and approved the risk management policy and plan.
- Reviewed business continuity capability, disaster management plans and insurance cover.

- Provided oversight over the IT governance of the Group.
- Provided oversight over the combined assurance arrangements, including the external and internal auditors and satisfied itself of the effectiveness of the combined assurance model implemented by the Group.
- Reviewed the effectiveness of the internal audit function and the head of internal audit.

The committee is satisfied that sufficient time was dedicated to risk governance and that it discharged its responsibilities as set out in the charter and work plan for the period under review.

The committee is satisfied with the assurance of the internal and external auditors, provided on the effectiveness of the design and implementation of internal financial controls. No findings have been reported to the ARC to indicate that any material breakdown in internal controls occurred during the past financial year.

Internal audit

The internal audit function is a key element of the combined assurance structure. The Group outsourced its internal audit function to Deloitte & Touche. The committee was satisfied that the internal audit function fulfilled its roles and responsibilities, as outlined in the charter and the assessment of the internal control environment.

Chief financial officer and finance function

The committee considered and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements with the appropriateness of the expertise and experience of Mr AH Muller as chief financial officer.

In addition, the committee considered and has satisfied itself with the appropriateness of the expertise and adequacy of resources of the finance function and experience of senior members of management responsible for the finance function.

The committee has ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating satisfactorily. These annual financial statements have been prepared under the supervision of Mr AH Muller, CA(SA), chief financial officer.

Significant audit matters and quality of external audit

The committee considered and resolved that the key audit matters reported on by the external auditor are the only significant matters required for consideration of the annual financial statements. The committee is satisfied that the key audit matters reported on by the external auditor have been appropriately addressed. The committee was satisfied with the quality of the external audit.

Going concern

The committee has considered and reviewed a documented assessment, including key assumptions, as prepared by management of the going concern status of the Group and has made recommendations to the Board accordingly. The Board's statement regarding the going concern status of the Group, as supported by the committee, is included in the directors' responsibility statement on page 1.

GG Fortuin
Chairman: audit and risk committee

Wellington
29 November 2023

Directors' report

for the year ended 30 September 2023

1. Principal activities and business review

Quantum Foods Holdings Ltd (incorporated in South Africa) and its subsidiaries is a diversified feeds and poultry business providing quality animal protein to selected South African and other African markets.

Registered office – 11 Main Road, Wellington, 7655, South Africa.

2. Financial results

The annual financial statements on pages 16 to 100 set out fully the Group's financial position, financial performance and the cash flows for the year ended 30 September 2023.

3. Share capital

The authorised share capital consists of 400 000 000 (2022: 400 000 000) ordinary no par value shares. At year-end 200 024 716 (2022: 200 024 716) ordinary shares were in issue.

During the current and prior reporting period no ordinary shares were repurchased and cancelled by the Company.

A subsidiary held 91 855 (2022: 414 158) ordinary shares at year-end. During the reporting period 822 303 (2022: 2 063 234) treasury shares were utilised to settle obligations in terms of the share appreciation rights scheme of the Group. 500 000 additional treasury shares were acquired by subsidiaries in the current reporting period (2022: nil).

4. Dividends

No cash dividend per ordinary share was declared during the financial year (2022: 8 cents).

5. Directors

The directors of the Company are responsible for the activities and reports related to the Group. The Board comprises:

- Wouter André Hanekom (chairman)
- Geoffrey George Fortuin (lead independend director)
- Hendrik Albertus Lourens
- André Hugo Muller
- Tanya Justine Annalene Golden
- Larry Wilson Riddle
- Gary Vaughan-Smith

Ms Ziyanda Patience Wakashe is the company secretary of Quantum Foods.

6. Special resolutions – annual general meeting of shareholders (“AGM”)

At the AGM held by electronic means on Friday, 24 February 2023 at 11:00 the following special resolutions were proposed by the Company:

Special resolution one, for approval of the remuneration payable by the Company to its non-executive directors for their services as directors, was passed.

Special resolution two, for approval of the general authority of the Board and the Company’s subsidiaries, to repurchase any of the shares issued by the Company on the basis reflected in the special resolution, was passed.

7. Litigation statement

No litigation matters with potential material consequences exist at the reporting date. Refer to note 33 (contingent liabilities) of the consolidated financial statements.

8. Events after the reporting period

Other than the matters raised in note 40 to the consolidated financial statements, no other events occurred after the reporting date that may have a material effect on the Group.

9. Material risks

Proactive risk management is essential for the effective implementation of the Group’s strategy and to ensure Quantum Foods remains a competitive and sustainable business. Risk management improves operational effectiveness and enables improved value creation. The strategic risks identified by the Group can be viewed on https://quantumfoods.co.za/downloads/company-documents/material-risks.pdf.

10. Impact of other events on the annual financial statements

The outbreak of highly pathogenic avian influenza (“HPAI”) in South Africa in 2023 affected many businesses in the poultry industry. The outbreak resulted in lower profitability in the Group’s farming and eggs businesses. The effect on the Group and the poultry industry in South Africa, specifically in the northern parts of South Africa, has been more severe than in previous outbreaks, due to the more contagious nature of the H7 HPAI strain. The impact of the HPAI outbreak on the Group and its customers was considered throughout the annual financial statements, specifically relating to the fair value measurement of biological assets and the calculation of expected credit losses in trade and other receivables. Refer to notes 8 and 9 of the consolidated financial statements.

The ongoing pressure from load shedding has affected profitability of the South African businesses of the Group through, *inter alia*, an increase in diesel generator running costs. The South African businesses of the Group continue to operate at normal levels due to the use of standby generators during periods of load shedding. The impact of increased load shedding on the Group’s customers, higher levels of inflation and higher interest rates was considered in the calculation of expected credit losses in trade and other receivables. Refer to note 9 of the consolidated financial statements.

Independent auditor's report

To the Shareholders of Quantum Foods Holdings Ltd

Report on the audit of the consolidated and company financial statements

Our opinion

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the consolidated and company financial position of Quantum Foods Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2023, and its consolidated and company financial performance and its consolidated and company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Quantum Foods Holdings Limited's consolidated and company financial statements set out on pages 16 to 100 comprise:

- the consolidated and company statements of financial position as at 30 September 2023;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and company financial statements section* of our report.

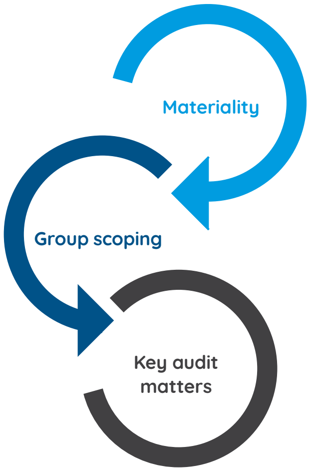
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Our audit approach

Overview



Overall group materiality

- R17 381 000, which represents 0.25% of consolidated revenue

Group audit scope

- The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and an equity accounted associate. Full scope audits were performed on two financially significant components namely: Quantum Foods (Pty) Ltd and Quantum Foods Zambia Ltd in the current financial year, and the ultimate parent company Quantum Foods Holdings Ltd due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

Key audit matters

- Valuation of biological assets; and
- Impairment considerations

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and company financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	**R17 381 000**
How we determined it	**0.25% of consolidated revenue.**
Rationale for the materiality benchmark applied	**We selected consolidated revenue as our materiality benchmark because, in our view, it reflects the activity levels of the Group and it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the Group's business.** **We selected 0.25% which is lower than the normal quantitative materiality thresholds used for profit-oriented companies in this sector where consolidated revenue is used as a benchmark taking into consideration the number of users and levels of third-party debt.**

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the ultimate parent company, its subsidiaries and equity-accounted associate (together "the components"). One of the subsidiaries, Quantum Foods (Pty) Ltd, has the most significant operations and operates in South Africa. Quantum Foods Zambia Ltd is a foreign operation which is also considered financially significant. Quantum Foods Zambia Ltd is aggregated as part of other African countries in the segmental disclosure. All other components are considered financially insignificant.

We performed a full scope audit on Quantum Foods (Pty) Ltd and Quantum Foods Zambia Ltd due to their financial significance. We also performed a full scope audit on the ultimate parent company (Quantum Foods Holdings Ltd) due to statutory audit requirements. Analytical review procedures were performed over the remaining insignificant components.

We determined the extent of the work that needed to be performed by us, as the group engagement team, on the financial information of Quantum Foods (Pty) Ltd and at a Group level, and the component audit team operating under our instructions at Quantum Foods Zambia Ltd in order to issue our audit opinion on the consolidated financial statements of the Group. The component team consisted of a PwC network firm. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at that component to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets ***(applicable to the consolidated financial statements only)*** Biological assets of the Group consist of livestock. Livestock comprises poultry, which includes broiler and layer stock. Broiler stock includes breeding stock, day-old-chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old-chicks and hatching eggs. These assets are measured at fair value less cost to sell. At year end the carrying value of the Group's biological assets was R338.4 million (refer to note 8 to the consolidated financial statements). This was after R155.3 million were written off as a result of the livestock being infected by highly pathogenic avian influenza ("HPAI"). Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell (refer to note 7 of the Accounting Policies). Fair values of livestock, both broiler stock and layer stock are determined with reference to market prices of livestock of similar age, breed and genetic material. In determining the fair value, management used unobservable inputs as disclosed in note 37.3 to the consolidated financial statements. The valuation of biological assets was considered to be a matter of most significance to the current year audit due to the magnitude of the biological asset balance in relation to the consolidated financial statements as a whole, the impact of the HPAI outbreak and the degree of estimation applied by management in determining the fair value of the biological assets.	Through discussion with management, we obtained an understanding of management's valuation approach, including the identification of unobservable inputs used and estimates applied. We found management's approach to the valuation and estimates applied, to be consistent with those of the prior year. We obtained management's valuation of livestock which included the quantities and values of all livestock and tested the mathematical accuracy of the valuation, noting no material exceptions. Due to the outbreak of HPAI, physical verification of biological assets could not be performed on all farms. We performed the following alternative procedures over the quantities used in the valuation: • We obtained an understanding of and tested controls relating to the safeguarding of livestock; • We performed control testing over the monthly livestock counts that are performed by the farm managers; • On a sample basis we performed virtual counts on the livestock to confirm the existence of the livestock used in the valuation and noted no exceptions; and • On a sample basis we performed testing on the sales transactions occurring after year-end to gain comfort over the year-end quantities and noted no exceptions. • On a sample basis we inspected quarantine notices issued by the department of agricultural and rural development to confirm the HPAI outbreak and the farms affected to confirm livestock written off. • We obtained management's calculations for the farms affected by HPAI and confirmed that the costs related to the livestock on these farms have been written off and the livestock were valued at no value. In addition, we tested the unobservable inputs used by management in determining the value of livestock as follows: • The market prices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds used in management's calculations were agreed to a sample of sales invoices of day-old chicks, point-of-lay hens, culls, hatching eggs and broiler live birds in the market close to year-end, noting no material exceptions; and • The age of livestock, at the different stages in the life cycle, at year-end used in management's calculations to determine fair value was recalculated on a sample basis with reference to age per invoices at purchase date and age per internal transfer documents, noting no material exceptions. • We have performed control testing on the internal transfer documents to confirm the delivery of stock between farm houses and noted no exceptions.

Key audit matter	How our audit addressed the key audit matter
Impairment considerations ***(applicable to the consolidated and company financial statements)*** As at 30 September 2023, the net asset value of the Group exceeded its market capitalisation.The HPAI outbreak that mainly affected the layer business was an additional impairment indicator. This is an indicator of possible impairment. In terms of IAS 36 – Impairment of Assets, management was required to perform impairment tests for the underlying assets of the cash-generating units ("CGUs") of the Group, as well as the corresponding carrying value of the investment in the subsidiary at a Company level. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the feeds business, the layer business and the broiler business. In determining the recoverable amount of the CGUs, management used value in use calculations for two of the CGUs namely the broiler business and feeds business; and fair value less cost to sell for the layer business. To determine the value-in-use (VIU), management used the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows were then discounted using the Group's weighted average cost of capital determined using the capital asset pricing model. The fair value less cost to sell used by management is based on valuation reports over land, buildings and equipment, performed by an independent external valuation expert.	**Value-in-use calculations:** We tested the accuracy of the calculation for the model used for each CGU's impairment assessment and we tested key assumptions in the calculations prepared by management. These were all done with reference to the board approved budget and market data, which consisted of data external to the Group. We utilised our valuation expertise when we considered the appropriateness of the discount rate used by management. In doing so, we recalculated a discount rate and compared that to the discount rate calculated by management, specifically using cost of capital and industry specific market information of similar companies and found that the impact of differences between the growth rates and discount rates had no material impact on the impairment assessment as a whole. We assessed management's future cash flows by considering the historical accuracy with which management set the budgets. The actual results for the current year were compared to the budget as approved by the board for that period. No significant variances were noted. We performed independent sensitivity calculations on the impairment tests prepared by management, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. We discussed the results of our calculations with management and based on the evidence obtained we accepted management's conclusion over the key assumptions. We further considered the impact of HPAI on the value in use calculations used to calculate the VIU for the broiler and feeds businesses. These CGU's were however not materially impacted by the outbreak of HPAI and therefore no impairment loss has been identified.

Key audit matter	How our audit addressed the key audit matter
Impairment considerations (continued) ***(applicable to the consolidated and company financial statements) (continued)*** Management's impairment tests on the layer business, feeds business and broiler business CGUs performed indicate that the recoverable amounts of these CGUs are higher than the carrying values. Management's impairment test concluded that no impairment is recognised. Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs for which no impairment was required. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in additional impairment losses. The disclosure of impairment assessments is included in notes 2 and 5 of the consolidated financial statements. The Company, as described in note 3 in the company financial statements, holds an investment in a subsidiary amounting to R1.585 million (2022: R1.585 million). The Company determines the recoverable amount of the investment in the subsidiary by calculating the value in use, or the fair value less cost to sell, where appropriate. The value in use is determined by using the discounted cash flow valuation model. We considered impairment assessments to be a matter of most significance to our current year audit due to the judgement involved in management's impairment tests.	**Fair value less cost to sell calculation:** For the CGU where the fair value less cost to sell method was used, we assessed the professional competence, objectivity, independence, qualification, experience and capabilities of management's expert and the adequacy of the work performed. For a sample of land, buildings and equipment of the Group used in the valuation, we agreed the assets to the fixed asset register. No exceptions were noted. We performed the following procedures in relation to management's fair value assessment: • We discussed with management's expert the methodology and assumptions used in determining the fair value for the current year and compared it to the prior year for consistency. • We have assessed the fair value of the buildings and land by comparing the value as per the management's expert to the replacement costs. • We have compared the value of the land in the management's report to the recent selling prices in the respective areas. • We have recalculated what the depreciation would be on the buildings to determine the impact it would have on the fair value and concluded that there were no exceptions. • We obtained and inspected the valuation report prepared by management's expert, agreed the fair value per the accounting records to their report and noted the fair value contained therein. We performed independent sensitivity calculations on the valuation performed by management's expert. Based on these calculations we identified that there was sufficient headroom available between the recoverable amount and the net asset value of the CGU. **Company level (Investment in subsidiary):** We independently assessed whether there were any impairment indicators for the investment in the subsidiary based on the same factors described above, compared this to management's assessment of investments with impairment indicators. We assessed the recoverable amount of the assets underlying this investment as explained above. We re-calculated the value in use (and where applicable, fair value less costs to sell) of the investment in the subsidiary based on our understanding of the recoverable amounts of the CGUs underlying this investment. We compared this calculation to that of management and noted no material differences. Based on these calculations we agree with management's assessment that no impairment is recognised since the recoverable amount of the subsidiary exceeds the carrying value of the investment.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a company opinion on these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Quantum Foods Holdings Limited Annual Financial Statements for the year ended 30 September 2023", which includes the Commentary, Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Quantum Foods 2023 integrated report" , which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and company financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and company financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and company financial statements, including the disclosures, and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Quantum Foods Holdings Ltd for 10 years. The business of Quantum Foods Holdings Ltd was previously transacted through Pioneer Food Group Ltd after the merger of Sasko (Pty) Ltd and Bokomo (Pty) Ltd in 1997, of which, based on available statutory records, PricewaterhouseCoopers Inc. and its predecessor firms was the auditor for 52 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RJ Jacobs
Registered Auditor

Stellenbosch, South Africa
29 November 2023

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Accounting policies

for the year ended 30 September 2023

1. Basis of preparation

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The annual financial statements of the Group have been prepared in accordance with, and comply with, IFRS and IFRS Interpretations Committee interpretations issued and effective at the time of preparing these financial statements, the Listings Requirements of the JSE Ltd and the requirements of the Companies Act. These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements are prepared on the historic cost convention, except for biological assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2 to the consolidated annual financial statements.

1.1 New and amended accounting standards adopted by the Group

The Group has not adopted any revised accounting standards for the first time for the current reporting period beginning on 1 October 2022.

1.2 New and amended accounting standards and interpretations that are not yet effective and have not been early adopted by the Group

The following amendments are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

- *Narrow scope amendments to IAS 1 – Presentation of Financial Statements, Practice Statement 2 and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2023)*
- *Amendment to IAS 1 – Presentation of Financial Statements – Non-current liabilities with covenants (1 January 2024)*
- *Amendment to IAS 7 – Cash flow statements – and IFRS 7 – Financial instruments: Disclosures – Supplier finance (1 January 2024)*
- *Amendment to IAS 12 – Income Taxes – Deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023)*
- *Amendments to IAS 21 – Foreign currencies – Lack of Exchangeability (1 January 2025)*
- *Amendment to IFRS 16 – Leases – Leases on sale and leaseback (1 January 2024)*

Impact of the above amendments on the Group's financial statements

The Group has considered all standards, interpretations and amendments that are in issue but not yet effective. Management has concluded that these standards are not expected to have a significant impact on the Group's financial statements.

2. Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in profit or loss.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intergroup transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the stand-alone financial statements of the holding company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Interest-free loans to subsidiaries, with no specific terms of repayment and with a definite intent not to demand repayment, are considered to be capital distributions to the subsidiary and are included in the carrying amount of the investment.

Associates

Associates are all entities over which the Group has significant influence, but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

An increase in the Group's interest in an existing associate, where the Group continues to have significant influence, is accounted for using a cost accumulation approach. The cost of acquiring the additional stake, including any directly attributable costs, is added to the carrying value of the associate. The notional fair value for the additional stake (including notional goodwill arising on the purchase of the additional stake) is calculated using fair value information at the date when the additional interest is acquired. No step up or remeasurement of the previously held interest is performed, since the status of the investment does not change.

2. Basis of consolidation (continued)

Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate is equal to or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the "share of profit of associate company" in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in profit or loss. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

3. Property, plant and equipment

Land and buildings mainly comprise factories, farms, poultry houses, offices and silos. All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Land is not depreciated. Depreciation on buildings, poultry houses, machinery, vehicles, furniture and equipment are calculated on a straight-line basis at rates deemed appropriate to write off the cost of the assets to their residual values over their expected useful lives. Assets under construction are defined as assets still in the construction phase and not yet available for use. These assets are carried at initial cost and are not depreciated. Depreciation on these assets commences when they become available for use and depreciation periods are based on management's assessment of their useful lives. An asset is considered available for use when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The expected useful lives are as follows:

• Buildings	20 – 25 years
• Poultry houses	20 – 25 years
• Plant, machinery and equipment	3 – 30 years
• Vehicles	3 – 20 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amounts. These are included within other gains/(losses) – net in profit or loss.

4. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of the acquisition. Goodwill arising from a business combination is included in intangible assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Trademarks

Trademarks are shown at historical cost. Subsequently, these intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Trademarks have finite useful lives.

Trademarks with finite useful lives are amortised over their useful lives of between 5 and 25 years and assessed for impairment when there is an indication that the assets may be impaired.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Subsequently, these intangible assets are carried at cost less any accumulated amortisation. Computer software is amortised over the estimated useful lives of the assets of between two and five years on a straight-line basis.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use it
- There is an ability to use the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use the software product are available
- The expenditure attributable to the software product during its development can be reliably measured

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

5. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets, other than goodwill, that have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

6. Financial assets

6.1 Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through profit or loss ("FVPL")
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

6.2 Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

6.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal amounts and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its financial assets:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal amounts and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a financial asset that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

6.4 Impairment

The Group assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

For trade receivables, the Group applies the general approach to measure the expected credit losses for national customers as well as the balance of receivables covered by insurance. The Group applies the simplified approach to measuring the expected credit losses of all other balances, which uses the expected lifetime losses to be recognised from initial recognition of the receivables.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 9 and note 37.1(b) to the consolidated financial statements.

7. Biological assets

Biological assets consist of livestock. The presentation of biological assets as current or non-current assets depends on the nature of the biological assets. Livestock is a consumable asset and is presented as current assets. Biological assets of the Group include biological assets held at contract growers, as the Group retains ownership of these assets. Biological assets are measured on initial recognition and at the end of each reporting period at fair value less cost to sell. All directly related costs incurred in acquiring and establishing biological assets are capitalised to the cost of the biological assets. Changes in the measurement of fair value less cost to sell are included within other gains/(losses) – net in profit or loss for the period in which they arise.

All costs incurred in maintaining the assets are included in profit or loss for the period in which the biological assets are realised or included in agricultural produce. Fair values of livestock held for breeding, laying hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

Agricultural produce is the harvested product of the entity's biological assets and is measured at its fair value less cost to sell at the point of harvest. Such measurement is the cost at that date when transferring the harvested produce to inventory. Agricultural produce of the Group includes eggs from laying hens.

8. Inventories

Inventories are valued at the lower of cost or net realisable value. Cost in each category is determined as follows:

- Raw material at actual cost on a weighted average cost basis
- Own manufactured products at direct raw material and labour cost plus an appropriate portion of production overheads, on a weighted average cost basis
- Consumable, packaging and trading stock at actual cost on a weighted average cost basis
- Eggs purchased are valued at actual cost on a weighted average cost basis

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw materials. Spare parts included in inventory relate to small parts of manufacturing equipment regularly and continuously used within 12 months.

9. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 to 45 days and, therefore, are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 9 and note 37.1(b) to the consolidated financial statements.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. Other debtors' amounts generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained.

10. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are included in current liabilities on the statement of financial position.

Deposits held at call with banks and other short-term highly liquid investments are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. These deposits are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

11. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of income tax, from the proceeds.

When any Group company purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the parent. The Group values treasury shares on the weighted average cost basis.

12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end reporting date.

13. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs in profit or loss.

14. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

15. Current and deferred income tax

The income tax expense or credit for the period comprises current and deferred income tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group considers right-of-use assets and lease liabilities separately in respect of the deferred tax consequences of leases within the scope of IFRS 16. At the inception of a lease, deferred taxes are recognised for temporary differences that arise between the tax base and carrying amount of right-of-use assets and lease liabilities. Subsequent to initial recognition, deferred taxes are recognised when temporary differences arise.

16. Revenue recognition

Revenue comprises the transaction price of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after elimination of sales within the Group.

Income is recognised as follows:

Sale of goods

Sales of goods comprise the sale of animal feed, livestock and agricultural produce (eggs). Contracts with the Group's customers contain a single performance obligation to deliver the goods ordered by the customer. The sale of goods is the only income included in revenue in profit or loss.

Sales of goods are recognised when control of the products have transferred, being when a Group entity has delivered products to the customer, the customer has accepted the inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from sales is based on the price specified in the sales contracts, net of value-added tax, estimated rebates and discounts and an adjustment for expected returns at the time of sale. Some products (mostly eggs) sold often include a growth incentive rebate that is based on aggregate sales over a 12-month period, which is considered to represent variable consideration. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated growth incentive rebate. Contract terms and accumulated experience are used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected growth incentive rebates payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as sales are made with credit terms (0 to 45 days) which are consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional since only the passage of time is required before the payment is due. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group currently accepts returns from customers for damaged goods as well as returns for sell by date goods from certain customers. Contract terms and accumulated experience are used to estimate and provide for the returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are re-assessed at each reporting date. This allowance for credit notes provision is recorded within trade and other receivables, unless a separate obligation to settle the customer exist, in which case the liability is recorded within trade and other payables.

17. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the Group's functional and presentation currency.

Transactions and balances

Transactions in foreign currency are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

All other foreign exchange gains and losses are presented in profit or loss within other gains and losses – net.

17. Foreign currency translation (continued)

Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of South African rand are translated into South African rand as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the reporting date
- Income and expenditure included in profit or loss for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure are translated at the exchange rates prevailing at the dates of the transactions)
- All resulting exchange differences are recognised as a separate component of other comprehensive income

Exchange differences arising from the translation of the net investment in foreign entities, and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

18. Accounting for leases: Group company is the lessee

The Group leases various farms, equipment, warehouses and delivery vehicles. Lease agreements are typically made for fixed periods of two to five years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. No assets were assessed to have a useful life shorter than the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

18. Accounting for leases: Group company is the lessee (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs

Payments associated with short-term leases, variable lease payments not based on an index or a rate in (i) below, and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly IT equipment.

(i) Variable lease payments

Estimation uncertainty arising from variable lease payments

Variable lease payments relate to the lease of equipment and vehicles whereby the rental payments are entirely linked to the hours used, as well as the lease of solar panels whereby the rental payments are entirely based on the energy generated by the solar panels. These variable lease payments are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in a number of property, delivery vehicle, and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers factors including historical lease durations and the costs and business disruption required to replace the leased asset. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

19. Accounting for leases: Group company is the lessor

Operating leases

Operating lease assets are included in property, plant and equipment in the statement of financial position. These assets are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the period of the lease and included in other income in profit or loss.

20. Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as part of trade and other payables in the statement of financial position.

Retirement scheme arrangements

The policy of the Group is to provide retirement benefits for all its South African employees in the form of a defined contribution plan. The defined contribution plan is a retirement scheme under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the retirement benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement schemes on a mandatory, contractual or voluntary basis. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other long-term employee benefits (long-service awards)

The Group provides for long-service awards that accrue to employees. Employees receive a long-service bonus equal to one month's salary for every completed 10 years of service. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised within other operating expenses in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

20. Employee benefits (continued)

Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders, as well as other financial and non-financial performance measures, after certain adjustments. The Group recognises a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Leave pay

Annual leave entitlement is provided for over the period that the leave accrues. In terms of the Group's policy, employees are entitled to accumulate vested leave benefits not taken to a cap of 36 days. Any leave days vesting in excess of the cap are not payable and are not included in the leave entitlement provision.

Leave may not be converted to cash except at termination of employment.

21. Share-based payments

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share appreciation rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share appreciation rights granted, excluding the impact of any non-market vesting conditions (for example, profitability targets). Non-market vesting conditions are included in assumptions about the number of share appreciation rights that are expected to become exercisable. At each reporting date, the Group revises its estimates of the number of share appreciation rights that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Benefits falling due more than 12 months after the year-end reporting date are discounted to present value using the effective interest rate method.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital when the share appreciation rights are exercised.

22. Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either cash flow or fair value hedges.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes and detail on movements in the hedging reserve are disclosed in note 10 to the consolidated annual financial statements. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months after the reporting date and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months from this date. Trading derivatives are classified as current assets or liabilities.

22. Derivative financial instruments and hedging activities (continued)

Cash flow hedges that qualify for hedge accounting

Cash flow hedges cover the exposure to variability in cash flows that are attributable to a particular risk associated with:

- a recognised asset or liability;
- a highly probable forecast transaction; or
- the foreign currency risk in an unrecognised firm commitment.

Cash flow hedging instruments are mainly used to manage operational exposure to foreign exchange and commodity price risks. Financial instruments designated as cash flow hedges include commodity futures and foreign exchange contracts. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedging reserve within other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately within other gains or losses – net in profit or loss.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item (aligned forward element) is recognised within other gains or losses – net in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses in other comprehensive income, are transferred from other comprehensive income and included within the initial cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in profit or loss in the case of inventory or in depreciation in profit or loss in the case of property, plant and equipment, as the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecasted transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to other gains or losses – net in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within other gains or losses – net.

23. Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments; and
- the amount initially recognised.

The fair value is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

24. Dividend distribution

Dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Board.

25. Segment reporting

An operating segment is a component of the Group that engages in business activities which may earn revenues and incur expenses and whose operating results are regularly reviewed by the Group's chief operating decision-maker ("CODM"), this being the chief executive officer and chief financial officer of the Group, in order to allocate resources and assess performance and for which distinct financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The operating segments were identified and grouped together based mainly on the nature of their activities and the products offered by them. The Group's segment reporting is disclosed in note 38 to the consolidated financial statements.

26. Amortised costs

Finance costs and investment income are recognised on a time-proportion basis using the effective interest rate method. When determining the amortised cost amount of financial assets and liabilities, the Group reduces the carrying amount to the amount recoverable or payable, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and it continues unwinding the discount as accretions of discount. These accretions or unwinding of discount on financial assets and liabilities carried at amortised cost are included in "finance costs" or "investment income" in profit or loss.

Consolidated statement of financial position

as at 30 September 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**1 420 267**	1 416 940
Property, plant and equipment	3	**1 353 253**	1 322 700
Right-of-use assets	4	**34 519**	67 601
Intangible assets	5	**12 268**	11 633
Investment in associate	6	**11 200**	10 130
Trade and other receivables	9	**2 827**	3 312
Deferred income tax	16	**6 200**	1 564
Current assets		**1 513 361**	1 713 853
Inventories	7	**415 630**	463 765
Biological assets	8	**338 380**	433 910
Trade and other receivables	9	**687 761**	750 558
Derivative financial instruments	10	**–**	53
Current income tax	30	**225**	1 722
Cash and cash equivalents	11	**71 365**	63 845
Total assets		**2 933 628**	3 130 793
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**2 015 936**	2 100 788
Share capital	12	**1 465 069**	1 465 069
Treasury shares	12	**(429)**	(1 390)
Other reserves	14	**(29 676)**	20 962
Retained earnings		**580 972**	616 147
Total equity		**2 015 936**	2 100 788
Non-current liabilities		**265 610**	322 165
Lease liabilities	15	**21 907**	56 021
Deferred income tax	16	**234 621**	257 178
Provisions for other liabilities and charges	17	**9 082**	8 966
Current liabilities		**652 082**	707 840
Trade and other payables	18	**627 870**	603 631
Derivative financial instruments	10	**58**	–
Current income tax	30	**1 774**	2 553
Lease liabilities	15	**21 299**	25 598
Provisions for other liabilities and charges	17	**1 081**	1 150
Bank overdraft	11	**–**	74 908
Total liabilities		**917 692**	1 030 005
Total equity and liabilities		**2 933 628**	3 130 793

Consolidated statement of comprehensive income

for the year ended 30 September 2023

	Notes	2023 R'000	2022 R'000
Revenue	19	**6 952 575**	6 020 558
Cost of sales		**(5 769 663)**	(4 910 916)
Gross profit		**1 182 912**	1 109 642
Other income	20	**18 853**	20 120
Other gains/(losses) – net	21	**(66 389)**	(5 870)
Sales and distribution costs		**(287 386)**	(288 322)
Marketing costs		**(12 572)**	(13 311)
Administrative expenses		**(154 987)**	(156 773)
Net impairment losses on trade and other receivables	9	**(5 941)**	(1 739)
Other operating expenses		**(710 413)**	(631 242)
Operating (loss)/profit	22	**(35 923)**	32 505
Investment income	23	**5 477**	4 244
Finance costs	24	**(23 585)**	(16 301)
Share of profit/(loss) of associate company	6	**1 070**	(180)
(Loss)/profit before income tax		**(52 961)**	20 268
Income tax credit	25	**17 387**	3 554
(Loss)/profit for the year		**(35 574)**	23 822
Other comprehensive income for the year			
Items that may subsequently be reclassified to profit or loss:			
Fair value adjustments to cash flow hedging reserve		**(3 000)**	1 035
For the year		**(39 378)**	65 176
Income tax effect		**10 632**	(17 598)
Realised to profit or loss		**35 269**	(64 002)
Income tax effect		**(9 523)**	17 459
Movement in foreign currency translation reserve			
Currency translation differences	14	**(50 333)**	85 993
Total comprehensive (loss)/income for the year		**(88 907)**	110 850
(Loss)/profit for the year attributable to owners of the parent		**(35 574)**	23 822
Total comprehensive (loss)/income for the year attributable to owners of the parent		**(88 907)**	110 850
Earnings per ordinary share (cents)	26	**(17.8)**	12.0
Diluted earnings per ordinary share (cents)	26	**(17.8)**	11.9

Consolidated statement of changes in equity

for the year ended 30 September 2023

	Share capital	Treasury shares	Hedging reserve	Foreign currency translation reserve	Share-based payment reserve	Other reserves: Total	Retained earnings	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance as at 1 October 2022	**1 465 069**	**(1 390)**	**13 859**	**(17 857)**	**24 960**	**20 962**	**616 147**	**2 100 788**
Comprehensive income:								
Loss for the year	–	–	–	–	–	–	(35 574)	(35 574)
Other comprehensive income for the year	–	–	(3 000)	(50 333)	–	(53 333)	–	(53 333)
Movement in foreign currency translation reserve	–	–	–	(50 333)	–	(50 333)	–	(50 333)
Cash flow hedging								
Fair value adjustments to cash flow hedging reserve								
For the year	–	–	(39 378)	–	–	(39 378)	–	(39 378)
Income tax effect	–	–	10 632	–	–	10 632	–	10 632
Realised to profit or loss	–	–	35 269	–	–	35 269	–	35 269
Income tax effect	–	–	(9 523)	–	–	(9 523)	–	(9 523)
Recognition of share-based payments	–	–	–	–	5 312	5 312	–	5 312
Deferred income tax on share-based payments	–	–	–	–	1 079	1 079	–	1 079
Ordinary shares acquired by subsidiary	–	(2 336)	–	–	–	–	–	(2 336)
Ordinary shares transferred – share appreciation rights	–	3 297	–	–	(3 696)	(3 696)	399	–
Balance as at 30 September 2023	**1 465 069**	**(429)**	**10 859**	**(68 190)**	**27 655**	**(29 676)**	**580 972**	**2 015 936**
Notes	12	12				14		

Consolidated statement of changes in equity (continued)

for the year ended 30 September 2023

	Share capital R'000	Treasury shares R'000	Hedging reserve R'000	Foreign currency translation reserve R'000	Share-based payment reserve R'000	Other reserves: Total R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2021	1 465 069	(8 315)	12 824	(103 850)	25 257	(65 769)	608 817	1 999 802
Comprehensive income:								
Profit for the year	–	–	–	–	–	–	23 822	23 822
Other comprehensive income for the year	–	–	1 035	85 993	–	87 028	–	87 028
Movement in foreign currency translation reserve	–	–	–	85 993	–	85 993	–	85 993
Cash flow hedging								
Fair value adjustments to cash flow hedging reserve								
For the year	–	–	65 176	–	–	65 176	–	65 176
Income tax effect	–	–	(17 598)	–	–	(17 598)	–	(17 598)
Realised to profit or loss	–	–	(64 002)	–	–	(64 002)	–	(64 002)
Income tax effect	–	–	17 459	–	–	17 459	–	17 459
Recognition of share-based payments	–	–	–	–	3 036	3 036	–	3 036
Deferred income tax on share-based payments	–	–	–	–	3 069	3 069	–	3 069
Dividends paid – final and interim net of treasury shares	–	–	–	–	–	–	(15 969)	(15 969)
Ordinary shares transferred – share appreciation rights	–	6 925	–	–	(6 402)	(6 402)	(523)	–
Balance as at 30 September 2022	1 465 069	(1 390)	13 859	(17 857)	24 960	20 962	616 147	2 100 788
Notes	12	12				14		

Consolidated statement of cash flows

for the year ended 30 September 2023

	Notes	2023 R'000	2022 R'000
Cash flow from operating activities		**276 410**	77 792
Cash profit from operating activities	27	**232 158**	170 625
Working capital changes	28	**52 522**	(87 074)
Cash effect of hedging activities		**(4 030)**	1 125
Cash generated from operations		**280 650**	84 676
Income tax paid	30	**(4 240)**	(6 884)
Cash flow from investing activities		**(135 888)**	(118 214)
Additions to property, plant and equipment	3	**(138 475)**	(114 673)
Additions to intangible assets	5	**(4 059)**	(10 551)
Proceeds on disposal of property, plant and equipment	31	**663**	2 367
Repayment of loan included in other debtors	9	**687**	399
Interest received	23	**5 296**	4 244
Cash surplus/(deficit)		**140 522**	(40 422)
Cash flow from financing activities		**(49 662)**	(55 174)
Principal elements of lease payments	15	**(24 935)**	(23 963)
Treasury shares acquired by subsidiary	12	**(2 336)**	–
Interest paid	24	**(22 335)**	(15 249)
Dividends paid to ordinary shareholders	29	**(56)**	(15 962)
Increase/(decrease) in cash and cash equivalents		**90 860**	(95 596)
Effects of exchange rate changes		**(8 432)**	11 222
Cash and cash equivalents at beginning of year		**(11 063)**	73 311
Cash and cash equivalents at end of year (net of overdraft)	11	**71 365**	(11 063)

Notes to the consolidated financial statements

for the year ended 30 September 2023

1. Accounting policies

The principal accounting policies incorporated in the preparation of this historical financial information are set out on pages 16 to 30.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

These items are depreciated over their useful lives, taking into account the residual value at the end of the item's useful life. Residual values and useful lives are based on industry knowledge and past experience with similar assets.

The Group continuously considers the existence of impairment indicators. An impairment loss is only recognised if the asset or CGU carrying amount exceeds its respective recoverable amount. The recoverable amount of an asset or CGU is the higher of its value-in-use or fair value less costs to sell. These calculations require the use of estimates.

At the end of the current and previous year, the Group's net asset value exceeded its market capitalisation. The HPAI outbreak that mainly affected the layer business was further considered as an indicator of impairment. In their impairment tests, management identified three CGUs within the Group for which impairment assessments were performed, namely the animal feeds business, the layer business and the broiler business.

To determine the value-in-use, management uses the budget as approved by the Board to determine future cash flows for the CGUs. These cash flows are then discounted using the Group's weighted average cost of capital. These calculations were performed for the animal feeds and broiler business for a period of 5 years.

The key assumptions used in the value-in-use calculations for the current and prior year include:

- Volume growth: The products of the animal feeds and broiler business were not materially impacted by the HPAI outbreak in South Africa. Volume assumptions for these businesses take into account the impact of the current HPAI outbreak, with a full recovery in volumes expected in 2025. Compounded volume growth over the five-year period does not exceed the historical volume growth achieved, apart from recovery from volumes lost due to the HPAI outbreak and additional volumes resulting from recent completion of the Hartbeespoort hatchery capital investment which has not yet reached full production.
- Selling price and cost growth are linked to Consumer Price Index (CPI) and food inflation. The selling prices and cost of animal feed is linked to the expected prices of key raw materials used in the production process.
- Capital expenditure: Capital expenditure spend is limited to replacement capital expenditure in line with the Group's maintenance programmes.
- Working capital: Working capital is based on the average working capital requirement over the last three years, as a percentage of revenue.
- The cash flow beyond year five (perpetuity cash flow) assumes a steady state of growth with capital expenditure equal to depreciation, volumes and profit margins maintained at year five levels with the growth beyond year five resulting solely from price inflation.
- Perpetuity growth rate: In the current year a perpetuity growth rate of 5.0% (2022: 5.0%) was applied.
- Discount rate: Refer below for the pre-tax discount rates used in each of the value-in-use calculations.

2. Critical accounting estimates and judgements (continued)

Property, plant and equipment (continued)

	2023 Growth rate	2023 Pre-tax discount rate	2022 Growth rate	2022 Pre-tax discount rate
Key assumptions used for value-in-use calculation:				
Animal feeds business	**5.0%**	**26.1%**	5.0%	23.7%
Broiler business	**5.0%**	**24.8%**	5.0%	23.6%

Sensitivity analysis of assumptions used in the impairment test:

	Increase in discount rate	Impairment R'000	Decrease in growth rate	Impairment R'000
2023				
Animal feeds business	**1.0%**	**Nil**	**0.5%**	**Nil**
Broiler business	**1.0%**	**Nil**	**0.5%**	**Nil**
2022				
Animal feeds business	1.0%	Nil	0.5%	Nil
Broiler business	1.0%	Nil	0.5%	Nil

No impairment with reasonable changes to assumptions noted.

For the layer business, management has conducted a fair value less costs to sell assessment by appointing an independent external valuation expert. The external valuation expert visited a material sample of the layer business' properties and performed an inspection of the land, buildings, poultry houses and equipment. The market value of the properties were determined by reference to either capitalisation of net income or depreciated replacement market value thereof through comparison with similar properties and equipment within the external market. The outcome was used in order to assess the recoverability of the layer CGU and management concluded that no impairment was considered necessary.

Significant headroom exists for all CGUs assessed by management. Consequently, management has not identified any impairment losses to be included in the Group's consolidated financial statements in the current financial year. Refer to note 5 for the goodwill impairment recognised in the prior year.

Fair value measurement of biological assets

In measuring fair value of biological assets, management estimates and judgements are required for determination of fair value. Refer to note 37 for key assumptions used.

2. Critical accounting estimates and judgements (continued)

Assessment of control over contract growers

The Group utilises contract growers for the growing of broilers in exchange for a fee. Goods delivered to contract growers are not recognised as revenue as the Group retains ownership of the goods. These goods are recognised as biological assets and inventories held at third parties.

The Group assesses whether it exercises control over contract growers based on an analysis of the activities of these entities, the Group's decision-making powers, its ability to obtain benefits from these entities and the residual risks regarding these entities that are retained by the Group. Based on this analysis, the Group concluded that it does not control the activities of any contract grower, as it does not have any decision-making powers and that these businesses are managed independently. Furthermore, these businesses retain the residual risk associated with production.

The Group assesses whether the arrangement with the contract growers contains a lease in terms of IFRS 16. Based on this analysis, the Group concluded that the arrangement does not contain a lease, as the Group does not have the right to direct the use of the identified asset throughout the period of use.

Impairment of financial assets

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement the Group evaluates, among other factors, the expected loss rates based on historical information and adjusted to reflect current and forward-looking information and macro-economic factors. Refer to note 9.

3. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment	Vehicles	Assets under construction	Total
	R'000	R'000	R'000	R'000	R'000
At 1 October 2021					
Cost	464 860	1 564 666	60 389	–	2 089 915
Accumulated depreciation and impairment	(130 942)	(677 828)	(38 025)	–	(846 795)
Net book value	333 918	886 838	22 364	–	1 243 120
Year ended 30 September 2022					
Opening net book value	333 918	886 838	22 364	–	1 243 120
Additions	6 418	49 391	2 455	56 409	114 673
Foreign exchange adjustment	11 054	34 608	1 152	845	47 659
Disposals	(903)	(171)	(178)	–	(1 252)
Depreciation charge	(9 233)	(66 295)	(5 972)	–	(81 500)
Closing net book value	341 254	904 371	19 821	57 254	1 322 700
At 30 September 2022					
Cost	485 791	1 662 545	68 018	57 254	2 273 608
Accumulated depreciation and impairment	(144 537)	(758 174)	(48 197)	–	(950 908)
Net book value	341 254	904 371	19 821	57 254	1 322 700

3. Property, plant and equipment (continued)

	Land and buildings	Plant, machinery and equipment	Vehicles	Assets under construction	Total
	R'000	R'000	R'000	R'000	R'000
Year ended 30 September 2023					
Opening net book value	**341 254**	**904 371**	**19 821**	**57 254**	**1 322 700**
Additions	**4 503**	**61 049**	**8 010**	**64 913**	**138 475**
Transfers	**39 431**	**34 246**	**902**	**(74 579)**	**–**
Foreign exchange adjustment	**(5 277)**	**(13 906)**	**(710)**	**(2 647)**	**(22 540)**
Disposals	**(917)**	**(733)**	**(220)**	**–**	**(1 870)**
Depreciation charge	**(9 667)**	**(68 304)**	**(5 541)**	**–**	**(83 512)**
Closing net book value	**369 327**	**916 723**	**22 262**	**44 941**	**1 353 253**
At 30 September 2023					
Cost	**519 749**	**1 736 086**	**70 244**	**44 941**	**2 371 020**
Accumulated depreciation and impairment	**(150 422)**	**(819 363)**	**(47 982)**	**–**	**(1 017 767)**
Net book value	**369 327**	**916 723**	**22 262**	**44 941**	**1 353 253**

Transfers from assets under construction to other asset classes includes R63.4 million for assets related to the Hartbeespoort hatchery project which was completed in the current year and became ready to use. The assets under construction balance at the end of the reporting period includes R25.3 million related to the Lusaka feedmill expansion project which is on track and within budget and expected to be completed by December 2023. This project will increase the feedmill efficiencies in Zambia.

A register with full details of assets is available at the Group's registered office.

Refer to note 34.2 for capital commitments for property, plant and equipment.

4. Right-of-use assets

	Land and buildings	Plant, machinery and equipment	Vehicles	Total
	R'000	R'000	R'000	R'000
At 1 October 2021				
Cost	26 999	17 482	81 039	125 520
Accumulated depreciation and impairment	(7 461)	(6 979)	(15 972)	(30 412)
Net book value	19 538	10 503	65 067	95 108
Year ended 30 September 2022				
Opening net book value	19 538	10 503	65 067	95 108
Additions	–	880	–	880
Reassessments and modifications*	(4 420)	1 430	(527)	(3 517)
Depreciation charge	(3 793)	(4 052)	(17 025)	(24 870)
Closing net book value	11 325	8 761	47 515	67 601
At 30 September 2022				
Cost	22 323	19 363	80 512	122 198
Accumulated depreciation and impairment	(10 998)	(10 602)	(32 997)	(54 597)
Net book value	11 325	8 761	47 515	67 601
Year ended 30 September 2023				
Opening net book value	**11 325**	**8 761**	**47 515**	**67 601**
Reassessments and modifications*	**(4 094)**	**(3 526)**	**(2 515)**	**(10 135)**
Depreciation charge	**(3 334)**	**(3 714)**	**(15 899)**	**(22 947)**
Closing net book value	**3 897**	**1 521**	**29 101**	**34 519**
At 30 September 2023				
Cost	**12 216**	**11 722**	**76 198**	**100 136**
Accumulated depreciation and impairment	**(8 319)**	**(10 201)**	**(47 097)**	**(65 617)**
Net book value	**3 897**	**1 521**	**29 101**	**34 519**

* *Refer to note 15 for details on the reassessments and modifications.*

5. Intangible assets

	Computer software R'000	Goodwill R'000	Trademarks R'000	Total R'000
At 1 October 2021				
Cost	15 939	5 428	24 544	45 911
Accumulated depreciation and impairment	(14 269)	–	(24 544)	(38 813)
Net book value	1 670	5 428	–	7 098
Year ended 30 September 2022				
Opening net book value	1 670	5 428	–	7 098
Additions	10 551	–	–	10 551
Amortisation for the year*	(588)	–	–	(588)
Impairments	–	(5 428)	–	(5 428)
Closing net book value	11 633	–	–	11 633
At 30 September 2022				
Cost	26 396	5 428	24 544	56 368
Accumulated depreciation and impairment	(14 763)	(5 428)	(24 544)	(44 735)
Net book value	11 633	–	–	11 633
Year ended 30 September 2023				
Opening net book value	**11 633**	**–**	**–**	**11 633**
Additions	**4 059**	**–**	**–**	**4 059**
Amortisation for the year*	**(3 424)**	**–**	**–**	**(3 424)**
Closing net book value	**12 268**	**–**	**–**	**12 268**
At 30 September 2023				
Cost	**30 455**	**–**	**–**	**30 455**
Accumulated depreciation and impairment	**(18 187)**	**–**	**–**	**(18 187)**
Net book value	**12 268**	**–**	**–**	**12 268**

* *Amortisation expenses are included in other operating expenses.*

The computer software additions relate to the acquisition of Sage X3 software licences, and related cost to bring this to use.

During the current year various trademarks were derecognised since no future economic benefits are expected from its use or disposal.

During the annual impairment test conducted in the prior year 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 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's selling margins were negatively impacted by this. As a result of the aforementioned a goodwill impairment of R5.4 million was recorded in the prior year. The goodwill was derecognised in the current year.

6. Investment in associates

	2023 R'000	2022 R'000
Unlisted shares at cost	**10 251**	10 251
Interest in retained earnings and reserves	**949**	(121)
Balance beginning of year	**(121)**	59
Share of total comprehensive income/(loss) of associate company	**1 070**	(180)
	11 200	10 130
Cost of shares		
Klipvlei Broilers (Pty) Ltd	**10 251**	10 251
Effective interest 40% (2022: 40%)		
	10 251	10 251
The following is the summarised statement of financial position of the above-mentioned associate company:		
Non-current assets	**17 857**	18 215
Current assets	**405**	508
Total assets	**18 262**	18 723
Non-current liabilities	**10 372**	12 618
Current liabilities	**7 608**	8 499
Total liabilities	**17 980**	21 117
Capital and reserves	**282**	(2 394)
Total equity and liabilities	**18 262**	18 723
The following is the summarised statement of comprehensive income of the associated company for the year:		
Revenue	**33 595**	29 561
Operating profit	**5 147**	301
Net profit/(loss) after income tax	**2 676**	(451)
Total comprehensive income/(loss)	**2 676**	(451)

Klipvlei Broilers (Pty) Ltd is a private company and there is no quoted market price available for its shares. The company operates in the poultry industry in the Western Cape, South Africa, and supplies the Group with live broilers. During the current year Klipvlei Broilers (Pty) Ltd was not impacted by HPAI. Management has concluded that there are no indicators of impairment.

7. Inventories

	2023 R'000	2022 R'000
Raw material	**300 506**	326 711
Manufactured products	**45 034**	70 487
Packing materials and consumables	**70 090**	66 567
	415 630	463 765
Inventory carried at net realisable value	**291**	3 137

Inventory at year-end includes spare parts of R9.9 million (2022: R10.1 million).

	2023 R'000	2022 R'000
Amounts recognised in profit or loss:		
Inventories recognised as an expense during the year in cost of sales*	**4 217 036**	3 667 113
Inventory written-off during the year in cost of sales	**6 794**	12 500

* *The prior year cost of inventories have been restated to exclude the cost relating to the sale of biological assets of R1 212.5 million and livestock written off of R18.8 million.*

8. Biological assets

	2023 R'000	2022 R'000
Livestock – poultry	**338 380**	433 910

Poultry includes broiler and layer stock. Broiler stock includes breeding stock, day-old chicks, broilers and hatching eggs. Layer stock includes breeding stock, point-of-lay hens, day-old chicks and hatching eggs.

Fair values of livestock held for breeding, lay-hens, broilers and hatching eggs that are not infected by HPAI are determined with reference to market prices of livestock of similar age, breed and genetic material. The fair value of poultry infected by HPAI is written off. For the current financial year, livestock to the value of R155.3 million (2022: R18.8 million) was written off as a result of being infected by HPAI. In 2022, R17.8 million of the loss was recovered through insurance.

8. Biological assets (continued)

	Broiler stock R'000	Layer stock R'000	Total R'000
Fair value at 1 October 2022	**146 026**	**287 884**	**433 910**
Increase due to establishment cost	**1 360 429**	**1 404 420**	**2 764 849**
Decrease due to harvest	**(156 041)**	**(1 160 784)**	**(1 316 825)**
Decrease due to sales	**(1 177 314)**	**(213 240)**	**(1 390 554)**
Livestock written off	**(8 162)**	**(147 117)**	**(155 279)**
Fair value adjustment recognised in profit and loss	**3 532**	**5 315**	**8 847**
Fair value adjustment recognised in other gains/(losses) – net	**38 302**	**(105 681)**	**(67 379)**
Fair value adjustment realised in cost of sales	**(34 770)**	**110 996**	**76 226**
Foreign exchange adjustment	**(344)**	**(6 224)**	**(6 568)**
Fair value at 30 September 2023	**168 126**	**170 254**	**338 380**
Fair value at 1 October 2021	121 082	282 226	403 308
Increase due to establishment cost	1 074 588	1 413 986	2 488 574
Decrease due to harvest*	(62 028)	(1 167 955)	(1 229 983)
Decrease due to sales*	(986 988)	(225 509)	(1 212 497)
Livestock written off*	–	(18 806)	(18 806)
Fair value adjustment recognised in profit and loss	(2 490)	(6 212)	(8 702)
Fair value adjustment recognised in other gains/(losses) – net*	34 263	(42 701)	(8 438)
Fair value adjustment realised in cost of sales*	(36 753)	36 489	(264)
Foreign exchange adjustment	1 862	10 154	12 016
Fair value at 30 September 2022	146 026	287 884	433 910

* *In the prior year, the decreases due to harvest, sales and livestock written off were disclosed in total as a decrease due to harvest/sales. The fair value adjustments recognised in profit and loss were only disclosed as the net movement in biological assets, with the gross movements shown in note 21 Other gains/(losses) – net, in the prior year. The prior year amounts have been restated to align with the disclosure provided in the current year.*

	2023 R'000	2022 R'000
Biological assets at fair value less cost to sell consist of the following:		
Chickens – grandparents and other breeding stock	**52 475**	62 684
Hatching eggs	**35 438**	37 144
Chickens – broilers	**62 630**	54 379
Chickens – laying	**187 179**	278 630
Game	**658**	1 073
	338 380	433 910

8. Biological assets (continued)

	2023 Quantity	2022 Quantity
At 30 September, the Group held the following biological assets:		
Chickens – grandparents	**3 428**	3 961
Hatching eggs	**7 209 968**	8 557 993
Chickens – broilers	**3 089 832**	3 184 378
Chickens – layers 39 weeks and younger	**2 386 616**	3 151 601
Chickens – layers older than 39 weeks	**829 159**	2 055 895
Game	**400**	566
The Group produced the following agricultural produce for the year ended 30 September:		
Eggs (dozens)	**77 269 908**	85 437 722
Live birds (kg)	**62 836 065**	61 703 173
Number of day-old chicks	**77 338 682**	77 927 696
Number of point-of-lay hens	**4 774 693**	5 343 921
Number of culls	**2 949 414**	3 152 410

The Group is a fully integrated poultry operation. The agricultural produce indicates quantities produced by the Group and includes quantities transferred from one phase in the integrated value chain to another.

9. Trade and other receivables

	2023 R'000	2022 R'000
Trade receivables	**646 773**	687 311
Allowance for outstanding credit notes	**(1 399)**	(1 803)
Loss allowance	**(17 379)**	(23 475)
Trade receivables – net	**627 995**	662 033
Prepayments	**23 874**	22 849
Other debtors	**5 532**	4 770
Receiver of revenue – VAT	**33 187**	64 218
	690 588	753 870
For the purposes of the statement of financial position trade and other receivables are presented as follows:		
Non-current assets	**2 827**	3 312
Current assets	**687 761**	750 558
	690 588	753 870

9. Trade and other receivables (continued)

The carrying value of trade and other receivables approximates their fair value at the reporting date.

An allowance for outstanding credit notes is accounted for based on past experience.

The Group applies the IFRS 9 general approach to measure the ECL for national customers as well as the balance of receivables covered by insurance. The Group applies the IFRS 9 simplified approach to measuring the ECL which uses a lifetime expected loss allowance for all other trade receivables as well as other debtors balances.

To measure the ECL, trade receivables have been grouped on shared characteristics and the days past due. Shared characteristics refer to type of product sold to the customer (similar to disaggregation of revenue note for these product lines – refer to note 19).

The expected loss rates applied are based on the payment profiles of sales over a period of 48 months and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. Forward-looking information includes expected economic growth, employment rates, inflation, interest rates and the potential impact thereof on the Group's customers. The impact of the 2023 HPAI outbreak in South Africa was also considered as part of the forward-looking information for the current period. The expected economic growth rate, unemployment rate, higher levels of inflation, higher levels of interest rates, the HPAI outbreak as well as intensified power supply interruptions were noted in the combined assessment of the above, resulting in an upwards adjustment of 25% (2022: 20%) to the calculated loss rates due to forward-looking factors.

	2023 R'000	2022 R'000
Trade receivables	**646 773**	687 311
Excluding:		
– Balances of national customers*	**(272 654)**	(312 824)
– Receivables specifically provided for	**(16 126)**	(22 677)
– Receivables with balances covered by insurance^	**(240 730)**	(230 990)
Remaining trade receivables balance subject to loss allowance based on matrix approach	**117 263**	120 820

* *Balances of national customers (customers with a limited risk profile and with a national geographical representation) with no history of default and long history of trading with the Group. These customers have no long outstanding amounts, nor has there been any indication that these customers will default. The Group calculates the ECL on national customers with reference to the probability of default model using external credit ratings in determining the default risk of counterparties. The expected credit rating range used was between BB and BB+ (for emerging markets). The Group used a loss given default rate of 45%. The forward-looking assessment for national customers includes specific economic growth, unemployment rates, the intensified power supply interruptions and the impact of the 2023 HPAI outbreak in South Africa. Based on a combined assessment of the above, the calculated loss rates were adjusted upwards by a forward-looking factor of 25% (2022: 20%). The calculated ECL on these balances was not considered to be material.*

^ *Balances covered by the Group's credit insurance with Credit Guarantee Insurance after deducting the co-payment as per insurance policy of 30% (2022: 30%). The risk of default on these customers is considered part of the risk of default of the insurer, which risk was assessed as low due to past claims payment history. The ECL of balances insured was calculated using the same expected credit rating, loss given default rate and forward-looking information as national customers. The calculated ECL on these balances was not considered to be material.*

9. Trade and other receivables (continued)

	Expected loss rate %	Gross carrying amount R'000	Loss allowance R'000
ECL allowance			
30 September 2023			
Current	**0.94**	**102 249**	**962**
30 days	**1.05**	**7 332**	**77**
60 days	**2.02**	**1 685**	**34**
More than 90 days	**3.00**	**5 997**	**180**
Total ECL allowance		**117 263**	**1 253**
Specific provision for losses			**16 126**
Total loss allowance			**17 379**
ECL allowance			
30 September 2022			
Current	0.58	83 420	484
30 days	0.29	30 152	86
60 days	1.63	3 553	58
More than 90 days	4.60	3 695	170
Total ECL allowance		120 820	798
Specific provision for losses			22 677
Total loss allowance			23 475

The increase in the ECL of the current year is due to an increased history of credit losses in the 48 months leading up to year-end, as well as an increase in the forward-looking adjustment due to a combination of weaker economic indicators, the impact of higher inflation and interest rates as well as the impact of the HPAI outbreak. The ECL estimation technique was applied consistently in the current and prior reporting period.

9. Trade and other receivables (continued)

	2023 R'000	2022 R'000
Movements on the Group's loss allowance are as follows:		
At 1 October	**23 475**	40 139
Increase in general loss allowance recognised in profit or loss during the year	**468**	66
Increase in specific loss allowance recognised in profit or loss during the year	**8 982**	3 230
Decrease in suspended interest included in the expected loss allowance	**–**	(9 100)
Receivables written off during the year as uncollectible	**(11 545)**	(9 916)
Unused amounts reversed	**(3 509)**	(1 557)
Foreign exchange translation adjustment	**(492)**	613
At 30 September	**17 379**	23 475

Refer to note 37.1(b) for the Group's policy on when a trade receivable balance is included in the specific loss allowance, and when the Group considers a trade receivable balance as uncollectible.

During the year, the following amounts were recognised in profit or loss in relation to impaired trade and other receivables:

	2023 R'000	2022 R'000
Increase in general loss allowance	**468**	66
Increase in specific loss allowance	**8 982**	3 230
Unused amounts reversed	**(3 509)**	(1 557)
Net impairment losses on trade and other receivables	**5 941**	1 739

The ECL of other debtors were calculated as for trade receivables (refer above). The calculated ECL on these balances was not considered to be material.

Specifically provided receivables comprise of a number of customers for whom there is objective evidence that the Group will not be able to collect all amounts due. The following trade receivables were specifically provided for at year-end:

	2023 R'000	2022 R'000
Other customers	**16 126**	22 677

The prior period balance of specifically provided for trade receivables included a balance of R10.0 million owed by a layer contract farmer since 2015. This balance was written off in the current year as uncollectible following the conclusion of the liquidation proceedings in the current year.

9. Trade and other receivables (continued)

	2023 R'000	2022 R'000
A summary of the Group's trade receivables covered by insurance or secured by collateral is as follows:		
Trade receivable balances covered by Credit Guarantee Insurance (excluding specifically provided debtors balances)	**306 665**	276 273
Mortgage bonds – registered value	**–**	10 000
Notarial bonds – registered value	**7 595**	14 400
Bank guarantees – actual value	**2 000**	2 000
The carrying amount of the Group's trade receivables are denominated in the following currencies which are the functional currencies of the relevant subsidiaries:		
Zambian kwacha	**9 357**	8 770
Ugandan shilling	**27**	5 048
Mozambican metical	**10 462**	8 982
South African rand	**626 927**	664 511
Total	**646 773**	687 311

Other receivables are largely denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

Loan to broad-based black economic empowerment supplier ("B-BBEE supplier")

The Group granted a long-term loan to a B-BBEE supplier during the 2019 reporting period. The loan was provided to increase the B-BBEE supplier's layer hen capacity through capital improvements. The loan is unsecured, interest free and repayable in monthly instalments over 10 years, starting from the date the capital improvements were ready for use.

	2023 R'000	2022 R'000
Loan to broad-based black economic empowerment supplier ("B-BBEE supplier")		
Loan at the start of the year	**3 996**	4 456
Loan repaid during the year	**(687)**	(399)
Discounting of loan	**181**	(61)
Loan at the end of year – included in other debtors balance	**3 490**	3 996
Current portion of loan	**(663)**	(684)
Non-current portion of loan	**2 827**	3 312

The loan balance is not past due, nor has there been any indication that the B-BBEE supplier will default. The credit risk of the Group's loan has been assessed using the general approach of IFRS 9 by taking into account the B-BBEE supplier's risk of default and its capacity to meet the contractual cash flow obligations as they become due, as well as current and forward-looking information on macro-economic factors affecting the B-BBEE supplier's ability to settle its debt. Forward-looking information includes expected economic growth, employment rates, inflation, interest rates and the potential impact thereof on the B-BBEE supplier. Due to the risk of default being assessed as low, the loan receivable is considered to be fully performing (Stage 1). The calculated ECL of the loan receivable was not considered to be material.

10. Derivative financial instruments

	2023 R'000	2022 R'000
Foreign exchange contracts – cash flow hedges	**(58)**	53
For the purposes of the statement of financial position, derivative financial instruments are presented as follows:		
Current (liabilities)/assets	**(58)**	53

Trading derivatives are classified as a current asset or liability. The carrying values of derivative financial instruments are measured at their fair values at the reporting date. Refer to note 22 of the accounting policies for the measurement principles of derivative financial instruments.

The purchase of foreign exchange contracts are for the import of raw materials used for production, or capital expenses.

Refer to note 37 for the Group's exposure to financial risks and how these risks are managed.

10.1 Derivative instruments earmarked for hedging (cash flow hedges)

	2023 Fair value R'000	2022 Fair value R'000
Commodity instruments		
*Futures**	**3 009**	3 681

* *Disclosed within cash and cash equivalents (restricted cash). Consists of 22 yellow maize and 66 white maize (2022: 80 yellow maize and 28 white maize) futures bought.*

	Foreign amount R'000	Rand amount R'000	Fair value R'000
Currency forward contracts			
30 September 2023			
Purchases of foreign exchange contracts			**(58)**
Euro	**234**	**4 677**	**(58)**
30 September 2022			
Purchases of foreign exchange contracts			53
Euro	103	1 811	53

Cash flow hedges are expected to realise in profit or loss in the next financial year.

11. Cash and cash equivalents

	2023 R'000	2022 R'000
Cash at bank and on hand	**71 365**	63 845
For the purposes of the statement of cash flows, the year-end cash and cash equivalents consist of cash at bank, on hand, restricted balances and bank overdrafts. The above figure reconciles to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Balances as above	**71 365**	63 845
Bank overdraft (see note 37.1 (c))	**–**	(74 908)
Cash and cash equivalents at end of year (net of overdraft)	**71 365**	(11 063)
The carrying amounts of the Group's cash at bank and on hand are denominated in the following currencies:		
South African rand	**19 702**	5 080
US dollar	**2 848**	1 682
Zambian kwacha (functional currency of a subsidiary)	**31 110**	41 425
Ugandan shilling (functional currency of a subsidiary)	**13 217**	10 763
Mozambican metical (functional currency of a subsidiary)	**4 488**	4 895
Total	**71 365**	63 845

The carrying amounts of cash and cash equivalents approximate their fair values at the reporting date.

Restricted balances

Cash and cash equivalents include restricted balances of R3.0 million (2022: R3.7 million). Restricted cash balances consist of initial margin balances with the JSE which serve as collateral for derivative positions held at year-end. This cash is accessible by the Group when the related derivative positions are closed.

12. Share capital

	2023 R'000	2022 R'000
Authorised – ordinary shares		
400 000 000 (2022: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
200 024 716 (2022: 200 024 716) ordinary no par value shares	**1 465 069**	1 465 069
Reconciliation of movement in issued shares		
During the current and prior reporting period there was no movement in issued ordinary shares.		
Treasury shares held by subsidiary		
At the beginning of the year: 414 158 (2022: 2 477 392) ordinary shares	**1 390**	8 315
500 000 (2022: nil) ordinary shares acquired by subsidiaries during the year at an average price of R4.67 per share	**2 336**	–
Issued to management in terms of share appreciation rights scheme: 822 303 (2022: 2 063 234) ordinary shares	**(3 297)**	(6 925)
At the end of the year: 91 855 (2022: 414 158) ordinary shares	**429**	1 390

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up of the Company in proportion to the number of shares held.

13. Share-based payments

Management share appreciation rights scheme (equity-settled)

The Group operates a share appreciation rights scheme for qualifying management.

The exercise of vested share appreciation rights entitles the employee to ordinary shares in the Company. This number of ordinary shares is calculated by dividing the amount by which the exercise price, relating to the exercised share appreciation rights, appreciated from grant date to exercise date, by the phantom share right price at the exercise date. Phantom share right price is an amount equal to the volume weighted average price per share for the preceding three trading days. Special dividends declared during the period between the grant date and the vesting date are included in the exercise price of the share appreciation rights.

	2023 Number R'000	2022 Number R'000
Number of share appreciation rights made available		
Number at beginning of year	**22 803**	24 025
New allocation at R4.74 per share	**6 411**	–
New allocation at R5.39 per share	**–**	5 468
Redeemed	**(3 335)**	(4 605)
Expired/forfeited	**(3 335)**	(2 085)
Number at end of year	**22 544**	22 803
Number of share appreciation rights		
At R3.91 per share, exercisable up to 22 February 2024	**–**	2 153
At R4.25 per share, exercisable up to 11 February 2025	**2 016**	4 033
At R3.57 per share, exercisable up to 17 February 2026	**5 001**	7 501
At R6.09 per share, exercisable up to 15 February 2027	**3 648**	3 648
At R5.39 per share, exercisable up to 21 February 2028	**5 468**	5 468
At R4.74 per share, exercisable up to 21 February 2029	**6 411**	–
	22 544	22 803

Share appreciation rights were granted on 21 February 2023 at a strike price of R4.74. Vesting takes place over a five-year period with the first 33.3% vesting after three years on 21 February 2026 subject to certain time and performance-based criteria.

The performance-based criteria are measured over three-, four- and five-year performance periods respectively. The hurdle for any vesting is based on a target compound annual growth in headline earnings per share.

The net estimated weighted average fair value at grant date per share appreciation right for share appreciation rights outstanding at 30 September 2023 is R1.45 (2022: R1.30). The fair value per share appreciation right was used to calculate the total cost of the scheme in terms of IFRS 2 – Share-based payment. The cost accounted for in the current year amounts to R5.3 million (2022: R3.0 million).

13. Share-based payments (continued)

	2023	2022
These fair values were calculated using the actuarial binomial option pricing model.		
The principal assumptions were as follows:		
Weighted average share price at grant date (cents per share)	**472**	445
Expected volatility	**28.2% to 45.3%**	28.2% to 45.3%
Expected dividend yield	**3.0%**	3.0%
Risk-free rate	**5.2% to 9.1%**	5.2% to 8.1%
Expected life (years)	**3 to 5**	3 to 5

Expected volatility was determined by calculating the volatility of the share price of the Company.

The shareholders initially approved a maximum number of 14 500 000 ordinary shares that may be issued in terms of the management share appreciation rights scheme. At 30 September 2023, 4 164 967 ordinary shares (2022: 4 987 270) were still available for issue.

14. Other reserves

	2023 R'000	2022 R'000
Share-based payment reserve	**27 655**	24 960
Foreign currency translation reserve	**(68 190)**	(17 857)
Hedging reserve	**10 859**	13 859
	(29 676)	20 962

The fair value of share appreciation rights issued to qualifying management are accounted for in the share-based payment reserve over the respective vesting periods. The reserve is adjusted at each reporting date when the entity revises its estimates of the number of share appreciation rights that are expected to become exercisable. The impact of the revision of original estimates, if any, are recognised in profit or loss, with a corresponding adjustment to this reserve in equity for the equity-settled plan. Refer to note 13 for further detail.

The foreign currency translation reserve relates to exchange differences arising from translation of foreign subsidiaries' statements of comprehensive income at average exchange rates for the year and their statements of financial position at the ruling exchange rates at the reporting date if the functional currency differs.

The hedging reserve relates to the change in fair value of derivative financial instruments. These derivative financial instruments include futures as well as foreign exchange contracts – cash flow hedges.

15. Leases

	2023 R'000	2022 R'000
This note provides information for leases where the Group is a lessee.		
Reconciliation of carrying values		
Balance at beginning of year	**81 619**	109 015
New leases	**–**	880
Reassessments and modifications	**(13 478)**	(4 313)
Lease payments	**(24 935)**	(23 963)
Principal lease liability payments	**(31 885)**	(33 588)
Interest	**6 950**	9 625
	43 206	81 619
Lease liabilities		
Non-current	**21 907**	56 021
Current	**21 299**	25 598
	43 206	81 619

The Group's leasing activities and accounting thereof are disclosed in note 18 of the accounting policies.

Right-of-use assets recognised in the statement of financial position in relation to the Group's lease liabilities are disclosed in note 4.

The statement of comprehensive income includes the following amounts relating to leases

	2023 R'000	2022 R'000
Depreciation charge of right-of-use assets (note 4)	**22 947**	24 870
Interest expense (included in finance cost note 24)	**6 950**	9 625
Gain on reassessment of leases (included in other income note 20)	**(3 342)**	–
Expense relating to short-term leases (included in sales and distribution costs and other operating expenses)	**8 179**	5 742
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	**5 820**	5 311
Expense relating to variable lease payments not included in lease liabilities (included in sales and distribution costs and other operating expenses)	**662**	830

The total cash outflows for leases amounted to R46.5 million (2022: R45.5 million) of which R24.9 million (2022: R24.0 million) relates to the principal elements of lease payments.

15. Leases (continued)

Impact of critical judgments in determining the lease term

Reassessments and modifications include leases of which the lease term was revised to reflect the effect of exercising termination options, leases of which the scope was increased or decreased due to the addition or removal of one or more leased assets, as well as leases of which the lease payments changed due to existing terms included in the lease agreement. The financial effect of the most significant reassessments and modifications comprise the revising of lease terms to reflect the effect of exercising extension and termination options, which was a decrease in recognised lease liabilities of R13.6 million (2022: decrease of R3.9 million) and right-of-use assets of R10.2 million (2022: decrease of R3.1 million). The gain on reassessment of R3.3 million (2022: Rnil) was recognised as part of other income. During the current year, the lease term of the Bloemfontein packstation (2022: East London packstation) was reduced due to the closure of the plant, which impact was the largest contributor to the revised lease term financial effect. None of the lease payments made in the current reporting period were optional. No potential future cash outflows (2022: Rnil) have been excluded from the lease liability where it is not reasonably certain that the leases will be extended (or not terminated).

16. Deferred income tax

	2023 R'000	2022 R'000
Balance at beginning of year	**255 614**	265 620
Charge in profit or loss	**(22 612)**	(757)
Change in tax rate	**267**	(8 713)
Foreign exchange translation adjustment	**(2 660)**	2 394
Deferred income tax on hedging reserve charged to equity	**(1 109)**	139
Deferred income tax on share-based payment reserve	**(1 079)**	(3 069)
	228 421	255 614
Due to the following temporary differences:		
Capital allowances	**213 013**	208 266
Inventories	**11 840**	13 549
Biological assets	**63 285**	83 990
Assessed loss recognised	**(26 337)**	(19 144)
Prepaid expenses	**4 598**	4 172
Provision for long-service awards	**(2 744)**	(2 731)
Leave accrual	**(7 886)**	(7 074)
Bonus accrual	**(1 453)**	(201)
Provision for impairment losses on trade receivables	**(2 186)**	(3 379)
Rebates, growth incentives and settlement discount accruals	**(3 074)**	(3 575)
Allowance for credit notes	**(378)**	(487)
Deferred income	**(1 090)**	(520)
Derivative financial instruments	**(1 893)**	(277)
Share-based payments	**(12 526)**	(11 092)
Accruals staff costs	**(2 051)**	(1 578)
Other*	**(2 697)**	(4 305)
	228 421	255 614

* *Other includes temporary differences on right-of-use assets and the discounting of a loan.*

16. Deferred income tax (continued)

Assessed losses recognised relate mainly to assessed losses arising in the current and prior financial year in Quantum Foods (Pty) Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique S.A., whose forecasts support the utilisation of the loss in the next financial year.

	2023 R'000	2022 R'000
For the purposes of the statement of financial position, deferred income tax is presented as follows:		
Non-current assets	**(6 200)**	(1 564)
Non-current liabilities	**234 621**	257 178
	228 421	255 614

During the year, deferred income tax assets of R6.2 million (2022: R1.5 million) have been recognised of which the utilisation thereof depends on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. These deferred tax assets relate to assessed losses of Group entities that suffered losses in the current and/or preceding years. The losses suffered in the current and/or previous period arose from identifiable causes that are unlikely to recur. These entities have a strong earnings potential, and future profitability is expected against which unrecognised tax losses can be utilised.

	2023 R'000	2022 R'000
17. Provisions for other liabilities and charges		
Long-service awards	**10 163**	10 116
17.1 Long-service awards		
Balance at beginning of year	**10 116**	9 718
Interest	**949**	722
Actuarial profit	**(1 049)**	(304)
Current service costs	**1 407**	1 354
Payments	**(1 260)**	(1 374)
	10 163	10 116
The amount recognised in the statement of financial position was determined as follows:		
Present value of unfunded obligations	**10 163**	10 116
Unrecognised actuarial loss	**–**	–
	10 163	10 116
For the purposes of the statement of financial position, provisions for other liabilities and charges are presented as follows:		
Non-current liabilities	**9 082**	8 966
Current liabilities	**1 081**	1 150
	10 163	10 116

17. Provisions for other liabilities and charges (continued)

	2023	2022
Existing provisions are based on the following important assumptions:		
Discount rate (per annum)	**10.5%**	10.0%
Salary increases (per annum)	**7.1%**	8.3%
Normal retirement age	**60 years**	60 years
The date of the most recent actuarial valuation is:	**30 September 2023**	30 September 2022

18. Trade and other payables

	2023 R'000	2022 R'000
Trade payables	**519 742**	517 189
Accrued expenses	**27 454**	20 957
Accrued leave pay	**30 000**	27 021
Accrued 13th cheque	**9 354**	9 154
Accrued short-term incentive bonus	**5 036**	191
Value-added tax	**27**	95
Dividends payable	**421**	477
Other payables*	**25 370**	16 690
Refund liability	**10 466**	11 857
	627 870	603 631

* *Other payables include trade and other receivables with credit balances reclassified as trade and other payables of R10.7 million (2022: R4.3 million), and employee taxes payable amounting to R6.2 million (2022: R4.2 million).*

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The refund liability is recognised for growth incentive rebates payable to certain customers (refer to note 16 of the accounting policies).

The carrying amount of the Group's trade payables are denominated in the following currencies:

	2023 R'000	2022 R'000
Uncovered:	**519 742**	517 189
Euro	**760**	–
US dollar	**2 122**	4 160
Zambian kwacha (functional currency of a subsidiary)	**3 495**	1 056
Ugandan shilling (functional currency of a subsidiary)	**590**	1 957
Mozambican metical (functional currency of a subsidiary)	**3 466**	4 727
South African rand	**509 309**	505 289
Total	**519 742**	517 189

Other payables are mostly denominated in the Group's functional currency and no significant risk concentrations exist outside South Africa.

19. Revenue from contracts with customers

	2023 R'000	2022 R'000
Disaggregation of revenue from contracts with customers	**6 952 575**	6 020 558
The Group derives revenue from the transfer of goods at a point in time.		
Eggs	**1 627 094**	1 602 692
– included in eggs segment	**1 322 275**	1 350 127
– included in other African countries segment	**304 819**	252 565
Layer farming*	**221 376**	240 958
– included in farming segment	**187 154**	211 906
– included in other African countries segment	**34 222**	29 052
Broiler farming**	**1 689 484**	1 436 431
– included in farming segment	**1 641 471**	1 375 974
– included in other African countries segment	**48 013**	60 457
Animal feeds	**3 414 621**	2 740 477
– included in animal feeds segment	**3 358 828**	2 688 142
– included in other African countries segment	**55 793**	52 335
	6 952 575	6 020 558

* *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.*

Information regarding major customers

	2023 R'000	2022 R'000
During the period under review, revenue from the Group's top three customers was as follows:		
Customer A	**1 319 846**	1 111 874
Customer B	**548 975**	580 955
Customer C	**481 374**	459 523

Revenue from these customers is reported within all operating segments except other African countries.

20. Other income

	2023 R'000	2022 R'000
Administration fees received	**5**	52
Rental income	**6 217**	6 883
Sundry income	**6 077**	5 118
Discount received	**5 452**	3 890
Insurance claims	**1 102**	4 177
	18 853	20 120

Sale of services is recognised in the accounting period in which the services are rendered, by reference to the completion of services provided as a proportion of the total services to be provided. The sale of services is included in other income in profit or loss. Sale of services includes rental income received. Sundry income includes a gain on reassessment of lease liabilities amounting to R3.3 million (2022: nil). Discount received, which is disclosed separately to enhance disclosure, was included as part of sundry income in the prior period.

21. Other gains/(losses) – net

	2023 R'000	2022 R'000
Biological assets fair value adjustment	**(67 379)**	(8 438)
Unrealised – reflected in carrying amount of biological assets	**8 847**	(8 702)
Realised – reflected in cost of goods sold	**(76 226)**	264
Agricultural produce fair value adjustment	**13 814**	4 038
Unrealised – reflected in carrying amount of inventory	**1 608**	(2 094)
Realised – reflected in cost of goods sold	**12 206**	6 132
Foreign exchange differences	**218**	(1 252)
Financial instruments fair value adjustments	**7**	–
Foreign exchange contract cash flow hedging ineffective (loss)/gain	**(63)**	4 095
Futures contract cash flow hedging ineffective loss	**(11 779)**	–
(Loss)/profit on disposal of property, plant and equipment	**(1 207)**	1 115
Impairment of intangible assets	**-**	(5 428)
	(66 389)	(5 870)

Biological assets fair value adjustment

The adjustment of biological assets from cost to fair value includes a realised and unrealised component. The unrealised portion is reflected in the carrying amount of biological assets in the statement of financial position, and the realised portion is reflected in cost of goods sold in profit and loss.

22. Operating costs

22.1 Expenses by function

	2023 R'000	2022 R'000
Cost of sales[1]	**5 769 663**	4 910 916
Sales and distribution costs[2]	**287 386**	288 322
Marketing costs[3]	**12 572**	13 311
Administrative expenses[4]	**154 987**	156 773
Net impairment losses on trade and other receivables[5]	**5 941**	1 739
Other operating expenses[6]	**710 413**	631 242
	6 940 962	6 002 303

Total expenses by nature are disclosed in note 22.2 with a numeral that indicated the expense by function as in note 22.1.

1 *Cost of sales.*
2 *Sales and distribution costs.*
3 *Marketing costs.*
4 *Administrative expenses.*
5 *Net impairment losses on trade and other receivables.*
6 *Other operating expenses.*

22. Operating costs (continued)

22.2 Expenses by nature

	2023 R'000	2022 R'000
Cost of raw materials including fair value adjustments realised on biological assets and agricultural produce[1]	**5 239 185**	4 555 541
Insurance claim received for loss of biological assets*[1]	**–**	(17 774)
Livestock written off[1]	**155 278**	18 806
Inventory written off[1]	**6 794**	12 500
Research and laboratory costs[1, 3, 6]	**19 952**	17 577
Staff costs[1, 2, 4, 6]	**539 387**	512 645
Wages and salaries	**466 363**	444 445
Termination benefits	**1 330**	1 010
Other staff costs	**35 958**	35 128
Retirement fund contributions	**30 424**	29 026
Share-based payments expense (refer to note 13)	**5 312**	3 036
Non-executive directors' remuneration[6]	**2 285**	3 132
Technical services from non-employees[4]	**9 261**	15 677
Auditors' remuneration[4]	**5 498**	5 096
Audit – current year	**5 410**	5 074
Tax-related services	**88**	22
Internal audit fees[4]	**2 297**	1 997
Rental of premises, machinery and vehicles[2, 4, 6]	**14 661**	11 723
Travel and entertainment[4]	**10 021**	8 997
Energy costs[1, 6]	**211 964**	162 609
Maintenance[1, 6]	**113 945**	103 308
Depreciation and amortisation[1, 6]	**109 883**	106 958
Insurance[4]	**31 962**	33 380
Cleaning[1, 6]	**59 884**	52 986
Office expenses[4]	**66 079**	60 501
Marketing costs[3]	**10 479**	11 258
Security[1, 6]	**38 455**	35 904
Change in loss allowance for trade receivables[5]	**(5 604)**	(8 177)
Change in allowance for credit notes[6]	**(404)**	(274)
Bad debts[6]	**11 405**	9 690
Transport and distribution costs[1, 2]	**287 294**	286 847
B-BBEE socio-economic and enterprise development[4]	**1 001**	1 396
Total cost of sales, sales and distribution costs, marketing, administrative and other operating expenses	**6 940 962**	6 002 303

* *During the prior reporting period the Group received an HPAI insurance claim of R19.7 million. The portion of the claim that directly related to livestock losses (R17.8 million) was recognised as a recovery within cost of sales. The remaining portion of the claim of R1.9 million relates to livestock losses in the 2021 financial year and was recognised within other income as insurance claims.*

In the previous reporting period, fair value adjustments pertaining to biological assets and agricultural produce were separately disclosed. To ensure consistency with the current year's figures, the prior disclosure has been updated, integrating fair value adjustments into the cost of raw materials.

23. Investment income

	2023 R'000	2022 R'000
Interest income on financial assets		
– Call accounts and other	**5 296**	4 244
– Unwinding of discount on receivables	**181**	–
	5 477	4 244

Interest income is recognised on a time-proportion basis using the effective interest rate method. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as investment income in profit or loss where it is earned from financial assets that are held for cash management purposes.

	2023 R'000	2022 R'000
24. Finance costs		
Interest expense on financial liabilities measured at amortised cost		
– Call loans and bank overdrafts	**15 385**	5 624
– Lease liability finance charges	**6 950**	9 625
– Provision for unwinding of discount	**1 250**	1 052
	23 585	16 301
25. Income tax expense/(credit)		
Current income tax	**4 958**	5 916
Current year	**4 958**	5 916
Deferred taxation	**(22 345)**	(9 470)
Current year	**(22 805)**	(757)
Overprovision previous years	**193**	–
Income tax rate change	**267**	(8 713)
	(17 387)	(3 554)

25. Income tax expense (continued)

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:

	2023 R'000	2022 R'000
(Loss)/profit before income tax	**(52 961)**	20 268
Tax at standard rate for companies: 27% (2022: 28%)*	**(14 299)**	5 675
(Decrease)/increase in rate:		
Exempt income	**(350)**	(528)
Effect of assessed losses	**237**	–
Non-deductible expenditure	**4 056**	5 117
Other non-taxable income	**(16)**	–
Overprovision previous year	**193**	–
Effect of capital gains tax	**(20)**	(224)
Effect of impairments	**–**	1 520
Effect of different tax rates*	**(4 909)**	(5 497)
Effect of tax rate change^	**267**	(8 712)
Other differences	**(2 365)**	(905)
Effective rate	**(17 206)**	(3 554)

* *The standard tax rate for foreign subsidiaries differs from the income tax rate of 27% (2022: 28%). Quantum Foods Zambia Ltd's agricultural profits are taxed at 10% and other income and manufacturing activities (feed mill activities) are taxed at 30%. Quantum Foods Uganda Ltd's profits are taxed at 30%. Quantum Foods Mozambique S.A.'s profits are taxed at 10% (2022: 16%).*

^ *The South African corporate income tax rate was lowered from 28% to 27% for years of assessment starting on or after 1 April 2022. For the previous financial year the rate change was substantively enacted and resulted in deferred tax being provided at 27% and current income tax at 28%. The corporate income tax rate in Mozambique was lowered from 16% to 10% for agricultural activities, with effect from 1 January 2023. The reduction in corporate income tax rate in Mozambique is effective for 2023 to 2025, after which it will change to 32%.*

Exempt income consist of amounts received in terms of the South African employment tax incentive scheme. Non-deductible expenditure consist mainly of depreciation on assets (e.g. poultry houses bought) and expenses relating to corporate action which are not deductible for tax.

	2023 R'000	2022 R'000
Gross calculated tax losses of certain subsidiaries at the end of the reporting period available for utilisation against future taxable income of those companies	**93 088**	68 119
Less: Utilised in reduction of deferred tax	**(71 010)**	(60 822)
	22 078	7 297

A current and deferred income tax credit of R1.1 million (2022: charge of R0.1 million) relating to fair value adjustments on the cash flow hedging reserve is recognised directly in other comprehensive income/(loss).

26. Earnings per ordinary share

	2023 R'000	2022 R'000
Basic		
The calculation of basic earnings per share is based on (loss)/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:		
(Loss)/profit for the year	**(35 574)**	23 822
Weighted average number of ordinary shares in issue ('000)	**199 553**	198 755
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.		

	2023 Number '000	2022 Number '000
Weighted average number of ordinary shares in issue used as the denominator in calculating basic earnings per share	**199 553**	198 755
Adjustment for calculation of diluted earnings per share – Share appreciation rights	**–**	1 255
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**199 553**	200 010

Share appreciation rights issued in terms of the share incentive scheme are not included in the calculation of diluted basic and headline earnings per share for the year ended 30 September 2023 because they are anti-dilutive. These share appreciation rights could potentially dilute basic and headline earnings per share in the future. Refer to note 13.

26. Earnings per ordinary share (continued)

	2023 R'000	2022 R'000
The calculation of diluted earnings per share is based on (loss)/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 period:		
(Loss)/profit for the year	**(35 574)**	23 822
Diluted weighted average number of ordinary shares in issue ('000)	**199 553**	200 010
Headline earnings is calculated in accordance with Circular 1/2023 (2022: Circular 1/2021) issued by the South African Institute of Chartered Accountants.		
Reconciliation between (loss)/profit attributable to owners of the parent and headline earnings		
(Loss)/profit for the year	**(35 574)**	23 822
Remeasurement of items of a capital nature		
Loss/(profit) on disposal of property, plant and equipment	**812**	(1 137)
Gross	**1 207**	(1 115)
Tax effect	**(395)**	(22)
Impairment of intangible assets	**–**	5 428
Gross	**–**	5 428
Tax effect	**–**	–
Headline earnings for the year	**(34 762)**	28 113
Earnings per ordinary share (cents)	**(17.8)**	12.0
Diluted earnings per ordinary share (cents)	**(17.8)**	11.9
Headline earnings per ordinary share (cents)	**(17.4)**	14.1
Diluted headline earnings per ordinary share (cents)	**(17.4)**	14.1

27. Cash profit from operating activities

	2023 R'000	2022 R'000
Reconciliation of (loss)/profit before tax and cash profit from operating activities:		
(Loss)/profit before income tax	**(52 961)**	20 268
Adjustment for:		
Depreciation and amortisation	**109 883**	106 958
Impairment of goodwill	**–**	5 428
Biological assets fair value adjustment	**(8 847)**	8 702
Agricultural produce fair value adjustment	**(1 608)**	2 094
Livestock written off	**155 278**	–
Net loss/(profit) on sale of property, plant and equipment	**1 207**	(1 115)
Unrealised (gains)/losses on FECs, foreign exchange and future contracts	**(1 091)**	398
Change in loss allowance for trade receivables	**(5 604)**	(8 177)
Change in provision for credit notes based on history	**(404)**	(274)
Inventory written off	**6 794**	12 500
Bad debts	**11 405**	9 690
Share-based payments expense	**5 312**	3 036
Changes in provisions for long-service awards	**(902)**	(324)
Interest received	**(5 477)**	(4 244)
Interest paid	**23 585**	16 301
Share of (profit)/loss of associate company	**(1 070)**	180
Leases derecognition included in operating profit	**–**	(796)
Gain on reassessment of leases included in other income	**(3 342)**	–
	232 158	170 625

28. Working capital changes

	2023 R'000	2022 R'000
Decrease/(increase) in inventory	**25 576**	(92 815)
Decrease/(increase) in trade and other receivables	**56 395**	(188 872)
Increase in trade and other payables	**25 302**	236 390
Increase in current biological assets	**(55 874)**	(41 398)
Changes to derivative financial instruments	**1 123**	(379)
	52 522	(87 074)

29. Dividends paid

	2023 R'000	2022 R'000
Amounts unpaid at beginning of the year	**(477)**	(470)
As disclosed in statement of changes in equity	**–**	(15 969)
Dividends declared during the year	**–**	(16 002)
Dividends on treasury shares received by subsidiary	**–**	33
Amounts unpaid at end of year	**421**	477
	(56)	(15 962)

30. Income tax paid

	2023 R'000	2022 R'000
Amounts unpaid at beginning of the year	**(831)**	(1 799)
Current tax charge in profit and loss	**(4 958)**	(5 916)
Amounts unpaid at end of the year	**1 549**	831
	(4 240)	(6 884)

For the purposes of the statement of financial position, current income tax (receivable)/payable are presented as follows:

	2023 R'000	2022 R'000
Current assets	**(225)**	(1 722)
Current liabilities	**1 774**	2 553
	1 549	831

31. Proceeds on disposal of property, plant and equipment

	2023 R'000	2022 R'000
Book value of property, plant and equipment disposed	**1 870**	1 252
(Loss)/profit on disposal of property, plant and equipment	**(1 207)**	1 115
	663	2 367

32. Net debt reconciliation

	2023 R'000	2022 R'000
This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.		
Net debt		
Cash and cash equivalents	**71 365**	63 845
Bank overdraft	**–**	(74 908)
Lease liabilities	**(43 206)**	(81 619)
	28 159	(92 682)

	Other assets: Cash/bank overdraft R'000	Liabilities from financing activities: Lease liabilities R'000	Total R'000
Net debt as at 1 October 2021	73 311	(109 015)	(35 704)
Movement in lease liabilities	–	3 433	3 433
Cash flows	(95 596)	–	(95 596)
Financing cash flows	–	23 963	23 963
Other changes			
Interest expense	5 624	9 625	15 249
Interest payments	(5 624)	(9 625)	(15 249)
Foreign exchange adjustments	11 222	–	11 222
Net debt as at 30 September 2022*	(11 063)	(81 619)	(92 682)
Movement in lease liabilities	**–**	**13 478**	**13 478**
Cash flows	**90 860**	**–**	**90 860**
Financing cash flows	**–**	**24 935**	**24 935**
Other changes			
Interest expense	**15 385**	**6 950**	**22 335**
Interest payments	**(15 385)**	**(6 950)**	**(22 335)**
Foreign exchange adjustments	**(8 432)**	**–**	**(8 432)**
Net debt as at 30 September 2023	**71 365**	**(43 206)**	**28 159**

* *The net debt reconciliation of the prior year was expanded to include financing cash flows, interest expense and interest payment to align with disclosure provided in the current year.*

33. Contingent liabilities

No litigation matters with potential material consequences exist as at the reporting date.

34. Commitments

	2023 R'000	2022 R'000
34.1 Operating lease receivables		
The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:		
No later than one year	**3 013**	3 308
Later than one year, and no later than five years	**120**	2 893
Later than five years	**30**	–
	3 163	6 201
34.2 Capital commitments		
Contractually committed	**31 638**	31 700
Approved by the Board, but not yet contractually committed	**291 403**	104 155
– for the next financial year	**223 129**	104 155
– for the year following the next financial year	**68 274**	–
	323 041	135 855
Allocated as follows:		
Property, plant and equipment	**323 041**	131 878
Computer software	**–**	3 977
	323 041	135 855

The expenditure will be financed from operating income, cash reserves and borrowed funds, in accordance with a budget approved by the Board.

35. Related-party transactions

Quantum Foods Holdings Ltd is the ultimate holding company of the Quantum Foods group of companies. The Group consists of:

- Quantum Foods (Pty) Ltd
- Quantum Foods Uganda Ltd (incorporated in Uganda)
- Quantum Foods Zambia Ltd (incorporated in Zambia)
- Quantum Foods Mozambique, S.A. (incorporated in Mozambique)
- Klipvlei Broilers (Pty) Ltd – associate company (refer to note 6)

The Group holds a 100% (2022: 100%) interest in Quantum Foods (Pty) Ltd, and this entity holds a 100% (2022: 100%) interest in all the other subsidiaries listed above. The subsidiaries are incorporated in South Africa unless indicated otherwise.

During the reporting period the Company and its subsidiaries conducted the following transactions with its associate companies and key management personnel:

	2023 R'000	2022 R'000
35.1 Sale of goods		
Klipvlei Broilers (Pty) Ltd	**–**	7
35.2 Purchase of goods/services		
Klipvlei Broilers (Pty) Ltd (grower fee paid)	**36 050**	28 496
35.3 Key management personnel compensation		
Salaries and other short-term employee benefits	**22 200**	20 842
Post-employment benefits	**2 298**	2 139
Bonuses and incentives	**3 055**	–
Other long-term benefits	**249**	–
Share-based payments	**4 641**	2 516
	32 443	25 497

Key management personnel include the executive directors of the Board and members of the Group's executive committee.

36. Financial instruments by category

	Amortised cost R'000	Assets at fair value through profit and loss R'000	Total R'000
30 September 2023			
Assets as per statement of financial position			
Trade and other receivables[1]	**633 527**	**–**	**633 527**
Cash and cash equivalents	**71 365**	**–**	**71 365**
Total	**704 892**	**–**	**704 892**
30 September 2022			
Assets as per statement of financial position			
Derivative financial instruments	–	53	53
Trade and other receivables[1]	666 803	–	666 803
Cash and cash equivalents	63 845	–	63 845
Total	730 648	53	730 701

[1] *Financial assets do not include prepaid expenses and VAT amounts receivable.*

	Other financial liabilities at amortised cost R'000	Total R'000
30 September 2023		
Liabilities as per statement of financial position		
Lease liabilities	**43 206**	**43 206**
Derivative financial instruments	**58**	**58**
Trade and other payables[2]	**583 453**	**583 453**
Total	**626 717**	**626 717**
30 September 2022		
Liabilities as per statement of financial position		
Lease liabilities	81 619	81 619
Bank overdraft	74 908	74 908
Trade and other payables[2]	567 170	567 170
Total	723 697	723 697

[2] *Financial liabilities do not include accruals for 13th cheque, leave, short-term incentive bonus and VAT amounts payable.*

37. Financial risk management

37.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information is included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions • Recognised assets and liabilities denominated in foreign currency	• Cash flow forecasting • Sensitivity analysis	Forward foreign exchange contracts for future commercial transactions
Market risk – price risk	Fluctuations in prices of feed raw materials, mainly maize and soya bean meal	Sensitivity analysis	• Futures contracts • Contracting at fixed delivery prices
Market risk – interest rate	Deposits and bank overdraft at variable rates	Sensitivity analysis	Treasury function based on a rolling cash flow forecast
Credit risk	Cash and cash equivalents, trade receivables, derivative financial instruments	• Ageing analysis • Credit ratings • Sensitivity analysis	• Deposits placed at banks with high credit ratings • Credit limits, credit control, letters of credit and insurance for trade receivables
Liquidity risk	Investment in working capital, capital expenses, changes in profitability	Rolling cash flow forecasts	• Committed working capital facility • Vendor payment terms • Term loan facility

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Board approved a broad decision-making framework in terms of which financial risks are evaluated, managed and hedged by executive management.

The Group is also exposed to risk arising from environmental and climatic changes. The geographical spread and number of farming operations provide the Group with some protection from the impact and scale of poultry disease outbreaks, as well as adverse climatic conditions such as droughts and floods. The Group has a comprehensive vaccination and flock health monitoring programme. Strict biosecurity management is enforced and was further expanded following the impact of the HPAI outbreaks in 2022 and 2023.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(a) Market risk

(i) Cash flow interest rate risk

The Group's interest rate risk arises from financial assets and financial liabilities.

Financial liabilities exposed to interest rate risk include interest-bearing short and long-term borrowings. At year-end the Group did not have a bank overdraft balance. In the prior year, the Group had a bank overdraft balance which exposed the Group to cash flow interest rate risk. The Group's lease liabilities has minimal exposure to variable interest rates.

Financial assets exposed to cash flow interest rate risk include cash and short-term bank deposits. Changes in the prime interest rate will result in a minimal impact on profit after tax.

(ii) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, British pound, US dollar, Zambian kwacha, Ugandan shilling and Mozambican metical. Foreign exchange risk arises from future commercial transactions denominated in foreign currencies, recognised assets and liabilities denominated in foreign currencies and derivative financial instruments. Apart from the Group's exposure to trade receivables and payables and cash denominated in foreign currencies, no other financial assets or liabilities expose the Group to significant foreign exchange risk.

Instruments used by Group

The Group manages short-term foreign exchange exposure relating to raw material imports (primarily US dollar based), in terms of formal hedging policies. Foreign exchange risk arising from capital imports is hedged in total. The Group either uses a foreign exchange forward contract ("FEC") to hedge its exposure to foreign currency risk or procures the relevant imported goods at a ZAR price which includes an FEC entered into on the Group's instruction. Only the spot component of forward contracts entered into by the Group is designated as a hedging instrument. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is the forward element, which is recognised in profit or loss.

Refer to note 10 for material FEC's. Refer to notes on trade and other receivables, trade payables for financial exposure to foreign currency risk.

Refer to note 21 – other gains/(losses) – net for foreign exchange-related amounts recognised in profit or loss for the year.

(iii) Price risk

The Group is exposed to commodity price risk. The risk arises from the Group's need to buy specific quantities and qualities of raw materials to meet its feeds business' requirements. These raw materials include maize and soya bean meal.

The Group uses exchange-for-physical contracts to hedge itself against the price risk of the maize commodity acquired in South Africa. These contracts hedge the future purchase price of raw materials. Settlement of the physical contracts and local futures are effected by physical delivery. The commodity price risk arising from maize and soya bean meal imports are hedged by contracting at a fixed delivered price.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(a) Market risk (continued)

(iv) Sensitivity analysis

The table below summarises the impact on post-tax profit and equity of changes in market risks relating to the Group's financial instruments exposed to foreign exchange risk.

Change in foreign currency

Derivative financial instruments affected by changes in exchange rates include foreign exchange contracts. The summary below reflects the results of an expected change in US dollar of 1% (2022: 4%), British pound of 1% (2022: 2%), Euro of 1% (2022: 4%), Zambian kwacha of 5% (2022: 5%), Ugandan shilling of 4% (2022: 3%) and Mozambique metical 3% (2022: 2%), with all other variables held constant.

	2023 R'000	2022 R'000
Rand depreciates against foreign currencies		
– Increase/(decrease) in profit after income tax		
Trade receivables	**466**	614
Cash and cash equivalents	**1 316**	2 356
Trade payables	**(538)**	(681)
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	**34**	52
	1 278	2 341

	2023 R'000	2022 R'000
Change in commodity prices		
Derivative financial instruments affected by changes in the commodity prices relate to futures. The summary below reflects the results of an expected change in the maize price of 5% (2022: 5%), with all other variables held constant.		
Commodity price increase		
– Increase in equity after income tax		
Derivative financial instruments earmarked for hedging	**1 315**	1 904

If these prices were to decrease it will result in a decrease in reserves of the same amount.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(b) Credit risk

Financial assets that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents and derivative financial instruments, as well as credit exposure to trade receivables, including outstanding receivables and committed transactions.

The Group's credit risk exposure relating to derivative financial instruments is managed on a Group level and are placed with a limited number of creditable financial institutions, the majority of which have Moody's short-term credit ratings of NP. The Group continually monitors its positions and the credit ratings of its counterparties.

The Group's credit risk exposure relating to trade receivables is managed centrally. Trade receivables are subject to credit limits, credit control and credit approval procedures. The credit quality of customers is assessed, taking into account their financial position, past experience with the customer and other factors when approving new customers and determining or revising individual credit limits. The utilisation of credit limits is regularly monitored.

The Group insures its South African debtors with Credit Guarantee Insurance. In 2023, 49% (2022: 42%) of the Group's total trade receivables that have not been specifically impaired are covered by credit insurance. National customers have a limited risk profile and a national geographical representation. The credit quality of the national customers is considered to be good based on historical default rates. These customers include large national customers in the formal retail sector. The large national customers and other listed companies are assessed as having a low risk of default, and are thus not insured. These customers amounted to approximately 43% (2022: 47%) of trade receivables – net at the reporting date. Other customers relate to customers that do not have a national geographical representation, of which 86% (2022: 78%) are insured. The risk of default on insured other customers is considered part of the risk of default of the insurer, which risk was assessed as low due to past claims payment history. Other customers that are not insured represent 8% (2022: 12%) of total trade receivables – net. Based on past payment history of customers in this group, the risk of default is considered to be medium. These customers are included in calculation of the expected credit losses.

Credit insurance premiums are paid on a monthly basis based on net invoiced sales. The credit policy requires each new customer to be analysed individually for credit worthiness before delivery and payment terms are offered. The Group's risk is limited to 30% (2022: 30%) of the net invoiced sales to insured debtors. The Group's review includes external ratings where available and, in some cases, bank references. Limits are established for each customer, which represents the maximum trading amount without requiring further approval. These limits are reviewed on an ongoing basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a cash basis. Customers that default on payments are closely monitored and put on "stop supply" if required.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different industries and geographical areas.

Other receivables consist mainly of prepayments, value-added tax receivable and other debtors. The risk of default is assessed as low.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(b) Credit risk (continued)

The credit risk of trade receivables – net is as follows:

	Credit risk assessment	2023 R'000	2022 R'000
National customers	Low	**272 654**	308 594
Other customers – insured*	Low	**306 665**	276 273
Other customers – not insured	Medium	**48 676**	77 166
Trade receivables – net		**627 995**	662 033

* *Other customers – insured represents the lower of customers' trade receivable balances and their credit insurance limit.*

A specific provision for losses of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators of objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables and that the trade receivable is impaired.

The amount of the specific provision for losses, included in the loss allowance, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. Trade receivables are written off as other operating expenses in profit or loss when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, 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. Subsequent recoveries of amounts previously written off are credited against other operating expenses in profit or loss.

	2023 R'000	2022 R'000
The Group deposits cash surpluses with financial institutions of high quality and standing. The table below shows the cash and cash equivalents allocated in terms of bank rating. These ratings are based on Moody's bank ratings.		
NP short-term credit rating	**71 076**	63 650
Not rated	**7**	1
Cash on hand	**282**	194
	71 365	63 845

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, payment terms agreed with suppliers and the ability to close out market positions. The decrease in the working capital investment of the Group was mainly due to decreased stock on hand at year end, timely settlement of large customers' balances and the agreement of further extension of payment terms by a large supplier. The payment terms, which were extended by two weeks, reduced the net debt position of the Group by R41 million on 30 September 2023. Net debt is calculated as the amount by which the bank overdraft and lease liabilities exceed the cash and cash equivalents. Liquidity was further improved by increasing the committed borrowing facility by R70 million during the year. The short-term commitments of the Group will be settled by cash realised from trade receivables and the utilisation of the borrowing facilities available. To further improve liquidity the Group obtained a R100 million term loan facility on 25 October 2023. Refer to note 41.

The Group manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generating capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. The Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity.

Surplus cash held by Group treasury over and above the balance required for working capital management is invested in interest-bearing money market deposits with sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held no short-term bank deposits.

At year-end the Group had a borrowing facility in the form of a debtors' finance facility at one of the major South African banks for the value of R426.9 million (2022: R358.1 million). Trade receivables, of which the balance is R626.9 million at year-end (2022: R664.5 million), is provided as security for the debt. The facility agreement determines that any positive cash balances available in the South African bank account of the Group can be offset against any amount drawn. The Group has a legally enforceable right to offset these amounts, and there is an intention to settle on a net basis.

Reconciliation of borrowing facility utilisation	**2023** R'000	2022 R'000
Positive cash balances	**14 977**	47 100
Amount drawn on facility agreement	**(100)**	(122 008)
Net balance of cash at bank/(bank overdraft)	**14 877**	(74 908)
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	**426 762**	283 222

The table on the next page analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed are the contractual undiscounted cash flows.

37. Financial risk management (continued)

37.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Maturity analysis of financial liabilities	Not later than 1 year R'000	Between 1 and 2 years R'000	More than 2 years R'000	Total R'000
30 September 2023				
Capital and interest – total				
Lease liabilities	**(24 586)**	**(15 569)**	**(7 728)**	**(47 883)**
Dividends payable	**(421)**	**–**	**–**	**(421)**
Trade and other payables	**(583 453)**	**–**	**–**	**(583 453)**
Other derivative financial instruments	**(58)**	**–**	**–**	**(58)**
Financial guarantees	**(13 244)**	**–**	**–**	**(13 244)**
	(621 762)	**(15 569)**	**(7 728)**	**(645 059)**
30 September 2022				
Capital and interest – total				
Lease liabilities	(32 425)	(28 689)	(34 611)	(95 725)
Dividends payable	(477)	–	–	(477)
Trade and other payables	(567 178)	–	–	(567 178)
Bank overdraft	(74 908)	–	–	(74 908)
Financial guarantees	(14 763)	–	–	(14 763)
	(689 751)	(28 689)	(34 611)	(753 051)

Note: Financial liabilities do not include provisions, accrual for 13th cheque, deferred revenue, accrual for leave and VAT amounts payable.

The carrying value of financial liabilities are equal to the total contractual undiscounted cash flows as disclosed above, except for lease liabilities and financial guarantees. Lease liabilities have a carrying value of R43.2 million (2022: R81.6 million).

Financial guarantees relate to guarantee contracts in terms of loans by third parties to contracted service providers. The financial guarantee contracts are recognised initially at fair value. For subsequent measurement the financial guarantee contracts are measured at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 – Financial Instruments and the fair value initially recognised less amortisation. The expected credit losses of the financial guarantees were calculated using the general approach of IFRS 9 by taking into account the third parties' risk of default and its capacity to meet the contractual cash flow obligations as they become due, as well as current and forward-looking information on macro-economic factors affecting the third parties' ability to settle its debt. Forward-looking information includes expected economic growth, employment rates, inflation, interest rates and the potential impact thereof on the third parties. Due to there not being a significant increase in credit risk since initial recognition the amount determined in accordance with the expected credit loss model was not material. The value of the financial guarantee contracts is therefore equal to the initial recognition fair value, which is nil (2022: nil). The maximum possible exposure of the Group at 30 September 2023 is R13.2 million (2022: R14.8 million).

37. Financial risk management (continued)

37.2 Capital risk management

The Board's policy is to maintain a strong capital base to ensure the Group continues as a going concern in order to provide returns for shareholders and benefits for other stakeholders. When allocating capital, the Group's target is to achieve a return on invested capital in excess of its weighted average cost of capital.

	2023 R'000	2022 R'000
Net debt*	**43 206**	92 682
Total equity (as shown in the statement of financial position)	**2 015 936**	2 100 788
	2.14%	4.41%

* *For 2023: Cash and cash equivalents exceeded borrowings. Cash and cash equivalents were not deducted for ratio calculation. Refer to note 32 for the net debt reconciliation.*

The main focus of the Group's capital management is to ensure liquidity, in the form of short-term borrowing facilities, in order to have sufficient available funding for the Group's working capital requirements.

37.3 Fair value measurement

All financial instruments measured at fair value are classified using a three-tiered fair value hierarchy that reflects the significance of the inputs used in determining the measurement. The hierarchy is as follows:

Level 1:
Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities at the end of the reporting period. No financial assets have been classified as level 1.

Level 2:
Fair value measurements derived from inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, in their expectations of future cash flows for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:
Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. Financial risk management (continued)

37.3 Fair value measurement (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 September 2023				
Assets measured at fair value				
Biological assets				
– Livestock	**–**	**–**	**338 380**	**338 380**
Total	**–**	**–**	**338 380**	**338 380**
Liabilities measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	**–**	**58**	**–**	**58**
Total	**–**	**58**	**–**	**58**
30 September 2022				
Assets measured at fair value				
Derivative financial instruments				
– Foreign exchange contracts	–	53	–	53
Biological assets				
– Livestock	–	–	433 910	433 910
Total	–	53	433 910	433 963

There were no transfers between any levels during the year, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter securities) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group uses a variety of methods that make assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used for derivative financial instruments. The fair value of foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

Financial instruments in level 3: Biological assets

The layer and broiler livestock and agricultural produce are measured at fair value which is determined by using unobservable inputs and is categorised as level 3. Fair values of livestock held for breeding, layer-hens, broilers and hatching eggs are determined with reference to market prices of livestock of similar age, breed and genetic material.

The fair value of the layer birds, which include rearing and layer livestock, are determined by the market prices of day-old chicks, point-of-lay hens and culls. These are the only selling points during the life cycle of the bird. The fair value of the layer birds are determined by their age at the different stages in the life cycle.

37. Financial risk management (continued)

37.3 Fair value measurement (continued)

The fair value of broiler livestock is determined by the market prices of day-old chicks and live birds at slaughter age. These are the only selling points during the life cycle of the bird. The fair value of the broiler livestock is determined by their age at the different stages in the life cycle.

The market prices used in the valuation is based on actual selling prices realised by the Group. The fair value estimation of the Group's biological assets was impacted by the recent HPAI outbreak in South Africa. The fair value of poultry infected by HPAI is written off. Livestock written off during the year amounted to R155.3 million (2022: R18.8 million) as a result of being infected by HPAI.

Changes in the fair value are included in profit or loss, with a profit of R8.8 million (2022: loss of R8.7 million) being recognised as the unrealised fair value adjustment in profit or loss in the current period to adjust the biological asset livestock to fair value.

In measuring the fair value of biological assets, the following significant unobservable inputs were used:

	Range of unobservable inputs	
Unobservable input	**2023**	2022
Layer livestock		
Market price of day-old chicks	**R11.97 to R12.17**	R10.96 to R11.16
Market price of point-of-lay hens	**R85.96 to R92.33**	R77.49 to R80.73
Market price of culls	**R41.64 to R43.97**	R30.70 to R33.16
Broiler livestock		
Market price of day-old chicks	**R6.87 to R7.07**	R6.58 to R6.78
Market price of live birds	**R38.77 to R39.17**	R37.66 to R38.06

Sensitivity analysis

A sensitivity analysis of a 2% change in the market price, is shown for the significant unobservable inputs below:

Input	Sensitivity
Day-old chick market prices	A change in market price would result in a R0.5 million (2022: R0.3 million) change in the fair value of poultry livestock.
Point-of-lay hens market prices	A change in the market price would result in a R1.5 million (2022: R3.4 million) change in the fair value of laying hens.
Cull market prices	A change in the market price would result in a R0.3 million (2022: R0.7 million) change in the fair value of laying hens.
Live bird market prices	A change in the market price would result in a R1.4 million (2022: R1.2 million) change in the fair value of broiler livestock.

The effect of an increase in market prices will result in an increase in the fair value of the livestock.

The carrying amounts of cash and cash equivalents, trade and other receivables less provision for impairment, trade and other payables and short-term borrowings are assumed to approximate their fair values due to the short-term maturity of these assets and liabilities.

38. Segment information

Management has determined the operating segments based on the reports reviewed on a regular basis by the CODM in order to make strategic decisions.

Reportable segments are divided into the following:

- Eggs
- Farming
- Animal feeds
- Other African countries
- Head office costs

Quantum Foods comprises eggs, broiler and layer farming and animal feeds in South Africa and the businesses of Quantum Foods Zambia Ltd, Quantum Foods Uganda Ltd and Quantum Foods Mozambique, S.A.

The egg business is the commercial egg business, which consists of the sale of ungraded eggs and the processing of eggs in the pack stations and distribution thereof, to the market.

The layer farming business includes the layer livestock and commercial layer farms. The broiler farming business includes the broiler livestock and commercial broiler farms. The broiler farming and layer farming operating segments are aggregated for segment reporting. Both operations have similar risk profiles, being the production risk inherent to live bird farming. The exposure of these operations to market risk is lower than the exposure to production risk.

The animal feeds business produces animal feed at its feed mills located in South Africa, and delivers the manufactured product to the market (its customers).

The nature of the Quantum Foods Zambia, Quantum Foods Uganda and Quantum Foods Mozambique businesses' operations are similar. They comprise predominantly the production and sale of animal feeds, commercial eggs and day-old chicks. Based on management's assessment these three entities are aggregated for segmental reporting due to the homogeneous nature of their economic characteristics, similarity in their risk profiles, the nature of their production processes as well as their customer and distribution profiles.

The segment results disclosed per segment below are the CODM's measure of each segment's operational performance. The measure represents operating profit as per the statement of comprehensive income.

External revenue and all other items of income, expenses, profits and losses reported in the segment report are measured in a manner consistent with that in the statement of comprehensive income.

Segment assets consist of property, plant and equipment, intangible assets, inventories, biological assets, trade and other receivables and derivative financial instrument assets and exclude cash and cash equivalents, investment in associates and deferred and current income tax assets.

Segment liabilities consist of trade and other payables, provisions for other liabilities and charges, and derivative financial instrument liabilities, and exclude current and deferred income tax liabilities.

Segment capital expenditure consists of additions and replacements of property, plant, equipment and intangible assets.

38. Segment information (continued)

	Eggs	Farming	Animal Feeds	Other African countries	Head office costs	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Material items included in the consolidated statement of comprehensive income						
For the year ended 30 September 2023						
Segment revenue	1 322 275	1 840 995	3 358 828	442 847	–	6 964 945
Less: Internal revenue	–	(12 370)	–	–	–	(12 370)
External revenue	1 322 275	1 828 625	3 358 828	442 847	–	6 952 575
Staff costs[1, 2, 4, 6]	112 768	216 931	155 684	54 004	–	539 387
Energy costs[1, 6]	11 009	127 144	63 338	10 473	–	211 964
Maintenance[1, 6]	6 948	62 861	30 712	13 424	–	113 945
Depreciation and amortisation[1, 6]	19 195	41 768	24 601	24 319	–	109 883
Cleaning[1, 6]	3 485	46 485	3 230	6 684	–	59 884
Office expenses[4]	14 663	20 242	18 697	6 283	6 194	66 079
Transport and distribution costs[1, 2]	108 557	72 619	93 472	12 646	–	287 294
Livestock written off[1]	–	155 278	–	–	–	155 278
Items of a capital nature per segment included in other gains/(losses) – net	–	(1 055)	(658)	506	–	(1 207)
Segment results (operating (loss)/profit)	(42 367)	(81 365)	103 510	(863)	(14 838)	(35 923)
Investment income	–	–	–	2 918	2 559	5 477
Finance costs	–	–	–	(301)	(23 284)	(23 585)
Share of profit of associate company	–	–	–	–	1 070	1 070
(Loss)/profit before income tax per statement of comprehensive income	(42 367)	(81 365)	103 510	1 754	(34 493)	(52 961)

Material expenses by nature included above are disclosed in note 22.2 with a numeral that indicated the expense by function as in note 22.1.

1 *Cost of sales.*
2 *Sales and distribution costs.*
3 *Marketing costs.*
4 *Administrative expenses.*
5 *Net impairment losses on trade and other receivables.*
6 *Other operating expenses.*

38. Segment information (continued)

	Eggs R'000	Farming R'000	Animal Feeds R'000	Other African countries R'000	Head office costs R'000	Total R'000
Material items included in the consolidated statement of comprehensive income						
For the year ended 30 September 2022						
Segment revenue	1 350 127	1 597 375	2 688 142	394 409	–	6 030 053
Less: Internal revenue	–	(9 495)	–	–	–	(9 495)
External revenue	1 350 127	1 587 880	2 688 142	394 409	–	6 020 558
Staff costs[1, 2, 4, 6]	112 079	213 176	142 793	44 597	–	512 645
Energy costs[1, 6]	8 800	99 805	45 435	8 569	–	162 609
Maintenance[1, 6]	6 327	59 910	25 428	11 643	–	103 308
Depreciation and amortisation[1, 6]	19 492	41 631	22 222	23 613	–	106 958
Cleaning[1, 6]	3 354	41 091	3 708	4 833	–	52 986
Office expenses[4]	15 000	19 511	18 758	4 552	2 680	60 501
Transport and distribution costs[1, 2]	117 954	76 541	85 042	7 310	–	286 847
Livestock written off[1]	–	18 806	–	–	–	18 806
Items of a capital nature per segment included in other gains/(losses) – net	(81)	1 431	(49)	(186)	–	1 115
Impairment of intangible assets	–	–	(5 428)	–	–	(5 428)
Segment results (operating (loss)/profit)	(42 185)	(14 007)	87 832	18 476	(17 611)	32 505
Investment income	–	–	–	3 371	873	4 244
Finance costs	–	–	–	(269)	(16 032)	(16 301)
Share of loss of associate company	–	–	–	–	(180)	(180)
(Loss)/profit before income tax per statement of comprehensive income	(42 185)	(14 007)	87 832	21 578	(32 950)	20 268

Material expenses by nature included above are disclosed in note 22.2 with a numeral that indicated the expense by function as in note 22.1.

1 *Cost of sales.*
2 *Sales and distribution costs.*
3 *Marketing costs.*
4 *Administrative expenses.*
5 *Net impairment losses on trade and other receivables.*
6 *Other operating expenses.*

38. Segment information (continued)

	2023 R'000	2022 R'000
Segment assets	**2 844 638**	3 053 532
– Eggs	**223 276**	293 544
– Farming	**1 259 526**	1 336 157
– Animal feeds	**875 726**	872 783
– Other African countries	**445 241**	482 462
– Head office costs	**40 869**	68 586
A reconciliation of the segments' assets to the Group's assets is provided below:		
Segment assets per segment report	**2 844 638**	3 053 532
Adjusted for:		
Investment in associate	**11 200**	10 130
Current and deferred income tax assets	**6 425**	3 286
Cash and cash equivalents	**71 365**	63 845
Total assets per statement of financial position	**2 933 628**	3 130 793
Segment liabilities	**681 297**	695 366
– Eggs	**84 100**	123 929
– Farming	**120 196**	110 854
– Animal feeds	**433 908**	420 910
– Other African countries	**20 099**	20 141
– Head office costs	**22 994**	19 532
A reconciliation of the segments' liabilities to the Group's liabilities is provided below:		
Segment liabilities per segment report	**681 297**	695 366
Adjusted for:		
Current and deferred income tax liabilities	**236 395**	259 731
Bank overdraft	**–**	74 908
Total liabilities per statement of financial position	**917 692**	1 030 005
Total segment capital expenditure	**142 534**	125 224
– Eggs	**2 350**	3 881
– Farming	**59 046**	77 214
– Animal feeds	**42 557**	18 561
– Other African countries	**34 455**	15 297
– Head office costs	**4 126**	10 271

38. Segment information (continued)

Geographical information

The Group mainly operates in South Africa. Other operations are located in other African countries. Due to the immaterial extent of operations in individual foreign countries in relation to South Africa, these foreign countries were grouped together as a single geographical segment.

Revenue derived by Group companies domiciled in South Africa is classified as revenue from South Africa. Revenue derived by Group companies domiciled in other countries is disclosed as foreign revenue. The same principles apply to segment assets and capital expenditure.

	2023 R'000	2022 R'000
External revenue	**6 952 575**	6 020 558
South Africa	**6 509 728**	5 626 149
Other African countries	**442 847**	394 409
Total segment non-current assets	**1 420 267**	1 416 940
South Africa	**1 135 021**	1 123 876
Other African countries	**285 246**	293 064
Total segment capital expenditure	**142 534**	125 224
South Africa	**108 079**	109 927
Other African countries	**34 455**	15 297

39. Retirement benefits

The Group contributes to provident funds for all its South African employees which are administered by several service providers. These provident funds are defined contribution plans which are arranged and governed by the Pension Fund Act of 1956, and no actuarial valuation is required.

40. Events after the reporting period

Dividend

The Board has resolved not to declare a final dividend for the year ended 30 September 2023 (2022: nil cents).

No interim dividend per ordinary share was declared and paid during the year (2022: 8.0 cents).

HPAI

The current outbreak of HPAI continued to impact the Group's operations in the northern parts of South Africa after year-end. Flock health is continuously monitored, and regular testing for the virus is done. Livestock that tested positive for the HPAI virus until 9 October 2023 were considered infected by the virus on 30 September 2023, due to the incubation period of the virus. All birds which tested positive up to this date were written off in full and included in the total balance of R155.3 million written off during the current reporting period.

The value of livestock infected after year-end and up to the date of approval of the consolidated annual financial statements amounted to R23.3 million. This value will be written off in the 2024 financial year.

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 consolidated annual financial statements by the Board.

41. Going concern statement

The Board evaluated the going concern assumption as at 30 September 2023. As part of its assessment, the Board considered the following:

- the Group's cash flow forecasts for the next 12 months following year-end in terms of their current knowledge and expectations of ongoing developments, including the impact of the current outbreak of HPAI;
- the Group's ability to settle its obligations as they become due and payable in the next 12 months;
- the solvency and liquidity ratios of the Group; and
- the current and forecasted debt utilisation of the Group.

The impact of the current outbreak of HPAI on the cash flow forecast includes the fact that all farms infected by HPAI will be cleaned and sanitised on a rotational basis. The process to restock farms impacted by the current outbreak of HPAI, will take approximately 12 months. The culling and cleaning cost as well as the cash outflow to restock the impacted farms were considered in the cash flow forecasts.

The Group obtained a term loan facility of R100 million from Rand Merchant Bank which is effective from 25 October 2023. The term loan facility will provide the Group's South African businesses with additional liquidity for working capital investment and expansion projects.

The loan is secured by:

- a mortgage bond registered over the Malmesbury Feedmill plant;
- a notarial bond registered over the Malmesbury Feedmill plant equipment; and
- the shares held by the Company in Quantum Foods (Pty) Ltd.

The Board has a reasonable expectation that the Group and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

42. Remuneration of directors

	Basic salary	Travel allowances	Bonuses and incentives	Retirement fund contributions	Long-term incentives	Directors' fees	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
30 September 2023							
Executive directors							
HA Lourens	**3 940**	**62**	**694**	**426**	**1 113**	**–**	**6 235**
AH Muller	**2 573**	**88**	**594**	**283**	**321**	**–**	**3 859**
Total executive directors	**6 513**	**150**	**1 288**	**709**	**1 434**	**–**	**10 094**
Non-executive directors							
WA Hanekom	**–**	**–**	**–**	**–**	**–**	**532**	**532**
GG Fortuin	**–**	**–**	**–**	**–**	**–**	**515**	**515**
TJA Golden	**–**	**–**	**–**	**–**	**–**	**441**	**441**
LW Riddle	**–**	**–**	**–**	**–**	**–**	**441**	**441**
G Vaughan-Smith	**–**	**–**	**–**	**–**	**–**	**356**	**356**
Total non-executive directors	**–**	**–**	**–**	**–**	**–**	**2 285**	**2 285**
Total directors	**6 513**	**150**	**1 288**	**709**	**1 434**	**2 285**	**12 379**
30 September 2022							
Executive directors							
HA Lourens	3 740	62	–	405	3 414	–	7 621
AH Muller	2 407	88	–	265	827	–	3 587
Total executive directors	6 147	150	–	670	4 241	–	11 208
*Non-executive directors^*							
WA Hanekom	–	–	–	–	–	752	752
GG Fortuin	–	–	–	–	–	676	676
TJA Golden	–	–	–	–	–	600	600
LW Riddle	–	–	–	–	–	600	600
G Vaughan-Smith	–	–	–	–	–	504	504
Total non-executive directors	–	–	–	–	–	3 132	3 132
Total directors	6 147	150	–	670	4 241	3 132	14 340

^ *The non-executive directors' fees were paid for the period 1 April 2021 to 30 September 2022 following the approval of the special resolution at the AGM on 25 February 2022.*

42. Remuneration of directors (continued)

Directors' share appreciation rights ("SARs")

	Number of SARs initially allocated	Date awarded	Exercisable up to date	Strike price Cents	Fair value per SAR at grant date* Cents	Fair value of total SARs granted during the year R'000	Number of SARs redeemed cumulative	Number of SARs redeemed in current year	Number of SARs forfeited** in current year	Exercise price at date of redemption Cents	Value increase from strike price to price at redemption R'000	Number of SARs not redeemed
30 September 2023												
Executive directors												
HA Lourens	**2 267 972**	**2018/02/22**	**2024/02/22**	**391**	**–**	**–**	**2 267 972**	**755 992**	**377 996**	**545**	**583**	**–**
	1 912 728	**2019/02/11**	**2025/02/11**	**425**	**–**	**–**	**1 275 152**	**637 576**	**318 788**	**496**	**227**	**637 576**
	1 404 498	**2020/02/17**	**2026/02/17**	**357**	**–**	**–**	**468 166**	**468 166**	**234 083**	**486**	**303**	**936 332**
	1 168 730	**2021/02/15**	**2027/02/15**	**609**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 168 730**
	1 737 372	**2022/02/21**	**2028/02/21**	**539**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1 737 372**
	1 891 234	**2022/02/23**	**2029/02/21**	**474**	**170**	**3 215**	**–**	**–**	**–**	**–**	**–**	**1 891 234**
AH Muller	**656 978**	**2018/02/22**	**2024/02/22**	**391**	**–**	**–**	**656 978**	**218 994**	**109 497**	**545**	**169**	**–**
	497 266	**2019/02/11**	**2025/02/11**	**425**	**–**	**–**	**331 508**	**165 754**	**82 877**	**496**	**59**	**165 758**
	433 542	**2020/02/17**	**2026/02/17**	**357**	**–**	**–**	**144 514**	**144 514**	**72 257**	**486**	**93**	**289 028**
	307 084	**2021/02/15**	**2027/02/15**	**609**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**307 084**
	514 604	**2022/02/21**	**2028/02/21**	**539**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**514 604**
	544 220	**2022/02/23**	**2029/02/21**	**474**	**170**	**925**	**–**	**–**	**–**	**–**	**–**	**544 220**
30 September 2022												
Executive directors												
HA Lourens	2 280 786	2017/02/23	2023/02/23	309	–	–	2 280 786	760 262	–	611	2 295	–
	2 267 972	2018/02/22	2024/02/22	391	–	–	1 511 980	755 990	377 995	589	750	755 992
	1 912 728	2019/02/11	2025/02/11	425	–	–	637 576	637 576	318 788	540	369	1 275 152
	1 404 498	2020/02/17	2026/02/17	357	–	–	–	–	–	–	–	1 404 498
	1 168 730	2021/02/15	2027/02/15	609	–	–	–	–	–	–	–	1 168 730
	1 737 372	2022/02/21	2028/02/21	539	190	3 301	–	–	–	–	–	1 737 372
AH Muller	510 736	2017/02/23	2023/02/23	309	–	–	510 736	170 248	–	611	514	–
	656 978	2018/02/22	2024/02/22	391	–	–	437 984	218 992	109 496	589	217	218 994
	497 266	2019/02/11	2025/02/11	425	–	–	165 754	165 754	82 877	540	96	331 512
	433 542	2020/02/17	2026/02/17	357	–	–	–	–	–	–	–	433 542
	307 084	2021/02/15	2027/02/15	609	–	–	–	–	–	–	–	307 084
	514 604	2022/02/21	2028/02/21	539	190	978	–	–	–	–	–	514 604

* *These fair values were calculated using the actuarial binomial option pricing model.*

** *These forfeitures are due to the performance conditions on the SAR's not being fully met.*

43. Directors' interest in shares

The direct and indirect interest of the directors in the issued share capital of the Company are reflected in the table below:

	Number of shares#			% of issued ordinary share capital
	Direct	Indirect	Total	
30 September 2023				
HA Lourens	**2 096 558**	**–**	**2 096 558**	**1.048**
AH Muller	**664 051**	**–**	**664 051**	**0.332**
WA Hanekom	**–**	**10 355 320**	**10 355 320**	**5.177**
GG Fortuin	**–**	**–**	**–**	**–**
TJA Golden	**–**	**–**	**–**	**–**
LW Riddle	**–**	**–**	**–**	**–**
G Vaughan-Smith^	**–**	**68 488 366**	**68 488 366**	**34.240**
	2 760 609	**78 843 686**	**81 604 295**	**40.797**
30 September 2022				
HA Lourens	2 008 054	–	2 008 054	1.004
AH Muller	653 457	–	653 457	0.327
WA Hanekom	–	10 355 320	10 355 320	5.177
GG Fortuin	–	–	–	–
TJA Golden	–	–	–	–
LW Riddle	–	–	–	–
G Vaughan-Smith^	–	67 893 179	67 893 179	33.942
	2 661 511	78 248 499	80 910 010	40.450

Notes:

^ *This interest in shares is held by an associate of the director, Aristotle Africa S.à r.l.*

There has been no change in the directors' interest in shares from the end of the financial year to the date of the approval of the annual financial statements. None of the shares held by directors are pledged as security.

Company Financial Statements

for the year ended 30 September 2023

Registration number 2013/208598/06

Company statement of financial position

as at 30 September 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets		**1 585 386**	1 585 386
Investment in subsidiary	3	**1 585 386**	1 585 386
Current assets		**1 061**	911
Trade and other receivables		**228**	198
Loan receivable from related party	5	**126**	–
Cash and cash equivalents		**707**	713
Total assets		**1 586 447**	1 586 297
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent		**1 585 851**	1 578 240
Share capital	4	**1 465 069**	1 465 069
Retained earnings		**120 782**	113 171
Total equity		**1 585 851**	1 578 240
Current liabilities		**596**	8 057
Dividends payable		**421**	477
Trade and other payables		**175**	7 393
Borrowings from related party	5	**–**	187
Total liabilities		**596**	8 057
Total equity and liabilities		**1 586 447**	1 586 297

Company statement of comprehensive income

for the year ended 30 September 2023

	Notes	2023 R'000	2022 R'000
Revenue	6	**13 650**	32 000
Other income	7	**1 828**	2 505
Administrative expenses		**(5 575)**	(9 713)
Other operating expenses		**(2 336)**	(2 992)
Operating profit	8	**7 567**	21 800
Investment income	9	**44**	26
Profit before income tax		**7 611**	21 826
Income tax expense	10	**–**	–
Profit for the year		**7 611**	21 826
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**7 611**	21 826
Profit for the year attributable to owners of the parent		**7 611**	21 826
Total comprehensive income for the year attributable to owners of the parent		**7 611**	21 826

Company statement of changes in equity

for the year ended 30 September 2023

	Share capital R'000	Retained earnings R'000	Total R'000
Balance as at 1 October 2021	1 465 069	107 347	1 572 416
Total comprehensive income:			
Profit for the year	–	21 826	21 826
Interim dividend for 2022	–	(16 002)	(16 002)
Balance as at 30 September 2022	1 465 069	113 171	1 578 240
Balance as at 1 October 2022	**1 465 069**	**113 171**	**1 578 240**
Total comprehensive income:			
Profit for the year	**–**	**7 611**	**7 611**
Balance as at 30 September 2023	**1 465 069**	**120 782**	**1 585 851**
Note	4		

Company statement of cash flows

for the year ended 30 September 2023

	Notes	2023 R'000	2022 R'000
Cash flow from operating activities		**(13 331)**	(3 874)
Cash loss from operating activities	12	**(6 083)**	(10 200)
Working capital changes	13	**(7 248)**	6 326
Cash flow from investing activities		**13 694**	32 026
Interest received	9	**44**	26
Dividends received	6	**13 650**	32 000
Cash surplus		**363**	28 152
Cash flow from financing activities		**(369)**	(28 130)
Loan received from related party	5	**15 541**	6 916
Loan repaid to related party	5	**(15 854)**	(19 051)
Dividends paid to ordinary shareholders	14	**(56)**	(15 995)
(Decrease)/increase in cash and cash equivalents		**(6)**	22
Cash and cash equivalents at beginning of year		**713**	691
Cash and cash equivalents at end of year		**707**	713

Notes to the Company financial statements

for the year ended 30 September 2023

	2023 R'000	2022 R'000

1. Accounting policies

The Company applies the same principal accounting policies as the Group in the preparation of these financial statements. Refer to the accounting policies on page 16.

2. Critical accounting estimates and judgements

The Company applies the same accounting estimates and judgements as the Group. Refer to note 2 of the Group financial statements.

3. Interest in subsidiary

Cost of shares

	2023 R'000	2022 R'000
Quantum Foods (Pty) Ltd	**1 585 386**	1 585 386

The Company holds a 100% interest in the subsidiary listed above.

The subsidiary is incorporated in South Africa.

The interest in subsidiary was assessed for impairment at the end of the reporting period. The recoverable amounts of the relevant CGUs of the subsidiary were determined through fair value less cost to sell and value-in-use calculations. No impairment loss is recognised since the recoverable amount of the subsidiary exceeds the carrying value of the investment.

Refer to note 2 of the consolidated financial statements for further disclosure on the critical accounting estimates and judgements used as part of the impairment assessment.

4. Share capital

	2023 R'000	2022 R'000
Authorised – ordinary shares		
400 000 000 (2022: 400 000 000) ordinary no par value shares		
Issued and fully paid – ordinary shares		
200 024 716 (2022: 200 024 716) ordinary no par value shares	**1 465 069**	1 465 069

During the reporting period, nil (2022: nil) ordinary shares were repurchased by the Company and cancelled.

	2023 R'000	2022 R'000

5. Borrowings from/(to) related party

	2023 R'000	2022 R'000
Loan from/(to) Quantum Foods (Pty) Ltd		
Beginning of year	**187**	12 322
Loans advanced during the year	**15 541**	6 916
Loans repaid during the year	**(15 854)**	(19 051)
End of year	**(126)**	187

Unsecured interest-free loan with no fixed terms of repayment.

6. Revenue

	2023 R'000	2022 R'000
Dividends received from Quantum Foods (Pty) Ltd	**13 650**	32 000

7. Other income

	2023 R'000	2022 R'000
Administration fees received from Quantum Foods (Pty) Ltd	**1 828**	2 505

8. Operating profit

The operating profit is calculated after taking into account other income (refer to note 7), as well as the following:

	2023 R'000	2022 R'000
Auditors' remuneration*	**21**	20
Consulting fees*	**84**	6 542
Listing fees and shareholder communication*	**1 465**	1 479
Directors' remuneration** (refer to note 42 of the consolidated financial statements)	**2 285**	3 132

* *Included in administrative expenses in the statement of comprehensive income.*
** *Included in other operating expenses in the statement of comprehensive income.*

	2023 R'000	2022 R'000

9. Investment income

	2023 R'000	2022 R'000
Interest income on call accounts and other	**44**	26

10. Income tax expense

	2023 R'000	2022 R'000
Current income tax		
Current year	**–**	–

	%	%
Standard rate for companies*	**27.0**	28.0
Exempt income	**(48.4)**	(41.1)
Non-deductible expenditure	**21.4**	13.1
	–	–

** The South African corporate income tax rate has been lowered from 28% to 27% for years of assessments starting on or after 1 April 2022.*

Exempt income consists of R13.7 million (2022: R32.0 million) exempt local dividends received. Non-deductible expenses include the Company's total administrative expenses of R5.6 million (2022: R9.7 million) and other operating expenses of R2.3 million (2022: R3.0 million).

11. Dividend per ordinary share

	2023 R'000	2022 R'000
Interim nil cents (2022: 8 cents) per ordinary share	**–**	16 002
Final nil cents (2022: nil cents) per ordinary share	**–**	–
	–	16 002

Dividends payable are not accounted for until they have been declared by the Board. Withholding tax on dividends became effective from 1 April 2012 at a rate of 15%, which rate was increased to 20% from 22 February 2017.

	2023 R'000	2022 R'000

12. Cash loss from operating activities

	2023 R'000	2022 R'000
Reconciliation of profit before tax and cash loss from operating activities:		
Profit before income tax	**7 611**	21 826
Adjusted for:		
Dividends received	**(13 650)**	(32 000)
Interest received	**(44)**	(26)
	(6 083)	(10 200)

13. Working capital changes

	2023 R'000	2022 R'000
Increase in trade and other receivables	**(30)**	(108)
(Decrease)/increase in trade and other payables	**(7 218)**	6 434
	(7 248)	6 326

14. Dividends paid

	2023 R'000	2022 R'000
Amounts unpaid at beginning of year	**(477)**	(470)
As disclosed in statement of changes in equity	**–**	(16 002)
Amounts unpaid at end of year	**421**	477
	(56)	(15 995)

15. Financial instruments by category

	2023 R'000	2022 R'000
Assets as per statement of financial position		
Cash and cash equivalents – at amortised cost	**707**	713
Loan receivable from related party – at amortised cost	**126**	–
	833	713
Liabilities as per statement of financial position		
Dividends payable – at amortised cost	**421**	477
Trade and other payables – at amortised cost	**175**	7 393
Borrowings from related party – at amortised cost	**–**	187
	596	8 057

The trade and other receivables consist of prepaid expenses, which are not included in financial instruments.

16. Financial risk management

16.1 Credit risk

Financial assets that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents.

The Company deposits cash surpluses with financial institutions with a Moody's short-term credit rating of NP (2022: NP).

16.2 Liquidity risk

The disclosure in this note should be read together with the disclosure in note 37 of the consolidated financial statements, which includes a complete analyses of the liquidity risk of the Group and includes that of the Company.

At the end of the reporting period the Company had a loan receivable of R0.1 million (2022: loan payable of R0.2 million) from a wholly-owned subsidiary. The loan is repaid annually from dividends received from the wholly-owned subsidiary.

The Company has no other utilised or unutilised borrowing facilities from financial institutions.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2023 R'000	2022 R'000
Maturity analysis of financial liabilities		
Not later than 1 year		
Capital and interest – total		
Dividends payable	**421**	477
Trade and other payables	**175**	7 393
Borrowings from related party	**–**	187
	596	8 057

17. Going concern

Quantum Foods Holdings Ltd is the holding company of the Group. The Board evaluated the going concern assumption as at 30 September 2023, taking into account the current financial position and their best estimate of the cash flow forecasts for the next 12 months following year-end.

Based on this assessment, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue adopting the going concern basis in preparing the financial statements.

Shareholder information

for the year ended 30 September 2023

Shareholder distribution

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Ordinary shares				
Individuals	3 728	92.5	17 923 132	8.9
Nominees and trusts	183	4.5	4 308 742	2.2
Investment companies and corporate bodies	122	3.0	177 792 842	88.9
	4 033	100.0	200 024 716	100.0

Shareholder spread

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 30 September 2023, is as follows:

Public shareholding				
Braemar Trading Limited	1	0.0	61 620 084	30.8
Astral Operations Limited	1	0.0	19 550 855	9.8
Country Bird Holdings (Pty) Ltd	1	0.0	11 624 170	5.8
Other shareholders	4 025	99.9	25 533 457	12.8
Non-public shareholding				
Aristotle Africa S.à r.l.*	1	0.0	68 488 366	34.2
Directors	3	0.1	13 115 929	6.6
WA Hanekom	1	0.0	10 355 320	5.2
Other directors	2	0.0	2 760 609	1.4
Quantum Foods (Pty) Ltd	1	0.0	91 855	0.0
	4 033	100.0	200 024 716	100.0

* *Aristotle Africa S.à r.l. is an associate of G Vaughan-Smith, a director of the Company*

Major shareholders

Analysis of shareholding and shareholders holding 5% or more – ordinary shares:

Aristotle Africa S.à.r.l.	1	0.0	68 488 366	34.2
Braemar Trading Limited	1	0.0	61 620 084	30.8
Astral Operations Limited	1	0.0	19 550 855	9.8
Country Bird Holdings (Pty) Ltd	1	0.0	11 624 170	5.8
WA Hanekom	1	0.0	10 355 320	5.2

Shareholder range

Category	Number of ordinary shareholders	% of shareholders	Number of ordinary shares	% of total ordinary shares
Number of shares				
1 – 1 000 shares	2 971	73.7	474 434	0.2
1 001 – 10 000 shares	702	17.4	2 653 127	1.3
10 001 – 100 000 shares	311	7.7	9 388 033	4.7
100 001 – 1 000 000 shares	40	1.0	10 853 733	5.4
1 000 001 shares and over	9	0.2	176 655 389	88.4
	4 033	100.0	200 024 716	100.0

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